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**TRADE AGREEMENTS EXTENSION ACT
OF 1958**

STATEMENTS

ON

**H. R. 5495 SUBMITTED TO
THE COMMITTEE ON FINANCE**

UNITED STATES SENATE

**AND SUMMARY OF TESTIMONY ON RELATED PROVISIONS
OF H. R. 4294 BEFORE THE HOUSE COMMITTEE
ON WAYS AND MEANS**

EIGHTY-THIRD CONGRESS

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TRADE AGREEMENTS EXTENSION ACT OF 1953

This document contains testimony, statements, and summaries of testimony concerning extension of the Trade Agreements Act and other matters relevant thereto. It is composed of two sections. The first section includes summaries of all written statements submitted to the Senate Finance Committee with regard to H. R. 5495, following which all such statements are printed in full. The statements and testimony of official witnesses from the Executive Branch as submitted to the House Committee on Ways and Means on H. R. 4294 are included in full in the second section, which also contains a summary of all other testimony before the House committee. H. R. 5495 was derived from H. R. 4294.

H. R. 5495, 83D CONGRESS, 1ST SESSION

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Trade Agreements Extension Act of 1953".

TITLE I—FOREIGN-TRADE AGREEMENTS

SEC. 101. EXTENSION OF AUTHORITY.

The period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended and extended (19 U. S. C., sec. 1351), is hereby extended for a further period of one year from June 12, 1953.

SEC. 102. TIME FOR CERTAIN REPORTS BY TARIFF COMMISSION.

The first paragraph of subsection (a) of section 7 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1364) is hereby amended by striking out "one year" and inserting in lieu thereof "nine months". In the case of any application made under such first paragraph before the date of the enactment of this Act, the United States Tariff Commission shall make its report not later than whichever of the following is the earlier: (1) one year after the application was made, or (2) nine months after the date of the enactment of this Act.

TITLE II—UNITED STATES TARIFF COMMISSION

SEC. 201. MEMBERSHIP AND TERMS OF OFFICE.

(a) IN GENERAL.—Subsections (a) and (b) of section 330 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1330), are hereby amended to read as follows:

"(a) MEMBERSHIP.—The United States Tariff Commission (referred to in this title as the 'Commission') shall be composed of seven Commissioners appointed by the President by and with the advice and consent of the Senate. No person shall be eligible for appointment as a Commissioner unless he is a citizen of the United States, and, in the judgment of the President, is possessed of qualifications requisite for developing expert knowledge of tariff problems and efficiency in administering the laws administered by the Commission. Not more than four of the Commissioners shall be members of the same political party.

"(b) TERMS OF OFFICE.—The term of office of a Commissioner shall expire seven years from the expiration of the term for which his predecessor was appointed; except that any Commissioner appointed to fill a vacancy occurring

prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term."

(b) **EFFECTIVE DATE.**—Notwithstanding section 330 of the Tariff Act of 1930, as amended by subsection (a)—

(1) the term of office of any Commissioner in office on the date of the enactment of this Act, and the term of office of any Commissioner appointed to fill a vacancy in a term of office which commenced before such date of enactment, shall expire at the time provided therefor by such section 330 as in effect on the day prior to such date of enactment;

(2) the term of office of the Commissioner appointed to succeed the Commissioner whose term of office expires June 16, 1953, shall expire at the close of June 16, 1959; and

(3) the first term of office of the additional Commissioner provided for by the amendment made by subsection (a) shall expire at the close of June 16, 1960.

TITLE III—ESTABLISHMENT OF COMMISSION ON FOREIGN ECONOMIC POLICY

SEC. 301. ESTABLISHMENT OF THE COMMISSION.

There is hereby established a bipartisan commission to be known as the Commission on Foreign Economic Policy (in this title referred to as the "Commission").

SEC. 302. MEMBERSHIP OF THE COMMISSION.

(a) **NUMBER AND APPOINTMENTS.**—The Commission shall be composed of seventeen members as follows:

(1) Seven appointed by the President of the United States;

(2) Five appointed from the Senate by the Vice President of the United States; and

(3) Five appointed from the House of Representatives by the Speaker of the House of Representatives.

(b) **POLITICAL AFFILIATION.**—Of the first class of members specified in subsection (a), no more than four members shall be from the same political party. Of the second and third classes of members specified in subsection (a), no more than three members from each class shall be from the same political party.

SEC. 303. ORGANIZATION OF THE COMMISSION.

The President shall designate the member of the Commission who shall be the Chairman, and the member who shall be the Vice Chairman.

SEC. 304. QUORUM.

Four members of the class specified in paragraph (1) of section 302 (a), three members of the class specified in paragraph (2) thereof, and three members of the class specified in paragraph (3) thereof shall constitute a quorum; but a lesser number may conduct hearings.

SEC. 305. COMPENSATION OF MEMBERS OF THE COMMISSION.

(a) **MEMBERS OF CONGRESS.**—Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) **MEMBERS FROM THE EXECUTIVE BRANCH.**—The members of the Commission who are in the executive branch of the Government shall each receive the compensation which he would receive if he were not a member of the Commission, but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(c) **MEMBERS FROM PRIVATE LIFE.**—The members from private life shall receive not to exceed \$75 per diem when engaged in the performance of duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

SEC. 306. STAFF OF THE COMMISSION.

(a) **APPOINTMENT OF PERSONNEL.**—The Commission may appoint such personnel as it deems advisable, without regard to the civil-service laws, and shall fix the compensation of such personnel in accordance with the Classification Act of 1949, as amended. The Commission may procure temporary and inter-

mittent services in accordance with section 15 of the Act of August 2, 1946 (5 U. S. C., sec. 55a), but at rates not to exceed \$75 per diem for individuals. The Commission may reimburse employees, experts, and consultants for travel, subsistence, and other necessary expenses incurred by them in the performance of their official duties and make reasonable advances to such persons for such purposes.

(b) **CERTAIN LAWS NOT TO APPLY.**—Except for members of the Commission appointed by the Vice President or the Speaker of the House, and except for any member of the Commission who may be appointed by the President from the executive branch of the Government, service of an individual as a member of the Commission, employment of an individual pursuant to the first sentence of subsection (a), and service by a person pursuant to the second sentence of subsection (a), shall not be considered as service or employment bringing such person within the provisions of section 281, 283, 284, or 1014 of title 18 of the United States Code, or section 412 of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C., sec. 1584), or section 190 of the Revised Statutes (5 U. S. C., sec. 99).

SEC. 307. EXPENSES OF THE COMMISSION.

There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, so much as may be necessary to carry out the provisions of this title.

SEC. 308. REPORT—EXPIRATION OF THE COMMISSION.

(a) **REPORT.**—Within sixty days after the second regular session of the Eighty-third Congress is convened, the Commission shall make a report of its findings and recommendations to the President and to the Congress.

(b) **EXPIRATION OF THE COMMISSION.**—Ninety days after the submission to the Congress of the report provided for in subsection (a) of this section, the Commission shall cease to exist.

SEC. 309. DUTIES OF THE COMMISSION.

(a) **IN GENERAL.**—The Commission is directed, within the framework of our foreign policy and national security objectives, to examine, study, and report on the subject of the foreign economic policy of the United States and to recommend policies, measures, and practices that will encourage further investment overseas and currency convertibility, and foster the highest possible levels of trade consistent with the national security and a strong domestic economy.

(b) **CERTAIN OF THE MATTERS TO BE CONSIDERED AND REPORTED ON.**—Without limiting the general scope of the direction to the Commission contained in subsection (a), the Commission shall consider, and shall report on, the following matters:

- (1) (A) Applicable provisions of the Constitution of the United States;
- (B) Laws, regulations, and practices of the United States relating to international trade, including such matters as tariffs, customs, customs administration, trade agreements, peril point and escape procedures, opinions and decisions thereon of the United States Tariff Commission and the President, import and export quotas, monetary licenses, countervailing duties, and procurement preferences;
- (C) Departments, agencies, boards, commissions, bureaus, and other instrumentalities of the United States having jurisdiction over, or dealing with, these matters;
- (D) Laws, regulations, and practices and official instrumentalities of other nations concerned with similar subject matters;
- (E) Pertinent statistics on international trade; and
- (F) Balance of payments, nation by nation; and the causes and effects of, and proposed remedies for, excessive imbalances.
- (2) Relationship of our foreign economic policies to, and their influences on, our total foreign policy; and the proper relationship of each to the other.
- (3) Effect of our foreign aid and military defense programs on international trade and international balance of payments.
- (4) Foreign markets of trading nations—extent and nature; and the effect thereon of wars, other emergencies, technological advances, international relations, and other pertinent factors.
- (5) International instrumentalities, organizations, and agreements and practices affecting trade, such as the General Agreement on Tariffs and Trade, Customs Unions, Organization for European Economic Cooperation,

International Wheat Agreement, cartels, European Payments Union, European Coal and Steel Community, and International Monetary Fund.

(6) Foreign investment capital and the flow of investment capital between nations—need thereof—restrictions thereon—inducements necessary to encourage—role of the Export-Import Bank and of the International Bank for Reconstruction and Development.

(7) Effects on international trade of factors such as costs of production and pricing, labor practices and standards, general living standards, currency manipulation, inconvertible currencies, official inflationary policies, currency devaluations, exchange controls and licenses, quotas, embargoes, dumping and pricing practices, multiple currencies, bilateral trade agreements, barter arrangements, customs procedures, marking and transit problems, concealed regulation of exports and imports, preferential tariff system, most-favored nation treatment, government monopolies, state-controlled economies, state trading, and state-subsidized trading.

(8) Effect of existing and proposed trade policies on the promotion of peace and security and the betterment of political, social, and economic life, domestic and foreign.

SEC. 310. POWERS OF THE COMMISSION.

(a) **HEARINGS AND SESSIONS.**—The Commission or, on the authorization of the Commission, any subcommittee or member thereof, shall have power to hold hearings and to sit and act at such times and places, within the United States or elsewhere, to take such testimony, and to make such lawful expenditures, as the Commission or such subcommittee or member may deem advisable.

(b) **OBTAINING OFFICIAL DATA.**—The Commission is authorized to request from any department, agency, or independent instrumentality of the Government any information it deems necessary to carry out its functions under this title; and each such department, agency, and instrumentality is authorized to furnish such information to the Commission, upon request made by the Chairman or by the Vice Chairman when acting as Chairman.

Passed the House of Representatives June 15, 1953.

Attest:

LYLE O. SNADEB, *Clerk.*

[H. Rept. No. 521, 83d Cong., 1st sess.]

TRADE AGREEMENTS EXTENSION ACT OF 1953

The Committee on Ways and Means, to whom was referred the bill (H. R. 5495) 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, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSES

The purposes of H. R. 5495 are to—

1. Extend until June 12, 1954, the authority of the President under section 350 of the Tariff Act of 1930, as amended, to enter into trade agreements as requested by the President;
2. Reduce from 1 year to 9 months the period within which the Tariff Commission must make its investigation and report on applications for relief under the escape clause;
3. Increase the membership of the Tariff Commission from 6 to 7; and
4. Establish a temporary bipartisan commission to be known as the "Commission on Foreign Economic Policy" which will provide the mechanism for a thorough examination of our foreign economic policy as recommended by the President.

GENERAL STATEMENT

1-year extension (title I, sec. 101)

H. R. 5495 would extend for 1 year until June 12, 1954, the authority of the President under section 350 of the Tariff Act of 1930, as amended, to enter into trade agreements. The following is the President's message to the Congress requesting this 1-year extension:

THE WHITE HOUSE, April 7, 1953.

To the Congress of the United States:

In my state of the Union message I recommended that "the Congress take the Reciprocal Trade Agreements Act under immediate study and extend it by appropriate legislation."

I now recommend that the present act be renewed for the period of 1 year.

I propose this action as an interim measure. As such, it will allow for the temporary continuation of our present trade program pending completion of a thorough and comprehensive reexamination of the economic foreign policy of the United States.

I believe that such a reexamination is imperative in order to develop more effective solutions to the international economic problems today confronting the United States and its partners in the community of free nations. It is my intention that the executive branch shall consult with the Congress in developing recommendations based upon the studies that will be made.

Our trade policy is only one part, although a vital part, of a larger problem. This problem embraces the need to develop, through cooperative action among the free nations, a strong and self-supporting economic system capable of providing both the military strength to deter aggression and the rising productivity that can improve living standards.

No feature of American policy is more important in this respect than the course which we set in our economic relations with other nations. The long-term economic stability of the whole free world and the overriding question of world peace will be heavily influenced by the wisdom of our decisions. As for the United States itself, its security is fully as dependent upon the economic health and stability of the other free nations as upon their adequate military strength.

The problem is far from simple. It is a complex of many features of our foreign and domestic programs. Our domestic economic policies cast their shadows upon nations far beyond our borders. Conversely, our foreign economic policy has a direct impact upon our domestic economy. We must make a careful study of these intricate relationships in order that we may chart a sound course for the Nation.

The building of a productive and strong economic system within the free world—one in which each country may better sustain itself through its own efforts—will require action by other governments, as well as by the United States, over a wide range of economic activities. These must include adoption of sound internal policies, creation of conditions fostering international investment, assistance to underdeveloped areas, progress toward freedom of international payments and convertibility of currencies, and trade arrangements aimed at the widest possible multilateral trade.

In working toward these goals, our own trade policy as well as that of other countries should contribute to the highest possible level of trade on a basis that is profitable and equitable for all. The world must achieve an expanding trade, balanced at high levels, which will permit each nation to make its full contribution to the progress of the free world's economy and to share fully the benefits of this progress.

The solution of the free world's economic problem is a cooperative task. It is not one which the United States, however strong its leadership and however firm its dedication to these objectives, can effectively attack alone. But two truths are clear: the United States share in this undertaking is so large as to be crucially important to its success—and its success is crucially important to the United States. This last truth applies with particular force to many of our domestic industries and especially to agriculture with its great and expanding output.

I am confident that the governments of other countries are prepared to do their part in working with us toward these common goals, and we shall from time to time be consulting with them. The extension for 1 year of the present Reciprocal Trade Agreements Act will provide us the time necessary to study and define a foreign economic policy which will be comprehensive, constructive, and consistent with the needs both of the American economy and of American foreign policy.

DWIGHT D. EISENHOWER.

Reduction in time for Tariff Commission to make its investigation and report (sec. 102)

Under existing law (sec. 7 of the Trade Agreements Extension Act of 1951) the Tariff Commission has 1 year from the time relief under the escape clause is requested to complete its investigation and report. Your committee believes that this period is unnecessarily long and H. R. 5495 therefore reduces this period to 9 months. Your committee understands that the Tariff Commission does not object in this 3 months' reduction, and is assured that this reduction in time will in no way handicap the Tariff Commission in its work.

Increase in membership of the Tariff Commission (title II, sec. 201)

The Tariff Commission is presently composed of six Commissioners. Your committee believes that the effectiveness of the Commission will be enhanced by increasing the membership of the Commission from 6 to 7, and H. R. 5495 so provides.

Establishment of Commission on Foreign Economic Policy (title III)

In his message to the Congress on April 7 requesting a 1-year extension of the present Reciprocal Trade Agreements Act, President Eisenhower referred to the need for a thorough reexamination of our whole foreign economic policy. In a letter to the Speaker of the House (set forth in full at end of General Statement) on May 1, 1953, President Eisenhower recommended that a Commission be established to make this review. In accordance with the President's request, H. R. 5495 establishes a temporary bipartisan commission to be known as the Commission on Foreign Economic Policy.

ORGANIZATION OF THE COMMISSION

H. R. 5495 provides that the Commission shall be composed of 17 members, of whom 7 would be appointed by the President, 5 by the Vice President from the Members of the Senate, and 5 by the Speaker of the House from the Members of the House. No more than 4 of the members appointed by the President could be from the same political party and no more than 3 of the 5 members appointed by the Vice President and the Speaker of the House, respectively, could be from the same political party.

The Chairman and Vice Chairman of the Commission are to be designated by the President. A quorum shall consist of a majority of each of the three classes of members of the Commission.

COMPENSATION OF MEMBERS OF THE COMMISSION

Senators and Representatives who serve on the Commission are not to receive any additional compensation for their duties as members of the Commission. However, it is provided that they shall be reimbursed for travel, subsistence, and other necessary expenses arising from the performance of their duties as members of the Commission. Likewise, members of the Commission who are also serving in the executive branch of the Government are not to receive additional compensation for their services on the Commission, and it is provided that they shall have the same reimbursement for travel, subsistence, and other necessary expenses as the members who are also Members of Congress.

H. R. 5495 provides that members from private life shall be paid on a per diem basis at a rate not to exceed \$75 per day when engaged in the performance of the Commission's duties. These members also are to have the same reimbursement for travel, subsistence, and other necessary expenses as the other members.

RECOMMENDATIONS AND EXPIRATION OF THE COMMISSION

The Commission is directed to submit to the President and to the Congress a report of its findings and recommendations within 60 days after the convening of the 2d regular session of the 83d Congress. The Commission would cease to exist 90 days after the submission to the President and the Congress of its final report.

EXPENSES AND STAFF OF THE COMMISSION

Your committee appreciates that the comprehensive examination and study contemplated will require intensive effort if its objectives are to be achieved in time to provide a basis for legislation during the 2d session of the 83d Congress. Consequently, the legislation contains a general authorization for appropriations

and grants broad authority to the Commission to employ staff personnel, experts, and consultants.

DUTIES OF THE COMMISSION

The Commission is directed, within the framework of our foreign policy and national security objectives, to examine, study, and report on the subject of the foreign economic policy of the United States and to recommend policies, measures, and practices that will encourage further investment overseas and currency convertibility, and foster the highest possible levels of trade consistent with the national security and a strong domestic economy.

The detailed specification of the matters to be considered and reported on by the Commission are not intended as a limitation on the scope of the contemplated study. These matters are merely illustrative and indicate the broad design and purpose of the Commission.

POWERS OF THE COMMISSION

The Commission or, on the authorization of the Commission, any subcommittee or member thereof, shall have power to hold hearings and to sit and act at such times and places, within the United States or elsewhere, to take such testimony, and to make such lawful expenditures, as the Commission or such subcommittee or member may deem advisable.

The Commission is authorized to request from any department, agency, or independent instrumentality of the Government any information it deems necessary to carry out its functions under this title; and each such department, agency, and instrumentality is authorized to furnish such information to the Commission, upon request made by the Chairman or by the Vice Chairman when acting as Chairman.

The letter referred to is as follows:

THE WHITE HOUSE,
Washington, May 1, 1953.

The SPEAKER,

The United States House of Representatives, Washington, D. C.

DEAR MR. SPEAKER: In the message which I sent to the Congress on April 7 requesting a 1-year extension of the present Reciprocal Trade Agreements Act, I referred to the need for a thorough reexamination of our whole foreign economic policy.

I now recommend that a commission be established to make this review. The review should provide the basis for action during the next session of the Congress.

It is my belief that the proposed Commission should be made up of Members of the Congress appointed by the Vice President and the Speaker of the House, and members appointed by myself from outside the Congress. It should be representative of both major parties. This is appropriate since commercial policy is an integral part of our total foreign policy for which broad national support is vital.

This Commission naturally should work within the framework of our foreign policy and our global defense plans. Close liaison should be maintained with the group set up under the auspices of the State Department to follow up the economic and financial talks held earlier this spring between the United States and various European countries.

The Commission should study all existing legislation and the regulations and administrative procedures stemming from it which bear directly on our foreign economic relations. This review should seek to determine how these laws can be modified or improved so as to achieve the highest possible levels of international trade without subjecting parts of our economy to sudden or serious strains.

An inquiry of this nature is imperative. The economic policy of this Nation exercises such a profound influence on the entire free world that we must consider carefully each step we take. Changes in foreign economic policy—even those which at first have relatively slight consequences within this country—may either strengthen our allies or plunge them into a downward spiral of trade and payment restrictions, lower production, and declining living standards.

Our foreign economic policy also has important implications here at home. Declining imports will necessarily mean falling exports, resulting in a serious loss of markets for our agriculture and other industries. Expanded imports may require some adjustments in our country. We must make sure that changes in foreign economic policy consonant with our position as the world's greatest creditor nation do not benefit particular groups at the expense of the national welfare,

but we must also make sure that such changes do not place unequal burdens on particular groups.

As I indicated in my previous message, the achievement of a strong and self-supporting economic system in the free world, capable of providing adequate defense against aggression and of achieving rising standards of living, must be a cooperative effort. Through increasing two-way international trade and stimulating in every practical way the flow of private investment abroad we can strengthen the free world, including ourselves in natural and healthy ways. By so doing, we can lessen and ultimately eliminate the heavy burden of foreign aid which we now bear. Both we and our friends abroad earnestly desire to see regular trade and investment replace grant assistance.

In launching a broad-gage study into the question of what our foreign economic policy should be, I think we can prepare the way for a fuller utilization of the economic strength of the free world in the cause of peace and prosperity.

Sincerely,

DWIGHT D. EISENHOWER.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

"SECTION 7 (A) OF THE TRADE AGREEMENTS EXTENSION ACT OF 1951

“(Public Law 50, 82d Cong.)

“SEC. 7. (a) Upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon application of any interested party, the United States Tariff Commission shall promptly make an investigation and make a report thereon not later than ~~one year~~ *nine months* after the application is made to determine whether any product upon which a concession has been granted under a trade agreement 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.

"SECTION 330 OF THE TARIFF ACT OF 1930, AS AMENDED

“(19 U. S. C., sec. 1830)

"SEC. 330. ORGANIZATION OF THE COMMISSION

“(a) MEMBERSHIP.—The United States Tariff Commission (referred to in this title as the ~~“commission”~~ *“Commission”*) shall be composed of ~~six~~ *seven* ~~commissioners~~ *Commissioners* appointed by the President by and with the advise and consent of the ~~Senate~~, but each member now in office shall continue to serve until his successor (as designated by the President at the time of nomination) takes office, but in no event for longer than ~~September 16, 1930~~ *Senate*. No person shall be eligible for appointment as a ~~commissioner~~ *Commissioner* unless he is a citizen of the United States, and, in the judgment of the President, is possessed of qualifications requisite for developing expert knowledge of tariff problems and efficiency in administering the ~~provisions of Part II of this title~~ *laws administered by the Commission*. Not more than ~~three~~ *four* of the ~~commissioners~~ *Commissioners* shall be members of the same political party, and in making appointments members of different political parties shall be appointed alternately as nearly as may be practicable *party*.

“(b) TERMS OF OFFICE.—~~Terms of office of the commissioners first taking office after June 17, 1930, shall expire, as designated by the President at the time of nomination, one at the end of each of the first six years after the date of the enactment of this Act.~~ The term of office of a ~~successor to any such commissioner~~ *Commissioner* shall expire ~~six~~ *seven* years from the ~~date of the~~ *expiration of the term for which his predecessor was* ~~appointed~~ *appointed*; except that any ~~commissioner~~ *Commissioner* appointed to fill a vacancy

occurring prior to the expiration of the term for which his predecessor was [appointed.] appointed shall be appointed for the remainder of such term.

SUPPLEMENTAL VIEWS

We regret that the committee did not see fit to act favorably on H. R. 4294 (a bill by Congressman Simpson of Pennsylvania, to extend until June 12, 1954, the authority of the President to enter into trade agreements) on which extensive public hearings were held by the Ways and Means Committee. This bill could and should have been amended by the committee to include the establishment of the bipartisan study commission recommended by the President as is contained in H. R. 5495. If this had been done, H. R. 4294 would have contained the provisions requested by the President (i. e., a 1-year extension and establishment of the study commission) together with those safeguarding provisions to our domestic workers and producers under the trade agreements program which we believe should be enacted.

We are opposed to H. R. 5495 because we believe that the passage of this bill will jeopardize enactment of H. R. 5496, which bill is substantially identical in its safeguarding features to H. R. 4294. We believe these safeguarding provisions are essential to the maintenance of a strong domestic economy. Moreover, testimony before our committee on H. R. 4294 revealed that, among others, our domestic oil producers, all segments of our coal industry and its related affiliates, including the leading coal-carrying railroads, together with an increasing number of smaller industries, such as pottery, glass, watch, fisheries, and many others are in dire need of realistic protection. This protection should, in our judgment, be provided and the failure to include this protection in H. R. 5495 is a serious mistake.

THOMAS A. JENKINS.
NOAH M. MASON.

VIEWS OF THE MINORITY MEMBERS OF THE COMMITTEE

We, the Democratic minority, unanimously and wholeheartedly disagree with the provision in the bill, H. R. 5495, which would "pack" the Tariff Commission by changing it from a nonpartisan, factfinding body to a partisan body by increasing its membership from 6 to 7 members and providing that "not more than four of the Commissioners shall be members of the same political party."

Ever since the establishment of a permanent Tariff Commission in 1916, Congress has always intended that it be a nonpartisan body and has very carefully avoided any legislative changes which would even indicate that it should be a partisan body.

We are very concerned by the fact that the proposal to increase the Tariff Commission membership from 6 to 7 and to make it a political body is sponsored by those who opposed the reciprocal trade agreements program in its inception in 1934 and upon every renewal of the program since. This attempt at packing the Commission so as to make it a partisan political body is an attempt to do indirectly what could not be accomplished directly.

The President has recommended " * * * that the present act be renewed for the period of 1 year." We have been informed that the provision increasing the membership of the Tariff Commission from 6 to 7 is " * * * entirely acceptable to the administration." This is inconceivable to us in light of other expressions of the administration on our foreign trade policy, since the sponsors of this provision have traditionally opposed the trade agreements program and all that it has stood for.

Our specific objections to "packing" the Tariff Commission, as proposed in this bill, follow:

A BASIC CHANGE IN THE COMPLEX OF THE TARIFF COMMISSION WOULD BE MADE

Increasing the number of Commissioners on the Tariff Commission from 6 to 7 would effect a basic change in the character of the Tariff Commission as we have known it historically. From its inception, the Commission has always been regarded as, and intended to be, a nonpartisan factfinding body by the Congress. The real purpose in changing the traditional nonpartisan makeup of the Tariff Commission to a partisan makeup is an obvious and open attempt, when we consider the backers of this proposal, to "pack" the Commission so as to eat

away at the present trade agreements program and return to the protectionist days of the Smoot-Hawley Tariff Act.

If the Tariff Commission were to be made partisan, there would be a very good probability that there would be a reshuffling in the staff of the Commission also, so as to "pack" it and thereby increase the likelihood that the staff recommendations and proposals would be "made to order," as the sponsors of this bill have in mind.

Since changes in the membership and coincidentally in the staff of the Tariff Commission would be openly and admittedly on the face of this proposal based on political consideration, they would preclude, or at least certainly damage, objective approaches in escape clause proceedings.

One of the main arguments of the sponsors of this provision is that an increase in Tariff Commission membership to seven members would avoid evenly split decisions in escape clause proceedings. They must make this claim with their tongues in their cheeks, because of the 21 completed investigations under the escape clause procedure, recommendations have been made to the President in 7 cases—5 of these were unanimous, and 2 were by a vote of 4 to 2. No injury was found in the 14 remaining cases, 4 by unanimous decision, and 10 by divided votes, as follows: two, 4 to 2; two, 5 to 1; four, 3 to 2; and two, 3 to 1.

It can be seen from this that the findings in escape clause proceedings of the Tariff Commission have always been either unanimous or by a majority vote, and there would certainly seem to be no precedent to back up the claim of the sponsors. The real purpose in increasing the membership of the Tariff Commission in order to make it partisan again stands out.

Under this bill, the President would still have the power to recommend the appointment of a member to the Commission who is either liberal or conservative in his outlook on the implications of the trade agreements program. The President would also still have discretionary authority to accept or reject the Tariff Commission's recommendations, and here again there would appear to be little that could be legitimately gained by increasing the membership of the Tariff Commission.

The size of the majority recommending a particular action as a result of an escape clause proceeding would not necessarily have any bearing on the outcome of the proceeding. For instance, in the recent briar pipe escape clause proceeding, the President did not accept the recommendations of the Tariff Commission, notwithstanding the fact that the members were unanimous in recommending relief.

If the membership of the Commission should be increased and become partisan, as this bill proposes, it would appear that this would invite decisions based on political grounds rather than on merit, which would be more open to rejection by the President under his discretionary authority.

Another big objection to this provision is the uncertainty as to the course our United States trade policy might take. With each change in administration control, there would be replacements in the membership of the Tariff Commission and wholesale replacements in the staff personnel of the Commission. This would tend to make it very difficult to get and keep trained, experienced, and objective staff personnel.

To confirm the fact that we, the Democratic minority, have very good grounds for our concern over this proposal to increase the membership of the Tariff Commission and make the Commission a partisan body, we would like to quote from the report of the Tariff Commission dated April 24, 1953, on a prior bill, H. R. 4204, which contained a corresponding provision, beginning at page 92 [emphasis supplied]:

"Prior to 1916 there had been a number of nonpermanent agencies established to investigate questions relating to the tariff. The creation of a permanent Tariff Commission in 1916 reflected a recognition by the Congress of the need for a means of obtaining nonpartisan factfinding assistance in tariffmaking. In the Dictionary of Tariff Information published by the United States Tariff Commission in 1924, on page 724 the Commission was described as—

'an independent nonpartisan body whose principal function is to ascertain facts upon the basis of which Congress may determine tariff policies, the rates of duty to make the policies effective, and the methods of customs administration, and on which the President may base certain administrative acts in relation to these matters.'

On page 725 of the dictionary it is stated that by the act of September 8, 1916, creating a permanent Tariff Commission 'Nonpartisanship was to be secured by

the requirement that not more than three of the Commissioners were to be members of the same political party.'

"A proposal to increase the membership of the Tariff Commission from 6 to 7 was contained in the House version of the 1929 tariff bill (which ultimately became the Tariff Act of 1930). This proposal provided for the elimination of the provision of the 1916 act relating to political affiliation of the Commissioners for the reason, as stated in the report of the Ways and Means Committee, 'that the committee feels that appointments should be made solely on the ground of merit irrespective of party lines.' In lieu of the political limitation, the House proposal included a provision that a person appointed to the Commission should be one who, 'in the judgment of the President, is possessed of qualifications requisite for developing expert knowledge of tariff problems and efficiency in administering the provisions of part II of this title.' The House bill also provided for a reduction in the term of office of a Commissioner from 12 years to 7 years.

"The Senate rejected the House proposal to increase the number of Tariff Commissioners and the proposal to eliminate the limitation on the number of Commissioners who may be of one political party, but accepted the proposal for making appointments on the basis of possession of qualifications requisite to develop expert knowledge of tariff problems. The Senate agreed to a reduction in the term of office of Commissioners, but in lieu of the 7-year term proposed by the House, the Senate proposed a 6-year term. The Senate modification of the House proposal was ultimately adopted and incorporated in section 330 of the Tariff Act.

"Like the 1929 House proposal, H. R. 4294 also proposes to increase the number of Tariff Commissioners from 6 to 7 and their terms of office from 6 years to 7 years. However, unlike the 1929 House proposal, H. R. 4294 is *definitely aimed at establishing a partisan commission*. This is because the bill provides that not more than 4 of the proposed 7 Commissioners shall be members of the same political party. While the 1929 House proposal, in providing for the elimination of the reference to political affiliation, would have permitted the appointment of all seven Commissioners from the same political party, it was made clear by the report of the Ways and Means Committee that the elimination of the reference to political affiliation was intended to eliminate partisan appointments to the Commission and to have appointments based purely on merit.

"It seems clear from the foregoing recital of the history of the organization of the Tariff Commission that *since its creation Congress has carefully avoided the characterization of the Tariff Commission as a partisan agency*. The organization of the Commission, naturally, is a matter of policy for the Congress to determine. However, the Commission feels that *the proposed change in the character of the Commission merits very careful examination*."

INCREASE IN THE WORKLOAD OF THE COMMISSION

The bill provides for the handling of escape clause proceedings by the Tariff Commission in 9 months instead of the present 12 months. An increase in the membership of the Tariff Commission would appear to be inconsistent with this provision because it would tend to slow down the Commission's work. The mere addition of another Commissioner would, in many instances, mean that additional time would be required in processing escape clause proceedings, since there would be one more person to hear, read, study, and decide upon a course of action in the proceedings. It is very possible that it would take 7 longer than 6 to do this.

Making the Tariff Commission partisan would be an open invitation for the filing of applications for escape clause relief. This would vastly increase the number of cases the Commission would be required to hear and decide on.

INCREASE IN COSTS

An additional Commissioner and the additional staff personnel which would be required would increase the operating costs of the Commission at a time when the Congress is striving to reduce governmental expenditures.

CONCLUSION

It would appear that all legitimate purposes which are intended to be accomplished under the escape clause procedures can be accomplished under the present law.

We would like to point out that the Republican members of the committee in the 80th Congress attempted to cripple the trade agreements program by writing into the law the so-called peril point provision over our vigorous opposition. Now that they are back in power, the Republican members of the committee cannot divorce themselves from their traditional high-tariff complex, in spite of the fact that their own President has recommended in a message to the Congress that the present law be extended 1 year without amendment.

The Democratic members of the committee voted unanimously for a 1-year extension without amendment, but were defeated. We then voted to delete from H. R. 5495 the provision increasing the membership of the Tariff Commission, and were again defeated by the Republican majority. We were then put in the position of having to vote for the bill with the provision in it increasing the Tariff Commission membership or voting to let the Trade Agreements Act expire. With grave misgivings, we voted for the bill. We felt that to let the Trade Agreements Act expire would raise even greater doubts among friendly foreign nations as to the future of United States trade policies than would be their concern if we voted to extend the present act for 1 year, along with the change in the make-up of the Tariff Commission.

We took some consolation in the fact that the President would appoint the additional member to the Tariff Commission, and that he would still have discretion to accept or reject the recommendations of the Tariff Commission. We were reassured in the fact that, in his message on April 7, 1953, to the Congress recommending a 1-year extension of the present Trade Agreements Act, he stated: " * * * our own trade policy as well as that of other countries should contribute to the highest possible level of trade on a basis that is profitable and equitable for all."

In light of this expression by the President, it is our hope that he will use his discretion to insure that our trade policies and the results of escape clause proceedings take into account our overall national, long-range economic interest and welfare, as well as the economic interest and welfare of friendly nations of the world.

JERE COOPER.
JOHN D. DINGELL.
WILBUR D. MILLS.
NOBLE J. GREGORY.
A. SIDNEY CAMP.
AIME J. FORAND.
HERMAN P. FEEBANTER.
CECIL R. KING.
THOMAS J. O'BRIEN.
HALE BOGGS.

The chairman, on June 13, sent the following telegram to all individuals, firms, associations, and organizations which had communicated to the Finance Committee an interest in any hearings that might be held with regard to the Trade Agreement Act or to the extension of the President's authority to enter into new agreements.

WASHINGTON, D. C., June 13, 1953.

Because of time factors it is doubtful whether Senate Finance Committee will hold extended hearings on Simpson bill H. R. 5495 dealing principally with 1-year extension of Reciprocal Trade Agreements Act. Analysis of record of objections recently made in House of Representatives to 1-year extension of reciprocal trade system will be brought to attention of Senate Finance Committee. If you desire committee will be glad to receive your written points of objection not later than Wednesday, June 17.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

A number of written statements concerning the bill were received pursuant to the invitation extended in the above telegram.

Following a meeting of the Finance Committee, the chairman, on June 18, sent the following telegram extending an invitation to submit written statements to (1) those who had not submitted such statements in response to the earlier telegram of June 13, and (2) those whose requests for the committee hearings were received subsequent to June 13, the date of the prior telegram:

WASHINGTON, D. C., June 18, 1953.

Senate Finance Committee decided today that time factors require early action on Simpson bill, H. R. 5495, dealing principally with 1-year extension of Reciprocal Trade Agreements Act. Committee voted to extend until Tuesday morning, June 23, the period within which those interested may submit written statements of their views on this bill. Such statements will be given careful attention by committee which will also consider recent testimony of more than 200 witnesses given during 3 weeks of hearings held by House Ways and Means Committee. Please feel free to submit written statement of your views on H. R. 5495.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

In addition the committee chairman issued a general statement to the press inviting written statements from the public at large.

SUMMARY OF STATEMENTS SUBMITTED TO THE SENATE FINANCE COMMITTEE ON H. R. 5495, JUNE 1953

[The full text of letters from the Departments of State and Commerce, and statement of Hon. George W. Malone before the Committee on Finance may be found on pp. 32-33.]

Raymond H. Papernow, the American Fur Merchants' Association, Inc., New York City, N. Y. (See statement, p. 39.)

(No direct statement on H. R. 5495.)

"Since the end of World War II, we have found many foreign markets either closed or restricted to the importation of American furs. * * * When the Trade Agreements Extension Act of 1951 passed by the House of Representatives, section 11 was added prohibiting the importation of certain types of furs from the U. S. S. R. or Communist China. Those restrictions have hurt our trade a great deal * * *.

"* * * We would like to say that from the experience of our trade gained over a period of many years, we believe that our trade should operate in a market free of any tariffs or restrictions on the raw product."

Lynne A. Warren, the Shenango Pottery Co., New Castle, Pa. (See statement, p. 45.)

(Against simple extension; for a seven-man commission.)

"Generally, the parade of American industry witnesses before the House Ways and Means Committee at hearings on the original Simpson bill (H. R. 4204) left no doubt (and no one has tried to contradict) that a great segment of American industry employing millions of workers and ranging from fish fillets to precision lenses, is as of now, faced with extinction by the importation of foreign cheap-labor goods * * *. A 1-year's extension of the present act is not the answer because time is of the essence.

"* * * a Tariff Commission stalemate or delayed decision on an escape clause application is a victory for the importers. I know of no other judicial, quasi-judicial, or administrative body that is designedly constituted with an even number of members. All of our State and Federal appellate courts, culminating in the United States Supreme Court, have an odd number, and certainly they are supposed to be 'nonpartisan.' * * * What is needed is a Tariff Commission that at least is constituted so as to be able to make its own decision, which, of course, may be upset by the President under the proposed law. * * * It should be given the physical ability to avoid stalemates and make decisions."

F. B. Wise, National Renderers Association, Washington, D. C. (See statement, p. 47.)

(Against simple extension, no direct statement on seven-man commission.)

"For your information, rates of import duty on practically all fats and oils items have been reduced to such an extent in already negotiated agreements that there remains only a mere shell of the tariff structure on this class of materials which existed at the time the so-called reciprocal trade policy was initiated; perhaps this is one of the reasons why the United States fats and oils industry currently is in such a critical predicament.

"We feel that the provisions of the Simpson bill now being considered by your committee do not extend sufficient hope of prompt and effective relief to do-

mestic industries which may be unduly affected by concessions made in trade agreements.

"As has been stated before your committee on many previous occasions, the original purpose of the tariff was to enable United States producers to compete price-wise in the American market with low-priced, similar articles of foreign origin. It seems to us that such an objective is just as much in order today as it was when the first tariff duty was enacted."

O. Keith Owan, National Association of Hot House Vegetable Growers, Terre Haute, Ind. (See statement, p. 50.)

(No direct statement on 1-year extension or on 7-man commission.)

"The national association is in favor of higher tariffs and the imposition of a quota system on Cuban and Mexican imports of fresh cucumbers and tomatoes. Our industry has been and is being vitally hurt by excessive imports of fresh tomatoes and cucumbers from Cuba and Mexico.

"Estimating on the basis of $3\frac{1}{2}$ persons in each family in this country, 175,000 people are directly concerned with our industry."

DeWitt C. Schieck, Cordage Institute, New York, N. Y. (See statement, p. 52.)

(Against simple extension; for seven-man commission.)

"We object to H. R. 5495 because we believe that the passage of this bill without a public hearing would, as a practical matter, eliminate any possibility of favorable consideration of H. R. 5496, which contains provisions we deem necessary to protect us against imports of rope and twine manufactured by cheap foreign labor.

"We believe that the provision for the increase of the Tariff Commission from 6 to 7 members is very important, since the Tariff Commission, in addition to its original responsibilities as a factfinding agency, now acts as a quasi-judicial body in rendering opinions affecting the lives and fortunes of many people. It is only right and proper that the Tariff Commission should be composed of an odd number of members, as any other judicial or quasi-judicial body, so that there may be no standoff decisions in these matters. The people who come before the Tariff Commission for relief are entitled to a clearcut decision one way or the other."

Charles H. Kent, Swift & Anderson, Inc., Boston, Mass. (See statement, p. 53.)

(Against 1-year extension; against seven-man commission.)

"We are against the bill for the following reasons:

"We feel it would make the Tariff Commission a partisan group. We have always felt the Tariff Commission should be on a bipartisan basis, thus truly representing our interests and being an effective instrument for adjusting the differences of public interest in imports. Should the Tariff Commission become a partisan group, problems of the importer would be further complicated by partisan politics, thus adding an additional hurdle to an effort already heavily burdened.

"It would continue the 'escape clause' and 'peril point' as covered in the existing act. These make for uncertainty in the laying out and planning of important programs * * *.

"We feel that if the undesirable features of the act can be eliminated, that its extension should be for a much longer period."

H. W. Ryland, Coors Porcelain Co., Golden, Colo. (See statement, p. 53.)

(Against extension; no direct statement on seven-man commission.)

"We believe that it is against the national interest for authority to exist for the negotiation of trade agreements which would lower the import duties on chemical and scientific porcelain.

"The production of our company is absolutely vital to the national defense of the United States * * *.

"Therefore we believe no chances should be taken which might cause us to depend in times of peace on foreign sources of any commodity which is essential to our national economy and which might become unavailable in times of war. It would seem to be significant that during the life of the Reciprocal Trade Agreement Act our Government has negotiated no reduction in the duty on chemical porcelain. This is doubtless due to a recognition of the essentiality of our domestic production of chemical porcelain."

Henry S. Bromley, Jr., North American Lace Co., Inc., Philadelphia, Pa. (See statement, p. 55.)

(Against extension in present form; for seven-man commission.)

"The American Lace Manufacturers Association opposes extension of the Trade Agreements Act in its present form, since it has not accomplished its avowed purposes for the past two decades and has sacrificed some of our American industries.

"Our association, however, is well aware that it is the intention of both the Congress and the President to extend the Trade Agreements Act in some form. Therefore, in the light of those circumstances, we make the following comments pertaining to certain phases of H. R. 5495:

"1. We support the provision increasing the membership of the United States Tariff Commission to seven members. The present membership of six members has nullified actions on escape-clause provisions of the act on a number of occasions, which is contrary to the obvious intentions of the present act.

"2. We support the compromise period during which the United States Tariff Commission must report to the President under the escape-clause provision of 9 months.

"3. We earnestly support the establishment of a temporary bipartisan commission to study our whole foreign economic policy."

R. E. Canfield, American Paper & Pulp Association, New York, N. Y. (See statement, p. 56.)

(Against any extension; no direct statement on seven-man commission.)

"* * * Accordingly, we recommend that the Reciprocal Trade Agreements Act be allowed to expire, that the provisions of existing international agreements negotiated under the act be continued, and that Congress create a committee to study the matter and make recommendations to Congress for the establishment of such a policy and of a constitutionally proper means of implementing it.

"* * * We cannot perceive the logic of extending an authority which is not to be used. So long as the Reciprocal Trade Agreements Act is in effect confusion will persist."

"The paper industry believes that in the absence of a national tariff policy, much of this country's ability to reduce restrictions on trade throughout the world has been dissipated. It believes that there is no valid reason why this dissipation of trading power should be permitted to continue."

James C. Jacobson, Volland & Sons, Inc., New Rochelle, N. Y. (See statement, p. 62.)

(No direct statement on extension or on seven-man commission.)

"My position is less in opposition of the reciprocal trade treaty system than it is a plea for protecting certain industries in the United States which are essential to national safety, and which have difficulty in competing with imported products because of the difference in the wages paid in the United States and in the competing countries.

"Modern production of almost all basic materials depends today completely on scientific apparatus instrumentation and optics. It is necessary for defense purposes, if no other, that the apparatus and instrument industries in the United States be preserved.

"Literally, the safety of the United States requires that some way of protecting the manufacture of analytical balances and weights in the United States be found."

Russell B. Brown, Independent Petroleum Association of America, Washington, D. C. (See statement, p. 65.)

(Against simple extension; no statement on seven-man commission.)

"* * * We believe that considerations of national security demand that this bill be amended before the act is extended. Under the Trade Agreements Act, and the various extensions thereof, there is not a single provision specifying that the treatment of trade in strategic materials should differ from the treatment of trade in general commodities. It is obvious that we do not contemplate trading away our atom bombs or jet planes. Under H. R. 5495, however, we could trade away our productive strength in defense materials that must be available in adequate quantities for military and essential civilian uses in the event of an emergency. These materials should be given specific consideration in the trade-agreement program.

"* * * Under the Trade Agreements Act in its present form, petroleum imports have been encouraged. There is no provision in H. R. 5495 to assure that these imports do not further weaken our productive strength as to petroleum.

"Repeated efforts through the years before the State Department and the Tariff Commission have been futile in obtaining relief for domestic oil producers. Recent numerous expressions by top Government officials having jurisdiction over foreign trade further discourages hope for administrative relief under present law."

Samuel Sanders, Oppdem Co., Inc., New York, N. Y. (See statement, p. 70.)

(Against 1-year extension; favor longer period; against seven-man commission.)

"We strenuously object to the bill for the following reasons:

"1. It would change the Tariff Commission from a bipartisan to a partisan group, a pure case of 'court packing.' * * * If the Tariff Commission were to become a partisan group, whether dominated by Republicans or Democrats, issues of foreign trade would be embroiled in partisan politics, creating doubt and vacillation in the field of foreign trade.

"2. It would continue the escape clause and peril-point provisions of the existing act. These provisions cause uncertainty for importers, making it difficult, and indeed, often otherwise impossible to plan import programs.

"* * * We think it more desirable that the act, shorn of its undesirable features, be extended for a longer period so that importers can know reasonably well what faces them in the years ahead."

Mr. Paul K. Lawrence, Synthetic Organic Chemical Manufacturers Association of the United States, Washington, D. C. (See statement, p. 77.)

(Against simple extension; no direct statement on 7-man commission.)

"* * * we feel that the members of our industry, as well as others essential to the national defense, should have a timely and adequate remedy available in the event of injury or threatened injury from the importation of products of cheap labor abroad.

"* * * we feel that 2 years of operations under the 1951 act has made it questionable whether such broad authority should reside in the President. Many findings of injury made by the Tariff Commission have gone unremedied. Of the 28 investigations initiated by the Tariff Commission under the escape clause procedure 7 resulted in recommended relief by the Commission. Of the 7 in which relief was recommended by the Tariff Commission relief was granted by the President in only 3 cases.

"Under the 1951 act it is possible, as we construe it, to have serious injury to a particular company or a segment in a particular industry and still have no relief under the escape clause procedure."

Richard H. Anthony, The American Tariff League, New York, N. Y. (See statement, p. 79.)

(No direct statement on simple extension; for seven-man commission.)

"H. R. 5495 would enlarge the United States Tariff Commission to seven members. The importance of this change is that an odd-numbered commission is more likely to avoid evenly split decisions, and thus would make commission findings and recommendations conclusive and effective whenever a unanimous decision cannot be reached. Congress has increased the role and importance of the Commission in tariff determinations. Its functions, originally chiefly fact finding, have, in recent years, become more and more judicatory in character. For these reasons the league has long favored making the Commission an odd-numbered body to conform with most other such quasi-judicial Federal boards and commissions.

"H. R. 5495 does not change the criteria under which the Tariff Commission investigates escape-clause applications. The majority on the Commission frequently has taken too narrow a view of what constitutes injury from tariff concessions, in the opinion of the league and its member producing groups. Here again, much depends on the persons appointed to the Tariff Commission and the weight they give to the various elements in the cases presented to them.

"It is no news to this committee that the league would like to see an end of the trade-agreements approach and, in its stead, the creation of a system whereby tariff setting would be the responsibility of a qualified commission or

agency, independent of the executive branch, and operating under the guidance and control of Congress.

"The bill provides for a 7-man, instead of the present 6-man, Tariff Commission. The league favors this change.

"The view that an entire industry must be on the road to ruin before it can get tariff relief has convinced most domestic producers that filing escape-clause applications, even under the most meritorious circumstances, is a waste of time. They read in Government and private studies that they are expected to sacrifice themselves in order to bring more business to our importing and exporting industries. They are to turn their employees out onto the dole, to be trained for different jobs in some other geographical area. They are to pocket their losses and retire, if they cannot muscle into some other line of business. They and their workers are expected to be pawns in a foreign economic policy as yet unformulated, much less put into effect. They are disheartened."

William H. Fox, American Watch Association, Inc., New York, N. Y.
(See statement, p. 89.)

(For simple extension; against seven-man commission.)

"With reference to the Simpson bill (H. R. 5495), this association urges that the Reciprocal Trade Agreements Act be extended for a period of 1 year, without amendment.

"We strongly oppose section 201 of the bill, which proposes an increase in the Tariff Commission from 6 to 7 members. This proposal inevitably will change the basic character of the Commission from an impartial fact-finding body, free of political control, to one that will be dominated by political influences. In our opinion such change in the Commission, which is being depended upon to develop facts and make findings impartially, would be regrettable.

"Likewise, we do not favor the proposal that would require the Tariff Commission to complete an escape-clause investigation within 9 months from the date of application by a domestic industry.

"What really is needed is not a change in the law, but an increase in the staff of experts of the Commission."

Harry S. Radcliffe, National Council of American Importers, New York, N. Y. (See statement, p. 102.)

(For extension; against seven-man commission.)

"Our organization objected to proposed increase in number of Tariff Commissioners from 6 to 7 which might convert Commission from fact-finding body into a politically dominated agency.

"We would recommend in case of future split decisions by a six-man commission that Congress make clear the case should be submitted to the President for final decision."

William F. Sullivan, The National Association of Cotton Manufacturers, Boston, Mass. (See statement, p. 90.)

(No direct statement on extension or on seven-man commission.)

"The association is in favor of:

"1. A thorough investigation and examination of current trade and tariff policies by a Congressional or other governmental body.

"2. Extension of the Reciprocal Trade Agreements Act with a provision whereby, within 6 months, relief under the escape clause shall be granted when the Tariff Commission finds that imports cause or threaten unemployment of or injury to American workers or producers, producing like or competitive articles, or impairment of the national security.

"3. Granting the Tariff Commission sufficient flexibility to provide effective remedies for unemployment or injury, the use of duties to equalize cost of production, the use of countervailing duties, and the prevention of unfair practices including dumping in import trade.

"While the problem of foreign trade and tariff policy is reexamined, proper safeguards against the threat of unemployment and injury to American workers and producers should be provided. The purposes of the original Reciprocal Trade Agreements Act of 1934 included 'restoring the American standard of living' and 'overcoming domestic unemployment.' It would be unwise to risk domestic unemployment and the American standard of living during this interim. Failure to provide such safeguards might well lead to a situation in which careful deliberations would become impossible because of the pressures created by unemployment and injury."

Edward J. Volz, International Photo Engravers Union of North America, New York, N. Y. (See statement, p. 107.)

(No direct statement on extension or on seven-man commission.)

"The rate of duty on books has been cut in half under the trade-agreements program and is down to 5 percent on books that are not bound in whole or in chief part in leather. This means that there is very little tariff protection left.

"In 1950 the United States signed another international agreement under the auspices of UNESCO which would place cultural, educational, and scientific materials on the free list. This would include books and various printed matter. Should this agreement be ratified, the Ways and Means Committee would be completely bypassed in removing items from the dutiable to the free list.

"Judging from the results of the past year or two, certainly the employees in an industry that is suffering from import competition have little hope of gaining relief in time to protect their wage standards and employment."

George Link, Jr., Gelatin Research Society of America, Inc., New York, N. Y. (See statement, p. 109.)

(No direct statement on extension or on seven-man commission.)

"The gelatin industry is beginning to feel the effects of the dumping of gelatin, manufactured in Europe, into the United States."

Harry H. Cook, American Flint Glass Workers' Union of North America, Toledo, Ohio. (See statement, p. 109.)

(No direct statement on extension; for seven-man commission.)

"We urgently request your support of seven-man Tariff Commission. Bill H. R. 5495 does not go far enough.

"The American glassware industry, employing many thousands of members of the American Flint Glass Workers' Union of North America, A. F. of L., is being vitally affected by importation and badly in need of tariff protection."

H. Warner Dailey, the Pin, Clip & Fastener Association, New York, N. Y. (See statement, p. 119.)

(Against simple extension; for seven-man commission.)

"Increasing imports have caused very serious damage to the American manufacturers and their employees and threaten even more serious injury in the future. In fact, if some relief is not forthcoming the American industry faces eventual extinction.

"Unless this committee and this Congress strengthens the escape and other safety valve provisions of the existing law we are convinced that no such relief will be forthcoming by administrative means.

"Where the Commission has made investigations, section 7 has been so interpreted or administered by the Commission or the administration as to be practically meaningless.

"Certainly there has been no indication that American industries could expect any better treatment from the present State Department than from past administrations if the law should be extended as it is with an implied congressional approval of the manner in which the law has been administered in the past. It is abundantly clear that our only hope for relief lies in Congress.

"For these reasons we are specifically opposed to any extension of the Trade Agreements Act in its present form."

L. W. Higgins, Gaertner Scientific Corp., Chicago, Ill. (See statement, p. 140.)

(No direct statement on extension; for seven-man commission.)

"We strongly urge that favorable consideration be given to retaining the provisions for a seven-man Tariff Commission."

Marx Lewis, United Hatters, Cap and Millinery Workers International Union, New York, N. Y. (See statement, p. 141.)

(For extension; for seven-man commission.)

"Our analysis of first Simpson bill indicates that its aims are wholly in accord with the aims and desires of membership of our international union.

"We urge that the United States Senate pass the new bill as it stands."

J. Harry LaBrum, Chamber of Commerce of Greater Philadelphia, Philadelphia, Pa. (See statement, p. 141.)

(For simple extension; against seven-man commission.)

"The Chamber of Commerce of Greater Philadelphia desires to be placed on record as strongly endorsing the President's request that the Reciprocal Trade

Agreements Act be extended for a 1-year period without change, and that during this period a comprehensive reexamination of our foreign trade and economic policies be undertaken.

"It is conceded that American exporters to date may not have benefited under the actual operation of our trade agreements program to the extent they should and that improved and more realistic legislation in this field is needed."

Mrs. Alfred E. Mudge, Young Women's Christian Association, New York, N. Y. (See statement, p. 142.)

(For extension; no direct statement on seven-man commission.)

"The Young Women's Christian Association urges renewal of the Reciprocal Trade Agreements Act for at least 1 year beginning in June 1953. * * * The reciprocal trade program, although never fully tested under normal conditions, has increased our trade with nations participating in it. * * *

"Extension of the act for 1 year will allow time to prepare longer range policies for international trade that will serve the interests of the United States as a whole and of the free world. Meanwhile, extension of the program without further restrictions would help promote the economic and political stability of other nations in the free world, especially in Western Europe."

J. M. Barr, United Aircraft Export Corp., East Hartford, Conn. (See statement p. 143.)

(For simple extension; no direct statement on seven-man commission.)

"* * * we consider it essential that dollar earning countries be permitted by all reasonable means to continue to be in a position to offer their goods in the United States market and thus to continue to earn dollars.

"It is our understanding that H. R. 4204 which would make broad changes in the Trade Agreements Act, provides, among other things, for a limitation in the importation into the United States of crude oil and fuel oil. * * * We therefore urge the nonapproval of H. R. 4204 and the extension of the present Trade Agreements Act without amendment."

Wayne E. Kakela, Toledo Chamber of Commerce, Toledo, Ohio. (See statement, p. 143.)

(For simple extension; against seven-man commission.)

"On the recommendation of our world trade committee, the executive committee of the board of trustees of the Toledo Chamber of Commerce, meeting on May 7, 1953, unanimously recommends support of the 1-year extension of the Trade Agreements Extension Act of 1951 without change as requested by President Eisenhower.

"The prompt passage of a bill meeting the above requirement would, we are sure, have a powerful psychological effect on the free nations of the world as a practical demonstration of this country's intention to promote international economic cooperation."

J. J. Carr, Risdon Manufacturing Co., Naugatuck, Conn. (See statement, p. 145.)

(Against simple extension; no direct statement on seven-man commission.)

"Imports of safety pins have increased tremendously in recent years. Before World War II they were less than 10 percent of American sales. They have recently gone as high as 25 percent and on bulk steel safety pins they have increased to as much as 35 percent of our sales.

"Our plant for some time has been working on reduced hours and the take home pay of our employees has been sharply cut.

"We have applied to the Tariff Commission for an investigation and relief under the escape clause. However, the Tariff Commission refused to even make an investigation of our case on the ground that the application was 'not properly filed.'

"In summing up our problem, it appears to us that the extension of the Trade Agreements Act as is would mean that we would have very little hope, if any, of getting this necessary relief.

"We feel that this Commission was set up to be an agency of Congress. However, in the past, it is evident that their findings have been overruled by the executive branch of Government."

Eric Johnston, Motion Picture Association of America, Inc., Washington, D. C. (See statement, p. 159.)

(For 1-year extension; against seven-man commission.)

"* * * I strongly endorse President Eisenhower's recommendation that the

Reciprocal Trade Agreements Act be extended for an additional year. I support also his suggestion that a special commission be created to study foreign trade and make such additional legislative recommendations as may be deemed necessary or advisable. Pending such study and report, it appears to me inadvisable to make any changes in the Tariff Commission."

"All of us realize that lowering trade barriers results in economic problems for some of our people. This is equally true of many types of adjustments continually required in a competitive economy. In the field of foreign trade we must face up boldly to these adjustments. Unless we do we shall never find the successful formula for our own well-being and security."

"The American motion-picture business firmly espouses freer trade. Proportionately, we are this Nation's largest export business. More than 40 percent of the revenues of our producing and distributing companies come from abroad. Nine out of ten motion pictures do not pay their way from exhibition in the domestic market. We must have foreign markets to survive."

James Casey, Jr., National Association Leather Glove Manufacturers, Gloversville, N. Y. (See statement, p. 147).

(For 1-year extension; no direct statement on seven-man commission.)

"Very satisfied to leave to your good judgment whatever action you deem advisable on H. R. 5495.

"We are very much concerned about the competition from Europe, and particularly France, England, and Italy, because we are constantly undersold in our own market. We have never taken the attitude for one minute that the quantity of gloves sent into this country has been our most troublesome problem, even though they have taken better than at times 25 percent of our market from us.

"The problem we have faced with imports has always been the low-cost imports that act as depressant on our prices. In other words, they depress our prices beyond all reason and force us to meet them in competition.

"The American leather-glove industry should not be here today defending the present House bill and asking for the mere strengthening of the various clauses contained therein, but should be actually insisting that the tariff cuts that have been forced upon the industry since 1930 be restored. The spread in labor rates between this country and Europe is increasing yearly; and, with ever increasing demands for social benefits, our problem becomes more acute as the years go by."

George Spiers, American Chamber of Commerce, Caracas, Venezuela. (See statement, p. 151.)

(No statement on extension or on seven-man commission.)

"It is our strong recommendation that there be no legislation to impair the present excellent commercial relationship between the United States and Venezuela."

F. E. Mollin, American Cattlemen's Association, Denver, Colo. (See statement, p. 156.)

(For 1-year extension; for seven-man commission.)

"We strongly urge acceptance of proviso for appointment of seventh commissioner. It seems rather futile to leave matter in such shape there are constantly recurring split decisions.

"We think it of the utmost importance that the provisions of the extension act for the protection of American industries, labor, and agriculture should be strengthened. We have no sympathy for those who advocate free trade, either as a manifestation of good will toward all, at the expense of Uncle Sam, or for the selfish purpose of encouraging greater imports of foreign products, either industrial or agricultural, in order that we may export more surplus products from this country. I see no gain to the United States in robbing Peter to pay Paul. Any legitimate increase in foreign trade on products that are not highly competitive should, of course, be encouraged. These free traders, however, who advocate acceptance of imported manufactured products, even to the extent of closing up domestic plants and putting thousands of laborers out of work and then suggest that every effort should be made to find them new jobs, are, in my opinion, not even entitled to be considered true Americans.

"We also favor section 14, which would add 1 member to the Commission and thus avoid the strong possibility of a tie vote in the action of a 6-man Commission.

"Our industry, as I am sure you all know, has taken a severe licking in prices during the past 6 months. It seems almost unbelievable that such a tremendous

price decline could occur in a period of general prosperity and with practically full employment at the highest wages ever paid anywhere.

"We are firmly convinced that the economy of this country will not stand any further major tariff reductions; instead the tendency should be, with bankruptcies and business failures on the increase, to give added protection to American industry, labor, and agriculture, and we solicit your earnest consideration in the final draft of this bill to that end."

Sherlock Davis, United States Cuban Sugar Council, Washington, D. C. (See statement, p. 161.)

(For 1-year extension; no direct statement on 7-man Commission.)

"In former years, when the act has been before this committee for renewal, the United States Cuban Sugar Council has strongly urged the extension of the Reciprocal Trade Agreements Act for periods of at least 3 years. The council would favor a 3-year extension of the act at this time, but inasmuch as the President has recommended to the Congress a renewal for 1 year, pending completion of a reexamination of the economic foreign policy of the United States, the council supports the presidential recommendation. The council believes that in extending the act it would be preferable to eliminate the peril-point and escape-clause provisions.

"An increase in imports, which would enable other countries to maintain their recent levels of purchases from the United States, would benefit not only exporting industries, but consumers generally would be able to buy more goods at lower prices."

Robert G. Jackson, American Cotton Manufacturers Institute, Inc., Charlotte, N. C. (See statement, p. 171.)

(For 1-year extension; no direct statement on 7-man Commission.)

"For a year or more the cotton textile industry has found that the chief barriers to its export trade do not arise from any general scarcity of dollar exchange. They are due primarily to trade and exchange policies of other countries which are motivated by purposes other than the balancing of international payments. It is our belief that a number of other industries are sharing this same experience.

"Our industry has long been sensible of the great dangers as well as the great opportunities which spring from the rapid changes in the world trade picture. As early as 1936, only 2 years after the adoption of the trade-agreements program, our industry was inundated by a great tidal wave of cotton goods imports from Japan. American tariff policy was unable to cope with that danger, which was then recognized even by the State Department, and it became necessary for the industry to seek relief through private negotiations with the Japanese industry itself."

"Unfortunately the policies and procedures of the Trade Agreements Authority drifted rapidly away from certain of these original conceptions. With each passing year our industry as well as many other industries, was forced to raise its voice in ever louder protest against the procedures of the Trade Agreement Authority which progressively subordinated the interests and the recommendations of American industry, while at the same time awarding handsome concessions to other countries whose reciprocal concessions were promptly nullified by arbitrary trade restrictions far more effective and destructive than tariff rates."

"Consequently, we concur in the recommendations of the President that the present Trade Agreements Act as amended be extended provisionally for another year without substantial change. We certainly could approve no change which weakens the present safeguards contained in the law, and would advocate the greatest administrative diligence in giving full effect to those safeguards. We take this position on the assumption that the studies recommended by the President through a Joint Congressional-Executive Commission will be carried forward and result in recommendations which will serve as the basis of a well considered, all-embracing foreign trade program which would assure needed protection for American industry and at the same time serve to reopen the channels of world trade."

Ernest Williams, Texas Sheep and Goat Raisers' Association, Inc., San Angelo, Tex. (See statement, p. 191.)

(Against simple extension; no direct statement on seven-man Commission.)

"* * * this association, representing the sheep industry of Texas, has long felt that the industry was not sufficiently protected by provisions of the Trade Agreements Act from wool importations from countries having a lower cost of production.

"We do strongly oppose the importation of wools at prices less than our cost of production. The American sheep industry is efficient but costs of production are dictated by factors over which the producer has no control.

"If better protection for the American wool producer cannot be written into the Senate version of H. R. 5495, we urge you to contact Senator Millikin and others of the Senate Finance Committee and ask that they kill the bill."

O. P. Loker, Sr., Starkist Foods, Inc., Terminal Island, Calif. (See statement, p. 192.)

(For 1-year extension; for 7-man Commission.)

"Our industry favors enactment H. R. 5495 as passed by House and strongly urge that seven-man Commission be retained."

H. L. Dillingham, American Glassware Association, New York, N. Y. (See statement, p. 192.)

(For 1-year extension; for 7-man Commission.)

"American Glassware Association supports H. R. 5495 particularly the seven man Tariff Commission. The bill is step in right direction but does not go far enough."

G. P. Byrne, United States Wood Screw Service Bureau, New York, N. Y. (See statement, p. 192.)

(No direct statement on 1-year extension; for 7-man Commission.)

"We strongly urge your committee support at least 7-man Tariff Commission in H. R. 5495. American wood-screw industry desperately needs the kind of assistance provided in H. R. 5496."

Summary of statement of E. L. Torbert, Vitrified China Association, Syracuse, N. Y. (See statement, p. 193.)

(For extension, but with some changes; for seven-man Commission.)

"* * * we have had some experience with the existing Trade Agreements Act and its administration, and we must be most emphatic in stating that the present act and the compromise revisions as set forth in H. R. 5495 are not adequate to insure the protection required by the pottery industry.

"You will note that our industry applied for escape-clause action on February 11, 1952. The decision was announced a year later, February 6, 1953, but at that time the Commission was a 4-man body. Our situation fulfills each of the basic-injury criteria as set forth in section 7-B of the Trade Agreements Act of 1951. These basic-injury criteria are set forth in detail on page 4 of our statement.

"The pottery industry in the United States needs adequate protection if it is continue to exist in a condition of healthy activity. To survive and thrive the pottery industry cannot continue without protection for the very ordinary and simple reason that pottery can be produced abroad, transported to this country and sold here at a price below that at which United States potteries can produce and sell their product.

"We applied to the Tariff Commission for escape-clause action on February 11, 1952. The adverse decision by a 4-man Commission was announced 1 year later, on February 6, 1953. This is an unreasonable length of time for action on such an application, and when, we reapply before a full Commission we hope the 6-months' limit provided in section 6 (a) 1 of this bill will be in effect.

"We favor increasing the Tariff Commission to 7 members, avoiding the stalemate of 3-3 decisions under the added responsibilities placed upon the Commission by this bill."

Summary of statement of E. V. Gumpert, Harley-Davidson Motor Co., Milwaukee, Wis. (See statement, p. 199.)

"Answering your wire 13th we are unalterably opposed to H. R. 5495 because like present act it gives President unlimited and absolute powers over tariffs directly contrary to Constitution.

"It is pretty well agreed that the administration of the 1951 extension of the Trade Agreements Act was completely unsatisfactory. The intent of this extension may have been all right but the administration was so completely one-sided that we might just as well not have had an escape clause or a peril point.

"What we utterly fail to understand is why a bill like H. R. 5495 should be put on the statute books for 1 year. Outside of the fact that it provides for 7 members on the Tariff Commission instead of 6 and cuts down the length of time that the Tariff Commission can take to decide a case, it is exactly the same

as the 1951 extension. That act has been utterly useless; so why in the world should we extend the same kind of an act for another year?

"Increasing the Commission from 6 to 7 members is a very good idea provided the right kind of Commissioners are appointed.

"We are thoroughly convinced that, with the exception of the increase from 6 to 7 members of the Commission and the cutting down of the time, H. R. 5495 is just as unsatisfactory and is a very, very poor substitute for the 1951 extension of the Trade Agreements Act."

Summary of statement of Gerald R. Heatter, Detroit Board of Trade, Detroit, Mich. (See statement, p. 201.)

"The Detroit Board of Commerce, an organization of approximately 6,800 members representing about 3,800 commercial and industrial activities, wishes to go on record in support of the bill, with the exception of its provision regarding an increase in the membership of the Tariff Commission.

"The Tariff Commission has traditionally been a bipartisan, factfinding body, and the wisdom of such a foundation should not be set aside by adoption of this particular section, especially in the light of prevailing world conditions."

M. C. Firestone, United Wall Paper Craftsmen and Workers of North America, York, Pa. (See statement, p. 202.)

(Against extension; for seven-man Commission.)

"We strongly urge support of the seven-man Commission provided in H. R. 5495, but we point out that H. R. 5495 does not go far enough in meeting our needs legislatively for the protection of the jobs of our American workers which are being jeopardized by the rising tide of competitive foreign imports.

"This international union urges the enactment of legislation providing adequate measures for appropriate relief from economic hardships resulting from the unfair competition of imports under the present Trade Agreements Act. We earnestly contend that the existing legislation is oppressive, in that there is no adequate provision by means of which relief can be obtained * * *.

"The employees in this industry have been and are being adversely affected by the incoming flood of wallpaper imports. Already more than 30 percent of the industry's employees are currently laid off and have been denied any hope of reemployment within the foreseeable future. Even more, the remaining employees in the industry have become increasingly apprehensive concerning their own economic security, in view of the relentless progressive rights of wallpaper importation.

"Our union demands and has a right to expect protection against impoverishment of our American standards of living, particularly when such impoverishment inevitably results from the effectuation of a governmental foreign-trade-policy program. As American citizens, we protest against the economic pauperization of an entire group of American craftsmen resulting from the indiscriminate and nonintelligent application of a reciprocal tariff program."

Tom Picket, National Coal Association, Washington, D. C. (See statement, p. 208.)

(No direct statement on 1-year extension; no direct statement on seven-man Commission.)

"The facts show conclusively that imports of residual fuel oil increased by leaps and bounds, with a corresponding general trend of price decreases, from 1946. In 1946, 44 million barrels of residual fuel oil were imported. In 1952, 128 million barrels of residual oil were imported. The coal equivalent on a B. t. u. basis is approximately 31 million tons. * * * legislation is the only effective answer to problems facing the industries adversely affected by such excessive imports. He added there are no effective administrative remedies; that while relief could be sought through Tariff Commission procedures, none could be obtained that would solve the problem.

"* * * language in the present law makes it impossible for us to justify action by the Tariff Commission because the escape-clause remedy must be predicated upon a showing that the damage results from the trade concession complained of. The damage we have suffered has not been due to a trade concession, as such, but is the result of the great volumes of imports which have been flooding the country since 1948, irrespective of whether the applicable tariff rate is 5½ cents, 10½ cents, or 21 cents.

"Residual fuel oil imports have increased since 1946 at a rate more than 12 times greater than the rate of growth of the United States energy market.

Residual fuel oil imports have hurt the coal industry severely as indicated by a number of studies showing the direct replacement of coal.

"Residual imports add nothing to the American fuel supply as they displace coal as to which our reserves are ample for centuries to come. Residual may offer attractive prices to particular fuel users at certain times but the effect is to increase the prices on other petroleum products.

"The brunt of the burden of the concessions granted Venezuela in the 1952 amendments of the reciprocal trade agreements falls on coal. Venezuela should have no difficulty in selling elsewhere the residual fuel oil which would be affected by a 5-percent quota. The average annual growth of her exports to world markets could absorb the loss in revenue, if any."

John Breckinridge, Citrus Fruit and Tree Nut Industries of the West Coast, Washington, D. C. (See statement, p. 214.)

(Against extension unless amended; no direct statement on seven-man Commission.)

"These industries are fundamentally opposed to any extension of the Trade Agreements Act without clarifying and safeguarding amendments contained in the Simpson bills, H. R. 4204 and H. R. 5496.

"We feel that the substantive provisions of section 22 should be clarified and strengthened * * *. We also feel that section 22 should be administered by the Department of Agriculture * * *.

"Section 22 should be administered by the Secretary of Agriculture because it is an integral part of any price-support program or any other agricultural program such as production quotas or marketing agreements placing quotas on the quantity of American production that can be marketed. The Secretary of Agriculture has final authority and administers these price-support programs dealing with the American supply. These programs obviously cannot be effective unless the Secretary has parallel authority to act simultaneously in connection with the import supply.

"If the Secretary of Agriculture does not feel that the Department of Agriculture should administer section 22, and this committee agrees with him, then we feel that the administration of section 22 should be placed entirely in the Tariff Commission and that the law should require that the Tariff Commission make an investigation and findings upon the application of any interested party.

"In referring to the length of time consumed in escape-clause and section 22 proceedings, it is not intended to suggest that the Tariff Commission is responsible for all the delays. The statute requires the holding of hearings with reasonable public notice thereof; the type of procedure contemplated by the statute is necessarily time consuming. Furthermore, the Tariff Commission has had substantial additional duties imposed upon it since 1951; but there has been no increase in staff or appropriations to take care of these additional duties. In fact, considering the increases directed in salaries, the Commission's appropriation has been substantially decreased below what it was prior to the advent of the increased duties.

"* * * it is evident that no one, or combination, of them affords the prompt and adequate relief against excessive imports that is accorded by the provisions of section 104 of the Defense Production Act for example.

"What is needed is a remedy stated in clear and unmistakable terms that cannot be ignored or misinterpreted and that is of a character that does not require a prolonged time-consuming procedure.

"The Antidumping Act, 1921, provides in section 161 for the assessment of a special dumping duty to offset the unfair competition of foreign exporters selling below fair value.

"A reading of the Antidumping Act, 1921, leaves no doubt but that Congress enacted this legislation to solve a particular and critical problem of American producers, and in passing this statute had accomplished its end.

"New York is therefore the principal area of competition between foreign and domestic almonds. The deputy United States appraiser of merchandise at New York further advised Mr. Breckinridge that, upon orders from the Bureau of Customs at Washington, United States appraisers at the various ports of this country were no longer authorized to perform any functions under the Antidumping Act. It was indicated that, to the extent these functions and duties created and imposed by the act are presently being carried out, if at all, they are being performed at the Treasury Department in Washington.

"The Spanish Government has been engaging in manipulation of the exchange rate between American dollars and Spanish pesetas.

"It is a disturbing situation when it strongly appears that a Department of the executive branch of the Government is ignoring the statutory mandate of the Congress of the United States. It is the function of the executive branch of the Government to enforce the laws of the United States, not to ignore them. The Antidumping Act is still a law upon the statute books of the United States which must be enforced."

Lester Ballinger, the Cannery Workers and Fishermen's Union, San Diego, Calif. (See statement, p. 239.)

(No direct statement on 1-year extension; for 7-man Commission.)

"Specially in favor of seven-man Tariff Commission. However, there is still much to be desired.

"We represent 10,000 employees that are vitally interested in such legislation * * *."

John F. Linehan, Seafood Producers Association, New Bedford, Mass. (See statement, p. 240.)

(No direct statement on 1-year extension; for 7-man Commission.)

"Except for seven-man Tariff Commission, H. R. 5495 is hardly adequate. Continuation of present policy forebodes only disaster to our national economy."

"Future of ground-fish industry dependent upon import quotas."

Kenneth Andersen, Scientific Apparatus Makers Association, Chicago, Ill. (See statement, p. 240.)

(No direct statement on 1-year extension; for 7-man Commission.)

"We strongly support seven-man Commission. * * * do not believe H. R. 5495 provides complete enough safeguards."

Patrick McHugh, Atlantic Fishermen's Union, Boston, Mass. (See statement, p. 241.)

(For extension; for seven-man Commission.)

"The Atlantic Fishermen's Union approves of H. R. 5495, especially the section calling for a seven-man Commission. However, we feel that this bill does not go far enough * * *."

"Our men are being forced to seek jobs other than fishing because they cannot earn even \$1 per hour."

Brett Gray, Colorado Wool Growers Association, Denver, Colo. (See statement, p. 241.)

"Colorado sheepmen still feel H. R. 5495 not acceptable without safeguards which were included in H. R. 4294. Many sheepmen are in no financial condition to await findings of another study group."

J. M. Wells, United States Potters Association, Newell, W. Va. (See statement, p. 241.)

(For extension; for seven-man Commission.)

"We support H. R. 5495 as is, although it falls far short of providing the protection necessary to the prosperity of our industry."

Otto Herres, National Lead and Zinc Committee, Washington, D. C. (See statement, p. 242.)

(No direct statement on 1-year extension; no statement on 7-man Commission.)

"The problems of lead and zinc cannot be solved by H. R. 5495. The House Select Committee to Investigate the Problems of Small Business has held hearings recently throughout western United States and found that the emergency confronting the lead and zinc mines is too grave to stand further delay.

"'Escape clause' affords no relief—Government officials acknowledge the predicament of the mining industry and advise the mines to seek relief through existing channels. But no relief of consequence is available.

"Small independent companies unable to obtain financial support because of the depressed prices of zinc and lead are being forced out of existence. Some of the better mines are passing into the hands of large corporations that are able to hold on at a loss until foreign imports have virtually eliminated competition by pricing much of the domestic industry into bankruptcy.

"Large corporations can move to foreign fields and receive United States Government assistance in their efforts to produce profitably when metal prices drop

too low to permit profitable operation under our wages and living standards. But where does that leave workers and their families and the smaller independent companies and their stockholders?"

Edward W. Wootton, Wine Institute, Washington, D. C. (See statement, p. 325.)

(For extension; for seven-man Commission.)

"We have no objection to H. R. 5495 so far as it goes. But it contains not one single provision designed to cure, or even ameliorate, the plainly defective provisions of present law with regard to any case involving injury to American industry.

"We respectfully suggest to the committee that the present statute, and the bill H. R. 5495, fail to recognize the basic principles of fair play now generally provided for in all phases of administrative law, and also the sound principles usually regarded as desirable in laying out a program for the administration of a delegated function of the Congress. We also respectfully suggest that the most sympathetic attitude on the part of administrative officials is no proper substitute for a defective statute.

"This country is no longer a high-tariff nation; less than half our imports are dutiable, and the dutiable goods are paying only 12 percent on their value.

"H. R. 4204 goes directly to the heart of this difficulty. It proposes that the question of domestic injury be left as a question of fact to the determination of the Tariff Commission, and that, once the question of fact has been arrived at, it be followed without disturbance and without reversal for any reason, no matter how potent, not germane to the specific question of injury.

"With regard to section 14 (changing the membership of the Commission from 6 to 7), we should like to point out that the Tariff Commission, under the present law, and under the proposed bill, is performing semijudicial functions (as distinguished from its original purely investigatory functions), and that the lodging of such functions in an odd number, instead of an even number, of members is established practice, both in the courts and in Federal and State semijudicial administrative agencies. The practice minimizes split decisions which are never satisfactory either to the winning or losing party, because such decisions turn on burden of proof and not on the merits.

"All this bill does is to prevent material damage to important segments of the American economy while a sound solution is being found for the long-term problem.

"We respectfully urge the committee to separate the long-term problem from the immediate problem and to favorably report this bill before it is too late.

"At the present time we are making the necessary surveys to permit us to present an escape-clause action before the Tariff Commission on behalf of our better grade wine producers. When we go before the Tariff Commission we hope that the statutory procedures will be such as to permit the case to be decided upon its merits, as to whether or not there has been damage, and without any intervening or extraneous considerations. We also hope that the statute will be such that any relief that seems necessary can be granted in a manner that is not only fair to us but fair to the regular established import trade."

John J. Riggle, National Council of Farmer Cooperatives, Washington, D. C. (See statement, p. 244.)

(For 1-year extension; no direct statement on 7-man Commission.)

"'Trade, not aid' means whatever angle the particular group espousing this concept chooses to emphasize. The statements of policy of some of our domestic international trade groups fall into the continental rut, and interpret it to mean import of increased quantities of raw materials, including agricultural products, in order to furnish more dollar exchange for American export of an increased volume of our finished manufactured products, mostly from the mass production consumer goods industries.

"Trade artificially stimulated between highly developed economic areas and primary-producing areas will drain the latter of their purchasing power long before their own production and consumption needs are satisfied.

"Fifty-five percent of the people gainfully employed in the free world are engaged in producing raw materials later used for processing into food, clothing, fuel, shelter, and finished manufactured goods. In the United States, a highly industrialized area, the producers of primary products are about 20 percent of the employed.

"Thus the areas of the world in an advanced state of economic development such as ours are characterized by a high production-consumption level. This

involves a high capital investment per employee, high production per man, high wages and income levels, and a high savings ratio for creation, renewal, and expansion of capital through savings, and, of course, a relatively high purchasing power per individual.

"This is particularly true in our trade in agricultural products. Our supported prices attract many farm products which we do not need from countries which need them unless we maintain means of diverting products excessive to our needs, away from our satiated markets.

"Until the foreign economic policy of the United States asserts leadership with a trade-agreement policy which places firm emphasis on treaties of friendship, commerce, and navigation with other countries to provide a favorable political and economic climate under which private capital and know-how can aid them in developing a balanced economy, we are not going to arrive at mutually satisfactory economic or political relations in the international field.

"Pending the revision of our trade treaties to encompass private foreign investment and economic development abroad, we believe the existing Trade Agreement Act should be extended for 1 year only.

"Our foreign economic policy should then be oriented and implemented by a comprehensive trade-agreement authority which is aimed at rectifying the broad problems which are at the bottom of our international economic difficulties. Until such time, we believe the Trade Agreements Act should be amended and administered so that our trade policies are based on practical considerations and economic principles.

"* * * if the United States participates in the General Agreement on Tariffs and Trade, it should be on a conference basis. Trade treaties should be negotiated bilaterally on a quid pro quo basis * * *"

Tom Brown, Houston World Trade Association, Houston, Tex.
(See statement, p. 248.)

(For 1-year extension; no direct statement on 7-man Commission.)

"The present legislation should be extended without change for a period of 1 year while the administration reviews and appraises our entire foreign economic policy."

Fred G. Singer, Manufacturing Chemists' Association, Inc., Washington, D. C. (See statement, p. 250.)

(For 1-year extension; for 7-man Commission.)

"By January 1953, it is estimated that the highly competitive domestic chemical industry employed 769,000 persons at a high level of compensation and employee benefits. In 1952, corporate sales of the chemical and allied products industry grossed near \$18,275,000,000, on which the corporations paid nearly \$2 billion in taxes.

"* * * the chemical industry continues to be an industry which could be seriously affected by foreign competition. France, Italy, Switzerland, and the United Kingdom are large producers of chemicals. Germany is the country of origin of the organic chemical industry. The Czech chemical industry is very highly developed. Labor costs in Germany and the United Kingdom and in France are substantially lower than our own. Other elements of manufacturing costs are likewise lower in all of these countries than in the United States.

"* * * It should be noted that the chemical industry is regarded as a key industry and vital to national defense in each of the producing countries of Western Europe. The United Kingdom has a licensing system and uses it to exclude chemicals of foreign manufacture except those required to meet domestic requirements and not produced domestically. France employs a quota system in conjunction with credit control. Western Germany, and indeed all of the western European countries, restrict the availability of exchange.

"In view of the 1-year study of foreign economic policy, promised by the President, we agree with the 1-year extension of the President's authority, under the Trade Agreements Act, as extended and amended, beginning June 12, 1953.

"This would increase the number of Commissioners in the United States Tariff Commission from 6 to 7 and would increase the tenure of a Commissioner from 6 to 7 years." (Witness favors this change.)

John C. Flanagan, Houston Chamber of Commerce, Houston, Tex.
(See statement, p. 248.)

(For 1-year extension; no direct statement on 7-man Commission.)

"The present legislation should be extended without change for a period of 1 year while the administration reviews and appraises our entire foreign economic policy."

Morris S. Rosenthal, National Council of American Importers, Inc., New York, N. Y. (See statement, p. 102.)

(For extension; against seven-man commission.)

"Inasmuch as an entire review of our foreign economic policy is contemplated by the proposed new Commission, we shall withhold comment at this time on the particular features of the present act which we think are unwise.

"There is, however, one newly introduced change in the act as passed by the House of Representatives which we hope will be eliminated by the Senate and afterward in conference. That is section 201 which would increase the membership of the Tariff Commission from 6 to 7.

"To change the traditional nonpolitical complexion of the Commission would, in our judgment, be fatal to the work of the Commission in making objective economic studies and recommendations to the President based upon these studies.

"We should also like to recommend that the appropriation for the Tariff Commission be increased to allow the employment of added members of the staff * * *."

John K. Holbrook, Hatters' Fur Cutters Association of the United States of America, New York, N. Y. (See statement, p. 264.)

(No direct statement on extension or on seven-man commission.)

"The domestic hatters' fur industry is deeply interested in trade-agreements legislation, and appropriately so, since its product has in the past been published for consideration in connection with four different trade-agreement negotiations, and duty reductions on hatters' fur were actually effected under two agreements. On the other hand, following the recommendations of the Tariff Commission, the President in January 1952 partially restored the duty reductions under previous trade agreements, and our association has therefore been prepared to make a report regarding the effect of the President's order in this domestic industry."

William S. Swingle, National Foreign Trade Council, Inc., New York, N. Y. (See statement, p. 264.)

(No direct statement on 1-year extension; against seven-man commission.)

"* * * opposed to those provisions of H. R. 5495 which would reconstitute the United States Tariff Commission as a 7-man organization. We believe that the Tariff Commission should be continued as presently constituted as a bipartisan fact-finding body, without the assumption of policymaking or executive functions."

Frank H. Lee, Frank H. Lee Co., Danbury, Conn. (See statement, p. 265.)

(No direct statement on 1-year extension; for seven-man commission.)

"Suggest you support 7-man Commission and also that H. R. 5495 does not go far enough."

D. J. Ward, Association of Food Distributors, Inc., Washington, D. C. (See statement, p. 265.)

(No direct statement on 1-year extension; against 7-man commission.)

"The Joint Import Council of the Association of Food Distributors, Inc., wishes to express its opposition to the provision of H. R. 5495 which calls for an increase in the membership of the Tariff Commission.

"This feature of the bill is totally inconsistent with the policy declarations of the President and the administration, and it casts doubt on the real purpose of another provision of the bill providing for a bipartisan Commission to study foreign economic policy and to report its findings prior to the next extension of the Trade Agreements Act.

"During the course of debate in the House on this measure, much was said about the need for protecting certain domestic industries. The fact that in affording such protection the general welfare and the national economy as a whole would be adversely affected was completely ignored."

O. R. Strackbein, chairman, the National Labor Management Council on Foreign Trade Policy, and chairman, Nationwide Committee of Industry, Agriculture, and Labor on Import-Export Policy. (See statement, p. 286.)

(No direct statement on 1-year extension; for seven-man commission.)

Witness represents about 75 associations and organizations, including "industries and branches of agriculture that are basic to our national economy and national security and employ directly 4 to 5 million people."

"Today the principal tariff-adjusting function of the Tariff Commission lies in administration of the escape clause. No longer is a mathematical formula employed. * * * Two Commissioners, holding to diverse political and economic philosophies, very frequently arrive at a different judgment from the same set of facts. Of the 16 cases acted upon by the Commission under the statutory-escape clause, 11 cases have been rejected. In 6 of these 11 cases the decision was strictly on party lines." * * *

"* * * other agencies * * * are composed of an odd rather than an even number of members. The Tariff Commission should follow these examples. * * * for a Commission of seven members. We support this provision."

"Instances may be found where the financial position of an industry is protected by the very process of laying off employees and curtailing the workweek. The workers thus suffer injury before financial losses by the industry are incurred."

"We may summarize the situation as follows:

"1. The tariff was cut deeply without the benefit of adequate data to determine how far it might safely be cut. 'Calculated risks' were taken.

"2. Duties were reduced in wholesale fashion during a period when the effects of the reductions could not be tested adequately.

"3. The escape clause was introduced professedly to provide a means of correcting errors committed in the wholesale tariff-reduction process.

"4. Relief under that clause has been the exception rather than the rule, and the operation of the clause has been slow and cautious in very sharp contrast with the swift pace of the tariff-reduction procedure.

"5. The relatively infrequent recourse to the escape clause during the first 8 years of its existence was interpreted as evidence that our industry had suffered only slight injury.

"6. When the number of applications rose sharply in 1951 and 1952 alarm was expressed (by our State Department) over the effect produced upon European countries. The 'calculated risks' were forgotten. The fair words about a remedy against error were thrown to the wind. Injury, it began to be explained, must be expected, and, in any event, the general good of the country must be given greater weight than the interests of small, 'local, selfish groups.' Finally, the mask came off and rechanneling of capital and relocation and retraining of employees in disrupted industries was openly advocated. The shell game had been exposed."

John J. Lerch, New York, N. Y., representing American Glassware Association; the Candle Manufacturers Association; Collapsible Tube Manufacturers Association; Fatty Acid Producers Association; the Industrial Wire Cloth Institute; National Building Granite Quarries Association, Inc.; Rubber Footwear Division, the Rubber Manufacturers Association, Inc.; Toy Manufacturers of the United States of America, Inc.; Twisted Jute Packing and Oakum Institute; United States Potters Association; Velveteen Industry. (See statement, p. 266.)

(Against extension; no direct statement on seven-man commission.)

Mr. Lerch points out that he has consistently opposed the Trade Agreements Act from its inception in 1934; he regards the act as being unconstitutional. Some of the reasons for his support of the Simpson bill are quoted below:

"It is our view that the remedies sought to be provided in the act of 1951 have been ineffective and have supplied no facts upon which an intelligent survey could be based. We feel that in the provisions of H. R. 4294, which attempt to amend the act so as to make these remedies effective before the expiration of the year's extension, the President's investigating body would have facts upon which to base intelligent conclusions as to the effectiveness of these remedies."

"Because of the low cost of its manufacture abroad, the importation of every competitive article into the United States displaces at least one American-made article, and in many instances as many as half a dozen foreign-made articles can be imported before the cost of a single American-made article is exceeded."

"The constant shrinkage of our export markets and the immediate increase of

imports by the United States because of greatly reduced tariffs, would more logically force one to conclude that our exports will shrink or disappear while imports will increase to the detriment of our labor and capital investment."

Mrs. John G. Lee, League of Women Voters, Washington, D. C.
(See statement, p. 322.)

(For 1-year extension; against 7-man Commission.)

The statement indicated that the league (1) favored the extension of the Trade Agreements Act in its present form for 1 year to allow a commission to study the whole of the United States foreign economic policy; (2) is opposed to the escape-clause and peril-point amendments in the present act and would like to see them modified; (3) would like to see the administration and the Congress adopt a trade policy that would be more effective than is the present Trade Agreements Act in promoting world trade and especially in encouraging United States imports.

"* * * the league would like to caution that there is danger in waiting a year before the United States formulates a new trade policy * * *. All free nations are looking to the United States. Many of these nations will not take steps to liberalize their own policies until they see that the United States is willing to increase imports. The result of a protective policy may be a continued decline of American exports. Another possible result * * * is that [other countries may] look to the Soviet Union for commodities they need to keep their economy healthy."

"* * * The present act assumes that world trade is imbalance and that we cannot offer a trade concession unless other nations offer trade concessions in return. What is needed by the United States is a policy that will help remove the serious imbalance of trade * * *. If this imbalance continues to exist and our foreign aid program is reduced, the United States economy and the economies of all free nations will suffer * * *. We believe that imports furnish competition and that competition is generally healthy to the American economy. If we have laws in this country against monopoly which impairs competition, then we should not at the same time have laws which assist domestic industries to obtain a monopoly of the American market."

"The league would like to see the Tariff Commission a fact-finding nonpolitical body. If the number of members on the Tariff Commission is increased from 6 to 7, we fear that partisan considerations will enter into and may come to dominate the findings of the Commission. The league believes that if the Tariff Commission's nature is changed the public might lose confidence in its studies. We believe that the United States policy of expansion of world trade is one of the very best ways to work toward increased living standards and toward international cooperation to serve our mutual problems."

Roland L. Kramer, Foreign Traders Association of Philadelphia, Inc., Philadelphia 7, Pa. (See statement, p. 323.)

(For extension; against 7-man Commission.)

"We approve H. R. 5495 but vigorously oppose provision increasing membership of Tariff Commission. This fact-finding body has been free of politics for 37 years."

Carl J. Nadasdy, Cooperative Wool Growers of South Dakota and Minnesota, Minneapolis, Minn. (See statement, p. 324.)

(Against extension unless amended; no direct statement on 7-man Commission.)

"Seldom do we read or hear about many types of duties invoked by nearly every country in the world even though they are parties to our Trade Agreements Acts. It seems that some study should be made of this situation to determine whether reciprocal trade is being given both ways or whether our country, as in the case of our foreign-aid program, is continually giving more and, therefore, expected to give more in the future.

"* * * It seems sheer folly that in the case of wool, we as producers, are being given a price-support program only to find that our entire market is taken away from us through imports of foreign wool, either raw or processed, at prices well below the support price.

"In my humble opinion, H. R. 5495 simply extends this unsatisfactory and eventually unworkable program."

Otis H. Ellis, National Oil Jobbers Council, Washington, D. C.
(See statement, p. 336.)

(For 1-year extension; for seven-man commission.)

"The National Oil Jobbers Council is composed of 25 State associations of independent jobbers and distributors of an independent jobber or distributor of petroleum products and, for that reason, it might be well to define this operation. An oil jobber is a marketer of petroleum products primarily engaged in wholesale distribution, although some jobbers also engage in the operation of filling stations and substantially all of them engage in the retail distribution of household fuel oils. The term 'jobber and distribution' is used synonymously in industry nomenclature."

"The National Oil Jobbers Council particularly opposes that portion of the so-called Simpson bill, H. R. 4204, which would either easily permit or specifically require imposition of restrictions on imports of crude oil or petroleum products."

"* * * we are of the opinion that existing laws are adequate for our current needs insofar as oil imports are concerned."

"* * * this organization, representing 12,000 independent jobbers and the distributors of petroleum products, is in complete accord with the stated views of President Eisenhower to extend existing reciprocal trade laws without any change."

"We particularly object to title II of H. R. 5495 wherein it seeks to increase the number of members of the Tariff Commission from 6 to 7. Our objections do not lie to the numerical increase, but are directed, primarily, to the partisan aspects of the provision—a numerical majority of one party over another party. Our objections would be the same whether the party in power were Democrat or Republican."

"We recommend that existing reciprocal trade laws be continued for a minimum period of 1 year without any change."

"* * * we definitely feel that it is imperative for our Nation to have laws and policies that will promote reciprocity in international trade. As to the second issue, we are of the opinion that existing laws are adequate for our current needs insofar as oil imports are concerned. We have no opinions as to their adequacy as to the other commodities. From the testimony we have heard before this committee, it appears that administration of the laws, not the laws, is the chief cause of complaint."

"I am not in full accord with some who suggest that this committee blindly follow the request of President Eisenhower—to do so would make a 'rubber stamp' of this Congress and defeat the purpose of our checks-and-balances system of democratic government. We do feel, however, that grave consideration should be given to his request before a verdict of 'no confidence' is rendered. We feel that any industry deserving of relief from excessive imports can find adequate protection in existing laws, if they are properly administered, and therefore the interim period of study will cause no serious injury to any industry of consequence in this Nation."

M. R. Garstang, National Milk Producers Federation, Washington, D. C. (See statement, p. 361.)

(No direct statement on extension or seven-man commission.)

"The National Milk Producers Federation—representing 460,000 dairy farmers and the cooperatives through which they act together to process and market milk and dairy products—is vitally concerned with foreign trade policies."

"The federation has for several years urged Congress to retain closer control over the execution of trade agreements, and that is still our policy. We have also asked that such safeguards as the peril-point and escape-clause provisions be retained and strengthened."

"Referring to the pending bill, we are fearful of the implication of the phrase 'within the framework of our foreign policy and national security objectives' as used in section 309 (a). If the Commission on Foreign Economic Policy is to make an objective study of the foreign economic policy of the United States, it would seem that this phrase should be stricken or that the committee report should make it clear that the phrase does not limit the scope of the study."

(End of summaries of Senate statements.)

**FULL TEXT OF STATEMENTS SUBMITTED TO SENATE
FINANCE COMMITTEE**

DEPARTMENT OF STATE,
Washington, June 23, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Senate Finance Committee,
United States Senate.*

MY DEAR SENATOR MILLIKIN: In accordance with the announcement of the Senate Finance Committee affording an opportunity for the submission of written reports on H. R. 5495, the Trade Agreements Extension Act of 1953, the Department of State submits its views on this legislation.

President Eisenhower in his state of the Union message recommended that "the Congress take the Reciprocal Trade Agreements Act under immediate study and extend it by appropriate legislation." In his message to Congress of April 7, 1953, he proposed that this action be an interim measure for a period of 1 year to allow for the continuation of our present trade policy pending the completion of a thorough and comprehensive reexamination of the economic foreign policy of the United States. In a later message to Congress on May 2, 1953, the President recommended that a commission be established to make this policy review which should provide the basis for action during the next session of Congress.

In his testimony on May 4 before the House Committee on Ways and Means on the extension of the Trade Agreements Act, Secretary Dulles reiterated the request of the President to extend the present Trade Agreements Act for a period of 1 year, during which time a commission would be established to make a fresh appraisal of what should be done. In support of the President's recommendations, the Secretary stated that it is the purpose of the President "to avoid a committal, or appearance of committal, to a changed tariff policy before that policy can be coordinated with other new and related policies. We want all of the parts to add up to a coherent whole and not cancel each other out. Only thus will they truly serve the welfare of our people."

H. R. 5495 would enable the achievement of these objectives. The Department, therefore, recommends its enactment.

Sincerely yours,

THURSTON B. MORTON,
*Assistant Secretary
(For the Secretary of State).*

THE SECRETARY OF COMMERCE,
Washington 25, June 24, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Committee on Finance,
United States Senate, Washington, D. C.*

DEAR MR. CHAIRMAN: I am writing pursuant to your committee's invitation to indicate my views on legislation now before the committee (H. R. 5495) to extend the legislative authority for the trade agreements program.

At the hearings before the Committee on Ways and Means of the House of Representatives, in my testimony on the bill H. R. 4294, since superseded by the bill under consideration, I supported the President's recommendation that the basic authority for this program be extended for a 1-year period, until June 1954. Reference is made to that testimony for detailed reasons in support of the measure.

I, therefore, hope that your committee will approve legislation providing a 1-year extension of the Trade Agreements Act of 1934, as amended, and for the creation of a commission, as set out in the bill under consideration, to conduct an overall review of our foreign economic policy.

Sincerely yours,

SINCLAIR WEEKS, *Secretary of Commerce.*

STATEMENT OF HON. GEORGE W. MALONE BEFORE THE COMMITTEE
ON FINANCE, UNITED STATES SENATE, ON JUNE 18, 1953

THE 1934 TRADE AGREEMENTS ACT—SO-CALLED "RECIPROCAL TRADE"

Senator MALONE. Mr. Chairman, it is with reluctance that I speak up in this matter because I am still a younger member of the committee, but I am also very close to this picture all over the United States, I can say.

I am going to say this for the benefit of the record, that I believe it to be the most important national policy to be faced by the administration. I think it will cause more controversy and more bitterness than any other policy established by the previous administration.

THE WORKERS AND SMALL BUSINESS

I want to say to you, that it is vital to small business and to the workers of this Nation. It is not so vital to some of the larger business organizations. It has been suggested we would probably hear from the larger organizations to the exclusion of the smaller ones, but there has been a very apparent division in the last few years developing along the lines of foreign investments.

The bigger business, which has grown to such a size and is of such a nature that they can make their investments behind the low-wage curtain and utilize the sweat-shop labor, and ship their goods back here cheaper than they can produce them under this wage standard of living, are for free trade.

FINANCE COMMITTEE MUST FACE ISSUE

We might as well face it. We are going to have to face the issue. I do not think it is going to be nice. This is a very important committee. It is made up of very competent and experienced men, leaving out some of us younger members for the purpose of the discussion.

SENATE RELUCTANT TO OVERRIDE A COMMITTEE

Upon this committee these people must depend. There is no other committee in the Senate of the United States equipped to do the job. We all know the difficulty of taking something to the floor that has not been considered by a committee or, if it has been passed upon by a committee, whether it has had due consideration or not.

Nearly all of the members of the Senate—and I join them in that feeling—are rather reluctant to override the report of a Senate committee.

INVESTIGATORS' CONFIDENCE DESTROYED

If we extend this free-trade racket for 1 year, or 6 months, or for 2 years, or for any time, you are continuing, for just that period, the time during which the confidence of investors is utterly destroyed in the small business of this Nation.

It is already destroyed. We are simply continuing it. To continue it is bad enough, but to continue it without a chance for these people to be heard on the theory that we want to go home, that we have set a time to adjourn, and that such a vital matter could not be properly

considered, to my mind is a responsibility that should not be undertaken by the Congress or by the committee.

NATIONAL ECONOMIC POLICY TIED TO FOREIGN POLICY

I am going to say to you that the build-up and the tying together of the national economic policy with the foreign policy in the last 20 years has shocked anyone who will study it. The people of the Nation, as a whole, do not understand what Congress has done in the last 20 years in tying together these policies which the Constitution pointedly separated.

A CONSPIRACY TO DESTROY THE WORKER AND SMALL BUSINESS

It is a conspiracy to destroy the workers and the small business of this Nation. It may be that this committee does not understand it, and I can possibly be wrong, but the effect of it is just that.

Business that is large enough and of such a nature that they can go behind the sweatshop labor curtain, will take the markets there, which have been held out as a bait for the billions of dollars going to Europe to build these plants. The American people were told that they were going to benefit by the markets developed with their money.

They will not only take those markets, but they then ship the products here without any duty or excise tax at a lower cost than they can produce such goods here under our wage standard of living.

We are left without any duty of tariff adjustment to equalize the wages in the foreign country and in this Nation. All you have to do is study it to see how outmoded it is to talk about the know-how in this country and the machinery and that we do not need to fear competition.

I have studied this matter for 25 years, not for the 6 years I have been here, in the industrial engineering business.

DIFFERENCE IN LABOR—DIFFERENCE IN COST

Into these undeveloped areas wherever they are—and we have undeveloped areas in the United States—the brains and the know-how go first. That is the history of the development of this and all other areas. Then they install the best machinery known in the world. They do not use old style machinery.

When they start production then the real competition is based on the difference in the wage-living standard and the efficiency of that labor here and abroad.

THREE PART FREE-TRADE POLICY

This is not one isolated act. The State Department has testified several times since the junior Senator from Nevada has been in the Senate that there are three factors tying the domestic economy to the foreign policy.

I have on the Senate floor called them the three part free-trade system worked out by the State Department.

Dean Acheson, Secretary of State, and Willard Thorpe, Assistant Secretary of State both testified before the Senate and the House Com-

mittees that it was hardly possible to separate the foreign and domestic policies because they were tied together.

Who tied them together? The Administration directed by the State Department. First the 1934 Trade Agreements Act which, as all of us must know by now, is not "reciprocal." The phrase "reciprocal trade" does not occur in the Act.

It was never intended to be reciprocal and is not reciprocal for the very simple reason that no foreign nation ever kept a trade agreement with this Nation and the "most favored nation" clause has no semblance of reciprocity.

Second, the aid to Europe was to make up the trade balance deficits of those nations until you can divide the markets of this Nation through the Trade Agreements Act to the point that theoretically there would be no trade balance deficits.

Then what came next? Third, an organization that they promised this committee they would not bring up again, but of course they do intend to bring it up again when a favorable climate can be created for it. It is the International Trade Organization (ITO) which would make the division of markets and production permanent, if approved by Congress.

What was the International Trade Organization? It was an organization of 57 nations that would meet once each year, at least, and divide among the nations of the earth the estimated world production and consumption, on the basis of need.

CONSTITUTION SEPARATED DOMESTIC AND FOREIGN POLICIES

Those were the three proposals and the reason they said it was impossible for us to separate the domestic economic policy and the foreign policy.

I point out to you that the Constitution of the United States did pointedly and definitely separate them.

They made it the constitutional responsibility of Congress to set the duties, imposts and excises.

Also they made it the constitutional responsibility of the Congress of the United States, the legislative branch, to regulate foreign trade.

I might say to you that a very strong minded President prevailed on what I would call a weak and subservient Congress in 1934 to transfer the constitutional responsibility of the legislative branch to regulate foreign trade, to the executive branch, the President. The Congress, in effect, made the President an agent of Congress as an emergency—so stated in the act.

Congress has periodically extended the emergency 1934 Trade Agreements Act for 20 years.

I would like permission to insert in the record—I don't have it with me—the number of times and circumstances that it was extended.

(The following extensions of the act have been made by Congress:)

EXTENSIONS OF THE ACT

Under the provisions of section 2 (c) of the Trade Agreements Act of 1934 (Public Law 316, 48 Stat. 943), the authority of the President to enter into foreign trade agreements was to terminate "on the expiration of 3 years from the date of the enactment of this act", i. e., 3 years from June 12, 1934. Thereafter, the

authority of the President to enter into foreign trade agreements was extended from time to time, as follows:

Congressional enactment	Date of approval	Period of extension	
		From—	To—
Public Res. No. 10 (50 Stat. 24).....	Mar. 1, 1937	June 12, 1937	June 12, 1940
Public Res. No. 61 (54 Stat. 107).....	Apr. 12, 1940	June 12, 1940	June 12, 1943
Public Law 66 (57 Stat. 125).....	June 7, 1943	June 12, 1943	June 12, 1945
Public Law 130 (59 Stat. 410).....	July 5, 1945	June 12, 1945	June 12, 1948
Public Law 702 (62 Stat. 1053) ¹	June 26, 1948	June 12, 1948	June 30, 1949
Public Law 307 (63 Stat. 698).....	Sept. 26, 1949	June 12, 1948	June 12, 1951
Public Law 50 (65 Stat. 72).....	June 16, 1951	June 12, 1951	June 12, 1953

¹ Repealed by Public Law 307, approved September 26, 1949.

It will be seen from the foregoing table that the authority of the President to enter into foreign trade agreements lapsed temporarily during the periods from June 12 to July 5, 1945; from June 12 to June 26, 1948; from June 30 to September 26, 1949; and from June 12 to June 16, 1951.

Senator MALONE. Now it is before us again.

THE ONE POLITICAL WORLD

I might say that there is positively no difference under the policy instituted by the administration through the State Department under the 1934 Trade Agreements Act, the so-called Reciprocal Trade Act, in the importation of the products of cheap labor in competition with the workers and American small business and the importation of the cheap labor itself. I say small business because a larger business can install branch plants in these foreign countries and use their cheap labor and ship the goods back here cheaper than they can be produced under our wage-living standard, and the small business is of such a nature and of such a size that they cannot do it.

The whole picture is woven together and directed to one international economic world. When you succeed in leveling our wage-standard of living to that extent you will automatically have the one political world—the world government. You need not worry further about that.

RESPONSIBILITY REVERTS TO AN AGENT OF CONGRESS

I want to say to you, if I may, that if this is not extended—and I find an enormous number of people do not understand this, Congressmen and Senators alike, I might say—nothing happens at all except the responsibility of regulating the tariffs, the duties, imposts, and excises commonly known as duties and import fees on a flexible basis, reverts to the Tariff Commission, which is an agent of Congress—in accordance with the Constitution of the United States.

Under the 1930 Tariff Act, section 336 determines what they shall do.

NO CHANGE IN TRADE AGREEMENT STATUS

There is no change whatever in the trade agreements already made. There is no change in the status quo through not extending this act.

The only way that there can be a change in the trade agreements

already made is that if one party to the agreement, either a foreign nation or the President representing our Nation, serves 6 months' notice that they want to terminate the agreement.

If our President should do that, then that would cancel that certain trade agreement. If he does not serve such notice, and from his various statements and recommendations here I judge that he would not, there would be no change whatever in the status of the trade agreements already made.

ESCAPE CLAUSE REMAINS INTACT

Also the escape clause remains in effect exactly the same as if the act were extended. So everything remains exactly the same as if you were to extend this act 1 year or 2 years or 6 months or for any specified time.

DO NOT NEED THE ACT

They have said that they do not intend to make any new trade agreements. If that is true, they do not need the act.

THE TARIFF COMMISSION—AN AGENT OF CONGRESS

Under section 336 of the tariff act, the Tariff Commission could only act on any article that is not covered by a trade agreement.

They can do that; it reads in part in section 336 of the 1930 Tariff Act which has been in the law since that date—and would take effect if Congress decides to resume its constitutional responsibility.

CONGRESS DODGING ITS RESPONSIBILITY

I think they are dodging it. That is my statement before this committee. The Congress—the legislative branch is dodging its responsibility. The 1930 Tariff Act says in part, that upon the request of the President, they can adjust the flexible tariff 50 percent up or 50 percent down, which, of course, would not be enough because of the inflation effect the existing tariff, even if it were not disturbed by the State Department agreements, they were reduced through the inflation by probably two and a half to three times. So they would have to be given more latitude in the necessary adjustment to make up the difference in cost due to the difference in the wage-living standards here and abroad.

At the present time they have a latitude of 50 percent up or 50 percent down and can institute proceedings to adjust the duty upon the request of the President, upon the resolution of either or both Houses of Congress, upon its own motion, or when in the judgment of the Commission there is good and sufficient reason therefor, or upon the application of any interested party.

The Commission can investigate the difference in cost of production of any domestic article and of any like or similar foreign article.

There is no necessity for this legislation. The legislation by the act of Congress in extending it continues the weight over the heads of the workers and of all small business in this Nation. Investors who might be persuaded to invest in these industries have the same weight hanging over them. I do not need to say that several industries have been entirely wrecked. That would all come out in the testimony.

WORKERS AND INVESTORS SHOULD NOT HAVE WEIGHT OVER HEADS

We can set up a committee to study for a year or such time as necessary the foreign-trade policy and make a report to the President or to the Congress of the United States, whichever the legislation provides, without having the 1934 Trade Agreements Act hanging over their heads at all, and without the investors of the Nation and the small business of the Nation and the workers of the Nation having this weight hanging over their heads.

LEGISLATION DESTROYS INDUSTRIES

I will say to you without fear of contradiction that the 1934 Trade Agreements Act has destroyed the wool and the sheep industry in this country. We are destroying the cattle, textile, watch, precision, and countless other industries.

We are destroying thousands of small businesses in this country. And the Congress of the United States refuses to assume—just assume—its constitutional authority through just not extending the act itself—by just allowing it to revert to the Tariff Commission where it belongs as an agent of Congress—where the Constitution of the United States says it belongs.

SMALL BUSINESS REPRESENTS SMALL CAPITAL

Now, Mr. Chairman, I think this committee will be severely criticized. I think the Congress of the United States will be severely criticized if proper hearings are not held. The small-business people are ready. They are trying to keep their heads above water, because they have everything they have in the world invested in these businesses.

I think they are about through being nice. I think you are going to find a tremendous reaction during the coming year if we refuse to have full hearings or at least hear these people to the extent that they consider, through their associations and through their principals, to get their side of the story—the evidence—before the Senate Finance Committee.

I want to ask the members of this committee how much time do you think each member is going to spend reading the briefs that they may submit between now and Monday and before it is reported on Wednesday? You will never see them. You will have a staff that may or may not understand the business that will do their best to put a skeleton report before us—but the members of the committee will give it no time at all.

Another thing I want to point out, when these witnesses come before the committee there is a matter of questioning the witnesses and bringing out the facts in each case.

I am not impugning the ability of the House to ask such questions, but certainly the Senate, knowing what the House has done, will bring out the evidence in full and bring to light actually what has been going on in the particular business that the man represents who might be a witness.

DISCUSSION ON SENATE FLOOR

Mr. Chairman, I can see the rusing tactics of this group. I submerge my feelings to this extent and defer to the greater experience of the members who have been on this committee for many years. I reserve the right, however, to discuss it on the Senate floor.

HEAR THE REPRESENTATIVES OF THESE BUSINESSES

But I want to move, Mr. Chairman, that we hear the representatives of these businesses to the extent of the representatives of their associations.

There are not too many associations that will want to be heard. You have the National Wool Growers Association. You have the mining associations that actually represent the mining industry. Some of them are here today, Mr. Chairman. You could hear them this afternoon. We could hear the Association of Cotton Textile Manufacturers. It is this type of association I am speaking for.

With the type of legislation on which we are whiling away our time in this Congress, we should pass the appropriations bills with a 25 percent reduction and go home and allow the 1934 Trade Agreements Act to expire—then Congress would automatically reassume its constitutional responsibility to set the duties, imposts and excises, commonly known as tariffs and import fees.

If, however, we extend this act without hearing these people, Mr. Chairman, I think they will be heard in a far different manner during the ensuing year. I do not think they will take this lying down.

MOVE TO HOLD HEARINGS

So I move you, Mr. Chairman, that we hear any representatives of Government departments that want to be heard. There are not very many of the departments.

And I move that we hear the associations that represent industries, as a minimum.

Then let it develop and let this committee decide, after they have heard the heads of the associations, what additional hearings, if any, that it will hold. That will be a classified matter. If you hear the representative of each industry, at least we will have a minimum of objections.

Then at the end of those hearings, let the committee decide whether or not we will have further hearings in the matter and proceed in this manner. I think it is the most important thing facing this Congress.

I move you, Mr. Chairman, that we so proceed.

(See statement of Hon. George W. Malone before the Senate Finance Committee on June 24, 1953, at p. 592.)

THE AMERICAN FUR MERCHANTS' ASSOCIATION, INC.,
New York, N. Y., June 15, 1953.

HON. EUGENE D. MILLIKIN
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR MILLIKIN: Thank you for your wire regarding Simpson bill H. R. 5495 dealing with the 1-year extension of Reciprocal Trade Agreements Act.

I am enclosing copies of the report submitted to the House Ways and Means Committee and would appreciate it if you would give consideration to our views.
Sincerely yours,

RAYMOND H. PAPERNOW,
Chairman, Foreign Trade Committee.

STATEMENT OF RAYMOND H. PAPERNOW, THE AMERICAN FUR MERCHANTS ASSOCIATION, INC., NEW YORK CITY, BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. PAPERNOW. I do not think it will be more than 10 or 15 minutes. I will try to make it as short as possible.

The CHAIRMAN. We have a pretty long day of it here.

Mr. PAPERNOW. My name is Raymond H. Papernow. I am chairman of the Foreign Trade Committee of the American Fur Merchants' Association, which consists of fur dealers, brokers, and processors of furs of United States and foreign origin.

The purpose of this memorandum is to acquaint you, the House Ways and Means Committee and the Senate Finance Committee, with the view of the American fur trade in connection with the bill for the extension of reciprocal trade agreements known as H. R. 4294, on which hearings are being held now before the House Ways and Means Committee.

Furs represent an important part of our natural resources and the trapping of furs provides an income to hundreds of thousands of trappers and farmers throughout the United States and Alaska. The fur trade is one of the oldest trades existing in the United States and from its very inception it has always been a trade of an international character. Years ago, the United States used only a small part of its annual fur crop for home consumption and exported most of it to other countries throughout the world but with the growth of the population and the economic progress of our country, we used more and more of our own furs and have also been importing many foreign furs to supply the growing demand of our population.

The value of the annual crop of American furs has been estimated to be anywhere between \$125 to 175 million, depending on the existing market prices. During 1947, when the retail value of fur garments and fur trimmings had reached the figure of over \$500 million, we imported \$140 million of foreign furs and, at that time, the fur trade was employing 40,000 to 50,000 people in the processing, manufacturing and distribution of furs.

During the years when we imported large quantities of foreign furs to supply our demand, we still exported very large quantities of American furs to foreign countries. They were furs of the type for which there has been no demand in the home market and finding an export market for the unwanted furs has been very important to our trade as we were able to pay fair prices to the trappers and farmers, not only for the furs which we used in our own country, but also for furs for which there was no demand in our market.

Since the end of World War II, we have found many foreign markets either closed or restricted to the importation of American furs. For example: Australia does not allow the import of American furs but the Australian fur trade is permitted to buy European furs as well as some American furs which are processed in Great Britain. France allows the import of American furs only to the extent of 72

percent of the export of French furs to the United States. At the same time, France permits the purchase of other European furs as well as the import of American furs provided they are purchased in London. Germany allows the import of American furs to the extent of 40 percent of the value of the export of German furs to the United States.

When trade agreements are negotiated between various European countries, those countries which are producers of furs always stipulate that a certain amount of their furs must be included in the volume of trade with the country with whom the agreement is negotiated.

The United States Government, in negotiating reciprocal-trade agreements, has never made any provision for the importation of American furs by the country with which the agreement was negotiated and we feel that in the future, whenever a reciprocal-trade agreement is negotiated with any foreign countries, provision should be made with such countries to allow a free import of American furs.

When the Trade Agreements Extension Act of 1951 was passed by the House of Representatives, section 11 was added prohibiting the importation of certain types of furs from the U. S. S. R. or Communist China. Those restrictions have hurt our trade a great deal as it cut off an important supply of furs from our market and, as a result of it, it has caused a great shrinkage in the volume of our business to a point where, in 1952, the retail volume of sales was only about \$250 million against \$500 million in previous years. As a result of that shrinkage, the fur trade has a great number of people who are unemployed as there is not enough work for them and the income of people engaged in the fur business suffered very badly.

Also, the restrictions on the importation of foreign furs have not helped the American fur trappers and farmers in any way as the demand for furs is dictated by fashion and the absence of the embargoed Russian furs from our market has not improved the demand for those types of American furs which this market has not previously used.

At the same time, it has hurt our export trade as the Russian Government, since the embargo on some of their furs took effect, has been selling those furs to European countries in competition with American furs and has resulted in a decline in prices of American furs sold to Europe and also restricted the demand for same. For example: Three main articles of American furs which were exported to Europe were raccoon, opossum, and skunk.

In 1951, we exported 954,143 raccoons, 1,697,959 opossums, and 1,009,400 skunks. During 1952, we only exported 739,879 raccoons, 868,435 opossums, and 709,546 skunks. This shows a decline in exports of anywhere from 25 percent to 50 percent.

While the restrictions on the importation of Chinese furs have hurt our trade, we are not raising any objections to it since imports of all Chinese goods have been restricted and those restrictions were based on good political reasons. However, as far as the restrictions on some of the furs from the U. S. S. R. are concerned, we believe they were imposed mainly as a concession to the fur farmers' group who are engaged in the business of raising ranch mink.

If our Government wanted to prevent the U. S. S. R. from selling its goods in the United States of America and, on that basis, restricted

the importation of all goods from the U. S. S. R., we, as patriotic citizens, could have had no objection to it.

But, in placing a restriction on some Russian furs only and allowing the import of all other Russian products to the United States of America, we feel that the fur trade has been discriminated against and we believe we have a right to ask Congress to amend the reciprocal trade-agreements law by striking out clause 11 from Public Law 50 approved on June 16, 1951.

Prior to World War II, London was the fur center of the world and even though England is not a fur-producing country she attracted buyers from all over the world, mainly because the London market was able to offer to the fur buyers a variety of furs from all over the world. During the war, the London market was closed to the rest of the world and New York became the main fur center and we had a good chance of continuing to be the world center after the war.

At the end of World War II, the British Government, realizing the importance of maintaining London as a world fur center, allowed the fur trade to import furs freely from all over the world for the purpose of reexporting same to other countries. But since the United States of America was still the largest fur-consuming country, New York still had a good chance of retaining its position as the world fur center.

However, with the restrictions imposed on the importation of Chinese and Russian furs, foreign buyers prefer to go to London, where they are offered a greater variety of furs than we can offer in New York and, today, New York is fast losing its dominant position in the world fur trade.

There has been in existence for many years a duty of 37½ percent on raw silver foxes and also a quota restricting the quantity of silver foxes to be imported to this country. This was done primarily to protect the silver-fox industry in the United States.

Experience has proven that this protection did not benefit the silver-fox industry and, as the demand for the article declined, the world production of silver foxes has dropped from about 1 million skins valued from \$40 to \$50 per skin to approximately 150,000 skins valued at \$10 to \$15 per skin. We feel that the duty on the importation of raw silver foxes should be removed.

In closing, we would like to say that from the experience of our trade gained over a period of many years, we believe that our trade should operate in a market free of any tariffs or restrictions on the raw product. We also believe that if our Government would comply with our request to help us to remove restrictions existing in various countries on the importation of American furs, we would have a much better chance of accomplishing it by removing all restrictions on the importation of foreign raw furs into the United States.

I would also like to read to you part of a letter from A. Hollander & Son, Inc., who are the largest fur processors in the United States.

The CHAIRMAN. Pardon me, Mr. Papernow. We have a rollcall over at the House and if there is no objection, you insert what you are reading now in the record as a part of your remarks. However, we will have to suspend now. We appreciate your statements very much. We will insert the remainder of your remarks in the record.

(The statement referred to follows:)

A. HOLLANDER & SON, INC.,
Newark, N. J., May 11, 1953.

MR. RAYMOND H. PAPERNOW, SILBERMAN FUR CORP.,
New York, N. Y.

DEAR MR. PAPERNOW: We are in complete accord with the representations that you and the committee of the American Fur Merchants Association are preparing to present to the Committee for Reciprocity Information, House Ways and Means Committee and the Senate Finance Committee relative to extending the Reciprocal Trades Agreement Act. Reciprocal trade relations not only concern the welfare of the American fur merchant, but it vitally affects every element of America's fur industry.

As the world's largest fur-dressing and dyeing company, we would like to contribute our viewpoint in connection with extending reciprocal trade agreements and on modifying if not eliminating the existing embargo on certain furs as it relates to labor employed and the threat it creates to the security of our business existence.

How the scope of our operations has been affected should be reflected by our volume. In 1946, our total volume was in excess of \$10 million. In 1952, it was \$6,300,000—a gradual decline of about \$4 million or 40 percent. We do not buy or sell fur pelts or manufacture and sell fur garments. We are engaged in the processing of fur pelts and refurbishing fur garments belonging to others. Our processing-unit sale in the average is far less than \$1 per pelt. To achieve the volume making up our experience, it is obvious that millions of pelts of various types must be handled and processed. The market value of a pelt is usually far in excess of the processing charges—often 10 or more times the processing charge.

Our investment in plants and equipment on a replacement basis would be in excess of \$5 million. At the peak of our operations an average of 2,000 production employees are on our payrolls. Until 1952, 10 plants situated in the following localities comprised the company's operations: 3, Newark, N. J.; 1, Long Branch, N. J.; 3, Middletown, N. Y.; 1, Mount Vernon, N. Y.; 1, Chicago, Ill.; and 1, Los Angeles, Calif.

Declining fur business has made it necessary for the company to close, sell, or list for sale the following plants: 1, Los Angeles, Calif., employed average of 110 persons; 1, Long Branch, N. J., employed average of 350 persons; 1, Newark, N. J., employed average of 375 persons; 1, Middletown, N. Y., sold in 1952 (stand-by plant); 1, Middletown, N. Y., idle, employed average of 250 persons; and 1, Middletown, N. Y., receiving plant, sold in 1952, employed average of 75 persons.

Although the viewpoints herein expressed are not registered on behalf of the entire fur dressing and dyeing industry of the United States, we are quite certain that a similar pattern would be supported by it.

On the basis of authenticated information, it is our approximation that the payroll for unionized labor in the processing industry was \$16 million and more than 6,500 people were directly employed by the fur dressing and dyeing industry in 1952. The data available to the Tariff Commission would confirm the precipitous decline in wage income which occurred in the processing industry from 1946 to date.

To bring into sharp focus the peril which may confront the American fur dressing and dyeing industry as a result of unrealistic tariff regulations and embargoes on furs, we should like to emphasize the vulnerability of our Persian lamb dressing and dyeing operations in the remaining plant we are operating at Middletown, N. Y.

Our annual production over the past 10 years would average about 2 million pelts. We believe that the average number of Persian pelts of all sorts processed in the United States of America in the past 10 years would approach 4 million to 5 million. We appraise last year's production at about 3,250,000 pelts.

Until several years ago the United States of America was more or less impregnable against foreign competition with respect to the dressing and dyeing of Persian lamb pelts of various types. The entire supply of Persian lamb pelts originates in Russia, southwest Africa, and Afghanistan.

Prior to World War II, Leipzig was an important Persian lamb fur-dyeing center. But since American labor and know-how produced a result as good, if not superior in some respects, the American fur industry preferred to utilize the American products. After World War II, the Russians contrived to obtain from Germany knowledge of dressing and dyeing Persian lamb pelts. Some of

the important dyers who were fortunate enough to leave Germany are operating in other European countries.

Unless trade barriers are kept at a level, making the importation of foreign labor unattractive, we may before long be inundated with Persian lamb pelts dressed and dyed abroad at levels far below the American workers' standards. To illustrate this peril, we should be aware of the following facts:

It is reliably reported that Thorer who was for many years well-established in Leipzig as a ranking dresser and dyer of Persian lamb pelts has licensed his process to a dresser and dyer in France and also to a dresser and dyer in Italy. It is established that he is also operating a Persian lamb dressing and dyeing plant in southwest Africa.

At long last, Russia is now successfully dressing and dyeing Persian lamb pelts in Russia evidently utilizing Leipzig talents "moved" into Russia. Obviously, American industry cannot compete with the labor standards existing in Europe and with the standards of other countries elsewhere.

Our Persian lamb dressing and dyeing operations represent about 50 percent of our total business. The income from these operations which are not too profitable, are very helpful in maintaining phases of our other operations which have been totally unprofitable for about 5 years.

If we are to be subject to the competition of foreign labor, not only will the employees of our Middletown plant suffer, but the community will as well. Our annual expenditure at Middletown, N. Y., for labor and materials and other operating expenses is about \$2,500,000 per year. The original occupation of most of our employees at the Middletown, N. Y., plant was farming. A great number of them still pursue farming and take employment with us for added income to support their farming operations. A free flow of all types of raw fur pelts into America would to a great degree insure the American worker against sharp depressions in the fur industry.

While we are, as American industrialists and citizens, wholly in accord with any action taken by our Government in the name of patriotism or for the preservation of our way of life, it is difficult to understand what good objective is accomplished by an embargo on furs which seems to be selective in the most discriminatory and baseless sense. Why were not products and commodities other than some furs embargoed too?

We believe that if it were made apparent to the legislators in Washington how injurious the existing embargo on furs has been to the fur industry's well-being and America's economy, other means would have been created to apply sanctions against those foreign governments which may be unfriendly to us, or whose conduct is inimical to our best interests.

The prevailing embargo has added to the industry's problems by reducing the variety and the quantity of pelts normally available to it. The fur industry is restricted in expressing its business ingenuity by the sharp reduction in the variety and quantity of fur pelts, thus harming American labor.

Other friendly countries have benefited materially from the embargo we have established. For example, A. Hollander & Son, Ltd., in Montreal and Toronto also engaged in the fur-processing business is experiencing an extremely successful year. Its volume in 1953 will exceed any preceding peak. For most of this year, A. Hollander & Son, Ltd., has been behind 6 and 8 weeks in its production. Its facilities have been greatly taxed by the demands of the Canadian fur industry. The experience of other fur dressers and dyers in the Dominion of Canada is undoubtedly similar, while American workers in large numbers are walking the streets in idleness. A. Hollander & Son of France is also experiencing an all-time high in its volume.

On the other hand, we have for many years past been losing substantial sums of money as our published figures would show. The loss of about \$500,000 in 1952 has approximately been duplicated for the first 4 months in 1953 in spite of severe and almost destructive cutbacks we have made in operating costs.

If furs peculiar in their origin to other countries which are presently embargoed would be permitted to enter this country, American industry would have a chance to create a better degree of prosperity. As it is, Canada and several European countries are benefiting by the embargo we have initiated which at once is increasing the strangulation of our own American fur industry.

We beseech you to make the most urgent appeal to our legislators in Washington, who have always demonstrated an acute understanding of American industry, to apply their characteristic wisdom toward relieving the American fur industry from those perils which may be minimized or avoided. Oddly

enough, most of the furs under embargo are not similar in character to furs inhabiting the North American continent.

We are confident that America's first industry will not be compelled to breathe its last by the risk of being banished from America's industrial scene. Our lawmakers will not permit it.

Sincerely,

ALBERT J. FELDMAN, *President.*

As this memo was completed, the article below appeared in *Women's Wear Daily* (Tuesday, May 12, 1953), reporting a shipment of 5,000 persian lamb pelts dyed in Germany scheduled to arrive in the United States in July.

Our company has invested almost \$400,000 in the past 5 years in developing a variety of colors on persian lamb pelts. Our marketing program is presently being launched. While it cannot be determined at this point whether the Markle Co., which processes its own pelts (probably purchased under very advantageous conditions abroad because of United States help and foreign monetary manipulations), will place the American fur merchant and the American dressing and dyeing industry at a disadvantage, the impending project serves as a warning signal.

NEW PERSIAN LAMB DYEING TECHNIQUE BEING INTRODUCED

London Bureau

LONDON, May 11.—A new process for dyeing raw black persian lamb in all the classic and high fashion colors will be marketed in the United States shortly, it is made known hereby Franz Markle, inventor of the process.

Skins treated with this process were first seen at the recent Frankfurt Fair, as noted, and have been marketed in Germany, according to Mr. Markle, who operates Frankische Pelzindustrie Markle & Co., Furth, Bavaria. The first shipment of treated skins will number 5,000 and are scheduled to arrive in New York by July. Mr. Markle, who was here to attend the recent persian lamb auctions, will go to New York at that time.

The process enables skins to be dyed in a wide range of colors to match practically any color of cloth, Mr. Markle stated. Colors already produced include light beige, light brown, dark brown, brown sur, gray, and smoke brown. The skins are dyed either in plain colors or with a shaded center stripe.

Mr. Markle, who is known for his developments in two-tone dyeing of Indian lambs, stated his new process is the result of 20 years of experimenting. He described the process as "very complex and very expensive." He estimated the use of the process would add 15 to 20 percent to the retail price of a persian lamb coat.

Mr. PAPERNOW. Thank you.

STATEMENT OF GEORGE B. ZAHNISER

LYNNE ANDERSON WARREN,
New York 6, N. Y., June 16, 1953.

Extension of Reciprocal Trade Agreements Act

Hon. EUGENE D. MILLIKIN,
Senate Finance Committee.

Senate Office Building, Washington, D. C.

MY DEAR SENATOR MILLIKIN: George B. Zahniser, president of Shenango Pottery Co. of New Castle, Pa., has asked me to summarize for you the arguments against the mere extension of the existing act and in favor of the passage of the modified "Simpson" bill, H. R. 5495, which incorporates most of the provisions of your resolution (S. J. Res. 78), increases the Tariff Commission from 6 to 7 members and reduces the Commission's deadline on escape clause applications from 1 year to 9 months. Since talking to Mr. Zahniser, I note in today's *New York Times* that the House yesterday, by a vote of 215 to 185, refused to remove from the reciprocal trade agreements bill the provision enlarging the Tariff Commission from 6 to 7.

Generally, the parade of American industry witnesses before the House Ways and Means Committee at hearings on the original Simpson bill (H. R. 4294) left no doubt (and no one has tried to contradict) that a great segment of

American industry employing millions of workers and ranging from fish fillets to precision lenses, is as of now, faced with extinction by the importation of foreign cheap-labor goods. The bare facts in our own chinaware industry are that wages have averaged 62 percent of our sales dollar, with average wages of \$1.61 per hour, as contrasted to the Japanese, who pay as low as 10 cents an hour, and the Germans and English who pay between 35 cents and 45 cents per hour. Similar inequities were proved by all American industries supporting the original Simpson bill. It was further conclusively demonstrated that American products can compete with and even surpass foreign goods on their merits, so that low wages and thus lower prices are the sole foreign competitive advantage.

A 1-year extension of the present act is not the answer, because time is of the essence. Those who label the proposed increase of the Tariff Commissioners from 6 to 7 as a "packing" ruse are unfamiliar with the basic fact that in light of the last administration's increasing reductions in tariffs, a Tariff Commission stalemate or delayed decision on an escape clause application is a victory for the importers. The argument for holding the present commission to six members so as to make it "nonpartisan" ignores the following: It is certainly strange that a commission *per se* becomes "partisan" just as soon as its membership is fixed at an odd number. Even in the unlikely event that tariff matters are resolved strictly along party lines, there appears to be a tremendous advantage under the present low tariff rates for the importers to have a stalemate possibility, which can occur with a 6-man commission. No American manufacturer is asking any unwarranted advantage; each should expect to go before the Tariff Commission and present his facts; if his facts do not warrant relief, he gets none; if they do, the Commission makes a recommendation to the President for relief. In any event, the American manufacturer is entitled to a prompt decision by the Commission, one way or the other. I would argue precisely the same way, whichever political party was in power.

I know of no other judicial, quasi-judicial or administrative body that is designedly constituted with an even number of members. All of our State and Federal appellate courts, culminating in the United States Supreme Court, have an odd number, and certainly they are supported to be "nonpartisan." The Securities and Exchange Commission is certainly called upon daily to decide matters affecting widely divergent views on the activities of public utilities and is composed of 7 commissioners. The Federal Communications Commission must be particularly "nonpartisan" in dispensing radio and television permits, but consists of 7 members. The Federal Power Commission has wide powers in dispensing valuable licenses, with 5 members. The Interstate Commerce Commission, which controls much of the destiny of transportation in this country, has 11 members.

Similarly, and just as important come the Federal Trade Commission, with 5 members, the Civil Aeronautics Board, with 5 members, and many others. And, in most of the acts creating these commissions, and passed at the instance of the last administration, there are limitations on more than a majority of being members of the same political party. The last war made us all vitally conscious of the terrors of uncontrolled atomic energy. Democrat and Republican became brothers in the high minded founding of the Atomic Energy Commission, and yet it has 5 members. In fact, with the exception of the Tariff Commission, I cannot call to mind any commission, Federal or State, which has an even number of members.

What is needed is a Tariff Commission that at least is constituted so as to be able to make its own decision, which, of course, may be upset by the President under the proposed law. As stated, to permit of a stalemate is to favor the importers because tariffs are at an all-time low for recent times. The additional suggested proviso in the revised Simpson bill cutting the deadline on decisions from a year to 9 months is entirely reasonable.

The Tariff Commission, in the light of modern world affairs, may well become one of our most important agencies. Its share in Government appropriations may well merit a reappraisal. But, at the very least, during the ensuing year, when so many American industries have their backs to the wall, it should be given the physical ability to avoid stalemates and make decisions.

No one knows the answer to what is right and what is wrong concerning tariff questions in today's world. No one, by the most brilliant oratory or glib reasoning, can convince an American manufacturer that free trade is the answer, when that manufacturer has to close his doors because cheaply made foreign goods can undersell him. No one, probably, can convince Mr. Henry Ford that

tariff protection is necessary so long as he can export cars to foreign countries who must, in turn, sell their goods here to pay for their Fords.

Each case (under an escape-clause application) must stand on its own legs, and a 7-man Commission of competent, fairminded Commissioners, whatever their political affiliation, is a fair compromise to decide each case before ruin comes to a particular industry during the ensuing year and until the proposed full-scale study of the whole tariff issue can, perhaps, guide our future course.

Very truly yours,

LYNNE A. WARREN.

NEW CASTLE, PA., *June 11, 1953.*

SENATE FINANCE COMMITTEE,
Washington, D. C.:

Strongly urge that you consider seriously holding hearings on trade-agreements extension bills of any kind before any action is taken, special reference being directed to H. R. 5495.

GEORGE B. ZAHNISEB,
President, Shenango Pottery Co.

NATIONAL RENDERERS ASSOCIATION,
Washington, D. C., June 16, 1953.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee, Washington, D. C.

DEAR MR. CHAIRMAN: Reference is made to current consideration by your committee of the so-called Simpson bill, pertaining to the extension of authority to enter into reciprocal-trade agreements with foreign nations. The consideration of the members of the committee with respect to the following statements is requested.

These statements are submitted in behalf of the National Renderers Association, an organization composed of approximately 225 member companies which are largely single, independently operated establishments primarily engaged in the production of inedible tallow and grease which is extracted from fatbearing materials obtained from literally thousands of farms, ranches, feed-lots, meatpacking establishments, wholesale slaughterhouses, retail meatshops, and chain stores, hotels, restaurants, Government and State institutions and agencies. Member plants of the association will be found in all States of the United States except Montana. Inedible tallow and grease are principally used in the manufacture of soap.

Due to the perishable nature of the raw material, the operations of the industry are in most cases very closely supervised and regulated by city, county, or State health authorities, and it is now a general practice that members of the industry be bonded or otherwise licensed to assure diligent performance of this special type of assignment. As a matter of fact, in the areas where plants of this industry are already in operation it generally follows that the local health requirements prohibit removal of such materials by general refuse-disposal procedures. Moreover, were it not for the existence of these plants, local units of government would have to provide for collection and disposal of such materials at great additional expense to their taxpayers.

Present market prices for the industry's products are at such unprofitable levels that most plants cannot now afford to pay anything for the raw material; in fact, in some areas a service-collection charge is being made. It must be obvious that this development is having a direct influence on the cash income being received by such important segments of the economy as the categories of businesses listed in the second paragraph above. Moreover, health and sanitary conditions are being jeopardized in many communities where members of this industry have necessarily had to cease operation because of inadequate processing margins.

It is generally considered that the displacement of soap and soap products by synthetic detergents, most of which contain no domestically produced fat or oil, has been largely responsible for the present plight of the United States tallow- and grease-producing industry. Naturally, this loss of an important domestic outlet by tallow and grease producers has resulted in large supplies of these materials being readily available in this country and, when there is superimposed on this situation the conditions of abundance now existing in other

domestically produced fats and oils, it is not difficult to see why we do not need imports of these materials at this time.

For your information, rates of import duty on practically all fats and oils items have been reduced to such an extent in already negotiated agreements that there remains only a mere shell of the tariff structure on this class of materials which existed at the time the so-called reciprocal trade policy was initiated; perhaps this is one of the reasons why the United States fats and oils industry currently is in such a critical predicament. The record will show that for 17 years this association has made statement after statement before the various Government committees and agencies set up to determine the duty concessions on these items, protesting the wholesale giveaway of our domestic markets. We were occasionally received courteously at these hearings but always with the same result: namely, a substantial reduction in the duty on the particular fat or oil item.

We feel that the provisions of the Simpson bill now being considered by your committee do not extend sufficient hope of prompt and effective relief to domestic industries which may be unduly affected by concessions made in trade agreements.

As has been stated before your committee on many previous occasions, the original purpose of the tariff was to enable United States producers to compete pricewise in the American market with low-priced, similiar articles of foreign origin. It seems to us that such an objective is just as much in order today as it was when the first tariff duty was enacted.

In closing, I would like to invite your attention to the attached tabulation of extracts of recent letters to the National Renderers Association alluding to conditions now prevalent in various areas of the country. It is requested that you arrange to have this letter, together with the attached tabulation, printed as a part of the committee proceedings under this legislation.

Very truly yours,

F. B. WISE, *Secretary-Treasurer.*

EXTRACTS OF RECENT LETTERS TO NATIONAL RENDERERS ASSOCIATION

Wisconsin

Just completed a trip through the State of Wisconsin, during which time I personally contacted every renderer in our State. Wherever I went and regardless to whom I spoke, the story was the same and conditions far from rosy. Many of the boys are very much discouraged and very pessimistic about the immediate future.

Several plants have already closed in our area and one cannot blame them for discontinuing their operations in the face of continuous losses. This, of course, would create quite a problem in the territory now covered by such renderers and would make it necessary for the farmer, small packer, and meat-market operator of such locality to dispose of their own offal or dead stock, resulting into an undesirable situation from all angles, especially from a sanitary viewpoint.

Texas

For many years we have provided a free removal service for dead and fallen animals in surrounding areas. We have also accepted collect phone calls when this service was desired.

We have been able to provide this service, notwithstanding the heavy trucking and processing costs involved, because the finished products were selling at fair values. But tallow, grease, meat-protein feed products, and hides are now all selling at their lowest points in well over a decade, and in some cases it is difficult to sell them at any price.

Under these conditions, we are eliminating our advertising in local newspapers. We must also eliminate the not inconsiderable expense of accepting collect telephone calls. So, in the future, when you desire our service, will you please prepay your telephone call.

Michigan (editorial from Jackson (Mich.) Patriot, February 26, 1953)

Synthetic detergents are replacing the soaps made from tallow. Synthetic materials are reducing the demand for hides. The market for animal proteins is shot to pieces.

The renderers foresee a public-health problem around some of the larger cities. They can't afford to take care of the wastes from butcher shops in today's market for animal byproducts. The industry is talking with the health depart-

ments of larger cities to determine if some other means of handling waste materials from butcher shops can be devised.

In short, an old and honorable business is going to pot, the victim of progress, and will be in for even worse times unless the chemists devise some new means of using animal carcasses and butchers' wastes.

That's the way it is in this wonderful 20th century, the era of synthetics.

Georgia

We discontinued handling fallen stock about 6 months ago. We went along losing money on this service and when hides took a big drop we stopped picking up any fallen stock. We also discontinued our routes on fat and bones from retail stores as there was no incentive to do this, even free of charge for materials.

You know, as I do, that many renderers have closed their plants and many are hanging on by the skin of their teeth and I hate to think what the poultry plants in our area would do with the inedible waste if we closed our doors.

Massachusetts

With present market conditions for tallow, grease, and meat scraps being what they are, it is impossible for us, or any other renderer, to pay for some grades of slaughterhouse and market waste.

Prices bid for livestock are base on the sales value of all the products which can be produced, less the cost of processing. An average steer hide would cure at approximately 70 pounds; the same steer should yield about 65 pounds of slaughter fat, which in turn should yield 60 percent of tallow, or the total tallow from this source per steer would be 39 pounds.

If hides were selling at 25 cents per pound and tallow at 12 cents per pound, total value of these 2 items in the above-mentioned case would be \$22.18. Today tallow is approximately 5 cents and hides in the neighborhood of 15 cents per pound. The total value would be \$12.45, or a difference of \$9.73. The other items which have been decreased in value due to present market conditions would undoubtedly bring this \$9.73 difference to \$15.00 difference, which, in my opinion, is the amount the value of a steer has been reduced by decline in tallow, grease, and meat-scrap markets.

Illinois

Until about a year ago, we, as well as other renderers, were paying farmers for their dead animals. In this area prices ranged from \$2 to \$5 per head, which, added to the \$2 service charge now in effect, means a loss to the farmer compared to a year ago of from \$4 to \$7 per head, all of which has been caused by the extremely low market on inedible grease, plus a drastic reduction in the prices of hides and meat scraps.

I would estimate that only 50 to 60 percent of the animals are being handled by rendering plants as a result of these low prices. Of course, the animals not handled by rendering plants must be buried or burned or left to rot, thus causing a hazard to not only his own livestock but to the stock of neighbors as well.

Mississippi

Reduced markets for grease, hides, and proteins have forced us to do the following:

1. Discontinue dead-stock collection service in 9 counties in Mississippi, and 4 counties in Alabama.
2. Discontinue the use of five trucks entirely.
3. Discharge for lack of work 27 members of our crew.
4. Discontinue payment for chicken offal which reduces the income of chicken plants in the area by more than \$1,300 per month.
5. Discontinue service of collection to two large plants entirely because trucking and processing was more than the value of the finished product.
6. Discontinue the acceptance of collect calls for deadstock collection service.

Pennsylvania

Our company has been in the rendering business for 114 years. For the past 30 years we have collected dead stock. Due to the conditions, which we consider beyond our control, we decided the 4th of February of this year to discontinue the service of picking up dead animals.

We have taken seven trucks out of this service, which means quite a saving in our costs, but it is still not a sufficient amount to overcome the loss in handling

raw fats and bones. To break even on operations in handling just fat and bones is a real problem today and not many are able to do so.

As a matter of fact in our area alone 1 small renderer quit business last summer and within the past month 2 other small operators have closed their plants.

Nebraska

We had a rendering plant which serviced an area that handled 1 million cattle. This plant was closed about a year ago for the reason it was losing money. At the present time, there is no rendering service in this area and the animals that die remain where they die, unburied.

We have a very large plant in another part of the State. We have pulled in our routes about 25 miles and discontinued a good many phones.

Oklahoma

We closed our small plant a couple of months ago because it was losing money. At our larger plant we have discontinued a good many routes and have reduced the distance we will go for material.

Kansas

We understand the State of Kansas now has only 1 and possibly 2 rendering plants in operation.

WASHINGTON, D. C., June 11, 1953.

SENATE FINANCE COMMITTEE,

Senate Office Building:

Current press statements relating to legislative timetable for consideration reciprocal trade agreements measures seem to indicate intention your group to bypass public hearings this matter. We believe all parties interested in this legislation should have adequate opportunity to inform United States Senate their views this matter and therefore, respectfully urge suitable time be allotted for this purpose. Please advise.

NATIONAL RENDERERS ASSOCIATION,
F. B. WISE.

STATEMENT OF O. KEITH OWEN, PRESIDENT, NATIONAL ASSOCIATION
OF HOT HOUSE VEGETABLE GROWERS, ON H. R. 5405, SUBMITTED TO
THE COMMITTEE ON FINANCE OF THE SENATE, JUNE 17, 1953

Mr. Chairman and members of the committee, my name is O. Keith Owen. I am president of the National Association of Hot House Vegetable Growers, whose headquarters are in Terre Haute, Ind. I am here today representing that association.

The National association is in favor of higher tariffs and the imposition of a quota system on Cuban and Mexican imports of fresh cucumbers and tomatoes. Our industry has been and is being vitally hurt by excessive imports of fresh tomatoes and cucumbers from Cuba and Mexico.

We are not a small industry. Not only do our greenhouses represent a sizable investment, but also we do a large volume of business.

While there are hothouse plants in nearly every State of the Union, the greatest concentrations are in and around the cities of Cleveland, Toledo, Ashtabula, and Cincinnati, Ohio; Indianapolis, Ind, and Grand Rapids, Mich.

Our industry directly employs about 50,000 people and many other 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 hothouse vegetables.

Estimating on the basis of 3½ persons in each family in this country, 175,000 people are directly concerned with our industry. Indirectly, many hundred thousands are also affected.

It is estimated that all the hothouses in this country are worth \$500 million today. We produce about \$100 million worth of fresh vegetables a year. We produce annually 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.

Labor is our largest item of expense and in the average greenhouse represents from 50 to 60 percent of the total cost. Coal is the next largest item of expense. The industry consumes approximately 3 million tons of coal annually. Shipping containers, fertilizers, and miscellaneous supplies follow in that order.

Prior to 1934, when the Reciprocal Trade Agreements Act went into effect, there was a flourishing and substantial hothouse industry in New England. As a matter of fact, the hothouse vegetable industry in this country originated in New England. This business has been virtually destroyed by imports of fresh cucumbers and tomatoes. Since 1934 many hothouses in other sections of the country have been forced out of business by foreign competition. In my own organization, we have had to abandon plants at Morrison, Ottawa, Streator, and Kankakee, Ill. Naturally, employees of these plants were either put on relief or were forced to find other employment.

Although the national population and potential market have vastly increased since 1934, there has been practically no new construction of greenhouses in this country.

Our labor is often a generation-to-generation affair. In some instances the third generation of a family can be found in the same plant. In addition, a high percent of the people we employ are elderly. Thus, it is and would be extremely difficult for them to find employment elsewhere. But if the present tariff trend is continued, if tariff policies are not adjusted to give us 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 hothouse 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. Wages in Cuba and Mexico are from 75 to 90 percent less than those paid by American producers of similar products. Where a Mexican gets paid a dollar a day, American labor receives \$8 to \$10 for the same work. It is impossible for domestic hothouse growers to compete with foreign low-labor scales 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 imported from Cuba. This was a drought year in Mexico. In recent years, as many as 238 million pounds have been imported in 1 year from that country. And, although the totals for the 1952-53 season are not yet in, Department of Agriculture officials have estimated that Mexico may export its largest crop on record this season.

Before 1934, Cuba was exporting about 3 million pounds of cucumbers to the United States annually. The present rate of Cuban cucumber imports is approximately 17 million pounds a year—a 5-fold increase.

These imports are particularly vicious in times of glut in the United States. There have been many cases of shipments of tomatoes and cucumbers continuing to pour into this country when the market was already completely demoralized.

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. As has been shown, since the war imports have increased as much as 500 percent.

Unless import duties are greatly increased and unless a quota system for imported cucumbers and tomatoes is established, the hothouse vegetable industry of the United States will soon be forced out of business.

Thank you, Mr. Chairman and members of the committee, for this opportunity to present to you our views on this important subject.

TERRE HAUTE, IND., June 11, 1953.

SENATE FINANCE COMMITTEE:

We feel very strongly that public hearings should be held on the Simpson bill in order that your committee may be advised in detail as to the extreme hardships that American industry is suffering due to imports under existing trade agreements.

**NATIONAL ASSOCIATION OF HOTHOUSE VEGETABLE GROWERS,
O. KEITH OWEN, President.**

CORDAGE INSTITUTE,
New York, June 16, 1953.

The Honorable EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: Receipt is acknowledged of your telegram stating that no determination had been made as to whether the Finance Committee would hold public hearings on H. R. 5495, and advising that objections to the bill would be received by the Finance Committee if filed by June 17.

Cordage Institute is a trade association of United States hard-fiber cordage and twine manufacturers. We are an essential industry. Our products in the main are rope, baler twine, binder twine, and wrapping twine. We are necessary to the rotation of the national fiber stockpile, and the maintenance of our present capacity to manufacture these products is vital to the national security.

We object to H. R. 5495 because we believe that the passage of this bill without a public hearing would, as a practical matter, eliminate any possibility of favorable consideration of H. R. 5496, which contains provisions we deem necessary to protect us against imports of rope and twine manufactured by cheap foreign labor. We are not aware of any interest which would be prejudiced by a delay of a few weeks in the consideration of H. R. 5495, but we strongly feel that the interest of national security as well as our own interests would be prejudiced by rushing this bill through without a thorough examination of the need for more protection than afforded by H. R. 5495, since it can be reasonably assumed that at least a year will pass before the Commission completes its study and Congress will have another opportunity of taking action on this problem.

In our industry imports have greatly increased since World War II, and there is every indication that imports will continue to increase at an accelerated rate. Unless some effective means can be found of limiting imports, this industry will be precluded from fully cooperating with the Government in the rotation of the national fiber stockpile, and the capacity of the industry to manufacture essential war materials in time of emergency may suffer substantial damage.

We are in favor of H. R. 5495, as far as it goes. We believe that the provision for the increase of the Tariff Commission from 6 to 7 members is very important, since the Tariff Commission, in addition to its original responsibilities as a fact-finding agency, now acts as a quasi-judicial body in rendering opinions affecting the lives and fortunes of many people. It is only right and proper that the Tariff Commission should be composed of an odd number of members, as any other judicial or quasi-judicial body, so that there may be no standoff decisions in these matters. The people who come before the Tariff Commission for relief are entitled to a clear-cut decision one way or the other.

We believe that one of the most important omissions of H. R. 5495 is the amendment to section 3 of the Trade Agreements Act of 1951, as provided in H. R. 5496, which sets forth the criteria for the consideration of the Tariff Commission in passing on tariff matters. Included in this criteria is "impairment of the national security." We feel that it is vitally important that the Congress provide for the protection of the national security in any legislation affecting tariffs.

We appreciate the opportunity of expressing our views in this matter, and sincerely trust that your committee will find it possible to hold public hearings on the proposed legislation.

Sincerely yours,

DEWITT C. SCHIECK, *Secretary.*

NEW YORK, N. Y., June 12, 1953.

SENATE FINANCE COMMITTEE,
Senate Office Building:

Understand H. R. 5495 to extend Trade Agreements Act may soon be referred to your committee. We respectfully request that the Finance Committee hold public hearings on this bill.

CORDAGE INSTITUTE NEW YORK CITY,
DEWITT C. SCHIECK, *Secretary.*

SWIFT & ANDERSON, INC.,
Boston 25, Mass., June 16, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington 25, D. C.

DEAR SENATOR MILLIKIN: We appreciate your telegram of June 13 wherein you extend to us the opportunity to comment regarding the Simpson bill. We were disappointed that it is indicated there will not be hearings before your committee but did telegraph you as follows: "Appreciating time factor possibly eliminating hearings on Simpson bill we would nevertheless wish to appear even briefly if hearings conducted."

We are against the bill for the following reasons:

We feel it would make the Tariff Commission a partisan group. We have always felt the Tariff Commission should be on a bipartisan basis. Thus truly representing our interests and being an effective instrument for adjusting the differences of public interest in imports. Should the Tariff Commission become a partisan group, problems of the importer would be further complicated by partisan politics, thus adding an additional hurdle to an effort already heavily burdened.

It would continue the escape clause and peril point as covered in the existing act. These make for uncertainty in the laying out and planning of import programs which, of necessity, have to be accomplished many months ahead of normal enterprise. We feel, too, it lays open every successful imported item to be brought under attack. Thus, neither we as importers, nor our suppliers would be able to build up to that feeling of stability that is so necessary in any trade, whether it be domestic or international.

While it is generally desirable to require the Tariff Commission to effect decisions in escape clause hearings in 9 months as opposed to a year, it is not clear that the Commission would have open to it the technical facilities needed to step up its work.

The bill at present prolongs the existence of the act for just 1 year. We feel that if the undesirable features of the act can be eliminated, that its extension should be for a much longer period. Importers are always working many months ahead, thus to them a year is an extremely short time.

Thank you for permitting us to submit our thoughts as outlined above. Were we to be or should we be privileged to appear before your committee, we would make effort to elaborate on same.

Very truly yours,

SWIFT & ANDERSON, INC.
CHARLES H. KENT.

BOSTON, MASS., June 15, 1953.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.:

Appreciating time factor possibly eliminating hearings on Simpson bill we would nevertheless wish to appear even briefly if hearings conducted.

SWIFT & ANDERSON, INC.

BOSTON, MASS., May 21, 1953.

ELIZABETH SPRINGER,
Finance Committee, United States Senate:

Would appreciate opportunity to testify on behalf of extension Reciprocal Trade Agreements Act without crippling amendments such as in H. R. 4294.

SWIFT & ANDERSON,
By CHARLES KENT.

STATEMENT OF COORS PORCELAIN CO. SUBMITTED TO THE COMMITTEE ON FINANCE OF THE SENATE ON H. R. 5495, JUNE 17, 1953

Mr. Chairman and members of the committee, my name is H. W. Ryland. I am appearing before you in behalf of the Coors Porcelain Co. of Golden, Colo., of which I am vice president and manager. The Coors Porcelain Co. is this country's only manufacturer of chemical and scientific porcelain.

We believe that it is against the national interest for authority to exist for the negotiation of trade agreements which would lower the import duties on chemical and scientific porcelain.

The production of our company is absolutely vital to the national defense of the United States, as will be demonstrated in more detail later in this statement. A reduction of any of the duties now in effect on chemical and scientific porcelain would permit the importation into this country of similar but inferior porcelain from certain European countries. This would seriously cripple our company and would render us unable effectively to supply our Nation's defense agencies. The products of the Coors Porcelain Co. are known throughout the world as being unequalled in quality, and therefore the products of no other country—even if available in times of severe emergency—would be satisfactory substitutes for our company's products. For these reasons, among others, we are opposed to the lowering, in any manner, of the present duties on imports of chemical and scientific porcelain.

The products of our company are listed in paragraph 212 of the Tariff Act of 1930. Chemical and scientific porcelain are ceramic products similar in appearance to china but of much higher quality. They are so composed, formed, and fired as to have maximum resistance to heat shock, usability at very high temperatures, resistance to the attack of chemicals, and maximum insensibility to the rigorous treatment to which they are subjected in the great variety of analyses constantly performed in control and research laboratories, educational laboratories, hospitals, and especially the laboratories of defense agencies such as the Atomic Energy Commission and the Army, Navy, and Air Force.

The United States Tariff Commission in its "Summaries of Tariff Information" (vol. 2, pt. 1, par. 212) states that "Chemical porcelain is vital in national defense."

Our company produces special articles for defense agencies, defense contractors and subcontractors, in addition to our cataloged items. No other company, here or abroad, is capable of producing these special articles.

Our company began manufacture of chemical porcelain in 1915 at the request of the Department of Commerce, due to a critical shortage resulting from stoppage of import of German chemical porcelain due to the British blockade put into effect in 1914. Our product soon became equal in quality to the best European porcelain, namely, Royal Berlin porcelain ware, and in 1922 surpassed this ware. Since that time we have maintained the position of being the producer of the highest quality chemical porcelain in the world.

If we had not been able, due to the protection afforded us by the tariff, to continue in business for the next twenty-odd years after the end of World War I, our Nation's laboratories in 1939 would have been in even worse condition than in 1915 to 1917. However, because of the tariff protection which had been granted us, we were able to meet the entire demands of industry and the military for the duration of the World War II and, of course, to date. This demand was considerable because of the birth and rapid growth in the field of nuclear energy.

The chemical laboratory operations in which chemical porcelain is necessary are the most difficult ones; many of them being such that even silver, gold, and platinum are not satisfactory substitutes aside from the fact that they are costly and in the case of platinum very scarce. Most of the world's platinum supply comes from Russia.

It is most important to consider that in the event of an outbreak of hostilities, the sealanes between Europe and the United States might be closed for a prolonged period. Therefore we believe no chances should be taken which might cause us to depend in times of peace on foreign sources of any commodity which is essential to our national economy and which might become unavailable in times of war. Such a commodity is chemical porcelain and in fact all the commodities made by members of the Scientific Apparatus Makers Association of which our company is a member. Again, we wish to point out that certain articles we produce for defense agencies cannot be produced by any other company in the world. To allow our company to be crippled by imports of those products, albeit inferior, which can be made abroad, would destroy the single source of those products which only we can make. It would seem to be significant that during the life of the Reciprocal Trade Agreement Act our Government has negotiated no reduction in the duty on chemical porcelain. This is doubtless due to a recognition of the essentiality of our domestic production of chemical porcelain.

Increases in the cost of manufacture, comprised of constantly increasing wage rates, fringe benefits, and costs of machinery and supplies, have in the last two decades widened the span between our costs and those of foreign manufacturers

of like commodities. It is significant that because of the nature of chemical porcelain production much of the work must be done by hand. Mass production is therefore not feasible. For this reason the wage costs in this industry are by far the most important costs of production. No matter how greatly we increase our efficiency it is impossible for us to greatly lessen our costs because of the wage factor.

Thank you, Mr. Chairman and members of the committee, for this opportunity to present to you our views on this subject.

NORTH AMERICAN LACE CO., INC.
Philadelphia, Pa., June 16, 1953.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR MILLIKIN: In reply to your telegram of June 13, I am enclosing herewith a brief statement expressing the views of the American Lace Manufacturers Association on the extension of the Trade Agreements Act and the Simpson bill H. R. 5495.

Under separate cover I am also forwarding 50 additional copies of our statement for the purposes of your committee.

Thanking you for the courtesy which you have extended to our Association, I am,

Sincerely,

HENRY S. BROMLEY, JR.,
Chairman, Tariff Committee, American Lace Manufacturers Association.

STATEMENT SUBMITTED ON BEHALF OF AMERICAN LACE MANUFACTURERS ASSOCIATION, PROVIDENCE, R. I., H. R. 5495

JUNE 17, 1953.

Mr. Chairman, the American Lace Manufacturers Association opposes extension of the Trade Agreements Act in its present form since it has not accomplished its avowed purposes for the past 2 decades and has sacrificed some of our American industries.

In spite of the desire of this country to reduce world barriers to trade through the trade agreements procedure, barriers throughout the world are now more restrictive than at any time in history.

In the endeavor to free world trade from such impediments many American industries have been continuously subjected to the destructive competition of the low wage foreign producers.

This nation is now at a point in its economic affairs when the widened disparity in wage rates between those of its workers and the low wage rates of other nations, intensified by currency devaluations, are creating serious havoc to many American industries.

A continuation of the trade agreements program without proper safe guards can well sound the death knell of industry after industry in the United States.

Our association, however, is well aware that it is the intention of both the Congress and the President to extend the Trade Agreements Act in some form. Therefore in the light of those circumstances we make the following comments pertaining to certain phases of H. R. 5495:

1. We support the provision increasing the membership of the United States Tariff Commission to seven members. The present membership of six members has nullified actions on escape clause provisions of the act on a number of occasions, which is contrary to the obvious intentions of the present act.

2. We support the compromise period during which the United States Tariff Commission must report to the President under the escape clause provision of 9 months.

3. We earnestly support the establishment of a temporary bipartisan Commission to study our whole foreign economic policy.

Propaganda in current months disseminated by the mass production industries has been so intensive that it has been difficult for Congress and the public to judge the merits or failings of our activities as related to this vitally important subject. We can well destroy many industries, essential to our national defense, and to our future economic welfare if a reasoned and sound policy is not established after careful consideration of all of the factors involved.

This nation has been sloganized on this subject by self interested groups in a manner that has distorted the viewpoint of many people. A careful analysis of this subject is long over due.

We respectfully petition this committee to give careful consideration to our recommendations.

Respectfully submitted,

HENRY S. BROMLEY, Jr.

Chairman, Tariff Committee,
AMERICAN LACE MANUFACTURERS ASSOCIATION.

NORTH AMERICAN LACE CO., INC.,
Philadelphia 33, Pa., May 28, 1953.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR MILLIKIN: This letter is addressed to you requesting that when the Senate Finance Committee conducts hearings on the Trade Agreements Extension Act of 1953, that time be allotted to hear arguments from a representative of the American Lace Manufacturers Association.

Trusting that you will find it possible to grant this request, I am

Very truly yours,

HENRY S. BROMLEY, Jr.
Chairman, Tariff Committee,
American Lace Manufacturers Association.

WISE, CORLETT & CANFIELD,
New York, N. Y., June 16, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: This letter is in response to your wire of the 15th, received yesterday morning, advising that hearings on the Simpson bill were doubtful and stating the committee's willingness to accept written points of objection not later than Wednesday.

The position of the American Paper and Pulp Association on the question of the proposed extension of the Reciprocal Trade Agreements Act is summarized in the enclosed statement which was filed with the Ways and Means Committee and formed the basis for the testimony before that committee, on behalf of the paper and pulp industry, by Mr. Mortimer H. Graham. It would be appreciated if this statement, and Mr. Graham's short testimony, were brought to the attention of your committee.

The position of the American Paper and Pulp Association in this matter is familiar to you. It has been stated by me and by others to the Finance Committee on several prior occasions. Basically it is that we insist that the country should have a specific tariff policy, determined by Congress, which has the sole constitutional right and duty to do so, rather than an act which merely transfers power to reduce tariff rates to the Executive without criteria as to when, why, to what extent, under what circumstances, or in return for what, such reductions should be made.

Determination of such a policy should, we believe, be predicated upon a thorough study of the problem by a committee appointed by Congress. For obvious reasons it should be done at a time when tariff rates are stable. Accordingly, we recommend that the Reciprocal Trade Agreements Act be allowed to expire, that the provisions of existing international agreements negotiated under the act be continued, and that Congress create a committee to study the matter and make recommendations to Congress for the establishment of such a policy and of a constitutionally proper means of implementing it.

Almost all of the argument before the Ways and Means Committee in recent speeches and comment in the current press would lead one to believe that the debate at the moment is either for higher or for lower tariffs. This is not the case. The actual debate before Congress is, shall we continue the no-policy Reciprocal Trade Agreements Act, or shall we establish a policy to replace it?

The administration favors committee study of the problem. It is also quoted as having stated that if the Reciprocal Trade Agreements Act is extended for a year, no new negotiations for tariff reduction will be initiated. We cannot perceive the logic of extending an authority which is not to be used.

So long as the Reciprocal Trade Agreements Act is in effect, confusion will persist. There will be constant pressures for further decrease and pressures for increases in tariff rates. No one can predict the result of such pressures. No one, domestic or foreign, can have any certainty about tariffs on which to predicate judgments and action. On the other hand, if the act is allowed to expire, the rates of duty and other provisions established under it continued, and study promptly commenced looking to the establishment of a considered long-range policy on tariff matters, this country will have served notice to the world that it does have a policy, interim to be sure, but one not subject to unpredictable variations which will continue until such time as it is superseded by a long-range program conceived with due consideration of the world's international trade problems.

It is our belief that such a step would facilitate improvement in international trade, whereas the uncertainties of a continuing higher-lower tariff debate would unquestionably have an opposite effect.

This letter has been written after consultation with Mr. Graham, who would have been the industry's spokesman in hearings had they been held. It reflects his views, as well as mine, and we are both certain that it also reflects the views of the entire industry.

Very truly yours,

ROBERT E. CANFIELD.

**STATEMENT OF M. E. GRAHAM, ACCOMPANIED BY ROBERT CANFIELD,
COUNSEL, ON BEHALF OF THE AMERICAN PAPER & PULP
ASSOCIATION BEFORE THE HOUSE COMMITTEE ON WAYS AND
MEANS**

Mr. GRAHAM. Thank you, Mr. Chairman.

My name is M. E. Graham. I am secretary of the Hammermill Paper Co., at Erie, Pa. I have with me Mr. Robert Canfield, counsel for the American Paper and Pulp Association.

The remarks I have to make today are made on behalf of the American Paper and Pulp Association, which represents somewhat over 80 percent of the paper producers in this country. We believe that the industry is of such importance and international scope and nature that it can speak with some authority in regard to international trade and the tariff situation as well as the situation regarding other restrictions upon international trade.

I would like to call the committee's attention to the fact that the paper industry ranks sixth in size in all American industry. Its products are essential to the United States in peacetime and in war. Paper was officially declared in World War II to be an essential commodity.

Paper is a truly international commodity, both in use and in method of manufacture. It is used in every country of the world. It is manufactured in nearly every country where the basic raw material (chiefly coniferous wood) is available.

Paper was invented by the Chinese, brought to the West by Turks, first made in Europe by Spaniards; the basic machine by which it is made was invented by a Frenchman, perfected and first used in England. One of the major processes for producing pulp was invented in Sweden, perfected in the United States; another invented in the United States and perfected in Sweden.

Probably the newest paper machine in the world is in Finland. It was made in the United States. Unlike most manufactured commodities, productivity of labor is identical (given comparable size and speed of machines) in all countries—England, Russia, Canada, Finland, China,—it makes no difference.

The largest paper machine in the world is not in the United States, nor in Canada. High speed machines exist in all papermaking countries. The country with the newest machine probably has the fastest.

The paper industry knows about free trade and knows about tariff protected trade. In 1913 newsprint was made duty-free. At that time the United States was more than 75 percent self-sufficient in newsprint. Today 75 percent or more of its requirements come from abroad, largely from Canada, I might say.

All other grades of paper are dutiable at various rates. In all other grades of paper the United States is self-sufficient.

The paper industry's market (paper, pulp, and pulpwood) imports six times as much as the industry exports. That I believe is a very pertinent fact in regard to the present philosophy of contributing dollars to other countries by buying their goods.

There are the reasons the paper industry believes it can speak with authority on tariff matters. It is important to the national economy. It has experience with both free and protected trade. It pays, as all taxpayers do, its full share of foreign aid and contributes more proportionately to foreign trade than any other industry.

The paper and pulp industry of the United States believes that it is high time the country had a tariff policy, established by Congress which, under the Constitution, has the sole right and with it the duty to establish one.

I might interpolate there that I do not advocate, which becomes clear later in my remarks, that Congress should fix every specific duty. Our conception is that it is the duty of the Congress to lay down a specific tariff policy. If part of the duties of fixing specific rates must be delegated from the practical viewpoint, then such administration of the congressional policy as is necessary for rate fixing and implementation of that policy should be carried out under very specific standards, criteria, which everyone can understand.

At present the United States has no tariff policy. Tariff rates are set by the President by agreement with foreign nations under a law which permits cuts in tariff rates up to 75 percent from those last established by Congress.

In that respect I should like to remind the committee that the present act by which I mean the act originally passed in 1934, the Reciprocal Trade Agreements Act and continued for various terms since then was originally passed with the express purpose of helping ameliorate a depression by permitting reduction of tariff rates from the high levels of the 1930 act toward the levels of the Tariff Act of 1913. The purpose then was to help American trade, in fact, if I might quote from the purpose, it was this:

For the purpose of expanding foreign markets for the products of the United States and in establishing and maintaining a better relationship among various branches of American agriculture, mining industry, and commerce.

The depression is gone. Current tariff rates average a third as much as in 1913. There remains nothing to be done under the act in conformity with the expressed intent of Congress, but the power further to reduce rates persists without any congressional statement of policy as to whether tariffs should be further reduced, and if so, why.

The slogan "Trade—not aid" is not a satisfactory substitute for a tariff policy, although it may become one if Congress fails to determine a policy. Its fault is the same as the fault of the present so-called

Reciprocal Trade Act. All it does is blindly to foster reduction in tariffs without giving any answer to the pertinent questions: Under what circumstances? To accomplish what result? With what, if any, restrictions?

Based upon the paper industry's experience, here are some of the results of the absence of a policy.

I should like to call the committee's attention to eight of those examples which are set forth in the outline of my remarks that we filed last week. As I run over these as quickly as possible, I would like to emphasize that as we point out the inequities that have resulted from too vague a policy, we are not doing that with any thought of complaining that we have made too great a sacrifice or in doing any special pleading for special protection.

Our purpose, on the contrary, is to show what unusual and inequitable results may come from a policy that has not been clearly defined and which is administered by another branch of the Government without sufficient standards and criteria for its administration.

I. Tariff reductions go further than Congress intended: The Reciprocal Trade Act was supposed to bring duties down toward (not below) the rates of the act of 1913. Under the 1913 act average duty rates on dutiable paper were 22 percent. Today they are under 8 percent.

II. Reductions in tariffs are made without any apparent reference to the differing levels prevailing for different industries from which reductions are made: By that I mean that when we had the highest tariff in history, which was the 1930 act, the Smoot-Hawley Act, some duties were placed exceedingly high under that act, but it happens that paper duties on the average rose but 2 percent. Nevertheless, in this overall percentage reduction which is permitted to be made by trading by the executive branch of the Government, paper has nevertheless suffered a full two-thirds reduction.

Rates on all commodities and on paper have been reduced roughly by two-thirds on the average. This would appear to presume that all industries had tariff rates at approximately the same level at the beginning of the program of reduction. The fact is that at the time of the passage of the Reciprocal Trade Agreements Act the average duty on all dutiable commodities was 41 percent while on dutiable paper it was 26 percent.

III. Duties are cut without reference to an industry's existing contribution to international trade: In other words, if we take the premise of a contribution to international trade as being something required of a domestic industry, then should we not reach the conclusion from that that an industry that has contributed more than any other is entitled to some consideration? Again I am not pleading for special consideration but that merely the policy be clearly defined so that that element can be taken into consideration.

The paper industry's market in the United States has always bought more from abroad than the industry sells abroad. Currently this export-import balance, "unfavorable" to the United States and "favorable" to foreign countries, amounts to approximately three-fourths of a billion dollars a year. Yet the industry's tariff protection has been cut to a level 80 percent below that of all commodities.

IV. Tariff rates are cut at the instance of one foreign country, while the benefits inure to another: In that respect we have a most

interesting situation. When the first Trade Agreements Act went into effect, duties on cigarette paper were 60 percent. Of course, it is permissible to have reduced those 75 percent, twice 50 percent. However, it happened that in negotiations with Italy our negotiators saw fit to make to Italy a concession reducing our duties upon cigarette papers, and it just happens that Italy makes practically no cigarette papers, so under the most favored nations clause France at once got that benefit and the present duty is 22½ percent, and at least a great deal of that concession was made to Italy, and France gets the benefit of it.

We believe that under a clearly defined national tariff policy such inconsistencies would not be possible.

V. Rates are reduced in exchange for concessions which do not materialize: In 1911 Canada and the United States negotiated a reciprocal agreement to place newsprint on the free list. Congress implemented the agreement—Parliament did not. Newsprint is now duty-free in the United States but dutiable at 12½ percent in Canada. In an agreement under the Reciprocal Trade Act Canada cut its duty rate on kraft paper in exchange for other concessions by the United States. On the effective day of the duty reduction Canada placed an embargo on all imports of kraft paper. The United States went through with its concessions.

It seems to me that with a clearly defined tariff policy we would know whether or not such concessions will be made by this country without commensurate concessions by the other countries.

Mr. JENKINS (presiding). From what country do we receive the greatest amount of paper, newsprint?

Mr. GRAHAM. Canada. I should have stated that before.

VI. Rates are reduced without reciprocal reductions in rates on the same commodities in other countries: Canada and United States duty rates on paper (except newsprint) used to be about the same. Today Canada's rates average about three times those of the United States.

Now that might be logical under some defined policy, but before it happens we would like to know what the tariff policy is and have our day in court to argue before this committee whether such a policy is logical.

Mr. JENKINS. It looks as though they have 3 to 1 advantage in bargaining.

Mr. GRAHAM. VII. Reductions which could be used to negotiate the removal of other restraints on international trade are made without doing so: Export of crown lands pulpwood (from which paper is made) from Canada is limited, taxed, subjected to differential freight rates and threatened with embargo. The duty rates have been reduced on paper without any apparent effort to clear up these more serious restraints on trade.

This is very interesting to me because it happens to involve the company in which I am an officer which is located on Lake Erie and which depends largely on imports of Canadian pulpwood from crown lands in Ontario. Despite the fact that our duty on fine paper imported from Canada, let us say writing paper, is much lower than the Canadian reciprocal rate on our shipments to Canada, nevertheless Ontario has seen fit to tell us that in 1957, after 1957, we can take no

more wood from their crown lands, which is the largest source of supply.

In other words, while they talk free trade on the finished product, they are stopping us by an actual embargo from having the raw material out of which we would like to make the product in free competition.

Again I say with a clearly defined tariff policy I have doubts that such things as that would happen because we would require them to stop such restraints other than tariffs.

VIII. No account is taken if the differences in ability of industries to compete with their foreign counterparts having lower labor rates: Mass production of automobiles in the United States creates productivity per employee enough higher than in foreign countries to offset the foreign countries' lower labor rates.

In other words, it is entirely possible for an industry such as I believe the automobile industry is to compete efficiently with foreign competition which is able to pay lower labor rates, and the reason simply is because of the greater productivity of the American laborer. But in the paper industry the situation is radically different.

Paper is entirely machine-made. Now perhaps not entirely, but so close to 100 percent machine-made that the actual productivity, the mass productivity of labor means nothing in the end result. When a paper machine starts all the tender has to do when it is running right is to stand there and watch it and keep watching it to make sure it runs right. It is a wholly different thing from the mass assembly line where there is a great deal more of labor. So regardless of how good our papermakers may be, it is largely how good the papermaking machine may be.

This may be true of most United States industries, but it is untrue as to paper. Productivity per man per hour in paper is the same in any country because all countries use the the identical techniques and machinery. There is no ability to offset foreign lower wage rates as the result of higher productivity in the United States.

Tariff reductions on glassine and greaseproof paper, for example, have been carried to the point where such papers made in Austria are being sold in the United States, duty paid, at less than the cost of domestic production.

All of the things listed above have happened in the absence of a tariff policy. Many more equally illogical things which have happened could be listed. It is inconceivable that all, (if any) of them would have been incorporated as desirable in any statement of tariff policy for the United States.

The paper industry believes that in the absence of a national tariff policy, much of this country's ability to reduce restrictions on trade throughout the world has been dissipated. It believes that there is no valid reason why this dissipation of trading paper should be permitted to continue. It believes that Congress should permit the Reciprocal Trade Agreements Act to expire but that it should keep the tariff rates and other terms of existing agreements made under the Reciprocal Trade Agreements Act in effect pending future legislation on tariff matters. It believes that Congress should undertake a careful study looking toward the establishment of a definite tariff policy for the United States.

That policy should include a statement of results intended to be accomplished by tariffs, specific criteria for the determination of rates calculated to produce such results, and a mechanism for delegating, under proper safeguards, the job of determining specific rates to an agency established by Congress. Such action by Congress would fulfill its constitutional mandate to determine tariff matters. Nothing short of such action would do so.

VOLAND & SONS, INC.,
New Rochelle, N. Y., June 16, 1953.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR MILLIKIN: Thank you for your telegram received on June 15. In accordance with it, I am enclosing herewith a brief on the position of analytical-balance manufacturers in the United States, together with copy of a statement of reasons for protecting scientific apparatus manufactured in the United States.

My position is less in opposition of the reciprocal-trade-treaty system that it is a plea for protecting certain industries in the United States which are essential to national safety and which have difficulty in competing with imported products because of the difference in the wages paid in the United States and in the competing countries. This protection can be either in the form of tariff or by quota system, but it would appear essential to attack this entire problem on the basis of the impact of specific problems on the economy of the United States rather than by blanket decisions.

You will find the mentioned enclosures herewith.

Thank you very much for the opportunity of submitting this material to you and your committee.

Yours sincerely,

VOLAND & SONS, INC.,
JAMES C. JACOBSON,
President.

STATEMENT OF REASONS FOR PROTECTING SCIENTIFIC APPARATUS MANUFACTURED IN THE UNITED STATES

The problem of international trade is vital in settling some of the basic economic problems which face the world today. The change of role of the United States within our generation from a debtor to a creditor nation has caused intense thinking concerning the revision of basic trade policies, especially in connection with tariff.

Every thoughtful person is aware that there is a dollar gap between our friends abroad and ourselves; that foreign countries whose economies were destroyed by the past war must be provided with means of obtaining dollars so that they can purchase from the United States products, particularly industrial products, such as industrial and farm machinery, etc., with which to reorganize their economies, become increasingly self-sufficient, thereby reducing the volume of foreign aid from the United States. The previous administration attacked this problem through reciprocal trade treaties which have materially reduced our tariff walls. Since the United States has for so long traditionally been a high-tariff country, the average citizen still thinks of it as such. The fact is that through the reciprocal trade treaties and a complete absence of export controls in the form of permits, except in the case of the Iron Curtain countries, exports to which are embargoed or strictly controlled, the United States has become one of the lowest tariff countries in the World today.

The result has been an increase in imports and a much freer international trade position. However, because of the dollar gap caused largely by the devastations of war, imports are far short of exports. For this reason the State Department of the past administration has fostered a tremendous publicity drive aided by every propaganda agency at their disposal to drive tariffs down further. It would appear that the new administration is also inclined to follow this policy. This is aided and abetted by the large mass-production industries, such as the automobile people and others, because, of course, they want to keep up and expand their exports.

There is no question but that the theory behind the idea of free trade at this time has many points in its favor. What is generally overlooked, and what the public does not realize, is the fact that there are a number of comparatively small industries, peanuts among the industrial giants, which are an extremely vital part of our economy, the products of which are dependent on individual skills and crafts which are highly paid and which need some kind of protection. This is because the wages of these skilled workers, to be on a par with standards of living in the United States, are many times higher than their opposite numbers abroad. In the aggregate, these industries involve several million workers and investments of several billion dollars.

It can be said, with some truth, in the cases of most United States industry, that if they cannot compete with foreign-made articles they should turn to making other products. However, this is not always the case.

During World War I, the United States found it difficult to equip its armies fast enough with the weapons and tools that they needed, because the tooling and manufacture of modern armaments is dependent on the manufacture of scientific apparatus, instruments, and optics. Practically all this material came from abroad, particularly Germany, before World War I. Necessity gave birth to a small but vital apparatus industry in the United States. This was developed under pressure to a point which permitted our armament industry to produce the necessary weapons in sufficient volume. After World War I, realization of the vital part played by the comparatively small scientific apparatus industry gave it some protection against wages paid on the lower living standards existing abroad. As a result, when the United States began to rearm for the Second World War, there was a nucleus of a sound scientific-apparatus industry in the United States which it was possible to expand sufficiently to meet the terrific needs for production, although there were some critical spots.

Modern production of almost all basic materials depends today completely on scientific-apparatus instrumentation and optics. It is necessary for defense purposes; if no other, that the apparatus and instrument industries in the United States be preserved. The production of necessities such as steel, oil, and gasoline; chemicals, foodstuffs, textiles, synthetics, and particularly armaments, is impossible today without instrumentation. Wages in a small plant like ours range from \$1.45 to \$2.45 per hour, and higher in some other apparatus companies which employ other skills. The opposite numbers abroad are being paid from 25 to 75 cents per hour in Germany, and from 16 to 60 cents per hour in Japan.

In addition to the apparatus industry, there are a number of other industries employing skilled workers which have a vital part in our economy. These include manufacturers of glass, fisheries, chemicals, and others. Some of these must be kept going in the United States because the products that they make would be largely cut off in case of war. This would leave the United States in a very hazardous position unless those industries are preserved.

This is necessarily a lengthy description of the subject matter involved, and yet only scratches the surface. The problem is a very fundamental one which faces the American people, and the danger is that decisions will be made on a wave of hysteria, or at least collective emotion, without a full knowledge of the facts being available to the people at large.

BRIEF ON THE POSITION OF UNITED STATES MANUFACTURERS OF ANALYTICAL BALANCES AND WEIGHTS CONCERNING THE PROTECTION OF THEIR INDUSTRY

ANALYTICAL BALANCES ARE INSTRUMENTS OF PRIMARY MEASUREMENTS OF MASS

Analytical balances are essential equipment in all laboratories. They are essential in basic research. It would be impossible to manufacture atomic energy, oil, steel, chemicals, munitions, foodstuffs, textiles, or paper without analytical balances.

Special balances are now being expedited for atomic installations. If they were delivered late, they would hold up an entire project. Special balances have been shipped to other atomic installations, and to the Ordnance Department.

Regular analytical balances have been shipped in volume to the Army-Navy Medical Procurement, Ordnance Department, and Air Force.

Due to the limit of demand for analytical balances, the industry is necessarily small, and it is not possible to adapt mass-production methods throughout its procedures.

90 percent of balances manufactured in the United States are made by 4 small plants employing between 50 and 60 people. These plants must necessarily

employ a large proportion of skilled, highly trained technical help. Because of this large percentage of skilled labor, the break-even point is high and, therefore, requires full production to keep skilled team together.

It takes 2 to 5 years' training to produce an adequate balance adjuster. Assemblers require 1 years' training. Balancemakers require a lifetime of training, and there are probably not more than a dozen topflight balancemakers in the United States.

Total annual sales volume of analytical balances in the United States is between \$2 million and \$3 million.

BALANCE INDUSTRY IN THE UNITED STATES

Before World War I

Growing struggling industry supplying local needs. European balances dominated the United States market.

During World War I, foreign supply of analytical balances and weights was cut off. Consequently domestic manufacturers were swamped. It was impossible to expand the balance industry rapidly because of the scarcity of trained help.

Between World Wars, United States manufacturers again struggled against foreign competition.

In World War II, foreign sources were again cut off. Minimum backlog of United States manufacturers at that time was 2 years. Very little research was possible on balances during that period because of the need for production.

GROWTH OF INSTRUMENTATION

Technological developments in industry and research required increasing speed. Research requirements for average industry in the United States run about 3 to 4 percent; the scientific industry takes up about 11 percent in research; Voland & Sons, Inc., from 1947 through 1949, devoted 10 percent of their time to research; 1950 to date, Voland & Sons, Inc., has been devoting 25 to 30 percent of its resources to research and development.

WORLD COMPETITION

Growth of balance and weight imports 1938 to 1952:

1937-----	\$45,064	1949-----	\$124,455
1938-----	44,008	1952-----	333,894
1948-----	44,338		

COMPARATIVE SALARIES

European range from 25 to 75 cents per hour versus Voland & Sons, Inc., range from \$1.35 to \$2.40 per hour. Voland average, including all classes from porter up, \$1.81 per hour.

1946 to 1948, Voland & Sons, Inc., exports were approximately 15 to 18 percent of total volume.

1949 export volume was practically nil (less than 1 percent) largely because European manufacturers reconstructed their facilities and are now able to ship to South American and other countries throughout the world at prices far below that which American manufacturers with their high costs can meet.

TARIFF SITUATION

Up to September 1951, United States tariff on balances was 40 percent. Even with that tariff, plus additional transportation costs, foreign competition was able to land balances in the United States cheaper than they could be manufactured and sold in the United States.

Torquay Conference, September 1951, reduced tariff from 40 percent to 30 percent over the protests of the industry.

Some months ago, a bid on a large quantity of analytical weights was awarded to an importer at a price per set that was less than our own costs.

The National Institutes of Health recently issued an invitation to bid on a model of analytical balance which has newly developed quick-weighing facilities, combined with great sensitivity. Three manufacturers have developed this type of balance, 1 Swiss, 1 German, and Voland & Sons, Inc. These models have been listed at \$895.

On the National Institutes of Health bid, the German balance was offered at \$350 each; the Swiss balance was offered at \$350 each. Voland & Sons, Inc., through dealers, offered their balance at \$305, a price which gives a very small profit margin.

NATIONAL SECURITY

A war or any international emergency would immediately cut off foreign sources of analytical balances.

Manufacture of analytical balances and weights requires a skilled, trained team. The type of plant and machinery of Voland & Sons, Inc., can be converted to other types of manufacture, possibly with greater profit.

However, if such a plant were converted from balance manufacture, it would not be possible immediately to resume the manufacture of balances in case of an emergency. It would take years to resume balance manufacture after a discontinuance by reason of conversion.

Discontinuance of United States balance manufacture would be technologically disastrous and would be a genuine impairment of national security.

If European balance manufacturers are permitted to take over the entire United States demand (between \$2 million and \$3 million annually) the number of dollars gained for Europe would be insignificant, while an essential and critical segment of our economy, however tiny, would be wrecked.

The enormous pyramid of United States defense and industrial economy rests as much on the use of analytical balances as on any one single item.

CONCLUSION

Literally, the safety of the United States requires that some way of protecting the manufacture of analytical balances and weights in the United States be found.

JAMES C. JACOBSON,
President, Voland & Sons, Inc.

NEW ROCHELLE, N. Y., June 16, 1953.

NEW ROCHELLE, N. Y., June 11, 1953.

The CHAIRMAN,

Senate Finance Committee, Senate Office Building:

Public hearings on both Simpson bills on reciprocal-trade agreements extremely important account national defense factors involved. We urgently request they be held on first as well as second bill.

VOLAND & SONS, INC.,
J. C. JACOBSON.

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA,
Shreveport, La., June 16, 1953.

The Honorable EUGENE D. MILLIKIN,
United States Senate, Washington 25, D. C.

DEAR SENATOR MILLIKIN: This letter is in response to your telegram regarding the hearings before your committee on the 1-year extension of the Trade Agreements Act as provided in H. R. 5495. We believe that considerations of national security demand that this bill be amended before the act is extended.

Under the Trade Agreements Act, and the various extensions thereof, there is not a single provision specifying that the treatment of trade in strategic materials should differ from the treatment of trade in general commodities. It is obvious that we do not contemplate trading away our atom bombs or jet planes. Under H. R. 5495, however, we could trade away our productive strength in defense materials that must be available in adequate quantities for military and essential civilian uses in the event of an emergency. These materials should be given specific consideration in the trade-agreement program.

In the case of petroleum, our foreign-trade policy directly involves the security of both the United States and the entire free world. The free nations in the Eastern Hemisphere have greatly increased their dependence on Middle East oil which could, and in all probability would, be cut off in the event of a war with Russia. The free world would then have to rely on oil from the Western Hemisphere where the only significant idle capacity is in the United States. Should petroleum imports into the United States be cut off, either through enemy

action, expropriation, nationalization, or shifting of Western Hemisphere supplies to meet European demands, the petroleum industry in the United States would not be able to supply our armed services and our essential industrial requirements. Under the Trade Agreements Act in its present form, petroleum imports have been encouraged. There is no provision in H. R. 5495 to assure that these imports do not further weaken our productive strength as to petroleum.

Attached to this letter is a brief statement of the problem of excessive petroleum imports as related to the Trade Agreements Act. It is not possible, however, to adequately cover this important and complex problem in a brief written statement. We believe that it is essential that your committee be fully informed on this matter because of its fundamental importance to national welfare and security. We recognize the time limitations with which you have been concerned but, since the Trade Agreements Act has now expired, we hope that time is no longer so pressing. We respectfully request, therefore, an opportunity to present testimony to your committee before action is taken on the extension of the act.

Very truly yours,

RUSSELL B. BROWN.

PROBLEM OF EXCESSIVE PETROLEUM IMPORTS AS RELATED TO TRADE AGREEMENTS ACT

THE PROBLEM

Prior to World War II (1935-41) total petroleum imports averaged about 5 percent of domestic demand. During the war years (1942-45) they continued at about 5 percent. In the postwar period imports increased rapidly averaging about 10 percent during 1946-51. In 1952 they averaged about 13 percent. Currently, imports average in the neighborhood of 14 or 15 percent. The sharp increase in the volume of imports is shown in the attached chart.

Loss of markets to imports is curtailing the incentive and ability of the domestic industry to expand in proportion to the Nations' defense program and normal growing oil needs. Defense and military officials agree that domestic oil productive capacity is insufficient for war emergency requirements. The Petroleum Administration for Defense, the Government agency responsible for defense program oil supplies, established a drilling program of 50,000 wells for 1952 and 55,000 wells for 1953. In 1952 the industry drilled approximately 40,000, dangerously below the goal. So far during the year 1953 the drilling rate has been even less favorable in relation to the goal of 55,000 wells.

CHOICE FOR CONGRESS

Shall we continue to permit and encourage oil imports to take an ever-increasing share of the United States market, thereby becoming more and more dependent on foreign sources of oil controlled by a few large companies; or shall we reverse this trend toward dependency by encouraging the domestic industry to expand commensurate with growing national requirements?

The choice before Congress is one between dependency versus self-sufficiency.

NATIONAL SECURITY

At the beginning of World War II the domestic industry was capable of producing approximately 1 million barrels daily over and above current requirements. This reserve was vital during the war. Today the domestic industry, although capable of supplying peacetime needs, does not have an adequate reserve producing capacity ready for use. In order to provide a reserve capacity comparable to that which we had at the beginning of World War II, the domestic industry's drilling program will have to be stimulated considerably.

The submarine experience of World War II demonstrated that the only sure supply in case of war emergency is a vigorous industry within our own borders and under our own control.

MONOPOLY CONTROL

Approximately 90 percent of all oil in the world outside the United States and Russia is under the control of 7 large international companies, 5 American and 2 of foreign financial control. The 5 American companies are Standard Oil of New Jersey, Standard Oil Co. of California, the Texas Co., Gulf Oil Corp., and Socony-Vacuum Oil Co. The 2 foreign companies are the Shell group and

the Anglo-Iranian Oil Co. Of these 7 companies, the 5 American companies and the Shell group import approximately 75 percent of the total imports into the United States.

As these few companies increase imports they acquire a stronger and stronger control over the domestic market and the United States becomes more and more dependent upon these companies for its peacetime and also wartime needs.

This situation raises the question as to whether it is wise in the long run to place the American consumer and the national security in the hands of a few large oil companies who are subjected to strong economic and political pressures from the governments of foreign countries.

CONSUMER INTEREST

Experience demonstrates that the American consumer is best served by a domestic industry made up of thousands and thousands of units actively competing among themselves rather than a few large international oil companies which control oil imports.

For example, the bulk of oil imports enter the United States on the eastern seaboard. Although imports have increased sharply since 1948, the mass of consumers in this area have received no benefits. It is true that the relatively few large industrial and commercial consumers of residual fuel oil on the eastern seaboard have enjoyed a benefit through a price decline of about 30 percent. In contrast, however, the thousands and thousands of consumers of gasoline and home-heating oil have had their prices increased. Since 1948 the price of gasoline in the New York area has increased approximately 10 percent and the price of home-heating oil have had their prices increased. Since 1948 the price of gasoline in the New York area has increased approximately 10 percent and the price of home-heating oil has increased about 5 percent. It is obvious therefore that the dumping of residual fuel oil in the eastern seaboard has been subsidized by the mass of consumers.

TRADE—NOT AID

The trade-not-aid proposal is not applicable as to oil. Venezuela is the source of about 75 percent of all imports of oil. Since Venezuela has received no aid from the United States there is no need for stimulated trade. The same situation applies in general to the other oil-producing countries wherein imported oil originates.

Also, oil imports is not foreign trade in its normal sense. Imported oil, in the main, is produced by American companies, transported by American companies and sold in the American market by American companies. It does not involve trade with citizens of foreign countries with the principal benefit going to the foreign country.

ADMINISTRATIVE RELIEF

Repeated efforts through the years before the State Department and the Tariff Commission have been futile in obtaining relief for domestic oil producers. Recent numerous expressions by top Government officials having jurisdiction over foreign trade further discourages hope for administrative relief under present law.

PROPOSED SOLUTION

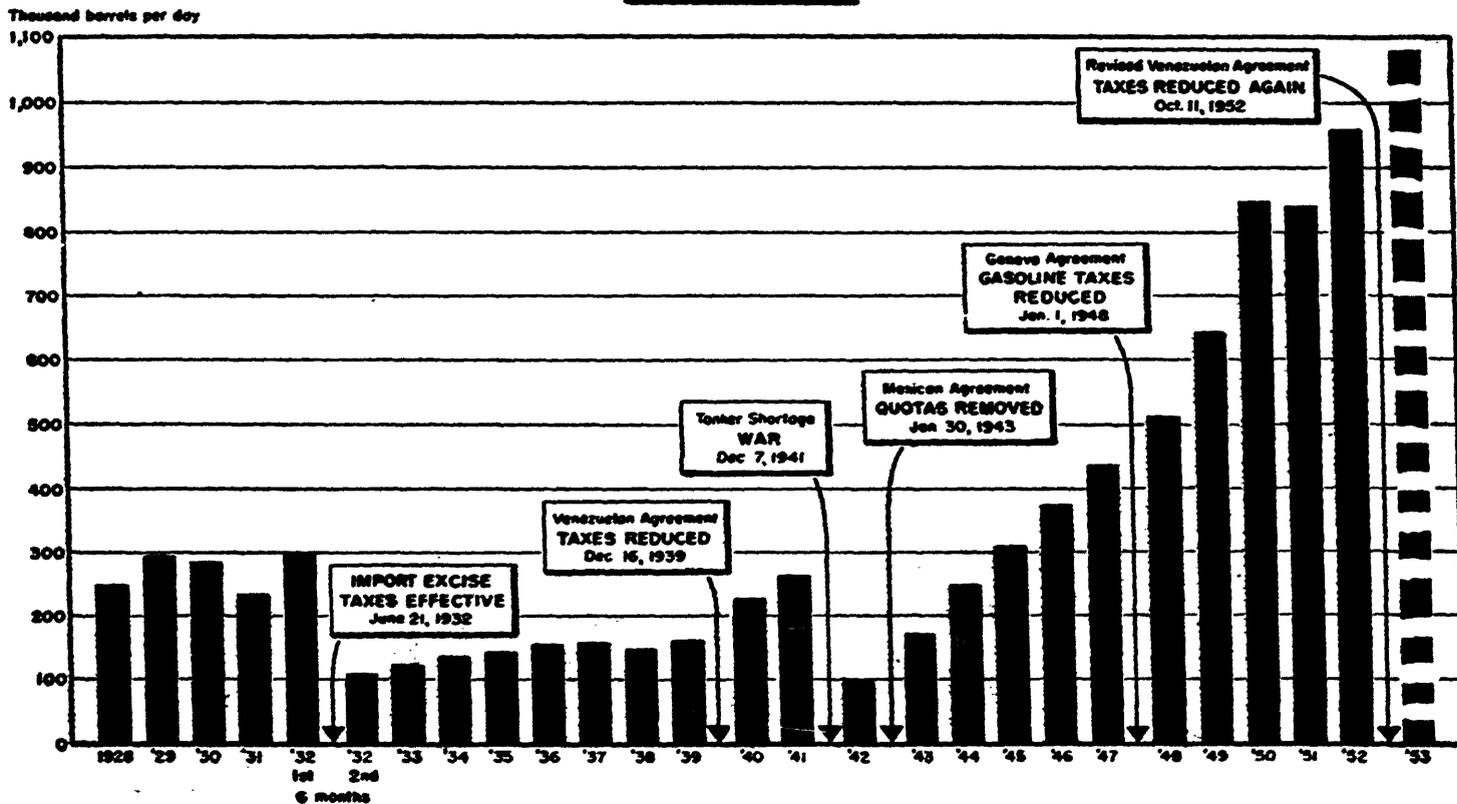
The establishment of an overall quota limiting total petroleum imports (including crude oil, residual fuel and all other oil products) to 10 percent of domestic demand as proposed in S. 1552 introduced by Senator Carlson, for himself and for Senators Martin, Hunt, and Kilgore.

EFFECT OF PROPOSAL

The proposal would not shut out oil imports. It would permit imports to continue to enjoy the same relative place in the domestic market as during the period 1946-51, a time when imports were enjoying a rapidly increasing proportion of the domestic markets, and averaged about 610,000 barrels daily. The proposed 10 percent overall quota, if applied during 1953, would permit imports to average between 700,000 and 800,000 barrels daily, as compared with the current rate of about 1 million barrels daily.

(Prepared by the Independent Petroleum Association of America, June 1953.)

U.S. PETROLEUM IMPORTS 1928-1953



SOURCE: U.S. Bureau of Mines, except 1953 based on estimates submitted to Trade Railroad Commission.

Oil imports are the primary problem facing the domestic oil producer today. The history of oil imports into the United States is shown on the above chart. As can be seen on this chart, foreign-trade policies of our Government have a very decided effect on the trend of imports into this country.

When petroleum import taxes became effective in 1932 there was an immediate drop in the rate of imports. The rate of imports remained relatively stable from 1932 through 1939. However, in December 1939 the import taxes were reduced, and a policy of encouragement to the importing companies was adopted. Except for the war period, when imports were reduced because of the inability of tankers to evade the enemy submarine menace, imports have increased steadily and rapidly since that time. Scheduled imports for 1953 indicate a further increase to an alltime record level close to 1,100,000 barrels daily.

Crude production in this country has been reduced substantially in recent months. Further cuts in domestic production will be necessary during the coming months unless imports are restricted. This means less income to the domestic industry, less, drilling, less reserves found, less productive capacity. In short, less security as to oil.

The growing threat of excessive imports requires a sound foreign trade policy as to petroleum that will assure the maintenance of a fair and equitable relationship between imports and United States petroleum demand.

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

National headquarters, Tulsa, Okla.

Washington office, Washington 6, D. C.

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA,
Shreveport, La., June 12, 1953.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: The members of our association are interested in the question of legislative restriction on petroleum imports as was contained in H. R. 4294 by Congressman Simpson of Pennsylvania.

We desire to be given opportunity to present testimony on this question to the Senate Finance Committee when the extension of the Trade Agreements Act, H. R. 5495, is before your committee.

We would appreciate being advised as to the time this matter will be heard by your committee so we may notify the witnesses.

Very truly yours,

RUSSELL B. BROWN.

WASHINGTON, D. C.
June 23, 1953.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building:

In furtherance of my letter of June 16 in regard to H. R. 5495 this is to urge that your committee consider the testimony (now available in printed form) presented by domestic oil producers to the House Ways and Means Committee on May 11, and amend H. R. 5495 by including a provision limiting oil imports to 10 percent of domestic demand. Since testimony was presented to the Ways and Means Committee the Secretary of the Interior, with the approval of the President, has expressed the hope "that those companies importing crude oil and products will show industrial statesmanship in this important matter and that each company, acting individually and wholly on its own individual judgment, will exercise that restraint in respect of imports necessary to the health and security of the Nation." This appeal was made on May 28. The response of the importing companies to this expressed hope of the President, made through the Secretary of the Interior, has been negative (that they have not reduced imports). Imports continue at the same high, excessive level. This condition emphasizes the necessity of legislative action if the national security is not to be jeopardized by retardation of needed domestic oil expansion.

RUSSELL B. BROWN,
General Counsel,
Independent Petroleum Association of America.

NEW YORK 10, N. Y., June 15, 1953.

Hon. EUGENE D. MILLIKIN,
 Chairman, Senate Finance Committee,
 United States Senate, Washington 25, D. C.

DEAR SENATOR MILLIKIN: I appreciate your telegram of June 13 offering us the opportunity to state our position regarding H. R. 5495, Simpson bill. We strenuously object to the bill for the following reasons:

1. It would change the Tariff Commission from a bipartisan to a partisan group, a pure case of court packing. Since 1916 the Tariff Commission has been operated on a bipartisan basis commanding the respect of the business community and representing an effective instrument for reconciling issues of public interest in the field of foreign trade. If the Tariff Commission were to become a partisan group, whether dominated by Republicans or Democrats, issues of foreign trade would be embroiled in partisan politics, creating doubt and vacillation in the field of foreign trade.

2. It would continue the escape clause and peril point provisions of the existing act. These provisions cause uncertainty for importers making it difficult, and indeed, often otherwise impossible to plan import programs. Furthermore, the provision promises that every successful import program will, or can, be brought under attack. The essential element for a successful international trade, stability, is thus not offered importers.

3. Moreover, the act requires the Tariff Commission to render decisions in escape-clause hearings within 9 months instead of a year. While this is generally desirable the Commission should also be given the technical facilities to speed up its work.

4. The bill extends the life of the act for just 1 year. We think it more desirable that the act, shorn of its undesirable features, be extended for a longer period so that importers can know reasonably well what faces them in the years ahead.

We have today sent you a cable reading as follows:

"While understanding time factor may limit duration hearings before your committee on Simpson bill would nevertheless appreciate opportunity brief appearance before your committee should such hearing be conducted.

OPPLEM Co., INC."

We appreciate your courtesy in affording us the opportunity to submit the statement outlined above. We shall elaborate on such statement if the opportunity presents itself to appear before your committee.

For the committee's information we are attaching a statement that was prepared originally for H. R. 4294, the original Simpson bill.

Very truly yours,

OPPLEM Co., INC.,
 SAMUEL SANDERS.

SUMMARY STATEMENT BY THE OPPLEM Co.

This statement is submitted by the Opplem Co. of New York City and Lynchburg, Va., importers of scientific instruments for 26 years. While favoring extension of the Reciprocal Trade Agreements Act, we oppose passage of H. R. 4294 because the act would be crippled by the amendments proposed therein.

Opplem manufactures scientific instruments in the United States and distributes microscopes and other scientific instruments imported from Italy. Long experience qualifies us to state unequivocally that Italian microscopes, together with all other imports, are not causing harm to United States security nor to United States industry or labor. The facts on this are very clear.

A. United States production outstrips imports by at least 25-30:1

Domestic production in 1952 appears to have been a minimum of \$20 million, probably much more; imports only \$700,000. Does this suggest that United States industry is threatened by imports?

B. United States exports exceed imports by 50 percent

United States microscopes and accessories obviously must be competitive with foreign products, for United States products valued at \$1,034,000 were exported to 77 countries and dependencies in 1952. Moreover, these exports exceeded imports by 50 percent.

A sharp drop in exports from the United States since 1948 has been attributed to imports. This is unrealistic. First, imports into the United States do not

affect United States exports. Either United States products are competitive abroad, or not. Obviously, they were in 1952—over \$1 million worth. Second, 1948 was an abnormally high year for exports because foreign supplies from war-damaged Germany, Italy, and Japan had not yet returned to international markets. Third, exports to Soviet bloc countries have fallen sharply as the result of strategic export controls. For example, exports to China fell from \$310,000 in 1948 to \$47,000 in 1949, to zero in recent years. Finally, the drop in exports was nowhere near as sharp as claimed. According to official statistics, from 1948 to 1952 exports by the United States industry dropped less than 50 percent, not 97.5 percent as the report of Bausch & Lomb Optical Co. might lead one to believe.

C. Lower labor costs abroad are so offset by other higher costs that imports can barely compete with United States products

There are three very important points here.

1. Because of heavy distribution costs, duty, etc. Italian scopes are only about 10 percent cheaper than United States scopes. Bausch & Lomb admit their net costs are \$293; Italian scopes can be offered dealers at an average price of \$263.

2. Italian labor is 133 percent more expensive than Bausch & Lomb reports. Verified statistics show average labor costs in Officine Galileo, Milan—a completely privately owned company—to be about 70 cents per hour, not 80 cents as reported by Bausch & Lomb. Overlooked is the fact that Italian companies are required to pay heavy social security charges, Christmas bonuses, housing contributions, etc., which jack up wages from 43 cents to 70 cents.

3. Several factors cancel out the advantage of lower labor costs in Italy. First, labor accounts for less than one-third of the final cost of an Italian scope sold in the United States, so lower labor costs are not of much advantage. (In the United States, the census of manufactures shows the comparable labor cost figure as 38 percent). Second, other costs in Italy, of money, materials, and machinery, are far higher than in the United States. Third, heavy costs are incurred in distributing Italian scopes in the United States. Fourth, United States output is high enough to permit some mass production economies, which economies are not possible in Italy because of low output. The fact is that the net profit per dollar of sales for Bausch & Lomb exceeds greatly that of the Oplem Co. and of the Italian manufacturer.

D. Imports are no threat to the United States production base or to national security

The largest single purchaser of microscopes is the Defense Department. Instructions to contracting officials require that they assure protection of the United States mobilization base before making awards to foreign firms. (Paragraph 4-A of an unclassified memorandum of June 19, 1952). Furthermore, the joint optics committee has recommended stockpiles of optical glass adequate to protect us in the event of an all-out war. Also, the skills required for microscope production are used widely in several other branches of the optical industry, in several branches of which there are virtually no imports. Unlike prewar, there is a large optical instruments industry in the United States today; output was \$94.8 million in 1951 and growing, against \$8.7 million in 1939. Finally, foreign labor is not displacing United States labor for, indeed, New York State reports a shortage of skilled labor for the optical industry.

E. Imports have saved money for the taxpayer

Government agencies buy imports at prices below the protected, high-profit United States price. As a result of this competition, American firms have dropped their prices to the Government nearly 20 percent and still make handsome profits. Note that before foreign competition the United States industry was able to bid higher, and identical, prices to Government agencies. (See annual report, 1951, Senate Small Business Committee, Rept. No. 1068). Extensive antitrust litigation in Federal courts involving United States industry makes crystal clear that there has been an absence of real competition in the United States optics industry.

F. Imports benefit hospitals, charitable foundations and research institutes

Import prices may be lower or at least may hold down the United States price. The savings that hospitals and research foundations thus make permits more research in medicine and science. Besides, foreign skills, techniques and equipment are essential to high-grade research.

G. An increase in duty of imposition of quotas, could knock Italian microscopes out of the United States market

Competition with United States scopes is already intense and profits are low. A price increase, therefore, forced by duties could be a disastrous blow. Quotas could also be dangerous for they arbitrarily limit the kinds and quantities of imports. If imports were reduced or eliminated for either reason, the domestic industry would have a virtual monopoly on the market, with all the undesirable effects this would entail.

STATEMENT ON BINOCULARS

While we are not at the present time importing binoculars, we have done so in the past, both post and prewar, in considerable quantities. We are therefore familiar with the market from both a quality and price standpoint. From both points of view it is clear that inexpensive imports do not compete with Bausch & Lomb binoculars.

First: The quality of inexpensive imported binoculars is not equal to Bausch & Lomb. Under no circumstances could the quality of the imported binoculars be compared with the precision quality of the Bausch & Lomb binocular which is made to conform to rigid specifications. As we have much experience repairing and servicing Bausch & Lomb instruments, we know the workmanship is far superior to inexpensive imports.

Second: Imported binoculars tap a completely different, low-income market. The statement made by Bausch & Lomb does not present a clear picture of the binocular market. There is the high-price, high-income Bausch & Lomb market and the low-price, low-income import market. The two are so far apart that they are not competitive. The large volume of low-price imports indicates that a new market has been created, catering to the lower income groups. It would certainly be unfair to deprive these groups of the opportunity to purchase an inexpensive binocular solely because Bausch & Lomb makes an expensive one.

Because we believe that H. R. 4204 does not best serve the national interest, we oppose passage in its present form. We favor, instead, extension of the Reciprocal Trade Agreements Act without crippling amendments.

**THE OPFLEM Co., INC.,
SAMUEL SANDERS, President.**

SUPPLEMENTARY STATEMENT BY THE OPFLEM CO.

This statement is submitted by the Opflem Co. of New York and Lynchburg, Va., manufacturers of scientific instruments and distributors of microscopes and other scientific instruments made in Italy. We believe that the Reciprocal Trade Agreements Act should be extended for 1 year, but without crippling amendments as in H. R. 4204.

In a preceding summary statement, it has been established clearly that imports of microscopes represent no harm to the national security, to American industry or to American labor; that the American taxpayer benefits; that hospitals, charitable institutions, and research foundations benefit; that real competition in the optical industry is introduced and maintained through such imports. In this statement we will develop in some detail the facts supporting this conclusion. We would welcome an equally frank statement by those claiming harm from imports.

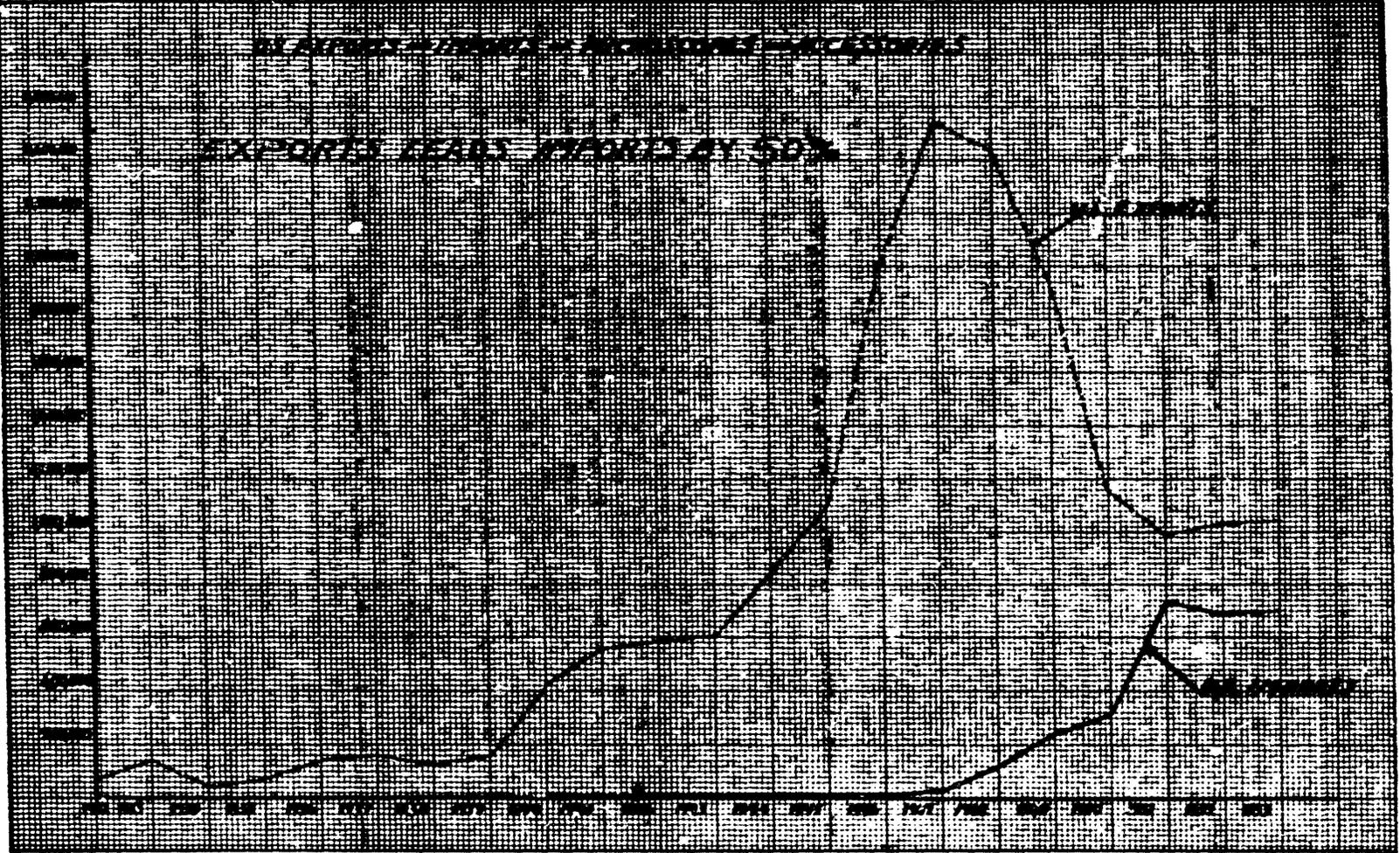
A. How do domestic production and imports compare?

The figures show that domestic production exceeds imports by about 25-30:1. Data on domestic production are not easily obtained. But Bausch & Lomb Optical Co., the largest firm in the industry, admits that about one-third of its production is scientific instruments¹ and that in 1952 microscopes accounted for " * * * by far the largest volume of its scientific instrument production."² Bausch & Lomb gross sales in 1952 were \$52 million.³ Thus, scientific instruments would be about \$17 million and if "by far the largest volume" means, say, 75 percent, then Bausch & Lomb produced nearly \$13 million of microscopes. Gross production in the remainder of the industry can be very conservatively estimated at \$7 million. A minimum figure for the industry would thus appear

¹ Hearings before the Committee on Finance, U. S. Senate, 82d Cong., 1st sess., on H. R. 1612.

² Testimony by Bausch & Lomb before the Committee on Ways and Means, House of Representatives, May 1953, on H. R. 4204.

³ Annual Report, Bausch & Lomb Co.



to be about \$20 million. Even if the figure were somewhat lower, it would still have to be compared with imports of only \$700,000 in recent years, an import figure which seems to be stable and which is far below the prewar level.

In view of this disproportion, is it not stretching matters to claim that imports are harming domestic production?

B. How do domestic prices and import prices compare?

Bausch & Lomb reports a net price for their average model of \$296.⁴ After paying duty and all the other heavy charges described below, Italian scopes can be offered to dealers at an average price of \$263, roughly a 10 percent difference. This is borne out in a recent Government bid for binocular microscopes when the Italian scope was offered at \$315, the Bausch & Lomb scope at \$346.40—again, the 10 percent difference. With only this 10 percent differential, Italian scopes have real difficulty competing in commercial markets against the resources, strength, and reputation of Bausch & Lomb. This is why United States production vastly outruns imports, despite a minor price disadvantage.

It is a misconception to consider Italian scopes as "low priced." Because of high costs of distribution, overhead, advertising, duties, etc., incurred in the United States at United States cost levels, Italian scopes are, as we said, only about 10 percent under Bausch & Lomb scopes. Included among these costs are:

- (a) A duty of 45 percent ad valorem.
- (b) Cost of freight, insurance, and handling.
- (c) Cost of advertising.
- (d) Cost of attendance at exhibitions and scientific demonstration.
- (e) Cost of maintaining inventories and supplies of spare parts.
- (f) Cost of servicing equipment provided for under guaranty on each instrument.
- (g) Cost of mechanical and optical checking of each instrument.
- (h) Cost of special equipment produced in the United States, which is added to the imported microscope; for example, special mechanical parts, plastic covers, special cases, etc.
- (i) Printing of instruction books.
- (j) Costs of combating the efforts by domestic industry to shut off imports.

Census of manufactures data for 1951 in the United States indicate that labor costs accounted for only 38 percent of the value of shipments of the optical industry, for there were \$4.73 of shipments for each \$1.80 spent for labor, the difference being accounted for by materials, distribution, overhead, administration, profits, and other costs. Equally, with Italian products, labor accounts for only a small part of the value of shipments, the difference being heavy distribution and overhead costs incurred here. Thus, a microscope imported from Italy having a dutiable value of about \$80 must be offered to dealers at several times this cost.

Those who believe that the importer, distributor, or manufacturer has made much money from Italian imports are gravely mistaken. Net profits in recent years have been far less than the average for United States industry.

1. Do imports harm exports?

It has been claimed that exports of Bausch & Lomb instruments fell off 97.5 percent from 1948 to 1952 because of "low-cost" imports.⁵ Now, this statement is indeed difficult to understand.

First: What effect can imports possibly have on exports? Either United States products are competitive in world markets or they are not. What is imported into the United States cannot possibly affect the ability of United States microscopes to compete on markets abroad.

Second: The year 1948 was an abnormally favorable year for United States exports. The world was starved for scientific instruments, buying widely from anyone who offered them. The United States was able to offer these products, having geared to high production during the war, but the Germans, Japanese, and Italians could not fully reenter traditional world markets, for their factories had not fully recovered from the war.

Third: American exports were over \$1 million in 1952; they exceeded imports by 49 percent. Since there were virtually no prewar United States exports, it is clear that the United States has captured and held a substantial foreign market in recent years. The attached chart shows dramatically how well American exports have fared in international markets; swamping imports.

⁴ Testimony by Bausch & Lomb, op. cit.

⁵ *Ibid.*

Fourth: Bausch & Lomb report that their exports dropped 97.5 percent from 1948 to 1952. Official United States statistics of exports of "microscopes and accessories" show a drop for the United States industry as a whole of only 58 percent. As Bausch & Lomb is the giant of the industry, there must be something awry with either their statistics or with official United States statistics. Perhaps Bausch & Lomb have reported only the scopes they exported directly, not reporting those sold to export firms who in turn sell abroad. A great deal of export business is done in this way. If this is not the explanation, there must be another, equally obvious, for the discrepancy in statistics. As noted previously, exports in 1952 were still above imports and way beyond prewar levels.

Fifth: Imposition of export controls by the United States Government accounts partially for this drop in United States exports. For example, exports to several Iron Curtain countries in 1948 amounted to \$355,000; in 1952 there were zero exports to these Iron Curtain countries.

D. Do microscopes made with "cheap" foreign labor represent a threat to the United States industry?

In the optical industry, the answer is "No," for several reasons.

1. First, as noted above, wages constitute less than one-third of the final value of scopes when shipped. A higher figure of 70 percent that has been used refers to manufacturing costs, not to the final cost of the product, which is the really meaningful figure.

2. The average cost of labor in Italy is not 30 cents as claimed, but 70 cents, comprising a basic wage of about 43 cents, plus mandatory contributions toward social security, Christmas bonuses, housing, child care, etc., of about 27 cents. Italian wages are thus 85 percent of United States wages, not 15 percent as claimed.

3. Wages apart, other costs in Italy are far higher than in the United States. Money, for example, must be borrowed at 12 percent per annum. Raw materials are much more expensive. And all costs of supplies get boosted by the "turnover tax," a sales tax of 3-8 percent imposed on goods at all levels of distribution. Thus, the steel used in a microscope may have been taxed 3 or 4 times by the time it reaches the factory for use. This method of taxation is not used in the United States. Instead, taxes are levied primarily after income is earned. Finally, though the optical industry is not a mass production industry, microscopes are, nevertheless, produced on a large enough scale in the United States to permit production economies that are not possible at low-scale Italian output.

E. Do imports jeopardize the defense mobilization base?

The answer is clearly "No."

1. As required by Department of Defense regulations, defense officials have purchased foreign microscopes only after satisfying themselves fully that this would not impair the defense base. (See par. 4-A of an unclassified memorandum of June 19, 1952, Department of Defense, re: "Buy American" Act.) As importers and Government contractors, we can testify to the extreme care with which contracting officials scrutinize any proposal for foreign procurement. The fact that purchases have been made creates a prima facie case that so doing does not impair the national security.

2. When Korea struck, utmost attention was paid the domestic production base. Was it adequate to our needs? Where not, new facilities were constructed so that capacity would be adequate to protect American security. We may presume that Defense officials have not overlooked the optical industry and that, therefore, our needs will be met during wartime.

3. Dr. Frederick Wright, technical adviser to the Joint Optics Committee, has commented as follows:

"When the next war is declared, the United States may be drawn into it without delay and will have to begin work immediately on the manufacture of military optical instruments in large numbers. If, at that time, a stockpile of optical glass in slab or plate form is available in sufficient quantity the procession of finished optical elements can begin at once, so that their assembly into finished instruments may start as soon as the mechanical parts become available." [Italics ours.]

*Development of the Optics Industry in the United States During World War II—Frederick E. Wright, technical adviser, Joint Optics Committee, War Production Board, Army-Navy Munitions Board.

On August 16, 1944, the Joint Optics Committee resolved as follows:⁷

"That the Joint Optics Committee recommends that the procuring service of the Army and Navy be authorized to establish a reserve of inspected optical glass in slab or chunk form in amounts equal to the 6 months peak production of the present war in the case of rolled optical glass and to 12 months peak production in the case of pot transfer and tank optical glass."

Surely, our defense officials would not have overlooked optical glass when safeguarding the production base.

4. Finally, the critical parts of Italian and Bausch & Lomb scopes are now interchangeable, fulfilling military requirements. Here, again, the national security has been safeguarded.

F. Is the supply of United States labor threatened by imports?

The answer is "No."

1. The optical instruments and lens industry today is a giant, not a pygmy as in prewar years. Output has risen from \$8 millions in 1939 to \$95 millions in 1951, and was still growing. As a result, employment has risen as follows: in 1939, it was 2,200; in 1951, it was 9,000 and is much higher today.

2. The attached Labor Market Letter, issued by the New York State Department of Labor states, "Rochester (home of Bausch & Lomb) employers face the possibility of a serious shortage this summer, most severe since the end of World War II." The report also lists the optical and instrument industry as one in which new jobs will open up. If imports were displacing United States labor, there would be a surplus, not shortage of labor.

3. The industry produces a wide range of highly technical products, such as spectrometers, spectographs, photogrammetric and aerial photogrammetric lenses, aerial cameras, plotters, microlographs, colorimeters, telescopes, binoculars, etc. Many of the skills required to produce microscopes are equally required for these other products. There are, therefore, many workers who could do all but the most critical microscope work. For this, only a handful of workers are required and they are available. A wide pool of skilled labor for security is therefore available.

4. Besides this reservoir of skilled labor, the experience of the last war demonstrated the effectiveness of in-service training.

"* * * the experience of optical firms in the latter part of 1941 and 1942 demonstrated the effectiveness of in-service training with the result that the serious shortage of optical workers was overcome."⁸

5. A recent authoritative document in the scientific instrument field states:⁹ "Production facilities are at all time high as a result of the expansion throughout the instrument industry in recent years. *Skilled labor, so necessary in unusual degree in this industry, is not quite adequate.*" [Italics ours.]

This does not look as though foreign labor has displaced United States labor.

G. Does the taxpayer save money through imports? Do imports benefit competition?

The answer is "yes."

It is a matter of public record that imports have created competition and therefore dropped prices on Government bids. For example, on 11 out of 13 Government bids between February 1950 and October 1951, American firms bid identical prices. The Senate Committee on Small Business in its annual report for 1951 said the committee planned to question the "dollars and cents family resemblance" on Government bids.¹⁰ As awards have been made for Italian scopes at savings to the United States Government of several hundreds of thousands of dollars, United States prices have been forced down and are now about 20 percent lower than previously. In effect, then, imports have struck a telling blow for real competition in an industry where competition has been notably absent. United States court records contain ample reference to anti-trust proceedings designed to force real competition in the industry. Imports are one of the most effective means for retaining pressure favoring real competition.

⁷ Ibid.

⁸ Ibid.

⁹ The Instrument Market, Instruments Publishing Co., Pittsburgh, Pa.

¹⁰ Annual Report of the Senate Committee on Small Business, U. S. Senate, 82d Cong., pp. 9-10.

H. Do imports benefit hospitals, research foundations, and technical institutions?

The answer is "yes", for two reasons:

1. The first is price. As we have demonstrated, imports result in competition, thus forcing down prices. This stretches the dollars available for research, hospital, and technical institutions which necessarily must buy many essential scientific instruments. It would be a shame if research in cancer, heart disease, and other plagues of mankind were diminished one iota because duties, quotas, and other devices kept out reasonably priced imports. As it is, institutions must pay heavily for imports because of the 45 percent duty.

2. For technical reasons, too, imports are beneficial. The skill and proficiency of the European engineers and technicians who make these products will certainly not be denied even by United States industry. Yet, high duties and quotas may make it impossible for Americans to buy these instruments, to the detriment of their research and laboratory work—a grave loss to the population generally.

This rather full statement for the public record is long overdue. For years, certain parts of United States industry have belabored imports and importers. An objective case cannot be made against either, yet, increasingly, the effort is made. What are certain sectors of United States industry really after? Can they really fear \$700,000 competition from imports annually, against the \$20 millions the industry produces?

The Opplem Co. favors the extension of the Reciprocal Trade Agreements Act—but not as proposed in H. R. 4294. Amendments to the act proposed therein are harmful, not beneficial, to the national interest. Passage of the bill could well result both in heavier duties or quotas on imports of microscopes and other scientific instruments. Such impositions would be unwarranted. The United States would be the biggest loser. Economies engendered by imports and competition would go out the window. It would not give greater protection to the United States production base for it is amply protected now. And the cause of research, health and welfare would be set back as research institutions would be forced to stretch scarce dollars to buy costly domestic products. We do not think that such would be the wish or interest of the Congress.

It is suggested that the preceding summary statement be read for a statement regarding imports of binoculars.

THE OPPELM CO., INC.,
SAMUEL SANDERS, *President*.

NEW YORK, N. Y., May 12, 1953.

ELIZABETH SPRINGER,

Acting Chief Clerk, Finance Committee, United States Senate:

Would appreciate opportunity to testify on behalf of extension Reciprocal Trade Agreements Act without crippling amendments such as in H. R. 2494.

OPPELM CO.

STEPHENS & JOHNSON,
Washington, D. C., June 17, 1953.

HON. EUGENE D. MILLIKIN,

*Chairman, Committee on Finance, United States Senate,
Senate Office Building, Washington, D. C.*

DEAR SENATOR: We understand that your committee will not hold public hearings on H. R. 5495, the proposed Trade Agreements Extension Act of 1953. We submit herewith 25 copies of a statement prepared on behalf of the Synthetic Organic Chemical Manufacturers Association of the United States relative to that bill.

We know that before your committee acts on H. R. 5495 it will give serious consideration to the views expressed in this statement, and particularly to the two amendments suggested.

Very truly yours,

SYNTHETIC ORGANIC CHEMICAL
MANUFACTURERS ASSOCIATION.
By PAUL K. LAWRENCE, *Chairman*,
INTERNATIONAL COMMERCIAL
RELATIONS COMMITTEE.

**STATEMENT OF THE SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION
IN CONNECTION WITH H. R. 5495 (TRADE AGREEMENTS EXTENSION ACT OF 1953)**

This association has been advised that the Finance Committee does not intend to hold public hearings on H. R. 5495, the proposed Trade Agreements Extension Act of 1953 recently passed by the House. By means of this statement we respectfully urge that your committee give favorable consideration to two amendments which we propose to H. R. 5495.

Our association is composed of 87 manufacturers of organic chemical products representing approximately 90 percent of the organic chemical industry with an annual payroll in excess of \$218 million. We have appeared before this committee on a number of occasions, and we believe that the committee members are familiar with our industry and with the fact that ours is an industry which, perhaps more than any other, is essential to the national security.

H. R. 5495 extends for 1 year the authority of the President to enter into new trade agreements. In addition, H. R. 5495 reduces from 1 year to 9 months the time within which the Tariff Commission must make its report on applications for relief under the escape clause, increases membership of the Tariff Commission from 6 to 7, and establishes a bipartisan Commission to make a thorough examination of our whole foreign economic policy.

It seems to us clear that our entire foreign-trade program needs careful study and reappraisal by a bipartisan Commission aided by a competent staff. Our association recommended that such a Commission be appointed in 1951 when we appeared before the House Ways and Means Committee in connection with the Trade Agreements Extension Act of 1951. We are pleased to note that this bill would authorize the establishment of such a Commission. We endorse the proposal and hope that the work of the Commission will result in a sound integrated foreign-trade program.

Pending the study and report of the Commission, however [we feel that the members of our industry, as well as others essential to the national defense, should have a timely and adequate remedy available in the event of injury or threatened injury from the importation of products of cheap labor abroad.] The duty on most of our products was reduced by almost 50 percent at the Torquay Conference. This is a drastic reduction, the full effects of which have not yet been felt. Even now we know that imports of coal-tar chemicals on a dollar-value basis more than doubled between 1950 and 1951 and more than quadrupled between 1949 and 1951, while at the same time our exports have declined. We also know that labor costs in this country for organic chemical workers are on the average 4 to 5 times higher than such costs in the countries of West Europe. We also know that West Europe now has an efficient, well-organized, and to a large extent cartelized organic chemical industry reliably estimated as capable of producing twice the estimated consumption of all Marshall plan countries. The adverse effects on our industry of imports from these countries are beginning to be felt and will increasingly become more serious.

The escape-clause provisions of the Trade Agreements Extension Act of 1951 are a tremendous improvement over the escape clause as it was utilized by the President prior to that time. However, under the 1951 act it remains in the discretion of the President to follow or not to follow the recommendations of the Tariff Commission after an escape-clause proceeding, and it remains in his discretion whether or not to negotiate below a peril point found by the Commission. We feel that 2 years of operations under the 1951 act has made it questionable whether such broad authority should reside in the President. Many findings of injury made by the Tariff Commission have gone unremedied. Of the 28 investigations initiated by the Tariff Commission under the escape-clause procedure, 7 resulted in recommended relief by the Commission. Of the 7 in which relief was recommended by the Tariff Commission, relief was granted by the President in only 3 cases. We urge that this committee amend H. R. 5495 to provide that the recommendations of the Tariff Commission shall be binding upon the President, unless finding them to be against the national interest, he proposes to act contrary to them and his proposal is concurred in within a specified time by a joint resolution of Congress. In this way Congress, which is the governmental body closest to the people, would have the final word. This procedure, we believe, is a salutary one, and we urge your committee to adopt it both for the peril-point and escape-clause procedure.

The 1951 act was also deficient in that the definition of the specific nature and type of injury to be considered in making peril-point and escape-clause

findings was too broad and general. The 1951 act requires that "serious injury to the domestic industry producing like or directly competitive articles" be found.

Under the 1951 act it is possible, as we construe it, to have serious injury to a particular company or a segment in a particular industry and still have no relief under the escape-clause procedure. We believe it is essential that all workers, all companies, large and small, and segments of the industry should be protected against cheap-labor conditions abroad if our industries are to remain strong and our standard of living to be maintained. Accordingly, we urge this committee to amend the bill in such a way as to make the new test of injury "unemployment of or injury to American workers, miners, farmers, or producers producing like or directly competitive articles, or impairment of the national security," or some similar test which will provide an adequate remedy for those injured or threatened with injury as a result of trade agreements negotiated by the executive branch of the Government.

Respectfully submitted.

**SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS
ASSOCIATION OF THE UNITED STATES.**

By **PAUL K. LAWRENCE,**

Chairman, International Commercial Relations Committee.

WASHINGTON, D. C., June 15, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Committee on Finance,
United States Senate,
Senate Office Building, Washington, D. C.:*

In order that your committee may be fully apprised of the views of all interested parties, we respectfully urge that public hearings be held by your committee on H. R. 5495. The proposed Trade Agreements Extension Act of 1953, which was today passed by the House of Representatives. Our association desires the opportunity to express its views to your committee on this important legislation.

**SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS
ASSOCIATION OF THE UNITED STATES.**

THE AMERICAN TARIFF LEAGUE, INC.,
New York, N. Y., June 16, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Committee on Finance,
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: Your committee is considering H. R. 5495. When its forerunner, H. R. 4294, was before the House Ways and Means Committee, the league presented its views thereon. We respectfully call the attention of your committee to our statement on H. R. 4294 for our general viewpoint, copy of which is enclosed. We also would appreciate your including this letter in any record of testimony you may publish in connection with H. R. 5495.

H. R. 5495 would extend for 1 year the authority of the President to enter into trade agreements with other countries. However, assurances have been given to Congress by the executive branch that no new agreements are contemplated within the life of the extension. Rather, as provided in the bill, our tariff and foreign trade policies are to be studied by a special commission which is to make its recommendations to Congress early in 1954.

The league is on record as favoring an objective, comprehensive study of our tariff and foreign trade policies by a commission of competent individuals representing all segments of our economy. This type of study could be made under the form of commission and under the directives and scope of its studies as provided in H. R. 5495. Much depends on the persons appointed to the commission and on the actual conduct of the study. The league favors these particular proposals in H. R. 5495, and hopes that qualified and representative persons will be appointed to study the Commission and that they will make a thorough study in accordance with the directives and scope provided in the bill.

We note that H. R. 5495 authorizes the study Commission, or any subcommittee or member thereof, to hold hearings. Hearings would assure the Commission of receiving outside points of view and would clarify and develop the subjects of its studies. We suggest that it would be to the advantage of Congress, which

is to be a participant in the study, to include the holding of public hearings among the directives set for in section 309 (a). (Duties of the Commission.)

H. R. 5495 would enlarge the United States Tariff Commission to seven members. The importance of this change is that an odd-numbered Commission is more likely to avoid evenly split decisions, and thus would make the Commission findings and recommendations conclusive and effective whenever a unanimous decision cannot be reached. Congress has increased the role and importance of the Commission in tariff determinations. Its functions, originally chiefly fact-finding, have, in recent years, become more and more judicatory in character. For these reasons the league has long favored making the Commission an odd-numbered body to conform with most other such quasi-judicial Federal boards and commissions.

H. R. 5495 does not change the criteria under which the Tariff Commission investigates escape clause applications. The majority on the Commission frequently has taken too narrow a view of what constitutes injury from tariff concessions, in the opinion of the league and its member producing groups. Here again, much depends on the persons appointed to the Tariff Commission and the weight they give to the various elements in the cases presented to them.

Language which would have directed the Commission to a wider concept of injury, and which was in H. R. 4294, has not been carried over into H. R. 5495. Rather, it has been included in H. R. 5496, still before the House Ways and Means Committee. Among the provisions of H. R. 5496 is a directive that the Tariff Commission should consider whether "impairment of the national security" is a result of any particular tariff concession. Such a directive most certainly should be in the basic law and could easily be included in the pending bill, H. R. 5495.

In our opinion, H. R. 5496 merits the careful consideration of Congress. Not all its provisions should be enacted. Our testimony on H. R. 4294 states which provisions we favor. Should H. R. 5496 come before your committee we would appreciate an opportunity to be heard thereon.

It has been the practice of Congress, in connection with recent legislation on tariff, to include a caveat declaring that passage of the particular law shall not be construed as approval or disapproval by Congress of the executive agreement known as the General Agreement on Tariffs and Trade. While these caveats remain on the statute books without time limit on their effectiveness, each is linked specifically to the law in which it appears and is the expression of the particular Congress which enacted it. We hope that this caveat expresses the views of this Congress in relation to the pending extension bill. Any doubts would be removed if the caveat were added to H. R. 5495.

Sincerely yours,

RICHARD H. ANTHONY, *Secretary.*

**STATEMENT OF RICHARD H. ANTHONY, SECRETARY, THE AMERICAN
TARIFF LEAGUE, NEW YORK, N. Y., BEFORE THE HOUSE COMMITTEE
ON WAYS AND MEANS**

Mr. ANTHONY. My name is Richard H. Anthony. I am secretary of the American Tariff League, with headquarters in New York City.

Mr. Chairman and members of the committee, during this initial week of the hearings on H. R. 4294, your committee has heard recitals of the unhappy experiences that domestic producers have had under the trade-agreements program as it has been administered. A sizable segment of the American economy has lost confidence that the Tariff Commission and the executive branch of the Government will treat it fairly and objectively in tariff matters.

These American producers with a stake in the tariff, many of them members of this league, have no such complaint to lodge with respect to Congress. In the 1951 Extension Act, Congress seemed to have declared its intent clearly enough.

The trade agreements approach to tariff setting is so unscientific that further clarification of congressional intent, as proposed in

H. R. 4294, important as it is, does not attack the basic problem. It is no news to this committee that the league would like to see an end of the trade-agreements approach and, in its stead, the creation of a system whereby tariff-setting would be the responsibility of a qualified commission or agency, independent of the executive branch, and operating under the guidance and control of Congress.

The President has asked Congress to extend his authority under the Trade Agreements Act for another year, during which time a basic and comprehensive study of our foreign trade and tariff policies can be made and new policies determined. Recent studies have been superficial. A basic and comprehensive study is long overdue.

It was 23 years ago that our basic tariff rates and commodity classifications for tariff purposes were last enacted by Congress. They are now in a chaotic and unrealistic state, not only due to the many changes in rates by trade agreements now fully or partially effective, or in suspension, or terminated, but also to the many new products since developed.

Although a revision of rates and classifications is in order, there is no enthusiasm in Congress or among private groups, including the league, for the omnibus bill method of revision employed in 1930. Rather, it is hoped that the study the President proposes will recommend methods of revision that will relieve Congress of the burden of wholesale legislation of individual rates and classifications, yet will put the process of revision under the surveillance of Congress and subject to its approval.

For that reason and, in general, to carry out its constitutional tariff functions, Congress, it seems to the league, should have a primary role in the President's study.

Our complex tariff structure has become entangled in the trade-agreements machinery. The league recognized the advisability of legislating within the scope of the trade-agreements program pending the study and revision of our basic tariff and trade policies. However, it is important to reassert and make effective the principle that the United States has always reserved the right to avoid injury to American producers through the workings of the trade-agreements program and the right to withdraw or modify any tariff concession in a trade agreement that causes or threatens such injury. In essence those are the objectives of H. R. 4294.

The league approves of the objectives of the bill, although not all of its provisions, for the reasons to be explained. These objectives are much the same as those urged by the league in a resolution passed at its 67th annual meeting on October 22, 1952. We would appreciate having the league's resolution inserted at this point in the record of testimony.

The CHAIRMAN. Without objection, it is so ordered.

(The material referred to follows:)

The following 10-point ATL resolution on United States foreign-trade policy and tariffs was unanimously adopted by a membership vote at the afternoon public-affairs session of the league's 67th annual meeting held at the Plaza, New York, on October 22, 1952:

"RESOLUTION"

"Be it resolved by the American Tariff League, Inc., at its annual meeting, October 22, 1952, That the following statements of position shall constitute the

basis for its educational program and legislative and administrative recommendations for 1953:

"1. To maintain national security, economic strength, and diversity of production in the United States, continued regulation of its foreign trade is necessary. The tariff is universally admitted to be the fairest, most equitable, and most liberal method of trade regulation and should be favored over other methods where applicable.

"2. Whenever administration of the tariff prevents it from acting effectively or promptly enough to safeguard fair American domestic-market conditions as between American and foreign producers of like commodities, the United States must perforce resort to quotas and other forms of regulation until proper tariffs can be determined and applied.

"3. The antidumping and countervailing duty provisions must be rigorously enforced and strengthened to prevent circumvention to our tariff and customs laws.

"4. Whenever a commodity such as an agricultural product, becomes subject to Government regulation or support as to production, price, distribution, storage, and the like, rates of tariff should be adjusted, whenever necessary, so that such regulation or support programs are effective. Whenever adjustment of tariff rates is inadequate for this purpose, recourse should be had to other methods such as fees, quotas, or special legislative regulations.

"5. We reaffirm our support of true simplification of customs administrative provisions and efficiency of customs operation; so long as the revenue is protected and the safeguards for the American producer are not weakened.

"6. The United States should formally clarify its relationship to the General Agreement on Tariffs and Trade by announcing its refusal to be definitively committed thereto. The United States should offer to assist in the creation of an international trade organization with general purposes that will not do violence to the American concept of a private, competitive economy, and with the immediate tasks of collective international-trade data and exploring possibilities of unequivocal agreements on international-trade practices, any resultant organization and any such special agreement to be referred specifically to signatory countries for ratification according to their treaty-making processes.

"7. The United States should not, except in pursuance of a treaty formally ratified by Congress, enter into, or implement by domestic action, any international plan whereby raw materials or commodities are produced, imported, exported, priced or consumed by apportionment among countries or peoples.

"8. The President should formally advise foreign nations that, according to the already expressed will of Congress, all United States tariff concessions negotiated in trade agreements with other countries are subject to withdrawal or modification by the United States in accordance with its domestic escape-clause law and procedures, and that the United States has never agreed that such withdrawal or modification is a matter for any other than domestic determination.

"9. The recommendations of the United States Tariff Commission as to tariff rates, quotas, and other trade regulations should be made mandatory, subject to modification or rejection by Congress within reasonable time limits. If the President is convinced that, for overriding reasons, a Commission recommendation should be modified or rejected, he may present his own recommendations to Congress for consideration along with the Commission recommendation.

"10. The United States Tariff Commission must be strengthened and upheld as an independent agency so that it may perform efficiently and promptly the functions vested in it by Congress, to which alone it is answerable."

Mr. ANTHONY. H. R. 4204 proposes three essential changes in the trade-agreements program:

1. The bill sets forth, in new language, the components of injury to American producers, which are to form the basis of Tariff Commission determinations and recommendations for action under peril-point or escape-clause procedures. The league favors the new language.

2. The bill provides for a 7-man, instead of the present 6-man, Tariff Commission. The league favors this change.

3. The bill makes Tariff Commission recommendations for action under peril points, escape clauses, section 22 of AAA, and other

provisions of present law, mandatory. The league, on this point, wishes to propose a different approach from that in H. R. 4204.

In amplification of these points, we want to stress the fact that determination of what constitutes injury is not a clerical function of the Tariff Commission, but a quasi-judicial one. Congress, in the 1951 act, sets criteria by which the Commission was supposed to guide its investigations, and come to its findings of whether injury would be, or had been, caused or threatened in any particular case. These criteria were not limitations, but guideposts directing the Commission to the paths its inquiry should take.

Of course, Congress might have tried to define such terms as "injury," "industry," and so forth, with such exactitude that the Tariff Commission need only match a series of facts against the definitions and come up with an answer. That would have imposed a purely clerical function. Congress, in our opinion, was wise to avoid that approach. It is virtually impossible to define such terms so that they will include all foreseeable combinations and contingencies, and not exclude unforeseeable ones.

The basic language of the present law calls for a determination of whether a certain rate of duty is "causing or threatening serious injury to the domestic industry producing like or directly competitive articles." For the purpose of peril-point determinations this language is not amplified.

We have had only one experience with the peril point, and that an unfortunate one. Preliminary to the renegotiation of a bilateral-trade agreement with Venezuela the Tariff Commission was required to find a peril point on import taxes for imported petroleum. The Commission agreed on recommending no reduction below one-fourth cent per gallon, but divided 3-to-3 on whether the cut should apply to all imports, or only to such imports as amounted to 5 percent of domestic production, the remainder being subject to a one-half-cent tax. President Truman, in a message to Congress, which is required when a peril point is exceeded in a trade agreement, reported that he could not determine whether a peril point had actually been found in this case, but that he was sending the message anyway as the import tax on one grade of oil had been reduced to one-eighth cent per gallon.

If there had been a 7-man Tariff Commission, as H. R. 4294 proposes, the 3-to-3 split, which made the Commission action inconclusive, could have been avoided. Regardless of the merits of any particular case, a definite finding is preferable to an ambiguous one.

In escape-clause determinations the Commission was to be guided, under 1951 act provisions, not only by the basic language already quoted, but by criteria intended by Congress to serve as guideposts to a consideration of conditions in a domestic industry which are at least symptomatic of injury. Here the Tariff Commission has frequently appeared unable to reconcile its views on what is "injury" and what constitutes an "industry."

You have undoubtedly heard that of 25 escape-clause applications, 18 have been settled, and of these 13 were denied. Of the 5 on which the Commission recommendations were favorable to the applicants, only 2 were made effective by President Truman. He rejected 2, and President Eisenhower has postponed 1.

Of the 13 cases rejected by the Commission, only 4 were by unanimous vote of the commissioners; 9 were by split decisions as follows: 5-1 rejection, 1: 4-2 rejection, 2; 3-2 rejection, 4; and 3-1 rejection, 2.

The Commissioners were chiefly divided on the question whether there could be "serious injury to the domestic industry," unless injury extended to all the products and operations of the corporate entities involved. The Commission often denied relief because the majority did not recognize that an industry was "injured" if only a segment was affected. The minority looked to the article under scrutiny and based their decision on whether injury was proven in the production and sale of that item alone.

The majority interpretation of "injury" and "industry," if it continues to prevail, will permit injuries in this or that industry to persist unrelieved. Thus total injury could accumulate to alarming proportions. The danger in this approach has been clearly forecast by Chairman Brossard of the Tariff Commission in his dissenting statement on the wood screws escape clause report of March 1953 where, in reference to the majority interpretation, he said:

Under such an interpretation, a great part of domestic production, article by article, might be forced to stop by the destructive competition of imports, and if the manufacturing companies turned to importing and made good profits at it, they would be adjudged to be uninjured as a "domestic industry." Such an interpretation of this "domestic industry" phrase in the escape-clause law would practically nullify the escape-clause provision in trade agreements as a possible remedy of serious injury, and in effect would almost, if not entirely, void the escape-clause provisions of the Trade Agreements Extension Act * * * To thus permit imports to take over the United States market one product at a time, because the domestic producers may have found or may be able to find alternative products that they can produce at a profit, may result in allowing imports to take over the domestic market for many articles produced in the United States if imports of such articles are able to enter in constantly increasing quantities over the lowered concession tariff rates and no relief under the escape clause is available. "Divide and conquer" is an old policy and an effective one if permitted to operate.

The view that an entire industry must be on the road to ruin before it can get tariff relief has convinced most domestic producers that filing escape-clause applications, even under the most meritorious circumstances, is a waste of time. They read in Government and private studies that they are expected to sacrifice themselves in order to bring more business to our importing and exporting industries. They are to turn their employees out onto the dole, to be trained for different jobs in some other geographical area. They are to pocket their losses and retire, if they cannot muscle into some other line of business. They and their workers are expected to be pawns in a foreign economic policy as yet unformulated, much less put into effect. They are disheartened. You have been hearing them this week. H. R. 4294 is their first ray of hope in recent months.

H. R. 4294 cuts across the narrow concept of injury that the Tariff Commission majority has adopted. The bill, using new language for emphasis, directs the Commission to determine injury wherever it is found or threatens, whether or not it extends to an entire industry.

H. R. 4294 includes "impairment of the national security" as one of the elements to be considered by the Commission in investigations of the effects of imports on domestic producers. This element has not heretofore been expressly included as one of the considerations leading to peril-point or escape-clause determinations. It is, of course, uni-

versally acknowledged as the most compelling reason for safeguarding a domestic industry from the destructive inroads of imports. The league believes it should be formally recognized by including in the law the language, "impairment of the national security" which appears at several places in H. R. 4294.

In addition to its own sources of information on defense activities of domestic industry and agriculture, the Tariff Commission is always consulting and being consulted by the various defense agencies. The Commission had this to say of its defense activities in its 1952 annual report, on page 6:

Of particular importance, because of activities arising out of the defense program, was the aid that the Commission gave to the Munitions Board, the National Production Authority, the Defense Production Administration, and the International Materials Conference.

During the present emergency the United States Government agencies concerned with problems of defense have found the Tariff Commission a ready source of information on strategic and critical materials. Assistance that the Commission renders to the defense and emergency agencies ranges from meeting simple requests for spot information to projects involving as much as a thousand man-hours of work by members of the staff * * * During 1952 members of the Commission's staff continued to serve on a number of the interdepartmental commodity committees that the Munitions Board established to advise the Department of Defense * * *

We believe that applications pending when H. R. 4294 is enacted should be determined in accordance with the new language and provisions of the law. The language on page 4, lines 17 through 22, implies this procedure will be followed. We think it should be declaratory, and we suggest an amendment which you will find attached to your copy of this statement, and which we respectfully request be inserted in the record of testimony at this point.

(The matter referred to follows:)

SUGGESTED AMENDMENT TO H. R. 4294

On page 4, line 20, after the word "report," and before the word "not," insert the following: ", which shall be in accordance with the provisions of section 7 of the Trade Agreements Extension Act of 1951, as amended by this Act."

Mr. ANTHONY. To minimize evenly-split decisions of the Tariff Commission, the proposal in H. R. 4294 to make it comprise 7 Commissioners, rather than 6 as at present, ought to be applauded by all, no matter what tariff philosophies they hold. Administratively it makes good sense to resolve disagreements, no matter which side is favored.

Now, as to one important feature of the bill with which the league feels it has to disagree:

Dissatisfaction with the administration of the escape clause provisions has led to the demand in Congress and outside that the Tariff Commission's findings and recommendations be mandatory and that the President's role be the ministerial one of putting such recommendations into effect. The provisions of H. R. 4294 would enact this idea, not only for escape clause procedures, but for peril-point determinations, procedures under section 22 of the Agricultural Adjustment Act, and in other provisions of current law.

The ostensible purpose is to make the Tariff Commission the sole arbiter in tariff matters, which might seem a reasonable objective until it is remembered that this is at least as broad a delegation of power as that originally made by Congress to the President in the

Trade Agreements Act of 1934. Congress then divested itself of any share in the tariff-setting process. It did not participate in the negotiation of trade agreements nor did it review and ratify, or reject, those negotiated. The only limit placed upon the President was to keep concessions within 50 percent of the rates then in existence.

The league's position has always been that such a delegation of power was too broad. It has been questioned on constitutional grounds. Whether unconstitutional or not, the delegation effectively made tariff-setting a solely administrative function, whereas the Constitution declares it to be specifically a congressional function.

Today we have this unbalanced situation, with most of the power in the hands of the Executive:

1. Congress has delegated its constitutional power over tariff revision to the Executive, within limits of 50 percent of a base rate, but divests itself of any participation therein, even supervisory.

2. The Tariff Commission, operating under general criteria, may find and recommend, but has no power to implement its recommendations.

3. The President has the power to enter into trade agreements, cutting rates below the limits declared safe by the Commission, and to refuse to withdraw concessions already made, even if the Commission finds they are causing injury to domestic producers.

In H. R. 4294 the situation is unbalanced because the Commission's power is superior to the President's:

1. Congress would delegate its power to the Tariff Commission, without reserving any supervisory role.

2. The Tariff Commission would have supreme power to revise rates, even beyond preagreement rates, and set quotas without supervision or restraint.

3. The President would have authority to enter into trade agreements, but subject to the limits set by the Commission. In escape-clause actions the President would have to follow the Commission recommendations.

The league proposes a more balanced system:

1. Congress would delegate powers to revise rates under trade-agreement procedures to the Commission and to the President, but would retain the role of arbiter when the Commission and the President disagree.

2. The Commission would have the power to revise the rates and set the quotas it recommends in all cases where the President did not disagree, or, if he did disagree, in cases where Congress did not specifically uphold the President within a certain period of time.

3. The President would have the power to enter into trade agreements, but when he wished to exceed limits recommended by the Commission he would be obliged to advise Congress, which, by a joint resolution could so empower the President. Similarly, Congress by resolution could empower the President to reject or modify the Commission's recommendations on escape-clause actions.

I should like briefly to demonstrate how this system would work:

Let us assume that the Tariff Commission, by unanimous vote, finds in favor of an escape-clause applicant and recommends to the President that the rate of duty involved be increased from 10 percent to 20 percent.

The President, for overriding reasons, may wish to keep the duty 10 percent. Within 30 days he sends a message to Congress saying so, and the Tariff Commission thereupon furnishes the appropriate congressional committees with the pertinent report.

Congress, if it is in session, then has 60 days in which to act by joint resolution, if it wishes to support the President's position, in whole, or in part. If not in session, Congress, when it next meets, has 60 days in which to act. In the meantime the rate remains unchanged. By its joint resolution Congress may authorize the President to make no change in the duty involved or may direct him to raise it to 15 percent, or indeed, to take any other action Congress wishes.

If no action is taken by Congress within the applicable 60-day period, then the Commission's recommendation will take effect within the next 30 days.

The result is that for many weeks, and possibly months, the status quo is maintained. During that time all parties interested in maintaining the status quo have an opportunity to petition the President and Congress in support of their views, in respect to the single article and duty involved. So, also, do those who want the concession withdrawn.

If this system had applied since June 1951, only 3 such cases would have been laid at the door of Congress, for only 5 escape clause applications were found in favor of the applicants, and of these the President followed the Commission recommendations in 2.

What are the alternatives to the league's suggestion? They are to make the Tariff Commission the sole arbiter, as proposed in H. R. 4294, or to make the President the sole arbiter as under present law. Of course, all escape clause procedures could be eliminated, which would make the foreign countries the determinants, but Congress has already declared against that course as a matter of public policy. Under any of these alternatives Congress delegates away a portion of its constitutional role in tariff-setting forever, or until by positive action it recaptures it, for, it should be remembered, the escape clause part of the law is permanent legislation and does not depend upon renewal of the President's authority, as in the case of entering trade agreements.

The proposal we suggest would also be applicable to the peril-point procedures, and to determinations under section 22 of the Agricultural Adjustment Act, except in the case of perishable commodities. We earnestly recommend its adoption.

We have comments on one or two additional provisions of H. R. 4294.

On page 6, lines 3 to 7 is a sentence which, to us, seems confusing at best, and might lead to unwanted results, at worst. We cannot see that the limitation in section 350 of the act of 1930 is controlling on escape clause actions. We fear that this sentence by implication, establishes such a relationship and that is undesirable. If the limitation were controlling, then the language on page 6, lines 3 to 7 of the bill would result in a delegation of power to the Commission to increase rates without limit, and that, in our opinion, is far too broad a power for Congress to delegate. We urge the elimination of the sentence on page 6 of H. R. 4294 to which we have referred.

Revision of procedures under sections 336 and 337 of the Tariff Act of 1930 seems to us unwise at this particular time. The league suggests that the language of H. R. 4294 on page 10, lines 17 through 24; on page 11, lines 1 through 24; and on page 12, lines 1 through 5, be eliminated, and the proposals therein be incorporated in the comprehensive study to be made of our tariff policies.

Our suggestion in no way would disturb the language on page 10, lines 13 through 16, which would restore the right to relief under section 336 to producers of articles which happen to be subjects of trade agreements. We have long urged this restoration.

On page 12, lines 6 through 11, new language specifically includes multiple-exchange rate rigging as one of the methods to be considered as equivalent of a bounty or grant by foreign countries on exports to the United States which are thereby subject to countervailing duties. This provision is to stem a growing abuse which the Treasury Department has shown itself unwilling to check under the present provisions of section 303 of the Tariff Act of 1930. The league favors this amendment.

Immediately following, on page 12, beginning at line 12, through line 2 on page 13, is an attempt to define the measure of a foreign export bounty or grant in terms of multiple-exchange rates. We understand the objective, but we cannot foresee how this new language would apply in all cases, and whether it would be limiting and exclude some situations that ought to be subject to countervailing duties. It might also take in situations that are not in the nature of bounties or grants.

In our opinion your committee ought to examine carefully the implications and effects of this language before it is decided whether to include it. It appears to us that the new language on page 12, lines 6 through 11, if administered according to the intent of Congress, will provide relief where needed.

The new language on page 13, lines 3 through 12, is an important amendment to the Antidumping Act of 1921. Under the provisions of that act, an appraiser who suspects that an imported article has been purchased at less than the fair market value abroad must notify the Secretary of the Treasury, under regulations prescribed by him. The Secretary has discretion as to how much he wishes to investigate the matter and, hence, has discretion as to whether to impose an anti-dumping duty. We believe that these investigations should be made as a matter of course, as the amendment on page 13 of H. R. 4294 proposes. Appraisers are experts in their job of determining import values and can be counted upon not to make frivolous dumping reports.

Action in the field of antidumping and countervailing duty procedures has fallen into comparative disuse in recent years. We believe it should be revived. Dumping and export subsidies are practices that should be discouraged.

For the sake of continuity and emphasis it seems to us that Congress ought either to add to H. R. 4294 the caveat which was included in the 1951 Extension Act, or to state in H. R. 4294 that Congress confirms that caveat, which reads:

The enactment of this act shall not be construed to determine or indicate the approval or disapproval by the Congress of the executive agreement known as the General Agreement on Tariffs and Trade.

If the amendments in H. R. 4294 which we have specifically endorsed, together with the suggested amendments we have made, are enacted, we believe the trade-agreements program can be administered with fairness to the American producer, and without any harmful effect on our international trade. The tariff increases or import quotas made effective pursuant to escape-clause determinations, although important to the segments of industry and agriculture immediately affected, will be of infinitesimal effect on the tide of our imports which has been rolling in over the years in ever-increasing quantities to its present historical high-water mark.

Our foreign friends, for bargaining or propaganda purposes, may protect this or that "escape." We must learn to live with criticism of this kind for it always goes with the position of world leadership to which we have fallen heir. We must keep our equilibrium. A government policy that would deliberately sacrifice domestic producers in the interest of the theory and nowhere-adopted program of free trade would be unwise for us. The world being as interrelated as it is, what is unwise for us is likely, in the long run, to prove unwise for our foreign friends.

The CHAIRMAN. Does that conclude your statement?

Mr. ANTHONY. It does, Mr. Chairman.

The CHAIRMAN. We thank you for your appearance and the information which you have given the committee.

NEW YORK, N. Y., June 15, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR: With reference to the Simpson bill (H. R. 5495), this association urges that the Reciprocal Trade Agreements Act be extended for a period of 1 year, without amendment.

We strongly oppose section 201 of the bill, which proposes an increase in the Tariff Commission from 6 to 7 members. This proposal inevitably will change the basic character of the Commission from an impartial fact-finding body, free of political control, to one that will be dominated by political influences. In our opinion, such change in the Commission, which is being depended upon to develop facts and make findings impartially, would be regrettable.

Likewise, we do not favor the proposal that would require the Tariff Commission to complete an escape clause investigation within 9 months from the date of application by a domestic industry. While some investigations can be completed properly within such period of time, unquestionably there will be others which would present considerable difficulties and could not properly be completed within 9 months by the present staff of the Commission. What really is needed is not a change in the law, but an increase in the staff of experts of the Commission, in certain of the divisions which are understood to be rather seriously understaffed, in view of the present volume of work that the Commission is required to accomplish. If there were a suitable increase in its staff, a speedup in the disposition of all investigations by the Commission could be expected without any impairment of the efficiency of the investigation.

We wish to convey our sincere thanks for your telegram, advising us of the situation relative to public hearings on the above bill and the time limit for receipt of written objections thereto for consideration by the committee.

Respectfully,

AMERICAN WATCH ASSOCIATION, INC.,
By WILLIAM A. FOX,
Executive Secretary.

NEW YORK, N. Y., April 23, 1953.

Hon. EUGENE D. MILLIKIN,
*Chairman, Committee on Finance,
 United States Senate, Washington, D. C.*

SIR: As the members of this association use imported materials in the watches they produce in this country, they are vitally interested in all bills relating to or affecting the customs tariff on imported goods.

Accordingly, we respectfully request that we be notified of all such bills which come before your committee and if public hearings are scheduled to be held in connection with any of them, the date when such hearings start. We also request that a place on the schedule of witnesses be reserved for a representative of this organization to appear before the committee and testify. We would appreciate being informed in each instance of the final date that briefs or memoranda must be filed with the committee.

Respectfully,

AMERICAN WATCH ASSOCIATION, INC.,
 WILLIAM H. FOX,
Executive Secretary and Counsel.

THE NATIONAL ASSOCIATION OF COTTON MANUFACTURERS,
 Boston 10, Mass., June 17, 1953.

Senator EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: I am enclosing a copy of our statement before the Committee on Ways and Means of the House of Representatives regarding H. R. 4294 and extension of the Trade Agreements Act.

As a member of the Committee on Finance, we would greatly appreciate consideration by you of the importance of trade agreements legislation to our industry.

Very truly yours,

WILLIAM F. SULLIVAN.

STATEMENTS OF WILLIAM F. SULLIVAN, PRESIDENT, NATIONAL ASSOCIATION OF COTTON MANUFACTURERS; AND MALCOLM G. CHACE, JR., PRESIDENT, BERKSHIRE FINE SPINNING ASSOCIATES, INC., BOSTON, MASS., BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. FORAND. Mr. Chairman, I want to say that Mr. Chace is from Rhode Island and is one of the big cogs in the wheel that provides employment for our Rhode Island people. He is a highly respected citizen and I am sure what he will have to tell the committee will be worth while and I am proud to have him here.

The CHAIRMAN. You are well represented by Mr. Forand here.

Mr. CHACE. Thank you.

Mr. SULLIVAN. My name is William F. Sullivan. I am president of the National Association of Cotton Manufacturers, 80 Federal Street, Boston, Mass. This association, formed in 1854, represents northern cotton, silk, and synthetic-textile mills which are located predominantly in New England.

I should like to share the time permitted to us with Mr. Malcolm G. Chace, Jr., president of Berkshire Fine Spinning Associates, Inc., which operates 10 fine-combed-goods mills in 3 New England States. Mr. Chace is also chairman of the national committee of the association.

The New England mills constitute about 20 percent of the cotton, silk, and synthetic-textile industry. Many of them have been operating in the region since the founding of the cotton-textile industry

over 125 years ago. There are approximately 100 mills employing 70,000 workers with an annual payroll in excess of \$190 million. During the period 1946-51, a survey of 58 of these mills employing 40,000 workers shows that additional amounts have been spent for the following purposes: Taxes, \$170,306,000; local supplies, \$168,690,000; modernization of plant and equipment, \$96,447,000.

Since the founding of textile manufacture in this country, it has been necessary to provide protection against foreign producers. Operating under those conditions, the industry has grown first in New England and then throughout the United States and developed a scale of wages commensurate with the American standard of living and far above the levels of compensation prevailing in foreign countries.

The New England cotton textile industry has traditionally favored protection for workers and stockholders from the low-wage competition of foreign countries and today continues to endorse such a policy in the interests not only of themselves, but the area, the industry, and the Nation.

This statement sets forth the reasons for this position and significance of current and pending legislation. Briefly, New England will be hurt first and worst if foreign fabrics are substituted for American, because its mills produce goods with a high labor content at the highest wages paid in the industry.

We favor proposals for a thorough investigation and examination of current trade policy, including tariff policy through a congressional or other governmental body.

In anticipation of such an undertaking, and in view of the statements of the administration that no change in existing tariff rates is contemplated during the next year, we favor an extension of the principles of the Reciprocal Trade Agreements Act, with certain modifications, for an additional year.

Because at least a year and possibly longer may elapse before a settled trade and tariff policy becomes effective, interim legislation is of primary importance. We therefore urge that an extension of the Reciprocal Trade Agreements Act include a provision whereby, within 6 months, relief under the escape-clause provisions shall be granted when the Tariff Commission finds that imports resulting from concessions "cause of threaten unemployment of or injury to American workers, miners, farmers, or producers, producing like or competitive articles, or impairment of the national security."

We also approve in principle such other amendments as grant the Tariff Commission sufficient flexibility to provide an effective remedy for injury, the use of duties to equalize costs of production, the use of countervailing duties, and the prevention of unfair practices, including dumping in import trade.

Our reasons for supporting these modifications in the interim legislation rest upon the knowledge of certain fundamental characteristics of our industry which make it susceptible to rapid economic changes. The nature, location, and makeup of the industry is such that rapid changes cause widespread hardship.

The cotton and synthetic textile industry of the United States consists of almost 1,200 plants from Maine to Texas, employing 564,000 workers and producing an annual gross product of 12,220,000 linear yards of broad woven fabrics worth \$5,108 million.

The textile industry is made up of thousands of small- and medium-sized businesses in a 27-State area.

Forty-three percent of the textile mills in the United States employ less than 20 persons and 78 percent employ under 100 workers.

The average number of employees in textile mills in the United States is low in all regions and all branches of the industry.

Employees per establishment

	United States	New England	Mid-Atlantic	South
1. Cotton and related broadwoven fabrics.....	401	460	81	688
2. Yarn and thread mills, except wool.....	188	212	74	260
3. Rayon and related broadwoven.....	193	257	73	615
4. Woolen and worsted manufactures.....	217	249	173	305

The textile industry in addition to being one of the largest employers of American labor (1.25 million workers) is characterized by the fact that mills employ a relatively high proportion of the workers in the labor-market area where they are located. Hundreds of mills are situated in small towns where they provide either the sole or principal source of outside income to their community. Hundreds of other mills are located in textile centers such as Fall River, New Bedford, Spartanburg, and Greenville where they represent a large proportion of the total manufacturing employment in the area.

In New England 1 out of 6 manufacturing jobs are in textiles, in Massachusetts 1 out of 7 jobs, and in Rhode Island 35 percent of the labor force is employed in textile manufacturing. Similar or higher proportions prevail in North Carolina, 54 percent; South Carolina, 62 percent; and Georgia, 35 percent.

The following table shows the concentration of cotton and synthetic textile employment alone as a percent of the labor force in a limited number of selected locations in New England and South Carolina.

(The table is as follows:)

Massachusetts:	<i>Percent</i>		<i>Percent</i>
Adams.....	42	Bath.....	102
Fall River ¹	31.2	Blacksburg.....	43
New Bedford ¹	23.2	Buffalo.....	132
New Hampshire: Manchester¹.....	16.0	Calhoun Falls.....	76
Connecticut:		Cateeche.....	113
Stonington.....	62	Central.....	70
Baltic.....	83	Cherokee Falls.....	178
North Grosvenor-Dale.....	92	Chesnee.....	125
Rhode Island:		Clemson.....	88
Albion.....	181	Clifton.....	135
Anthony.....	73	Clinton.....	67
Ashton.....	215	Cowpens.....	40
Maine:		Easley.....	62
Lewiston.....	31	Enoree.....	94
Biddeford.....	25	Fairmont.....	95
Saco.....	33	Glendale.....	174
Sanford.....	101	Graniteville.....	177
South Carolina:		Joanna.....	150
Anderson.....	56.3	Jonesville.....	47
Arcadia.....	184	Lando.....	188
Bamberg.....	23	Newberry.....	61

¹ Percent of manufacturing labor force.

Source: Davison's Textile Blue Book, July 1952; United States Population Census, 1950.

Mr. SULLIVAN. A relatively small number of the employees of cotton and synthetic textile mills are employed in large metropolitan areas where there is a diversity of manufacturing. Because of the size, distribution, and location characteristics of these mills, a change or shift in demand for their output causes particular hardship on textile workers. The history of numerous New England textile towns is ample proof of the suffering which is occasioned by the loss of such employment.

The outstanding characteristic of the industry is its highly competitive character with the resulting low free market price of textiles to the consumer. Because of the size of the American industry and the American market, as well as the ease with which new producers enter industry, price levels are determined by the forces of free domestic competition. Our wage levels would have to bear the burden if unprotected from low-wage world competition.

During the 4 years 1942-45, inclusive, 51.4 percent of the production of cotton broad woven goods in the United States was used for war.

Cotton broad-woven goods

[Million linear yards]

	War	Civilian	Total	Percent War
1942.....	5,485.3	5,623.0	11,108.3	49.4
1943.....	5,517.6	5,064.6	10,582.2	52.1
1944.....	5,789.6	3,757.1	9,546.7	60.6
1945.....	3,752.2	4,959.6	8,711.7	43.1

Because of the decline in production during the war, withdrawals from the military ranks of certain skilled workers became necessary to maintain production.

The cotton-textile industry is also noted for its relatively high percentage of labor costs to other costs. In the fine-combed-goods field in which New England mills specialize, costs of production are as follows: Labor, 45 percent; cotton, 40 percent; overhead, 15 percent.

The labor cost is of particular significance when one realizes that raw-material costs vary only slightly from mill to mill, and the Western European mills export fine-combed goods to the United States of America.

The characteristics of the industry are basically the same throughout the world. All the principal cotton and synthetic textile producing countries have access to raw materials, machinery, and techniques available to us and have had years of experience in the production of goods. The cotton spindles of Western Europe are twice that of the United States of America. Japan had 7 million spindles, mostly new since the end of the war; India, 11 million spindles; and the United Kingdom, 28 million spindles. Table IA shows the spindles by countries.

The significant difference between United States and foreign competitors is the vast differences in wages. Our average hourly wage is from 200 to 1,200 percent higher than foreign competitors.

Average hourly earnings of cotton textile workers, selected foreign countries and United States

Country	Hourly earnings ¹	United States exceeds by—
	Cents	Percent
France ²	38.0	242
Great Britain.....	39.1	232
Germany (West).....	30.5	326
India.....	9.4	1,283
Italy.....	24.0	442
Japan.....	10.8	1,126
Switzerland ³	43.0	202
United States ³	Dollars 1.30	.....

¹ All data for foreign countries as of late months in 1952 except India when latest available data is for 1949. See tables 2-5 attached.

² Earnings for France and Switzerland represent the average of a range of earnings as an overall national average not available. Range in Switzerland is from a high of 56 cents per hour for skilled males to a low of 30 cents per hour for unskilled females. Range in France is from a high of 50.6 cents per hour for skilled males to a low of 30.5 cents per hour for unskilled females.

³ United States earnings for broad woven fabric mills, cotton, silk and synthetic fibers—February 1953.

Source: Bureau of Labor Statistics, U. S. Department of Labor.

The significance of these enormous wage differentials can be understood when one recalls the history of the shift of two-thirds of the cotton-goods industry in the United States. It is a lesson in the economics of the industry which if disregarded in the international field would result in increased hardship for New England and widespread unemployment along the whole Atlantic seaboard.

We point out this experience, not for the purpose of raising regional issues, but to demonstrate what could happen to the whole United States cotton textile industry if we fail to understand the importance of differences in wages between ourselves and foreign competitors. The Southeast, where 80 percent of the industry is now located, stands to lose more than New England.

In the free market of this country the industry, being labor oriented, rapidly trends (with only a slight timelag) to communities and areas where labor costs and wages are lowest.

In the past generation the cotton spindles in New England have declined from 16 million to 4 million, the jobs of 125,000 operatives were lost and 220 mills have either liquidated or moved in response to the lower production costs of other areas of the country. While New England's spindle capacity was shrinking, spindleage in the South increased.

This happened to the largest employer in an industrially mature and competent region simply because wages and significantly higher than those in other States. Compared to the wage differences between United States and foreign textile producers, our domestic differential of about 20 percent seems small.

The report on the New England Textile Industry by the Committee Appointed by the Conference of New England Governors—

published this month finds that—

the major explanation of New England's decline in textiles is the large differential between wage costs—

in that area and other parts of the United States. The report further states—

in highly competitive markets an addition of a few cents a yard in the cost of producing cloth in any one area eventually means loss of sales and brings on operating deficits and resultant loss of employment.

This is not a theoretical abstraction or history of long ago. Only a year ago when the wage differential in the United States increased by 6½ percent, New England mills, faced with a buyers' market, were forced to take drastic measures. Curtailment and unemployment were 3 times greater in New England and caused layoffs of 21 percent of the workers and part-time employment for an additional 35 percent. Weekly man-hours dropped 44.2 percent and payrolls by 41.9 percent. Over 25,000 workers in New England textile centers had exhausted all employment compensation by February 1952. To alleviate the short time and unemployment caused by the disparity in wages, a reduction in New England wages was ordered by arbitration later in the year.

The secondary effects of curtailment and liquidation are borne by everyone in the textile community.

It is no exaggeration to say that one textile job lost and not replaced means a loss to the community of twice the textile wages cut off. (Governors' Report, p. 20).

Table 6 shows the direct impact on the United States textile industry of a loss of 10 percent, 20 percent, and 30 percent of its market. Additionally many mills would go out of business completely, and others dependent on the industry would be so injured as to greatly increase the total loss.

For many years a favorite myth of the New England public was to assume that its higher wages were merely a reflection of higher output per man-hour. Although there might have been some truth in the statement when the domestic competitive industry was in its infancy, it ceased to be true long ago. The highly experienced and well-established industry of Western Europe is frequently accused of such a low efficiency and productivity as to be no threat to the welfare of our own industry. To New England textile men such assertions have a familiar and doleful ring. Granted there is higher efficiency among the United States mills, it nevertheless does not follow that it is so much greater that it can overcome the enormous differences in wage costs.

There are no complete reports available comparing productivity in United States mills with that in other countries, but on the basis of the 2 mill departments studied in the United States and in England, the card room and the spinning room, the excess of OHP (operative hours per 100 pounds of yarn produced) in British mills over American mills is 120 percent—compared with American wages exceeding British wages by 232 percent. This data tends to establish the fact that the superior American productivity is not sufficiently great to overcome the wage handicap (productivity team report of a visit to the United States in 1949 by a group representing the British cotton spinning industry).

Need for interim safeguards. The American cotton and synthetic fiber textile industry needs protection from low-wage foreign competition. The present tariff rates resulting from substantial reductions in 1939 and again in 1948 have not been tested under normal conditions of world competition. During the war much of the world's industry was destroyed. The postwar period of rebuilding until recently has been delayed by shortages of raw material.

During this abnormal period, American wages have risen further, 248 percent since 1939 and 21 percent since 1948.

The rapidity with which competition in this volatile industry can cause unemployment must not be underrated. Last year in New England in the space of a few months, unemployment increased fivefold. Table 7 demonstrates the swiftness with which disaster strikes, and the snowballing of unemployment.

New England will be hurt most by the importation of English, French, Swiss, and German textiles because those countries produce the fine combed goods which are made by northern mills. These countries have the traditional ability and skills to make these fabrics. Furthermore, because these fabrics have the highest relative labor content, differences in wages cause greater differences in cost.

Japan, although traditionally not a fine combed goods producer, has recently been importing such fabrics into this country and plans, according to their official announcements, to increase its proportion of such goods.

The Kureha Textile Review, March 21, 1953, published in Tokyo states:

We must endeavor to manufacture cotton goods of higher process as well as cottons of finer qualities together with devicing to make novel cotton textiles blended with other manmade fibers domestically produced.

The impact of the Japanese rebuilt modern textile industry may soon be felt in this country.

Japanese towels are now selling for 80 cents a dozen in New York whereas the American product sells for \$1.275. Better grade Japanese towels sell for \$1.10 per dozen as opposed to \$1.31 for comparable United States towels.

English typewriter cloth is now being imported into this country at an average price, with duty, of from 64 to 68 cents per yard, whereas American mills cannot make the cloth for less than 78 cents per yard. At least two New England mills have had to abandon the production of these fabrics.

Velveteens are being imported into this country from Italy and Japan in substantial quantities at prices 15 to 20 percent below those of American producers. For example, twill-black velveteen from Italy sells for \$1.975 to \$2.075 as compared with the American price of \$2.275. Japanese plain back velveteens are imported at 87½ cents compared with the United States price of \$1.225.

Japanese lenos, a lightweight open mesh cloth used in the manufacture of shirts, is now being sold in the United States at an average price, including duty, of 29⅞ cents per yard finished, whereas the American selling price is 33¾ cents per yard. Japanese broadcloths are being sold duty added in this country from 6½ to 7 percent under United States prices.

While the problem of foreign trade and tariff policy is reexamined, proper safeguards against the threat of unemployment and injury to American workers and producers should be provided. The purpose of the original Reciprocal Trade Agreements Act of 1934 included restoring the American standard of living and overcoming domestic unemployment. It would be unwise to risk domestic unemployment and the American standard of living during this interim. Failure to provide such safeguards might well lead to a situation in which careful deliberations would become impossible because of the pressures created by unemployment and injury.

(The tables referred to follow:)

TABLE I.—Regional distribution of textile mills classified by size of employment: United States total, New England, Middle and South Atlantic regions, first quarter of 1949

Region and State	Number of reporting units, total	Number of reporting units				500 and over	Percentage distribution of number of reporting units				500 and over
		1-19	20-49	50-99	100-499		1-19	20-49	50-99	100-499	
United States, total.....	9,181	3,936	1,658	1,134	1,900	553	42.87	18.06	12.35	29.69	6.03
New England.....	1,683	552	282	233	400	116	34.87	17.81	14.72	26.27	7.33
Maine.....	86	20	13	13	28	12	23.25	15.12	15.12	32.56	12.96
New Hampshire.....	127	38	27	18	37	7	29.92	21.26	14.17	29.13	5.51
Vermont.....	29	3	4	5	7	1	15.00	20.00	25.00	35.00	5.00
Massachusetts.....	694	240	118	112	153	61	35.09	17.25	16.37	22.37	8.93
Rhode Island.....	419	169	66	56	106	22	40.33	15.75	13.37	25.30	5.25
Connecticut.....	247	82	54	20	69	13	33.20	21.86	11.74	27.94	5.26
Middle Atlantic.....	4,494	2,397	917	527	575	78	53.34	20.40	11.73	12.79	1.74
New York.....	2,093	1,262	417	144	149	21					
New Jersey.....	945	509	185	115	118	18					
Pennsylvania.....	1,456	526	315	268	308	39					
South Atlantic.....	1,798	447	244	212	610	285	24.86	13.57	11.79	33.98	15.83
North Carolina.....	997	270	153	116	355	103	27.08	15.35	11.63	35.61	16.33
South Carolina.....	253	39	17	21	82	94	15.42	6.72	8.30	32.41	37.15
Georgia.....	286	59	37	26	96	68	20.63	12.94	9.09	33.57	23.77
Florida.....	17	11	4	2							
Delaware.....	38	26	4	3	4	1					
Maryland.....	57	23	8	12	9	5					
District of Columbia.....	1	1									
Virginia.....	136	15	20	29	59	13					
West Virginia.....	13	3	1	3	5	1					

Source: U. S. Department of Commerce and Federal Security Agency, County Business Patterns, 1st quarter, 1949.

TABLE I-A.—Estimated total world's cotton spinning spindles

[In thousands of spindles]

	Cotton system spindles, July 1958		Cotton system spindles, July 1958
EUROPE		NORTH AMERICA—continued	
Austria.....	578	Salvador.....	47
Belgium.....	1,851	United States.....	23,226
Bulgaria ¹	235	Others.....	150
Czechoslovakia ¹	2,380	Total.....	25,664
Denmark.....	116	AFRICA	
Finland.....	337	Belgian Congo.....	45
France.....	8,062	Egypt ¹	530
Germany (Western Zone) ¹	6,244	South Africa.....	125
Germany (Eastern Zone) ¹	890	Others.....	103
Greece.....	362	Total.....	812
Holland.....	1,200	ASIA AND OCEANIA	
Hungary ¹	355	Australia.....	254
Italy.....	5,724	China ¹	4,100
Norway.....	94	Hong Kong.....	200
Poland ¹	1,205	India.....	11,241
Portugal.....	949	Iran.....	163
Roumania ¹	245	Israel.....	46
Spain.....	2,226	Japan.....	6,948
Sweden.....	508	Korea.....	117
Switzerland.....	1,170	Lebanon.....	71
United Kingdom.....	27,977	Manchuria ¹	251
U. S. S. R. ¹	9,000	Pakistan ¹	527
Yugoslavia ¹	389	Siam.....	35
Others.....	19	Syria.....	53
Total ¹	73,076	Turkey.....	383
SOUTH AMERICA		Others.....	381
Argentina.....	607	Total.....	24,770
Brazil.....	3,248	WORLD RESUME	
Chile.....	191	Europe.....	73,076
Colombia.....	386	North America.....	25,664
Ecuador.....	76	Asia and Oceania.....	24,770
Paraguay.....	30	South America.....	4,928
Peru.....	199	Africa.....	812
Venezuela.....	80	Grand total.....	129,250
Others.....	111		
Total.....	4,928		
NORTH AMERICA			
Canada.....	1,127		
Mexico.....	1,114		

¹ Estimated. No returns received.² Of the 73,076 million European spindles, 57,115 million are in Western Europe.

Source: International Cotton Federation.

TABLE II.—France: Wages in textile industry, January 1953

Paris region (highest wage zone):		<i>Francs</i>
Male:		<i>per hour</i>
Unskilled laborer.....	115.9	
Specialized laborer.....	120.9	
Semiskilled worker.....	133.2	
Skilled worker.....	152.0	
Highly skilled worker.....	184.2	
Female:		
Unskilled laborer.....	106.7	
Specialized laborer.....	112.2	
Semiskilled worker.....	121.7	
Skilled worker.....	133.5	
Highly skilled worker.....	153.5	

Source: Ministry of Labor and Social Security, "Enquete Sur L'Activite Economique et Les Conditions D'Emploi de la Main-d'Oeuvre," January 1953.
 At the official rate of exchange, 350 francs equals \$1 U. S.
 Prepared by: Division of Foreign Labor Conditions, Bureau of Labor Statistics, U. S. Department of Labor, Washington, D. C., May 1953.

TABLE III.—Great Britain: Average earnings and hours worked last pay week, October 1952

	Cotton textiles	Spinning	Weaving
All workers:			
Average hours per week.....	43.1	42.7	43.6
Average weekly earnings.....	121s. 0d.	119s. 3d.	123s. 11d.
Average hourly earnings.....	33.7d.	33.5d.	34.1d.
Male adult workers (over 21): Average hourly earnings.....	42.1d.	41.8d.	42.3d.
Female adult workers (over 18): Average hourly earnings.....	29.6d.	29.2d.	30.4d.

Source: Ministry of Labour Gazette, March 1953.
 NOTE.—At the official rate of exchange, 1 shilling (s.) equals 14 United States cents; 1 penny (d.) equals 1.16 United States cents.
 Prepared by Division of Foreign Labor Conditions, Bureau of Labor Statistics, U. S. Department of Labor, Washington, D. C., May 1953.

TABLE IV.—India: Average hourly earnings in the textile industry, 1949

[In United States cents]

	At exchange rate before devaluation	At exchange rate after devaluation
All textiles combined.....	13.6	9.4
Cotton textiles.....	15.3	10.6

Source: Textile Wages, an International Study, International Labor Office.
 Prepared by Division of Foreign Labor Conditions, Bureau of Labor Statistics, U. S. Department of Labor, Washington, D. C., May 1953.

TABLE V.—Japan: Average earnings and hours worked in textile mill products, September 1952

	Yen per month	Hours per month	Yen per hour	U. S. cents per hour
Textile mill products.....	8,127	200.9	40.45	11.24
(a) Silk reeling.....	6,120	199.0	30.77	8.44
(b) Cotton and rayon staple spinning mills.....	8,785	194.6	45.14	12.64
(c) Broadwoven cotton and spun rayon fabric mills.....	7,540	197.1	38.30	10.64

NOTE.—At the official rate of exchange, 1 yen equals 27.78 United States cents.

Prepared by Division of Foreign Labor Conditions, Bureau of Labor Statistics, U. S. Department of Labor, Washington, D. C., May 1953.

Source: Japanese Labor Ministry, Monthly Labor Statistics and Research Bulletin, November 1952.

TABLE VI.—Estimated distribution of economic loss to United States if domestic textile industry loses market to foreign producers

	Industry totals	Impact of loss of market and curtailment of—		
		10 percent	20 percent	30 percent
Textile mill products: ¹				
Employment.....	1, 058, 603	105, 860	211, 720	317, 580
Annual earnings of workers.....	\$3, 029, 034, 000	\$302, 908, 400	\$605, 806, 800	\$908, 710, 200
Profits of companies.....	445, 000, 000	44, 500, 000	89, 000, 000	133, 500, 000
Federal taxes of companies.....	531, 000, 000	53, 100, 000	106, 200, 000	159, 300, 000
Cost of materials, fuel, electricity, and contract work.....	8, 102, 365, 000	810, 236, 500	1, 620, 473, 000	2, 430, 709, 500
State and local taxes and overhead.....	762, 951, 000	76, 295, 100	152, 590, 200	228, 885, 300
Unemployment compensation.....	0	55, 894, 080	111, 789, 160	167, 682, 240
Total.....	12, 870, 350, 000	1, 342, 929, 080	2, 685, 859, 160	4, 025, 787, 240
Estimated loss in taxes to Federal Government:				
Income taxes from workers.....	322, 601, 844	32, 200, 184	64, 520, 368	96, 780, 552
Income taxes from companies.....	531, 000, 000	53, 100, 000	106, 200, 000	159, 300, 000
Total.....	853, 601, 844	85, 300, 184	170, 720, 368	256, 080, 552

¹ All products except wool carpets, rugs, and carpet yarns; estimates did not meet publication standards.

Sources:

Employment and annual earnings of workers: 1951 Survey of Manufactures, Bureau of the Census, U. S. Department of Commerce.

Profits and Federal taxes of companies: Quarterly reports from Securities Exchange Commission. (1951 income taxes.)

Cost of materials, fuel, electricity and contract work: 1951 Survey of Manufactures.

State and local taxes and overhead: Computed on basis of value added by manufacture (1951 Survey of Manufactures) minus payrolls, profits, and Federal taxes.

Unemployment compensation: Computed on basis of average maximum benefits paid in key textile States.

Income taxes from workers: Computed on basis of 1953 withholding tax table issued by Bureau of Internal Revenue. Number of dependents per worker based on percentage of employees claiming dependents as shown in statement on behalf of 25 cotton and rayon textile companies in New England before the National War Labor Board (Oct. 6, 1944).

Income taxes from companies: Quarterly reports for 1951 from Securities and Exchange Commission

TABLE VII.—Monthly employment and man-hours data for northern cotton and synthetic textile mills, 1951 and 1952

	Number of production workers ¹	Number of man-hours ¹	Percent decrease each month from January 1951	
			Number of production workers	Number of man-hours
1951:				
January.....	69, 948	2, 015, 831	.....	.....
February.....	69, 818	2, 900, 514	0.9	0.5
March.....	68, 559	2, 841, 382	2.0	2.5
April.....	68, 337	2, 796, 484	2.3	4.1
May.....	69, 070	2, 759, 862	1.3	5.3
June.....	68, 428	2, 721, 387	2.2	6.7
July.....	65, 667	2, 483, 721	6.1	14.8
August.....	63, 015	2, 284, 853	9.9	21.6
September.....	61, 057	2, 204, 741	12.7	24.4
October.....	60, 710	2, 153, 251	13.2	26.1
November.....	57, 503	2, 042, 830	17.8	29.9
December.....	56, 590	2, 101, 061	19.1	27.9
1952:				
January.....	54, 727	2, 012, 296	21.8	30.9
February.....	51, 554	1, 890, 633	25.3	35.1
March.....	50, 194	1, 772, 207	28.2	39.2
April.....	47, 472	1, 671, 057	32.1	42.7
May.....	46, 746	1, 625, 745	33.2	44.2

¹ Average for week ending nearest 16th of each month.

Source: The National Association of Cotton Manufacturers.

The CHAIRMAN. We thank you very much for your presentation. Do I understand that your associate now wishes to be heard?

Mr. CHACE. Yes. My name is Malcolm B. Chace, Jr. I am president and treasurer of the Berkshire Fine Spinning Associates, manufacturers of fine combed cotton goods. We operate 11 plants in New England, mostly in small towns in Massachusetts, Rhode Island, and Vermont. We employ 9,000 people. We make goods such as broadcloths, handkerchief cloths and shirtings.

During 1953 we estimate our payroll will amount to about \$23 million. We will purchase approximately \$20 million worth of cotton.

I am here today to support the position taken by Mr. Sullivan of the national association, and I would like to give an example of why we feel that we need some strengthening of the escape-clause procedure.

Mr. SADLAK. Mr. Chairman.

The CHAIRMAN. Mr. Sadlak.

Mr. SADLAK. Did you present a statement to the committee, Mr. Chace?

Mr. CHACE. No, sir. I am just giving examples to support the position of the national association.

I have here a sample of the cloth made in Japan. Recently we have encountered competition in our domestic market by these goods coming in.

I have here two shirts. One is made out of Berkshire material and the other is made out of Japanese material. I would like to show these to you, if I may.

The Japanese cloth is selling for 29.7 cents in the market.

The CHAIRMAN. Pardon me, Mr. Chace. As long as you have passed these shirts up here, I remember before we got into this last war that the Japanese were putting the shirts deliverable in London far below the cost of production in Great Britain, and they were also going into the cheapest labor market in the world in Calcutta and underselling the British.

Mr. CHACE. That is correct.

The CHAIRMAN. I recall in a magazine article published at that time that the British said that the chances are 50-50 that the United States will get into a war with Japan.

Mr. CHACE. We believe as far as we can find out that Japanese textile wages are about a tenth of what ours are in New England. The market price of the Japanese goods is 29.7 cents. We are asking 33.75 cents for our goods, which is a 4-cent differential. The Japanese price is well below our cost of production.

We have one mill that is entirely operating on fabrics such as that in the shirt. It employs 800 people. How many of those goods are coming into our market we do not know as yet. That is a specialized fabric. It takes a year or two for a mill to get really into production on it. Last year was the first time we saw any of these goods in the market.

It is perfectly possible that they may come in in a flood during the coming year. The Japanese Spinners Association say that they expect to export into this country four times as many goods as they did in 1952. If these goods should turn out to be fabrics such as these, or a large percentage of them, this mill of ours employing 800 people might perfectly well be completely out of business and our workers unemployed.

We feel that the present reciprocal-trade treaty does not give enough relief to take care of instances such as this, and that is why we favor the strengthening of the escape-clause procedure as outlined in the Simpson bill.

Thank you.

The CHAIRMAN. We thank you very much for your presentation.

Are there any questions?

Mr. SADLAK. Mr. Chairman, in observing the shirts that were passed up here for comparison, I find no indication where they were made.

Mr. CHACE. The shirts were made in this country, so that the quality of the sewing or whatnot does not make any difference. The cloth was imported from Japan.

Mr. SADLAK. I did not understand from your remarks that the shirts were made here in the United States.

Mr. CHACE. In this particular case both shirts were made in the United States. It is just the fabric. We make no shirts ourselves, and therefore our competition is the cloth, not the shirts.

The CHAIRMAN. Thank you very much for your presentation.

Mr. CHACE. Thank you, sir.

NEW YORK, N. Y., June 16, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate,
Senate Office Building, Washington, D. C.:

In testimony presented May 19 to House Committee on Ways and Means representative our organization objected to proposed increase in number of Tariff Commissioners from 6 to 7 which might convert Commission from fact-finding body into a politically dominated agency. We seriously protest the adoption of section 201 of H. R. 5995, which passed the House yesterday and is now before your committee. Argument presented on House floor yesterday that increase to 7 members is necessary to avoid split 3-to-3 decisions invalid as no escape-clause determination during last year has involved such a situation. Nevertheless we would recommend in case of future split decisions by a 6-man Commission that Congress make clear the case should be submitted to the President for final decision.

Respectfully,

NATIONAL COUNCIL OF AMERICAN IMPORTERS,
By HARRY S. RADCLIFFE, Executive Vice President.

STATEMENT OF HARRY S. RADCLIFFE, EXECUTIVE VICE PRESIDENT,
NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC., NEW YORK,
N. Y., BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. RADCLIFFE. Mr. Chairman and members of the committee, my name is Harry S. Radcliffe. I am the executive vice president of the National Council of American Importers, a national organization of businessmen concerned with various aspects of our import trade, with headquarters at 45 East 17th Street in New York City.

Since the Reciprocal Trade Agreements Act was originally enacted by the Congress in 1934, our organization has steadfastly supported the trade-agreements program. Representatives of our council have appeared before your committee to urge the extension of the act in 1937, 1940, 1943, 1945, 1948, 1949, and 1951.

Our present position is that the Trades Agreements Extension Act of 1951 should be extended for a further period of 3, but preferably 5, years with a number of changes that we believe are necessary to

improve its effectiveness in reducing trade barriers. We are, however, willing to postpone these recommendations in view of the President's special message to the Congress of April 7, and, therefore, do endorse the proposal for a simple 1-year extension of the act at this time.

I was specifically authorized by the 32d annual meeting of our organization held on April 16 to register approval of section 2 of H. R. 4294, which provides for the extension of the present act to June 12, 1954.

At the same time, our organization strongly opposes all of the remaining general sections 3 to 12 and section 14 of the bill. We take no position on section 13 as our council does not normally participate in tariff debates on individual commodities. Our organization is always concerned with unwarranted restrictions on any segment of our import trade which may also have an adverse effect on our international trade in general. For that reason, we oppose the institution of quotas by unilateral action on the part of any country.

Our objections to the remaining provisions of the bill may be summarized as follows:

1. Presidential review of findings: Sections 4, 6, 8, 9, and 10 make it mandatory that the President accept and carry out the recommendations of the Tariff Commission as to peril points, escape-clause cases, cases arising under section 22 of the Agricultural Adjustment Act, and in proceedings under section 336 or section 337 of the Tariff Act.

The adoption of these provisions would change the entire concept of a delegation of power by the Congress to the President to adjust tariffs, and would invest in the Tariff Commission a greater power than is possessed by the Congress itself. Although the Congress has the power to pass a bill to change the rate of duty on any particular commodity, the President can veto that bill. Of course, the Congress can reconsider such a bill and may override the Presidential veto. But H. R. 4294 would give the Tariff Commission unlimited power to change the rate of duty or to impose quota restrictions, or both, without any possibility of a Presidential veto.

2. Peril points: Our organization has always approved the establishment of peril points prior to the opening of trade-agreement negotiations to insure that our negotiators may have guidance when discussing modifications in our rates of duty. Since the trade-agreements program has been in effect, the negotiators representing the United States have always been furnished a list representing the maximum tariff concessions that were considered prudent, although such procedure was not required by the law until 1951.

This accounts for the fact that in all trade agreements concluded prior to the statutory requirement that peril points be established, many of the concessions did not extend to the full 50-percent limit authorized in the act. Prior to the 1951 extension providing that these peril points be established by the Tariff Commission alone, they were agreed upon by the interdepartmental Trade Agreements Committee, and the position of our organization is that peril points should be fixed by that interdepartmental committee rather than by a single agency.

Why, for example, should the Tariff Commission determine the peril points for agricultural products without the advice and concurrence of the Department of Agriculture? In reaching such a

decision, the Commission must necessarily rely upon the advice of the Agricultural Division. This Division is very efficient, but like other commodity divisions of the Commission is working with inadequate personnel. I shall return to the question of Tariff Commission personnel a bit later in my statement.

3. **Escape clause:** Our organization approves the inclusion of an appropriate escape clause in all trade agreements so that concessions made may be modified or withdrawn in case of unforeseen developments. In this connection, we should like to point out that where an excessive tariff rate has been a real barrier to the imports of a particular commodity, an increase of the imports of the commodity following the reduction of that excessive rate should hardly be regarded as an unforeseen development requiring escape-clause action.

We also strongly feel that the provisions of the present act which compel the Tariff Commission to launch a full-scale investigation upon the receipt of an escape-clause application from any domestic industry should be changed. Not only does this mandatory provision burden the Commission and its small staff with an undue number of time-consuming investigations, but it also presents an unreasonable hardship upon the importers of the commodity involved.

When an escape-clause investigation is instituted, importers must take time from their normal business operations, and incur the heavy expense involved in such investigations. Even after the Commission has completed a full investigation and reached the conclusion that no threat of injury is present, the domestic industry may, under the present law, lodge a new application and the whole thing starts over again. This may very well lead to abuses as home domestic groups might be tempted to make repeated applications merely to harass importers.

While such investigations are in progress, the importer is hampered in his operations and in making the advance commitments that are normal in the conduct of import trade. He is in a state of uncertainty as to whether the rates of duty will be increased to raise his costs, and if so, when it will happen. Upon the receipt of each application under the escape-clause provisions, we strongly believe that the Commission should decide whether or not an application has merit. If it seems to have, then the Commission should decide, on the basis of facts that can quickly be determined, whether or not a full-scale investigation is justified.

4. **Injury concept:** H. R. 4294 contains a radical broadening of the injury concept which serves as guidance for the Tariff Commission in escape-clause investigations or peril-point determinations. The proposal is to substitute "unemployment of or injury to American miners, farmers, or producers, producing like or competitive products, or impairment of the national security" for the language in the present act, "serious injury to the domestic industry producing like or directly competitive products."

This is a major change which we regard as most objectionable. It is a well-known fact that in many industries there is seasonal unemployment, and such unemployment of workers, miners, or farmers would encourage unwarranted escape-clause applications.

Furthermore, escape-clause investigations and peril-point determinations would be governed by the existence of adverse conditions in even a small segment of an otherwise thriving industry, even

though the cause of the adverse condition confronting that small segment or group of workers, miners, and farmers might have no relationship whatsoever to any competition from imports.

The substitution of "injury to * * * producers" for "serious injury to the domestic industry" implies that restrictions on imports are quite in order even though the competition from imports may be trivial, insignificant, or transitory.

The substitution of "like or competitive products" for "like or directly competitive products" opens the field for unwarranted restrictions of imports still further.

We understand this to mean that imports of a given product may be subject to new restrictions if they are a substitute in any degree for the domestically produced article. Under this concept, we might expect to hear complaints from domestic producers of plastic articles such as ladies handbags against imports of leather handbags, or from manufacturers of synthetic textile articles against imports of articles made from natural fibers with which they do compete.

5. **Tariff Commission:** The bill proposes to increase the number of Tariff Commissioners from 6 to 7, nor more than 4 of whom shall be members of the same political party. Our objection to this proposal is that it will change the present character of the Commission from a fact-finding body to a political institution. In our opinion, it would be a grave mistake for the Congress to make such a change, particularly as the Commission is being depended upon to develop the facts in an objective atmosphere.

Importers would like to see a reduction in the time now required for the various investigations, but we do not agree that this requires changes in the Reciprocal Trade Agreements Extension Act. What is really needed is a reasonable increase in the expert staff of the Commission which now only numbers about 200 under an annual appropriation of \$1.3 million.

The Tariff Commission, in reaching decisions, must rely on factual information developed by the commodity divisions of the Commission with interpretations of these facts supplied by the economic and legal divisions. But the commodity divisions and the economic and legal divisions of the Commission are very seriously understaffed.

This is demonstrated by the fact that when President Eisenhower recently asked the Commission to undertake a special investigation under section 22 of the Agriculture Adjustment Act with respect to imports of agricultural products covered by section 104 of the Defense Production Act, the Commission was obliged to defer previously scheduled public hearings on three escape-clause investigations.

We would earnestly suggest that this committee explore the personnel shortages now existing in the Tariff Commission, and make appropriate recommendations to the House Committee on Appropriations to remedy the situation. In our opinion, the surest way to speed up all investigations by the Commission is not to increase the number of Commissioners from 6 to 7, but instead to increase the present small staff by about 50 percent. One hundred more experts, stenographers, and clerks could be added to the staff by the very wise expenditure of less than \$500,000 in public funds.

6. **Cost of production investigations:** We also wish to register our opposition to section 9 of the bill which would eliminate the present

prohibition against cost of production investigations under section 336 of the Tariff Act with respect to items covered by a trade agreement. To do this would eliminate any certainty whatsoever that modifications of duty rates pursuant to a trade agreement could be counted upon to remain in force for any period of time.

Such a great element of uncertainty would surely wreck the entire program of reducing trade barriers between nations. Section 336 is often called the flexible provision of our tariff act, and was a device created during the Fordney-McCumber tariff era with the primary intent of having it flex as an elbow—only upward. We believe that section 336 is very much outmoded and should be repealed.

7. Unfair practices in import trade: We also suggest that section 10 of the bill which proposes to amend section 337 of the Tariff Act of 1930 be deleted, although this section has rarely been invoked. In the few cases where the Tariff Commission has conducted investigations under section 337, they related to alleged infringements of a domestic patent. The Congress has provided suitable tribunals in which suits may be filed to prevent violations of patent rights or to obtain damages for such violations. Furthermore, the Tariff Commission is not really qualified to deal with patent cases.

8. Antidumping and countervailing duties: Sections 11 and 12 of the bill propose certain amendments to section 303 of the Tariff Act relating to countervailing duties and to section 201 (a) of the Anti-Dumping Act of 1921.

Our objection to these proposed changes is chiefly that additional duties are to be imposed without a determination of any kind that a domestic industry is being injured or threatened with injury, or even that a domestic industry shall be in existence or be prevented from being established. It, therefore, is clear that these proposed amendments to our tariff and antidumping laws are purely punitive in nature, and not designed to achieve any useful protective purpose.

Finally, if H. R. 4294 is adopted in its present form, we would seriously suggest that it be cited as the "Protective Tariff Act of 1953" rather than the Trade Agreements Extension Act of 1953, as its purpose is obviously not to continue in effect the present trade-agreements program, but actually to destroy it.

The entire question of our tariff and trade policy as an integral part of the United States foreign economic policy is an extremely complex subject that surely requires calm, careful, and thorough study. The national interest and the effect of the policies finally adopted upon our relations with the Nations of the free world should be controlling on any action taken.

For this reason, our organization strongly endorses a 1-year renewal of the Trade Agreements Extension Act of 1951 without further crippling amendments, and we hope that the Congress soon will authorize the establishment of the commission suggested by President Eisenhower to make a thorough reexamination of our whole foreign economic policy.

The CHAIRMAN. Does that conclude your statement?

Mr. RADCLIFFE. Yes, sir.

The CHAIRMAN. We thank you very much for your presentation.

NEW YORK, N. Y., June 11, 1953.

SENATE FINANCE COMMITTEE:

Senate Office Building:

Hearings are warranted and urgent on both bills presented by Congressman Simpson, H. R. 5495 and H. R. 5496, now in hands of your committee prior to action by Senate. May we look forward to such procedure?

EDWARD J. VOLZ,
President, International Photoengravers Union.

NEW YORK, N. Y., June 19, 1953.

HON. EUGENE D. MILLIKIN,

Chairman, Senate Finance Committee,

Senate Office Building:

Retel Simpson bill, H. R. 5495. Kindly take into consideration testimony presented before House Ways and Means Committee, Tuesday, April 28, in connection with Simpson bill, H. R. 4204. Thanks.

EDWARD J. VOLZ,
President, International Photoengravers Union.

STATEMENT OF EDWARD J. VOLZ, PRESIDENT, INTERNATIONAL PHOTOENGRAVERS' UNION, A. F. OF L., NEW YORK, N. Y., BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. VOLZ. Gentlemen, I appreciate this opportunity.

The CHAIRMAN. About how long do you think you will take?

Mr. VOLZ. About 3 minutes.

The CHAIRMAN. We would like to hear you longer.

Mr. VOLZ. My name, Mr. Chairman, is Edward J. Volz. I am president of the International Photoengravers' Union, which is affiliated with the American Federation of Labor.

The membership of this organization of photoengravers is approximately 18,000 craftsmen, but hundreds of additional employees are engaged in highly skilled processes involved in producing photoengraved plates. These plates are used in the production of the many varieties of photographs and illustrations that appear in books, magazines, newspapers, and other printed publications.

I might say, Mr. Chairman, if I may, that I am also a member of the board of governors of the International Allied Printing Trades Association, which association is composed of the 5 principal printing trade unions in the country, having a membership of approximately 250,000, between that and 300,000; and while I haven't been authorized to speak for them, because the association hasn't met since this bill was introduced, I am sure I voice the opinion of most of those in the printing industry.

The CHAIRMAN. Thank you.

Mr. VOLZ. Our employment and wage standards depend upon the economic conditions that prevail in the publishing and graphic-arts industry. For this reason, we are deeply interested in the welfare of the printing and publishing industry and in legislation that affects its economy.

The rate of duty on books has been cut in half under the trade-agreements program and is down to 5 percent on books that are not bound in whole or in chief part in leather. This means that there is very little tariff protection left.

We do have protection in another form, and that is under the so-called manufacturing clause for our copyright law. This clause re-

quires that if any book published in the English language is to enjoy copyright protection in this country, it must be manufactured here.

In recent years, however, a strong campaign has been carried on by the Library of Congress and the State Department to have this clause eliminated. The only remaining protection then would be the very low tariff now in existence. The United States has signed a Universal Copyright Convention which would virtually destroy the manufacturing clause, but this convention has not yet been ratified by the Senate. There is now again a bill before Congress which would modify our copyright law to conform it to the provisions of the Universal Copyright Convention so far as the manufacturing clause is concerned.

Those who wish the copyright clause eliminated say that we should depend upon the tariff for our protection. Yet, under the trade-agreements law, the tariff was cut in half, and even now the authority exists to cut the rate of duty on books another 50 percent.

In 1950, the United States signed another international agreement under the auspices of UNESCO which would place cultural, educational, and scientific materials on the free list. This would include books and various printed matter. Should this agreement be ratified, the Ways and Means Committee would be completely bypassed in removing items from the dutiable to the free list. While it does not appear at this time that the agreement will be ratified, I think that this committee should be aware of the efforts that have been made to enter into agreements that would alter duty rates without consultation with this committee.

We urge you to approve the pending bill, H. R. 4294, because we believe that it will make the administrative machinery under the escape clause more responsive to the needs of American industry and labor. Judging from the results of the past year or two, certainly the employees in an industry that is suffering from import competition have little hope of gaining relief in time to protect their wage standards and employment. The Simpson bill would represent a marked improvement over the present law in that respect. It was drawn up against a background of knowledge and experience in this field, and we think that it should be adopted.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much for your fine statement. You brought out some very important points there, with reference to protection for labor.

Mr. VOLZ. I could bring out some very interesting ones, Mr. Chairman, if I wanted to get into detail about specific parts of the printing-trades industry, but I spoke rather for the entire industry, rather than for various segments of it.

The photoengraving industry, which I directly represent, has suffered and is suffering considerably from importations from foreign sources.

The CHAIRMAN. Thank you. We appreciate your statement and the information you have given.

Mr. VOLZ. Thank you.

GELATIN RESEARCH SOCIETY OF AMERICA, INC.,
New York 38, N. Y., May 1, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR MILLIKIN: The gelatin industry is beginning to feel the effects of the dumping of gelatin, manufactured in Europe, into the United States.

It may be that sometime in the not far distant future your committee will hold general hearings on our country's tariff problems.

In such event, the industry desires to designate some of its members to appear before your committee, outlining the problems which the present tariff laws and any changes therein would have upon the members of the industry.

Sincerely yours,

GEORGE LINK, Jr., Counsel.

NEW YORK, N. Y., June 19, 1953.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.:

Thank you for your wire. Earliest date industry can meet for consideration of your telegram is June 25. Will wire you industry's views.

GELATIN RESEARCH SOCIETY OF AMERICA, INC.
GEORGE LINK, Jr., Counsel.

TOLEDO, OHIO, June 19, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR: Regarding your telegram June 18. Please refer to our statement made before House Ways and Means Committee during hearings week of April 27. We urgently request your support of seven-man Tariff Commission. Bill H. R. 5495 does not go far enough and therefore we sincerely request hearings be held on bill H. R. 5496. Thanks.

HARRY H. COOK,
International President, American Flint Glass Workers' Union of North America.

TOLEDO, OHIO, June 15, 1953.

HON. EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.:

The American glassware industry, employing many thousands of members of the American Flint Glass Workers' Union of North America, A. F. of L., is being vitally affected by importation and badly in need of tariff protection. We, in keeping with legislation enacted by our international convention the past 2 weeks, urgently request that hearings be held by the Senate Finance Committee before action of any kind is taken on reciprocal trade agreements extension bill, and we will appreciate your cooperation.

AMERICAN FLINT GLASS WORKERS UNION OF NORTH AMERICA,
HARRY H. COOK, International President Toledo, Ohio, A. F. of L.

STATEMENT OF HARRY H. COOK, PRESIDENT, AMERICAN FLINT GLASS WORKERS UNION, AFL, TOLEDO, OHIO, BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. Cook. Mr. Chairman, my name is Harry H. Cook, international president of the American Flint Glass Workers Union of North America, AFL, in behalf of that organization and its 35,000 members.

The CHAIRMAN. So you are speaking for 35,000 people, are you?

Mr. Cook. Yes, sir, members of our organization, in addition to those others that are not affiliated.

The CHAIRMAN. Thank you.

Mr. COOK. Mr. Chairman, and members of your honorable committee, for many years, the organization on whose behalf I present this brief, the American Flint Glass Workers Union of North America, has been compelled, as a matter of economic self-preservation, to interest itself in tariff legislation.

For more than 40 years, our organization has been sending its representatives to Washington to present our case and plead for justice and fair play, when recurrent attacks on justifiable tariff barriers have seriously threatened the American glassware industry with which our union is associated.

This time, we find it necessary to again visit Washington, not only to seek to combat efforts which are being directed at cutting away the few last barriers which still feebly dam the flood of unfair competitive imports from inundating ours and many other industries, but to combat an imported made in Britain slogan, "Trade, Not Aid."

Slogans are sometimes difficult to overcome. And, as it sometimes happens, they can express something intangible which is easier to say and hear than to think about. However, even in the face of the monumental support which the imported "Trade, Not Aid" slogan has received from powerful economic interests, to say nothing of the newspapers, magazines, radio and television, I am convinced that members of Congress, the State Department and the administration will not lightly dismiss our reasoning, but will give us a fair and objective hearing.

Our union has a long and honorable reputation for being thoroughly democratic. We only teach and preach democracy in our union, but we make a sincere effort to practice it. Thus, we believe that it is up to us, as good Americans, to do everything in our power to give the other democratic nations of the world our moral and reasonable financial trade and aid support.

I submit to you that we have done a fairly respectable job, both as to aid as well as trade, ever since the close of World War II. When Europe was prostrate at the end of the war, with her industries, in many instances, a disorganized and rubble-strewn mess, our Nation was the only one which possessed the industrial plant and productive capacity to supply the urgent needs of the stricken countries.

What this meant to American industry is no secret. Many industries which had little, and in some cases no export trade, suddenly found themselves in the export business in a big way. There is not the slightest doubt that the industries which found their net profit mounting, as a result of their expanded or new export business, liked it. Stockholders like it. The workers employed in these industries liked it, and nobody blames anybody who likes prosperity. We all like it.

During these early days of European industrial rehabilitation, the nations which had suffered most from the war had little or nothing to export. Thus, there was accumulated what has come to be known as the dollar gap, one of the devices now being eloquently used by those who are exploiting the "Trade, Not Aid" program. This also provided the American exporter with an opportunity to secure, at least temporarily, other fields for his products, and he like this, too.

American exports not only found their way into the nations of Europe, but, because European exporters were unable to meet the wants of South American nations which they normally supplied, found

an additional market for their goods. The American export market was looking up. The exporters not only liked their new or expanded markets, but they determined that they would make a strong effort permanently to hold their gains.

As the months passed and European industry revived, it began to seek out its former normal prewar markets. It was able to regain many of these markets, because its product was either something which could not be obtained elsewhere, or, as was the case in this Nation, because our normal tariff barriers had been lowered to the point where European goods could successfully compete with many American industrial products.

Naturally, American industries, which felt the pinch of unfair import competition, felt that they had the right to ask their Government to protect them from the impact of goods which were damaging their industries, in some instances, almost to the point of destruction.

It was particularly painful to American industries, one of which was the glassware industry, to find their backs against the wall, suffering from competition which came not only from friendly democratic European nations, but in large measure from nations behind the Iron Curtain.

It was obvious that the Iron Curtain was only iron for American exports, other than strategic materials desired by the Communists. The Iron Curtain industries sent their imports to us through a flimsy or nonexistent curtain. It was a one-way street so far as this Nation was concerned. The green light was shining brightly for imports from Soviet satellite products.

And then, when aroused American industries, which were suffering from the terrific impact of unfair import competition, stated their grievances and urged their Government to protect them in the unequal struggle, alleged economic "experts" were rushed into the act to prove to these people that unless they could devise ways and means to meet the unfair competition, they were "fringe" industries and didn't deserve to live, so to speak.

If my knowledge of economics is not too darkened by the fact that I have a strong desire to preserve the job and work opportunities of thousands of members of my union by defending the glassware industry which employs them, I would like to observe that fringe industries are not condemned to death by economists or "experts." Fringe industries perish from their own economic shortcomings.

As an illustration, both the horse car and the electric trolley have departed from the American economic scene without destroying either transportation or the production of kilowatt-hours of electricity. Conversely, nobody believes that television will destroy the motion-picture industry, anymore than people are worried lest the bicycle replace radio.

These statements are not made in any spirit of levity. I fail to find any mirth in the attempts which are now being made by certain American industrialists, economists and politicians to play favorites and, either through indifference or ignorance, perform a notable disservice to their own Nation and their fellow-Americans.

Actually, what the "Trade, Not Aid" program boils down to is the fact that certain American industries, in their eager anxiety to preserve and enlarge their export positions, are willing to sell less fortunately placed American industries down the economic river. They

seem to believe that what helps them, although it may actually harm millions of Americans, will help the Nation.

Every clever device that supposedly intelligent men can dream up is being thrown into the effort to save the export market for a group of purblind industries. Words, catch words and slogans, even those the exporters have to import, are being used in the apparent hope that the people, the members of Congress and the administration will be overwhelmed by the avalanche of verbiage.

All the words in the book, such as democracy, friendly nations, dollar gap, fringe industries, communism and others, are being used to win what well may prove to be a pyrrhic victory for not only the exporters, but for all Americans.

How foolishly hardhearted unreasonable internationalism can become is aptly illustrated by the words of an editorial on April 11, 1953 in a newspaper which boasts of being "one of America's Great Newspapers."

Commenting on the Simpson bill, this paper says:

"The Simpson bill is a dangerous one at best. It would dangerously handicap any program of trade concessions intended to help other nations achieve economic stability. It would bar lowering any tariff that would cause or threaten 'unemployment of or injury to American workers, miners, farmers, or producers'."

These are plain words. This paper says the Simpson bill is dangerous at best, because it would bar lowering any tariff that would cause unemployment or injury to American workers, miners, farmers or producers. It plainly says that it is more important to grant trade concessions in order to help other nations achieve economic stability than it is to safeguard and stabilize our American economy. Frankly, I think that it almost plainly says that American industry, workers, miners, farmers and producers can go to—the polite word is the devil.

Assuming that there may be some truth in the charge that some Congressmen wish only to protect the important industries in their home districts, and this is understandable, isn't it stretching the point when the full inference is that Congressmen are only concerned with their own districts and are Chicagoans, Detroiters, Clevelanders or, in a word, people of narrow sectionalism, rather than Americans. Not even the Members of Congress are immune to the detractions of the people who ask the most and expect the most of the gentlemen who make our laws.

It is my belief that none of the industries, which are already affected by unfair import competition, and who may be damaged still more if tariff barriers are lowered beneath their present boundaries, are seeking any special favors at the hands of their elected representatives. Speaking solely for my own union, I can say with pride that we have never asked for any special or preferential treatment. We ask now, as we have asked before, for justice and the job opportunities for our people, and we are not associated with a fringe industry.

Granted that European nations must export certain of their goods and that we are in a position to purchase them, isn't it true that importation can and will damage our economy if cheaply produced commodities are allowed to flood our domestic market and outsell similar American goods produced by American workers?

Isn't it a fact that, when unfair import competition makes itself felt, it slows down or even stops American production?

When this occurs, workers are laid off, unemployment results, purchasing power is curtailed and we find ourselves reaping a harvest of economic evils, because we gave trade concessions to stabilize other nations and thereby created economic instability for ourselves.

We recognize that this is a complex problem which today is more baffling and frustrating than ever before. At the same time, we cannot help but feel that this is part of the price which we must all pay for living in the world at a time when our earth is torn between the conflicting paradox of Godless and slaving communism on the one hand, and the freedom of democracy on the other.

But even as we recognize the inherent conflict between two basic and conflicting philosophies, we cannot subscribe to the belief that the way to promote economic stability in other democratic nations is to court the disaster of endangering and undermining our own economic position. We still feel that we owe our first duty to ourselves, even as we recognize the urgent necessity of helping others who are dependent upon us for both economic and military aid.

Frankly, we fail to see what will be gained, if, in the course of lessening the dollar gap in Europe we are forced to expend the dearly bought dollars on our own needy.

The only request that I make is that Congress weigh well all of the sides of this many-sided and complicated problem and not create a great national problem while attempting to solve another and admittedly serious economic situation for friendly nations who still need our continued aid. We know the need for presenting a strong and united front to the challenge of aggressive and imperialistic communism.

It impresses us that our enemies must find a great deal of satisfaction and a firm basis for their hopes of ultimate success, when they observe us in bitter controversy over the problem which the "trade, not aid" program presents. It must be a truly inspirational spectacle for our avowed enemies to observe one group of American industrialists trying to cut the throats of another group of American industrialists in order to make a deal which would save their export market while open wide the doors for unfair import competition. Possibly, this was one of the things Karl Marx had in mind when, in his book *Das Kapital*, he asserted that every economic system contains within itself the seeds of its own destruction.

We deeply appreciate the fact that the tariff problem presents many baffling and complex sides in view of the state of the world today, yet, we cannot help but remind you that the question of protecting economically sound and deserving American industries is one of long standing, even before world events compelled American isolationism to evolve into internationalism.

Thus, I have returned to the point from which I started, namely, the fact that for 40 years our union has been asking for economic justice in the shape of protection for the American glassware industry with which we are associated.

The fact that our union has endured for so many years, even in the face of some rather desperate tariff proposals, should not only be proof of our durability, but should be evidence to you, to whom this is directed, that we have asked for no special favors. All we have ever sought, all we wish now is economic justice and protection of the employment of our people.

We believe that Americans possess a strong sense of and desire for fair play. Hence, we ask that you not allow yourselves to be swayed by the fine-sounding "Trade, not aid" slogan, but investigate, consider, and judge our intention in the light of well-established facts.

If you do as we urge, we believe that a wise and just decision will result and that the jobs and welfare of our people and 25 to 30 million other Americans will be amply safeguarded.

We earnestly request that you support and report favorably on H. R. 4294, known as the Simpson bill. We have in recent years been in a position from which we could and did observe the administration of the escape clause of the trade-agreements law.

What we have observed has been very discouraging. The Tariff Commission in its majority expression has rejected two-thirds of the applications brought before it. The President killed 50 percent of the remainder, so that as far as a remedy is concerned, the present escape clause, as it has been administered, is simply a farce.

Over half of the applications that were rejected by the Commission were decided on party lines. Thus the bipartisanship of the Commission is no help.

We feel strongly that the Simpson bill, or something very nearly like it that will greatly improve the administration of the escape clause, is absolutely necessary if we are to receive any benefit at all from the escape clause. We repeat, therefore, that we hope that you will report H. R. 4294 favorably.

The CHAIRMAN. Does that conclude your remarks?

Mr. COOK. I have a brief statement to make, Mr. Chairman, in substantiation of our brief.

The records in our international office, which are very accurate, I consider, show that in January 1937 there were a total of 15,305 highly skilled glass craftsmen employed at their trade. In January 1940, the same group, same class of craftsmen, there were 13,990 employed at their trade. Many of these reported as being employed at their trade were employed on a part-time basis.

In January 1953, which is the present period, we find in the same group 10,260 employed, or a decrease of 5,045, or in other words, a decrease of 33 percent in employment since January 1937.

We like to feel that our industry is reasonably progressive. It is one of the Nation's oldest industries. I am referring to that part of the American industry that we are vitally interested in and speaking for at this particular time.

We find that in 1937, an estimated population of the United States of 129,275,000; in 1940, according to the census taken 131,669,275, and in 1953, an estimate made in March of 159 million. We find that even though there was an increase in the population of the United States of 23 percent from 1937 to 1953, the employment of our highly skilled workmen decreased 33 percent. In place of keeping abreast of the increase in population, we have gone backward.

Mr. Chairman, there are quite a number of those things that I would like to present here, but I know you are pressed for time, and I do not want to impose upon you. I do want to present here a chart which sustains our contention that it is very difficult for the American handmade glassware industry to meet this continuation of importation from abroad.

This chart shows that the average wage of our people in this particular branch of the industry is \$1.54 an hour. It is 46 cents an hour in England. In France it is 40 cents per hour. In Belgium it is 37 cents per hour. In West Germany, it is 35 cents per hour, and in Japan 19 cents per hour. And the imports from there are getting worse.

I recall a few years ago when we felt the impact of Japanese imports so badly that we had demonstrations throughout the country in the form of bonfires in which they burnt up imports from that country. We do not want to get into that sort of situation again, and we ask you to please weigh what we have presented here and give us the protection that this good American industry is deserving of.

The CHAIRMAN. Mr. Cook, we are very much interested in your statement. I notice one of your competitors is England; is that right?

Mr. COOK. Yes, sir.

The CHAIRMAN. I see they have lowered their taxes quite materially.

Mr. COOK. Yes.

The CHAIRMAN. Taxes enter into the cost of production. It would be of some benefit, would it not, to your industry if you could get some relief from taxation in this country; would it not?

Mr. COOK. Very much so.

The CHAIRMAN. You would favor a reasonable reduction in personal income taxes; would you not?

Mr. COOK. We would not only favor it; we would welcome it.

The CHAIRMAN. Thank you very much. We will put you down on the honor list for a very nice statement.

Mr. COOK. Thank you.

The CHAIRMAN. Mr. Jenkins will inquire.

Mr. JENKINS. Mr. Cook, I am glad to see you with us this year. Let me ask you how many years has it been since you have been coming before us?

Mr. COOK. I do not know exactly, Congressman, but I think about 18 years anyway. But our organization and industry represented have been coming down here for the last 40 years, always with the same appeal for help.

Mr. JENKINS. As I remember it, your employers, sometimes, at least, have accompanied you and practically always you have agreed on your program, have you not?

Mr. COOK. That is right.

Mr. JENKINS. As I remember it, but I am not too sure about this, I think you have seldom, if ever, had a strike in your industry?

Mr. COOK. We have had very little labor disturbance in our industry until—and pardon me for saying it—the enactment of the Taft-Hartley Act. We have had more labor disturbances since that because of the dissatisfaction of our people than we ever had in the years past.

Mr. JENKINS. Now, I would like to ask you another question or two, Mr. Cook. It has to do with the general feeling in your industry as to whether or not you have sort of a discouraged attitude as to what to do and how to proceed.

Mr. COOK. I am very pleased that you asked that question, Congressman Jenkins. I know that a number of our employers in this particular division have been endeavoring in every way possible to create new ideas, new designs, and to stimulate the sales of our products, but many of them, including those particular employers or

companies, are so very much discouraged that they wonder, "Well, what is the use if we are not going to get some protection for the future."

The same thing applies to the highly skilled mechanics in the industry. The younger generation sees no future for that particular craft, and they are reluctant to put the time and the hardship in to learn it. I am one that believes that the time will come when that kind of craftsmanship will be very necessary for our own Government to use or call upon.

Mr. JENKINS. There never has been an issue that the quality of your commodity is not up to the standard or equal to the best in the world?

Mr. COOK. Our product will equal the product of any nation in the world, and surpass much of that which is imported.

Mr. JENKINS. I am wondering if you were present here about 8 or 10 years ago when Mr. Wallace was Secretary of Commerce, when I asked him the same question with reference to your industry, as to what you were going to do, just like you are asking today, and he said that any industry that cannot stand on its own feet ought to die. That was the philosophy at that time by that Secretary of Commerce.

Naturally, your industry has suffered under a policy of that kind.

Mr. COOK. That is a very cruel attitude for any man in public life to take, because it is not just the industry that dies; it is the craftsmanship and the efforts of years on the part of men who struggle to learn that trade of producing glassware. They must find employment elsewhere if the industry should die.

That brings up the question, Mr. Chairman, of fringe industry. We are not fringe industry. We are politically told by some people that if your people cannot find employment in the glass industry, then go elsewhere.

Now, that is easily said, but it is hard for people to carry that out, because in many of these plants the workmen as a result of their contribution over the years enjoy seniority, vacations with pay, paid holidays and insurance, and when they leave to go into some other industry, that is so prosperous that it does not hurt them very much to train newly inducted employees, these workmen of ours must sacrifice all of that. They just do not want to do that.

Mr. JENKINS. I want to compliment you on your fine statement and especially your discussion of the little catchy phrase, "Trade, Not Aid."

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Mills.

Mr. MILLS. Mr. Cook, refresh my recollection of the type of glassware that it is that the members of your organization produce. I know you told us before when you were here, but I have forgotten. Is it handmade glassware?

Mr. COOK. We are speaking for the handmade glassware branch of the American glass industry.

Mr. MILLS. Just for the record, too, from what country is most of your competition coming at this time? Is it England, France, Japan, or where?

Mr. COOK. I cannot tell you exactly, but it is coming quite heavily from all of them. We get quite a great deal of ware in here from

Sweden. We are getting much ware in here from Western Germany. I am told—and I must accept it as fact—that certain people who visited Czechoslovakia a few years ago find the same people that were working back of the Iron Curtain working in Western Germany producing glassware. So we are getting a great deal of it from Western Germany at the present time.

Mr. MILLS. I wondered if we were getting any from Czechoslovakia now.

Mr. COOK. I am not sure that we are, but I honestly believe that we are getting considerable from the Czechoslovakians back of the Iron Curtain which finds its way into our markets.

Mr. MILLS. What is your information with respect to the industry in Japan? Is it on the upswing or not?

Mr. COOK. That is my understanding. According to my observation and information, Japan is going to engage in the production of handmade glassware that we are in contention over now more in the future than ever in the past. That falls into their line of work more so than certain other commodities.

Mr. MILLS. Mr. Cook, I have one final question. This experience to which you refer in your statement, the escape-clause procedures occurred when in relation to 1951—was it previous to 1951 or has it been since 1951 that you had experience with the escape-clause procedures?

Mr. COOK. I don't know that I can answer your question. We have never gotten any benefit to amount to much from the escape clause.

Mr. MILLS. The reason I asked the question is that you will remember that in the 1951 act, we wrote into law an escape clause different from that in existing agreements at that time. I wondered if you had any experience under that amendment? In other words, if that amendment were sufficient or if you needed some additional language, such as is provided in the Simpson bill. Do you really need the Simpons bill escape-clause language, or is the other language in the 1951 law sufficient?

Mr. COOK. The manner in which the language in the escape clause now exists does not give us the encouragement, the protection that we feel we should have. The fact is that our industry and our union have been very reluctant to ask for the benefit of that provision because of the manner in which other applications for relief have been treated.

Mr. MILLS. The witness previous to you questioned the language of the escape-clause section of the Simpson bill, and that is the reason I raised the question with you.

Mr. COOK. We are wholeheartedly in favor of the Simpson bill. We believe it will give us more than we have at the present time, and we are struggling so to get some protection that we will go for most anything that will offer it.

Mr. MILLS. What is your understanding of the escape-clause provision of the Simpson bill? Would the escape clause become operative at a point where 1 or 2 individuals in the industry would become unemployed or just when do you understand it would operate?

Mr. COOK. I would not draw it down to that point. I consider that any request for relief would have to be within reason and justified on the conditions that brought forth the request.

Mr. MILLS. You would not want it to go so far, then, as to do what I suggest it might, that is, go into effect with 1 or 2 individuals out of your 35,000 becoming unemployed?

Mr. COOK. No.

Mr. MILLS. The Tariff Commission's analysis of the matter, Mr. Cook, would lead me to believe that that is exactly when they would have to begin operating under this language in the Simpson bill. I have an analysis of it before me prepared by the Tariff Commission, and on page 17, they indicate that this language would have to be so interpreted if it is passed as it now stands.

Mr. COOK. Of course, I do not know what other industries would do, but I am quite sure that the handmade glassware industry, if they found it advisable to ask for relief under the escape clause, that request would come jointly and not from any 1 or 2 individuals. It would come, probably, as an industry and union request, jointly.

Mr. MILLS. Do not misunderstand me. I have always had a great deal of sympathy for the industry that utilizes or depends for its end product upon as much hand labor as yours does. I know that your situation is sensitive. It was because of my interest along that line that I asked you the question as to whether or not you had any experience under the 1951 escape-clause language.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Kean will inquire.

Mr. KEAN. Mr. Cook, the problem that faces your industry is with respect to the two chief countries exporting into this country—West Germany and Japan. Those bring up the great problem that faces us at present. West Germany, as you know, used to be a manufacturing country and exported a large proportion of their product to either Eastern Germany in exchange for the grain and various things they got from there, and exported very heavily into the Balkan nations that are now on the other side of the Iron Curtain.

The problem comes as to how the United States can get that country off our necks and not have our taxpayers supporting the countries and find for West Germany some other place to which they can export.

We have the same problem with Japan. I believe it was stated in testimony before the committee that 61 percent of the exports of Japan prior to the war went to China, Korea, and Formosa. Today it is only 5 percent. So there is 56 percent of its export-trade lost, and most of that went behind what is now the Iron Curtain.

Again, if the taxpayers of the United States do not have to support Japan they will have to find some place to sell those Japanese goods. I remember in the past the flood of Japanese goods at almost no price at all which were just ruining some American industries. That is the problem this country is faced with, and it is a very difficult problem.

Mr. COOK. I, of course, do not have the answer to those things. I do know that we recently had an election, we have a very capable administration, and naturally as American citizens we look to those gentlemen at the head of our Government to protect our interest by meeting those conditions and finding remedies for them.

The CHAIRMAN. Are there any other questions?

If not, we certainly thank you, sir, for your appearance here and the information you have given the committee.

Mr. COOK. Thank you, Mr. Chairman and gentlemen.

NEW YORK, N. Y., June 19, 1953.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Re your telegram re Senate bill H. R. 5495 and submission of written statements. Forwarding by mail testimony presented before House Ways and Means Committee May 1 concerning original Simpson bill, H. R. 4294. Request this reviewed by your committee before considering H. R. 5495.

H. WARNER DAILEY,
Secretary, Pin, Clip, and Fastener Association.

POPE, BALLARD & LOOS,
Washington 4, D. C., June 22, 1953.

Re H. R. 5495, extending the Trade Agreements Act.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR MILLIKIN: Although the committee has decided not to hold public hearings on this bill, we understand it will receive and consider statements relative thereto submitted by June 23.

We are writing you on behalf of the Pin, Clip & Fastener Association, 74 Trinity Place, New York, N. Y., which is a trade association of eight companies producing straight pins and safety pins. The member companies are located in the States of New York, Pennsylvania, Illinois, and Connecticut.

This association is fundamentally opposed to any extension of the Trade Agreements Act without the clarifying and safeguarding amendments contained in the Simpson bills, H. R. 4294 and H. R. 5496. Enclosed is copy of a statement made by H. Warner Dailey, secretary of the Pin, Clip & Fastener Association, before the House Ways and Means Committee in support of the safeguarding amendments contained in H. R. 4294. We also call your committee's attention to the questions and answers which followed this statement at the hearings before the Ways and Means Committee. It is our hope that your committee will include the safeguarding amendments of H. R. 4294 in any bill which your committee may report to the Senate.

Very truly yours,

JOHN BRECKINRIDGE.

STATEMENT OF H. WARNER DAILEY, SECRETARY, ACCOMPANIED BY JOHN BRECKENRIDGE, ATTORNEY, THE PIN, CLIP & FASTENER ASSOCIATION, NEW YORK, N. Y., BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. DAILEY. Mr. Chairman, my name is H. Warner Dailey. I am secretary of the Pin, Clip & Fastener Association which has headquarters at 74 Trinity Place, New York City, N. Y. I appear here today in support of the Simpson bill (H. R. 4294), with the exception of section 13, on behalf of the members of the association who produce safety pins and straight pins. These member companies are Delong Hook & Eye Co., Philadelphia, Pa.; Noesting Pin Ticket Co., Inc., New York, N. Y.; Oakville Co., division of the Scovill Manufacturing Co., Waterbury, Conn.; Plume & Atwood Manufacturing Co., Waterbury, Conn.; William Prym, Inc., Dayville, Conn.; Star Pin Co., Shelton, Conn.; Union Pin Co., Winsted, Conn.; Vail Manufacturing Co., Chicago, Ill.

These members companies produce substantially 100 percent of the straight pins produced in the United States. There is only one large producer of safety pins outside the association and that is the Risdon

Manufacturing Co. on behalf of which I understand a separate appearance will be made here today. Association members along with the Risdon company produce about 90 percent of all American safety pins.

As will be noted, these companies are located in the States of New York, Pennsylvania, Illinois, and Connecticut. The majority of them are located in Connecticut.

At a recent meeting of the pin divisions of the association a resolution was adopted, by unanimous vote, directing me to appear and testify at these hearings in support of the Simpson bill (H. R. 4294), with the exception of section 13. Section 13 makes specific provisions with respect to residual fuel oil, petroleum products, lead, and zinc. We are not sufficiently familiar with the facts surrounding these products to take a position either for or against this section 13.

With me here today is John Breckinridge, attorney for the association. I would like to request that he supplement my statement and that he answer any questions concerning the effects and technical aspects of the present law and the modifications in H. R. 4294.

Both straight pins and safety pins are staple products of standardized production and use throughout the world. Both foreign and American pins are practically identical in size and style. They are used interchangeably by identically the same users for identically the same purposes. This applies to both household and industrial users.

The production facilities of the American manufacturers for whom I speak are more than adequate to supply the entire United States demand. Over the years, since the 1930's the demand for pins has been inelastic and American consumption has been relatively static—that is, with no increasing consumption corresponding to the increasing population or the increasing national income. Under these circumstances any substantial quantity of imported pins must necessarily displace the consumption of an equal quantity of American-produced pins. Such displacement of American produced pins is necessarily accompanied by a reduction in production and sale together with the consequent reduction in employment for labor and profits for the American manufacturers.

Increasing imports have caused very serious damage to the American manufacturers and their employees and threaten even more serious injury in the future. In fact, if some relief is not forthcoming the American industry faces eventual extinction.

Unless this committee and this Congress strengthens the escape and other safety-valve provisions of the existing law we are convinced that no such relief will be forthcoming by administrative means. We feel that the clarifying and strengthening amendments of the Simpson bill will provide reasonable relief, when needed, for American industries such as ours and will make a 1 year extension of the Trade Agreements Act relatively safe.

Foreign production equipment and technological methods of mass production, in the pin industry, are substantially the same abroad as they are in the United States; the industry having been concurrently developed and improved both abroad and in the United States over a long period of years. Consequently, the American producers have no efficiency, or technological, or mass production advantages by which to overcome the competitive advantages of foreign countries enjoyed

through lower labor and material costs. It is significant that the competitive disadvantages of the American producers is artificially brought about by immigration and labor laws and policies and other conditions in the United States beyond their control.

The ratio of labor costs to the total production costs in this industry is very high as distinguished from a very low percentage of labor cost in mass-production industries such as the automobile industry. American wage rates in the pin industry average approximately \$1.75 per hour and is equal to approximately four times similar wage rates in the principal competing foreign countries such as England, Germany, and Czechoslovakia. The disparity between American and foreign wage rates is much greater in the case of imports coming in from Japan and China which are likely to increase substantially in the future.

With such a wide labor-cost advantage enjoyed by foreign producers of equal man-hour productivity and with labor costs averaging 40 to 50 percent of the total American production costs it is obviously impossible for the American industry to survive on any substantial basis without adequate measures providing for relief from imports when it is needed—that is, when imports cause or threaten injury to the American producers. Such safeguards which can be used effectively and in timely fashion when needed do not exist in the present law.

Since the postwar reductions in the pin tariffs, imports of foreign pins have increased at an enormous rate. Prior to World War II, safety pin imports averaged approximately 1 million gross annually. Since the war and tariff reductions in 1948, they have increased to 3 million gross and more annually. The postwar and postconcession imports have run as high as 25 percent of American production and as high as 44 percent of domestic production in the case of steel safety pins. In the case of straight pins, imports increased from an average of less than 100,000 pounds annually in the prewar period to over 400,000 pounds in 1951 and with no increase in the average annual domestic sales over the prewar period. This constitutes an increase in imports relative to American production of from approximately 3 percent in the prewar period to approximately 18 percent in the postwar and postconcession period and as high as 30 percent in the case of steel pins. This increase in imports has resulted in a proportionate decline in American production and sales. Employment and profits in the pin industry have declined correspondingly.

Prior to any trade agreement negotiations the association repeatedly placed their case before the appropriate administrative agencies. We feel it adequately proved that any decrease in the pin tariffs would cause serious injury to the American producers. However, the administration ignored the facts presented by the pin industry and has cut the tariffs on both straight pins and safety pins in negotiations with the United Kingdom and Czechoslovakia, which became effective in 1948.

As pointed out above, developments since the effective date of the tariff reductions in 1948 have fully justified our fears. Increasing imports have caused very serious injury to the American producers.

In the case of safety pins, the industry filed an application for investigation and relief under the escape clause (sec. 7 of the Trade Agreements Extension Act of 1951) on December 17, 1952. The Tariff

Commission ignored this application and refused an investigation on the arbitrary grounds that it was not properly filed. We believe this to be in direct contravention of the very clear congressional mandate in section 7 that:

* * * upon application of any interested party, the United States Tariff Commission *shall* promptly make an investigation and make a report thereon * * * [Emphasis supplied.]

In order that the committee can judge this matter for itself, I would like to submit for the record the summary of our application which was filed with the Tariff Commission. I am not submitting the balance of the application for the record because it contains some confidential information which we do not wish to make public. If the committee should desire, we will submit a full copy of the application on a confidential basis. Upon a study of these documents, we feel confident that this committee will agree that our application was properly filed, that it does state a prima facie case of injury resulting from increased imports and that the Tariff Commission circumvented the law in refusing to make an investigation.

May I enter this?

The CHAIRMAN. You may, without objection, file it. There is no objection.

(The material referred to follows:)

BEFORE THE UNITED STATES TARIFF COMMISSION

APPLICATION FOR INVESTIGATION AND PUBLIC HEARING AND IMPOSITION OF AN ABSOLUTE IMPORT QUOTA WITH RESPECT TO SAFETY PINS

Under the provisions of section 7 of the Trade Agreements Extension Act of 1951 and article XIX of the General Agreement on Tariffs and Trade

I. STATEMENT OF THE CASE

In accordance with part 207 of the Tariff Commission Rules of Practice and Procedure, this is an application for an investigation and public hearing with respect to the effect of increased imports of safety pins under the provisions of section 7 of the Trade Agreements Extension Act of 1951 (Public Law 50, 82d Cong.) and article XIX (commonly referred to as the escape clause) of the General Agreements on Tariffs and Trade (hereafter referred to as GATT).

This application is made on behalf of the American safety pin industry by the following four members of the industry:

DeLong Hook and Eye Co., Philadelphia, Pa.

Oakville Co. Division of the Scoville Manufacturing Co., Oakville, Conn.

William Prym, Inc., Dayville, Conn.

Risdon Manufacturing Co., Naugatuck, Conn.

These 4 companies produce 90 percent or more of the safety pins made in the United States.

TARIFF CONCESSIONS MADE TO CZECHOSLOVAKIA

Paragraph 350 of the Tariff Act of 1930 provided a duty of 35 percent ad valorem on safety pin imports. This duty was reduced to 22½ percent as a concession to Czechoslovakia in the trade-agreement negotiations which took place at Geneva, Switzerland, in 1947. The reduced rate of 22½ percent became effective in GATT on April 21, 1948, and is still in effect with respect to imports of safety pins from all countries except Czechoslovakia.

The benefit of this trade-agreement concession was withdrawn from Czechoslovakia, the country with which it was negotiated, by a letter of the President supplementing Presidential Proclamation No. 2935 of August 1, 1951. This withdrawal became effective November 2, 1951, making the rate of duty on imports from Czechoslovakia 35 percent ad valorem.

However the concession has not been withdrawn from other countries and the effective rate of duty on imports of safety pins from all countries except Czechoslovakia continues at the reduced rate of 22½ percent ad valorem.

Of historical interest, it should be noted that the 35-percent duty was reduced to 30 percent in 1938 by an earlier bilateral trade agreement with Czechoslovakia which was canceled after Germany occupied Czechoslovakia and the duty reverted to the statutory rate of 35 percent in 1939.

CONCESSION BENEFIT GOES ENTIRELY TO NON-NEGOTIATING COUNTRIES

Here we have the anomalous situation of the principal suppliers all being countries other than that with which the trade-agreement concession was negotiated—Czechoslovakia. All of the benefit of the concession is going to non-negotiating third parties since the benefit of the concession has been withdrawn from Czechoslovakia as related above.

INCREASED IMPORTS

As a result of this tariff concession on safetypins, imports of 4,460 gross in 1946 and 101,835 gross in 1947 have increased constantly until imports reached 3,193,856 gross during 1951 which equaled 25.61 percent of domestic sales in 1951. The 1951 rate of imports averaged in excess of 25 percent of domestic sales compared with annual average imports of approximately 1 million gross during the prewar period of 1935 through 1939 which amounted to only about 10 percent of domestic sales at that time. (See table No. 1.)

Imports have temporarily declined in the first 3 quarters of 1952 to a rate equal to 13.3 percent of domestic sales. However this still represents an increase over preconcession imports both actual and relative to domestic sales. In the case of steel safety pins (as distinguished from brass) where import competition is most injurious, 1952 imports to date equal 21.93 percent of American sales. (See table 5.)

With excessive inventories (as a result of Korean war) now worked off it is anticipated that imports will again increase in relation to domestic sales which have declined from over 15.4 million gross in 1950 to 12.5 million gross in 1951 and further to an anticipated 10 million gross in 1952.

Ten to eleven million gross is the anticipated normal volume of American sales which is approximately equivalent to the prewar volume. For reasons pointed out later, safetypin consumption has been relatively constant—consumption has not kept pace with increasing national income or the increasing population. (See table 1.)

INJURY CAUSED AND THREATENED

This increase in imports, both actual and relative to American sales, has displaced the sale of a like quantity of American safety pins, the demand for which is inelastic and relatively static.

These increased imports have substantially contributed to a decline in annual domestic sales of approximately 3 million gross from 1950 to 1951, and a decline of 5 million gross from 1950 to 1952.

Imported safety pins are exactly like American and are used by identically the same users for identically the same purposes. They are directly competitive and directly displace the consumption of American safety pins. They are sold at prices substantially lower than American prices. In addition to declining sales, imports have caused a decline in prices and substantial decline in profits for American producers.

Although production declined with sales volume, inventories increased alarmingly above normal inventories and it has been necessary to lay off or reduce the workweek of a considerable number of employees. This reduction in employment would not have been necessary if imports had been limited as requested herein.

The threat of serious injury in the future is even more serious than the injury already caused. Both pricewise and volumewise the industry is more susceptible to import injury on a buyer's market such as exists and is anticipated today than on a seller's market, such as existed for some time following the start of the Korean war. The fact that American safety pin consumption has been relatively constant over the years makes the industry unusually susceptible to injury from imports. This is particularly true because American production capacity and actual production in recent years exceeds total American requirements.

The cost advantages of foreign producers in Europe and elsewhere are so great that they can continue to profitably take an increasing percentage of the American market at prices below those required to produce a profit for American producers or even below American production costs.

RELIEF SOUGHT

In order to prevent or mitigate this very serious threat of injury from increased imports, it is requested that an absolute quota be imposed limiting safety pin imports to 1 million gross annually, which is approximately the prewar annual average of imports.

An import quota of 1 million gross annually would permit a continuance of the normal prewar volume of imports at the reduced rate of duty. This would continue a very substantial benefit to the various foreign countries exporting safety pins to the United States. It would also permit imports to retain approximately their prewar percentage of the anticipated normal American market.

A quota is requested because the industry is confident that a withdrawal of the concession and a reversion of the duty to 85 percent ad valorem would not remedy or prevent the injury being caused and threatened by the increased imports.

Mr. DAILEY. This arbitrary action of the Tariff Commission in refusing even to make an investigation indicates that a majority of the Tariff Commission has not been in sympathy with the escape-clause provisions written into the act by Congress and that they have ignored the intent of Congress.

Where the Commission has made investigations, section 7 has been so interpreted or administered by the Commission or the administration as to be practically meaningless.

Of the 26 investigations ordered by the Tariff Commission under section 7 it has denied relief in 12 cases and 9 cases are still pending before the Commission.

Even in the 5 cases where the Tariff Commission did find injury to an American industry and recommended relief, the President (on advice of the State Department) has denied such relief in 3 cases (garlic, watches, and briar pipes). Such relief found necessary by the Tariff Commission was denied to the briar-pipe industry by the current administration. Only in the cases of dried figs and hatters' furs has any relief been granted under section 7. In one case where relief was granted, President Eisenhower has ordered the Tariff Commission to reinvestigate with a view to restoring the reduced duty on dried figs for the benefit of Turkey.

Certainly there has been no indication that American industries could expect any better treatment from the present State Department than from past administrations if the law should be extended as it is with an implied congressional approval of the manner in which the law has been administered in the past. It is abundantly clear that our only hope for relief lies in Congress.

For these reasons we are specifically opposed to any extension of the Trade Agreements Act in its present form.

In addition to our belief that the existing safeguards in the Trade Agreements Act and other laws need clarification and strengthening if the congressional intent is to be carried out; we feel that an extension of the act, as is, would be interpreted by the many free traders and advocates of "trade—not aid" in the present administration as a blanket endorsement and approval, by this Congress, of the manner in which the Trade Agreements Act has been administered in the past. In our opinion this would be a most dangerous thing for us and for many other American industries.

We feel that our industry is in no different position than thousands of other small industries which have a relatively high labor cost in the production of their product and in which they enjoy no mechani-

zation or technological advantage over foreign producers through which they can overcome their labor and material cost disadvantages. We feel that the existing law and the manner in which it has been administered has worked to the very great disadvantage of the relatively small businesses throughout the United States.

In our opinion the clarifications and modifications in the Simpson bill before this committee (H. R. 4294) will substantially correct this situation and provide an effective and timely means by which American industries such as ours can obtain relief when they are threatened with injury from imports.

The CHAIRMAN. Does that complete your statement?

Mr. DAILEY. That completes my statement.

The CHAIRMAN. Are there any questions?

Mr. Simpson will inquire.

Mr. SIMPSON. Either for you or your attorney, when on occasion you have gone before the Tariff Commission in the past, have you found them cooperative and eager to help the American businessman and give him the benefit of the doubt or not?

Mr. DAILEY. Mr. Simpson, I am not an attorney. I should like our attorney here to answer that. I have some opinions of my own.

Mr. SIMPSON. He is familiar with it, I know, and I suggest that he answer.

Mr. BRECKENRIDGE. I am attorney for the association.

Congressman Simpson, I had intended supplementing Mr. Dailey's statement on that specific point. In the safety-pin case, as Mr. Dailey said, an application for investigation was filed on December 17. The Tariff Commission refused even to make an investigation in that case on the ground that the application was not properly filed. I have, which I would like to submit—

Mr. SIMPSON. Was that a technical point, was it a delaying action, or did you feel that you were getting justice?

Mr. BRECKENRIDGE. We did not feel we were getting justice. I want to introduce in the record a copy of the letter the Commission wrote us, and I would like to introduce in the record a copy of the statement which we wrote to the Tariff Commission in response to it.

The CHAIRMAN. Without objection that may be inserted in the record.

(The material referred to follows:)

UNITED STATES TARIFF COMMISSION,
OFFICE OF THE SECRETARY,
Washington 25, D. C., December 31, 1952.

POPE, BALLARD & LOOS,
Munsey Building, Washington, D. C.

DEAR SIR: Reference is made to an application which you submitted to the Tariff Commission on December 17, 1952, in behalf of the DeLong Hook & Eye Co., Philadelphia, Pa.; the Oakville Co. Division of the Scoville Manufacturing Co., Oakville, Conn.; William Prym, Inc., Dayville, Conn.; and the Risdon Manufacturing Co., Naugatuck, Conn., for an investigation under section 7 of the Trade Agreements Extension Act of 1951 with respect to safety pins.

The Commission, after considering the application, found that it falls substantially to furnish information called for by the provisions of part 207 of the Commission's Rules of Practice and Procedure, and ordered that the applicants be given until the close of business February 1, 1953, to complete the application by furnishing the necessary additional information. Until the additional information is furnished, the Commission will treat the application as not properly filed.

The essential deficiency in the application lies in the failure to supply certain information called for by section 207.3 (e) of the rules, particularly paragraphs (1) (ii), (2), (3), and (5). It is noted that the 4 applicant companies are stated to be the producers of 90 percent or more of the safety pins produced in the United States, and that all of them combine their safety-pin production with other lines of manufacture. Accordingly, there would appear to be no reason why each of the companies could not supply the information called for in the provisions of the rules referred to.

Also noted is the statement in the application that much of the pertinent information called for in the rules, such as prices and profits, is a closely guarded secret of the various members of the industry and would have to be obtained by the Commission in confidence. In this connection, your attention is called to sections 207.3 (e) and 207.4 of the Commission's rules, which provide for the submission of confidential information in connection with the application. As is clearly evident from these rules, the confidential nature of information called for does not justify failure to furnish such information with the application.

In order to assist the applicant companies in supplying the necessary information we have prepared a form, copies of which are attached, which they may wish to use. Any information called for on the form which the applicants consider confidential may, if desired, be submitted in confidence by each of the applicants separately. It should be noted that section 207.4 of the rules provides that information submitted in confidence should be submitted on separate pages clearly marked "Confidential."

Sincerely yours,

DONN N. BENT, *Secretary.*

POPE, BALLARD & LOOS,
Washington 4, D. C., January 15, 1953.

Re withdrawal of application for investigation under section 7 with respect to safety pins.

Mr. DONN N. BENT,
Secretary, United States Tariff Commission,
Washington 25, D. C.

DEAR MR. BENT: We have your letter of December 31, 1952, concerning the above-named application and we regret very much that the Commission has decided to ignore the application on the ground that it "fails substantially to furnish information called for" and is "not properly filed" under the Commission's Rules of Practice and Procedure.

After a careful review of sections 6 and 7 of the Trade Agreements Extension Act of 1951 (under which this investigation was requested) and after a careful review of the Commission's rules, the applicants are confident that their application, as filed, did include all of the information properly required by the Commission's rules. More specifically, the applicants strongly feel that their application was "properly filed" within the meaning of procedural section 7 (a) of the Trade Agreements Extension Act of 1951, the pertinent part of which commands that: "* * * upon application of any interested party, the United States Tariff Commission shall promptly make an investigation and make a report thereon * * *." [Emphasis supplied.]

The applicants feel that their application was properly filed within the meaning of this mandate of Congress and that the action of the Commission in deciding to ignore the application as not properly filed was improper and not authorized by the statute.

Even though section 7 was designed and intended by Congress to set up the Commission's procedure under escape-clause investigations and even though the applicants are convinced that the Commission's rules cannot modify this congressional mandate that the Commission "shall promptly make an investigation," they wish to state that in their considered opinion their application was "properly filed" even within the would-be terms and provisions of the Commission's rules.

The application did submit all of the information required by such rules. Subparagraphs (a), (b), (c), and (d) of section 207.3 attempt to indicate the type of information which "shall" or "must" be included in an application and a review of the application will show that all such information was included therein. Your letter does not question this fact.

You cite subparagraph (e) of section 207.3 of the rules as indicating the type of information called for but which was not included in the application and you enclose a table indicating the desired additional information. A review of this subparagraph (e) will show that it only states that the additional information indicated therein and the information indicated on the table enclosed with your letter "should also be furnished with an application, to the extent that it is readily available to the applicant." [Emphasis supplied.] Thus, it is apparent that even the Commission's rules do not require that this information must be submitted with the application. Some of such additional information was included in the application and the balance of it was not and is not readily available to the applicants. Also such information could not possibly be put together in comparable and understandable form by the individual applicants prior to February 2 as required by the Commission's action. The application clearly indicated that such additional information was not readily available to the applicants but that it would be made available to Commission representatives by each individual applicant during the course of the investigation.

Furthermore, the applicants do not consider the information requested with respect to their production of other commodities as proper to be submitted to or even considered by the Commission within the terms or intent of sections 6 and 7. The applicants have not requested an investigation concerning any of the products they produce other than safety pins. Consequently, they do not consider it appropriate to submit to the Commission information concerning their operations with respect to such other commodities (which differ from applicant to applicant). They consider themselves as representative of the overwhelming majority (90 percent of the "domestic industry" producing safety pins which are like and directly competitive with imported safety pins within the meaning of sections 6 and 7. As to their production of other products, which varies from company to company, they do not consider themselves as constituting a "domestic industry" within the meaning of said statute. Consequently, each individual applicant does not consider any information with respect to their production of other products as being material or relevant to the issue involved in the requested investigation. They also feel that it would be improper for the Tariff Commission even to consider any such information. They feel that the sole question involved in a section 7 investigation would be the effect of imported safety pins upon the American producers, capital, and laborers employed in the production of safety pins without regard to other income they might have or other products they might produce.

In view of these basic differences in interpretation of sections 6 and 7 and concerning the propriety of the Commission's rules to such extent as they may differ from the statute, the application is hereby withdrawn in accordance with rule 201.8 (d).

In view of section 201.10 of the Commission's rules concerning public notices and since the Commission does not consider this application as "properly filed," it is assumed that the Commission has made no public notice of the receipt of this application and that its contents have not been discussed with any parties outside of the Commission. Since there is to be no investigation, the applicants are extremely anxious that the information contained in the application be kept strictly confidential. Consequently, it is hereby requested that all copies of the application be returned until such time as the applicants may decide to reapply for an investigation.

Within a few days the undersigned will drop by your office to pick up the application.

Very truly yours,

JOHN BRECKENRIDGE,

Attorney for DeLong Hook & Eye Co., Philadelphia, Pa.; Oakville Co. Division of the Scoville Manufacturing Co., Oakville, Conn.; William Prym, Inc., Dayville, Conn.; Risdon Manufacturing Co., Naugatuck, Conn.

Mr. SADIAK. I wonder if Mr. Breckenridge would tell us in effect what he told them.

Mr. BRECKENRIDGE. I am going to, sir.

In effect the Commission said, We do not consider your application properly filed, and if you do not file certain information by a certain date—I think they said February 1—we will not make an investigation.

The principal portion of the information they wanted was information as to the production, of the four companies who produce safety pins and other products, of other products, the amount of their employment on other products, and the amount of their income and profits on products other than safety pins. We felt that such information was not pertinent to an investigation with respect to safety pins and consequently we stated in our letter to the Commission that we felt that they had ignored the law, which very clearly says that the Tariff Commission shall make investigation upon application of any party. We stated that we would not submit information concerning our production on other products because we did not consider that pertinent to the investigation on safety pins.

From that date on, nothing further has happened.

Mr. SIMPSON. You never did give them the information, then, about the other products?

Mr. BRECKENRIDGE. No, sir.

Mr. SIMPSON. And you never got any relief or any further consideration?

Mr. BRECKENRIDGE. No, sir.

Mr. SIMPSON. So whatever the effect of the tariff revisions has been on safety pins, you never even got consideration even though you requested it in accordance with the law?

Mr. BRECKENRIDGE. We did not even get our day in court, so to speak.

I have here a copy of a letter that I wrote to Mr. Reed, the chairman of this committee, concerning our experience with the Commission, and I would like to insert that in the record.

The CHAIRMAN. Without objection it is so ordered.

(The material referred to follows:)

POPE BALLARD & LOOS,
Washington 4, D. C., March 9, 1953.

Re Tariff Commission again ignoring law and denying American producers their day in court under section 7 "escape clause" as illustrated by recent safety pin case.

HON. DANIEL A. REED,
Chairman, House Ways and Means Committee,
House Office Building, Washington, D. C.

MY DEAR CONGRESSMAN REED: As a member of the committee handling the Trade Agreements Extension Act and other tariff legislation I am sure that you will be interested in recent developments showing that the Tariff Commission has devised a new means of circumventing the letter of the law and the congressional intent as expressed in the "escape clause" contained in section 6 of the Trade Agreements Extension Act of 1951 and the investigation procedure prescribed by Congress in section 7 of said act.

As you will recall, in order to stop the Tariff Commission practice of ignoring applications and refusing to grant investigations of injury requested by American producers, the Congress, in the Trade Agreements Extension Act of 1951 wrote an "escape clause" into the Trade Agreements Act (sec. 6); and because the Congress did not trust the Tariff Commission and its past practices it specifically spelled out the investigation procedure in section 7 of said act in order to prevent the Commission's limiting the right of American producers to an investigation by rules of practice and procedure in conflict with the congressional policy.

Section 7 specifically provides that: " * * * upon application of any interested party the United States Tariff Commission shall promptly make an investigation and make a report thereon. * * *"

Since the congressional enactment of this procedural section 7 for escape-clause investigation, the Tariff Commission has improperly and illegally at-

tempted to limit and make conditional the American producers' right to an investigation by conflicting provisions contained in its rules of practice and procedure. The Tariff Commission is now proceeding to ignore applications for an investigation as not properly filed within the provisions and conditions of the Commission's rules of practice and procedure.

This unwarranted and illegal action of the Tariff Commission is very well illustrated by its recent action of December 31, 1952, in ignoring an application filed by the American safety-pin producers as not properly filed. At page 1951 of the Congressional Record of February 26, 1953, you will note a brief statement by Congressman Bailey, of West Virginia, the original author of the escape clause contained in the Trade Agreements Extension Act of 1951.

Congressman Bailey is rightfully indignant at this arbitrary manner in which the Tariff Commission is attempting to deny American producers their absolute right to an investigation and report of the facts when they feel that imports are causing or threatening to cause injury to their industry. A further statement by Congressman Bailey at page A1050 of the Congressional Record of March 2, 1953, further expresses his indignance at this arbitrary action of the Tariff Commission and includes a copy of the Tariff Commission's letter of December 31, 1952, addressed to the undersigned stating that they will ignore the safety-pin application as not properly filed and a copy of our letter, on behalf of the applicants, to the Tariff Commission calling attention to the fact that such action is illegal and unwarranted.

Enclosed is a copy of the table of contents and a copy of the summary of the safety-pin application (the balance of the application containing confidential information) from which I am confident you will agree that the safety-pin application could in no sense be considered as a frivolous complaint. I am also confident you will agree that the safety-pin application states a prima facie case of actual or threatened injury to the American producers of safety pins.

This action of the Tariff Commission in ignoring applications for investigation and denying American producers their day in court certainly emphasizes the fact that a majority of the present Commissioners are not in sympathy with the law or the intent of Congress. It again reemphasizes their long-standing willingness to ignore the law in obedience to the State Department free-trade policy.

In this connection it should be recalled that the Tariff Commission is a creature of Congress set up to exercise a legislative function and that the Commission is responsible to the Congress. The Tariff Commission is not an executive agency and it is not responsible to the executive branch of Government. Its loyalty is due to Congress and its Commissioners should be in sympathy with the pertinent laws of Congress.

These factors, we feel, vividly and boldly emphasize the extreme importance of the immediate appointment of Tariff Commissioners who are in sympathy with the law and who are willing to make an honest and conscientious effort to administer our tariff laws in accordance with the intent of Congress and without regard to the conflicting advice and policy of the State Department.

If the Congress agrees with the conflicting recommendations and policies of the past State Department officials, it should change the law to conform with those policies. On the other hand, if the Congress does not agree with the past free trade policies of the State Department, then it should take immediate and vigorous steps to assure the appointment of both Democrats and Republicans who are in sympathy with the laws of Congress and willing to administer them judicially and fairly. The constitutional obligation to make appointments on the advice (as well as consent) of the Senate should be even more compelling in case of appointments to agencies responsible to Congress than appointments to Cabinet posts responsible to the Executive.

Congress should no longer tolerate the repeal of their tariff and foreign-trade laws by interpretation and subterfuge. The Trade Agreements Extension Act of 1951 and other tariff legislation were enacted for the benefit of American producers. They must be interpreted liberally in favor of the American producers in order to carry out the intent of Congress. The burden of proof must be placed upon those opposing relief to the American producers, contrary to the past practice of the Tariff Commission. It has become abundantly clear that neither Republican nor Democratic free traders are willing to so administer the law and they should not be appointed to the Tariff Commission.

Another matter which this safety-pin case illustrates very vividly is the manner in which the Tariff Commission is interpreting away the rights of American producers by holding that the producers of safety pins, for example, do not con-

stitute an American industry within the meaning of sections 6 and 7 when those producers may produce other products or have income independent from that derived from their safety-pin production. This matter should be corrected and clarified in the Trade Agreements Extension bill which will soon be before your committee.

Very truly yours,

JOHN BRECKENRIDGE.

Mr. BRECKENRIDGE. We feel that that illustrates very vividly, first, that the Commission ignored the mandate that they shall at least investigate if an industry feels they have been injured by increased imports, and it indicates that they—a majority of the Commission—have very little intention of really carrying out the intent of Congress.

As to the second point, production and profits on other products, as you can read through all of the decisions of the Commission would make us ineligible for relief under the Commission's interpretation of the present law. This shows that even if you are forced out of business in the production of products affected by imports, if the industry is still making money on the production of other products, there is no injury within the meaning of the act as interpreted by the Commission.

Mr. SIMPSON. Do you agree with the testimony presented a few minutes ago that the bill now before us does not properly safeguard that situation?

Mr. BRECKENRIDGE. Congressman Simpson, I thought the bill as now written would take care of that situation. However, if the committee feels there is any doubt whatsoever, I think they should put in a clarifying phrase, something to the effect as suggested by Mr. Noonan. Short of that, I think the committee should very carefully spell out in their report on the bill what they intended by the change in the law.

Mr. SIMPSON. That is all I have.

The CHAIRMAN. Any further questions?

Mr. SADLACK. I have no questions, but I feel I am quite sympathetic with their problem and I would certainly like to help them.

My questioning was along the same line as Mr. Simpson's, especially the suggestion made by Mr. Noonan. It certainly applies here. I think we ought to have that worked out pretty well.

Mr. BRECKENRIDGE. Mr. Chairman, I had some more that I wanted to add to that concerning other phases of the bill with respect to this industry.

The CHAIRMAN. All right.

Mr. BRECKENRIDGE. Continuing on that same point, though, I think it is very significant that the present Chairman of the Commission, Commissioner Brossard, went into that point of what is an American industry very clearly in his dissenting opinion in the wood-screw case.

The CHAIRMAN. I remember that.

Mr. BRECKENRIDGE. He pointed out specifically that there was a considerable difference of opinion among the Commissioners and that the Congress should clarify that point. If it has not already been put in the record, I think it might be well to include in the record a copy of Commissioner Brossard's dissenting opinion in the wood-screw case.

The CHAIRMAN. Part of it is in there. I do not know whether it is all in there or not.

Mr. COOPER. I think it is all in there.

Mr. BRECKENRIDGE. That is fine.

Mr. BRECKENRIDGE. Another thing that concerns us very much in this industry is that it is a very small industry. There are only four companies producing safety pins, and they are very small relative to big mass-production industries like the automobile industry. We very much fear that relatively small industries of our kind must rely upon Congress for relief—that is, a clarification of the law so relief, if justified, can be obtained through the Tariff Commission.

If discretion is left in the White House on this matter which is a legislative function of controlling foreign trade, we feel that those who administer that discretion in the State Department would frequently say it does not make any difference whether we produce safety pins or not, and a thousand other commodities one could mention. They would be perfectly willing to sacrifice the safety-pin industry and other similar industries for some preconceived overall good of the world or national interest.

That is the reason we feel very strongly that the findings of the Commission should be made binding and any deviation from those findings should be authorized by Congress only.

The other provisions of the bill which are of extreme importance to this industry are:

Section 336 dealing with costs. That is section 9 in the Simpson bill. It would not change the law any but would strike out a sentence in the Trade Agreements Act which says section 336 shall not apply when a commodity is in a trade agreement.

That section authorizes an increase of tariffs up to 50 percent above the 1930 level if necessary to equalize the difference between foreign and domestic cost of production.

In addition to being legally ineffective on items in a trade agreement, since that sentence was put in the Trade Agreements Act, the Tariff Commission has treated section 336 as a dead letter. In most cases they have refused to investigate even in cases that are not included in a trade agreement.

I notice that the amendment in section 9 of the Simpson bill on section 336, however, does not make it mandatory for the Commission to make an investigation. I feel the committee should consider, being consistent with the procedure provided in escape clause and peril-point provisions, making it mandatory that the Commission shall investigate upon application of a domestic industry.

Section 337 is also very important. That deals with unfair-trade practices. That is in section 10 of the Simpson bill. There again, for many years the Tariff Commission has refused to make any investigations, and an industry is without effective relief even though the relief is provided for in the statute. We favor very much the Simpson provision making it mandatory that the Commission investigate and making the findings of the Commission final and binding.

The CHAIRMAN. May I ask this question: Do you favor all the provisions of the Simpson bill?

Mr. BRECKENRIDGE. This industry favors all of the provisions with the exception of section 13, dealing with specific commodities. On that section they are neither for nor against it because they do not feel they know enough of the facts surrounding petroleum.

The CHAIRMAN. Is that the only part?

Mr. BRECKENRIDGE. That is the only part of the bill that we are not in favor of, sir.

The CHAIRMAN. That being the case you would not need to specifically refer to each section that you are for. I am trying to save time. I do not want to foreclose you from making a complete explanation.

Mr. BRECKENRIDGE. In addition to that, I have a statement we have prepared in connection with the Antidumping Act which section 12 of the Simpson bill modifies by taking out the injury requirement. I have a statement here entitled "Legal Duties and Functions Under the Antidumping Act, 1921." That statement shows how, through the injury requirement, the Treasury Department has practically ignored the law entirely.

The CHAIRMAN. That point has been pretty thoroughly covered. You may insert that in the record.

(The material referred to follows:)

LEGAL DUTIES AND FUNCTIONS UNDER THE ANTIDUMPING ACT, 1921

(Prepared by Pope, Ballard & Loos; Karl D. Loos, John Breckinridge, John F. Donelan, attorneys, Washington, D. C., April 5, 1952)

I. STATUTORY BACKGROUND.

During the period after World War I, American producers and the domestic markets of the United States were seriously threatened by a flood of materials from foreign origins, offered in the United States at amounts considerably below fair value. The situation was thoroughly investigated by the Congress of the United States, which acted in a forthright manner by the enactment of the Antidumping Act, 1921, now found in title 19, section 160 to 173 of the United States Code.¹

The fundamental approach taken in this law was to offset these abnormally low prices. This unfair competition by foreign exporters was met by the imposition of a special duty equal in amount to the difference between fair value as defined and the price at which such goods were coming on the American market.

The two basic provisions in the Antidumping Act, 1921 are found in sections 160 and 161. The former provision is aimed at determining whether the prohibited type of dumping is occurring. The latter provision provides for the imposition of the special dumping duty when a dumping violation actually has been discovered.

Section 160 (a) provides for a dumping investigation in the following language:

"Whenever the Secretary of the Treasury (hereinafter called the 'Secretary'), after such investigation as he deems necessary, finds that an industry in the United States is being or *is likely to be injured*, or is prevented from being established, by reason of the importation into the United States of a class or kind of foreign merchandise, and that merchandise of such class or kind *is being sold or is likely to be sold in the United States or elsewhere at less than its fair value*, then he shall make such finding public to the extent he deems necessary, together with a description of the class or kind of merchandise to which it applies in such detail as may be necessary for the guidance of the appraising officers." [Emphasis added.]

The question naturally arises as to whether the Congress provided any machinery to cover the interim from or prior to the commencement of the investigation by the Secretary of the Treasury and the issuance of his finding. The draftsmen of the law were keenly aware that considerable harm could be done during such interim if dumped merchandise were allowed to pass into the United States without restriction. In consequence, section 160 (b) provides:

"Whenever, in the case of any imported merchandise of a class or kind as to which the Secretary has not so made public a finding, the appraiser or *person acting as appraiser* has reason to believe or suspect, from the invoice or other papers or *from information presented to him*, that the purchase price is less, or that the exporter's sale price is *less or likely to be less, than the foreign market value* (or, in the absence of such value, than the cost of production) he shall

¹ All statutory references herein are to the U. S. Code unless otherwise indicated.

forthwith, under regulations prescribed by the Secretary, notify the Secretary of such fact and withhold his appraisement report to the collector as to such merchandise until the further order of the Secretary, or until the Secretary has made public a finding as provided in subdivision (a) in regard to such merchandise." [Emphasis added.]

The Antidumping Act, 1921, then provides in section 161 for the assessment of a special dumping duty to offset the unfair competition of foreign exporters selling below fair value. The heart of section 161 is found in subsection (a), which provides:

"In the case of all imported merchandise, whether dutiable or free of duty, of a class or kind as to which the Secretary of the Treasury has made public a finding as provided in section 160 of this title, and as to which the appraiser or person acting as appraiser has made no appraisement report to the collector before such finding has been so made public, if the purchase price or the exporter's sale price is less than the foreign market value (or, in the absence of such value, than the cost of production) there shall be levied, collected, and paid, in addition to the duties imposed thereon by law, a special dumping duty in an amount equal to such difference."

A reading of the Antidumping Act, 1921, leaves no doubt but that Congress enacted this legislation to solve a particular and critical problem of American producers, and in passing this statute had accomplished its end. Judge Garrett, of the United States Court of Customs and Patent Appeals, commenting on this antidumping law, has observed:

"It is evident from the history of this legislation, as same appears of record, that Congress exercised great care in drafting and considering it. This antidumping law was an innovation in customs legislation" (*United States v. Central Vermont Railway Co.* (17 C. C. P. A. (Customs) 166, 179)).

II. PETITIONS OF THE CALIFORNIA ALMOND GROWERS EXCHANGE UNDER THE ANTIDUMPING ACT

A. Spanish almonds

On March 4, 1952, the California Almond Growers Exchange submitted a petition to the United States appraiser of merchandise at New York to issue notices of suspected dumping and notices of withheld appraisement reports with respect to almonds imported from Spain.

The petition set forth in considerable detail the basis of the exchange's complaint and was supplemented by additional data submitted in writing by the exchange on March 21, 1952.

Mr. John Breckinridge, as attorney for the California Almond Growers Exchange, personally conferred in New York with Deputy United States Appraiser of Merchandise Meyerson, and discussed in further detail the evidence, indicating a flagrant situation coming squarely under the ban of the Antidumping Act, 1921.

New York is the port of entry of approximately 90 percent of the almonds received in this country from Spain. It is the domestic market which absorbs more than 60 percent of American almond production. New York is therefore the principal area of competition between foreign and domestic almonds.

The deputy United States appraiser of merchandise at New York further advised Mr. Breckinridge that, upon orders from the Bureau of Customs at Washington, United States appraisers at the various ports of this country were no longer authorized to perform any functions under the Antidumping Act. It was indicated that, to the extent these functions and duties created and imposed by the act are presently being carried out, if at all, they are being performed at the Treasury Department in Washington.

B. Italian almonds

The California Almond Growers Exchange also many, many months ago, in June of 1951, filed a similar complaint against almonds of Italian origin. This petition demonstrated quite clearly another situation in violation of the Antidumping Act, 1921.

Over 9 months have elapsed since the filing of that petition and the California Almond Growers Exchange has not so much as received an acknowledgement.

It is common knowledge that there exists and has existed an oversupply of domestic almonds in terms of the needs of the American market. Recognizing this the Tariff Commission has imposed an additional 10-cent duty on foreign almonds. The marketing orders of the Department of Agriculture have directed that 25 percent of American almond production is surplus, to be diverted to noncompetitive channels such as oil or animal feed. As recently as March 26,

1952, the Federal Government announced its intention to subsidize over 7 million pounds of almonds to remove them from the oversupplied United States market. This additional diversion to oil or animal feed will cost this Government over \$2 million.

The Antidumping Act does not in any way affect the right of foreign exporters or American importers to bring in merchandise of foreign origin at their fair value. It is only the international unfair trade practice of "dumping" below fair value that is restricted.

III. THE FUNCTIONS AND DUTIES OF APPRAISERS UNDER THE ANTIDUMPING ACT ARE LEGALLY BINDING DESPITE EFFORTS OF THE BUREAU OF CUSTOMS TO CIRCUMVENT THE ACT

At the moment the operations of the Treasury Department in performing the duties and functions imposed by section 160 (b) of the Antidumping Act are a complete mystery.

Any explanation that the functions and duties of the appraisers or the persons acting as appraisers have been transferred to the Secretary of the Treasury under Reorganization Plan No. 26 of 1950, merely scratches the surface. On analysis it proves incorrect.

Section 1 of Reorganization Plan No. 26 of 1950 (5 U. S. C. 1332-15) provides: "Transfers of functions to the Secretary:

"(a) Except as otherwise provided in subsection (b) of this section, and subject to the provisions of subsection (c) of this section, there are hereby transferred to the Secretary of the Treasury all functions of all other officers of the Department of the Treasury and all functions of all agencies and employees of such Department."

Subsection (b) relates to functions of hearing examiners in the Department of the Treasury, insofar as they are affected by the Administrative Procedure Act, and functions vested in the Comptroller of the Currency. Subsection (c) relates to the status of the Coast Guard. Section 2 of Reorganization Plan No. 26 empowers the Secretary of the Treasury to delegate functions to any other officer, agency, or employee of the Department of the Treasury.

By Treasury Department Order No. 120, dated July 31, 1950, 15 Federal Register 6521, the Secretary of the Treasury redelegated such functions and duties to the persons who exercised them prior to the enactment of Reorganization Plan No. 26.

Treasury Department Order No. 120 is rather brief and states:

"By virtue of the authority vested in me by Reorganization Plan No. 26 of 1950, it is directed that officers, employees, and agencies of the Treasury Department shall continue to perform the functions they were authorized to perform immediately prior to the effective date of the reorganization plan, and authorized regulations and procedures in effect immediately prior to the effective date of the reorganization plan shall continue in effect until changed by the appropriate authority.

[SEAL]

JOHN W. SNYDER,
Secretary of the Treasury.

No change thereafter, in accordance with law, has been found.

There is no person at the port of New York who is performing the functions of appraiser under the Antidumping Act. It is unlikely that the Secretary of the Treasury himself is undertaking the duties personally in New York. All efforts by Mr. Breckinridge to determine from the Bureau of Customs who is in fact carrying on these duties have been rebuffed. Indeed, Mr. Breckinridge was told by the deputy United States appraiser that the regulations under the Antidumping Act had recently been amended, but the changes could not be revealed to the public because they were classified as "restricted material."

President Truman in his May 31, 1950, message to Congress transmitting Reorganization Plan No. 26, stated it was prepared pursuant to Reorganization Act of 1949.

Nowhere in Reorganization Plan No. 26 is there any language rescinding, modifying, superseding, or abolishing the functions of appraisers as set forth in section 160 (b) and section 161 of the Antidumping Act, 1921; the functions were merely transferred to the Secretary of the Treasury. As stated, Treasury Department Order No. 120 retransferred the functions back. No net change resulted.

It can be stated categorically that the duties and functions of appraisers under the Antidumping Act are still in effect. Reorganization Act of 1949, title 5, section 133z-7 provides in subsection (a) (1) :

"Any statute enacted, and any regulation or other action made, prescribed, issued, granted, or performed in respect of or by any agency or function affected by a reorganization under the provisions of sections 133z-133z-15 of this title, before the effective date of such reorganization, shall, except to the extent rescinded, modified, superseded, or made inapplicable by or under authority of law or by the abolition of a function, *have the same effect as if such reorganization had not been made*; but where any such statute, regulation, or other action has vested the function in the agency from which it is removed under the plan, such function shall, insofar as it is to be exercised after the plan becomes effective, be considered as vested in the agency under which the function is placed by the plan." [Emphasis added.]

This shows that beyond any doubt Reorganization Plan No. 26 did not abolish the duties of appraisers in appropriate cases of issuing notices of suspected dumping and of withholding appraisement reports, pursuant to the Antidumping Act.

This is entirely to be expected. It would be startling indeed if such carefully considered legislation as the Antidumping Act, 1921, were to be eviscerated and nullified by Reorganization Plan No. 26, which was in effect no more than a "housekeeping" enactment relating to a department of the executive branch of the Government.

IV. THE INVESTIGATION-FINDING PROCEEDING PROVIDED FOR IN THE ANTIDUMPING ACT CONSTITUTES RULEMAKING UNDER THE ADMINISTRATIVE PROCEDURE ACT

As was pointed out previously in this memorandum, under section 160 (a) of the Antidumping Act, whenever the Secretary of the Treasury finds upon investigation that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation into the United States of a class or kind of foreign merchandise, being sold or likely to be sold in the United States or elsewhere at less than its fair value, the Secretary must make a finding to that effect. Thereafter, special dumping duties must be imposed upon imports of the merchandise within the scope of such finding when sold below fair value.

This process is clearly within the term "rulemaking" as defined in title 5, section 1001 (c) of the Administrative Procedure Act :

"Rule' means the whole or any part of any agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy or to describe the organization, procedure, or practice requirements of any agency and includes the approval or prescription for the future of rates, wages, corporate or financial structures or reorganizations thereof, prices, facilities, appliances, services or allowances therefor or of valuations, costs, or accounting, or practices bearing upon any of the foregoing. 'Rule-making' means agency process for the formulation, amendment, or repeal of a rule."

Under section 160 (b) the Secretary of the Treasury in making his finding as to dumping is implementing law and policy under the Antidumping Act and is most certainly engaging in rule-making under the Administrative Procedure Act.

The Administrative Procedure Act further provides in section 1003 (d) :

"PETITIONS

"(d) Every agency shall accord any interested person the right to petition for the issuance, amendment, or repeal of a rule." [Emphasis added.]

The Administrative Procedure Act became law more than 5 years before the filing of the petition and complaint of the California Almond Growers Exchange against Italian almonds. The failure of the Department of the Treasury even to acknowledge the petition and the refusal of the Bureau of Customs to permit any discussion with personnel processing the petition reveal a contemptuous disregard of the right given to the California Almond Growers Exchange by section 1003 (d) above quoted.

The Treasury Department may contend that one of the exceptions to the provisions relating to rule-making is where a "foreign-affairs function" is involved. Let that objection be set aside once and for all. Senate Report No. 752 pertaining to the Administrative Procedure Act, issued by the 79th Congress, 1st session, at page 13 states :

"The phrase 'foreign-affairs functions,' used here and in some other provisions of the bill, is *not to be loosely interpreted* to mean any function extending beyond the borders of the United States but only those 'affairs' which so affect relations with other governments that, for example, public rule-making provision would clearly provoke definitely undesirable international consequences." [Emphasis added.]

Here, we are concerned in the final analysis with a situation at American ports of entry; action is taken pursuant to a statute enacted by Congress to protect domestic industry.

Both complaints of the exchange—the one against Italian almonds and that against Spanish almonds are properly before the Treasury Department as a matter of law. Under the Antidumping Act and under a program of conscientious enforcement of that law, the submission of such petitions and the information contained should be welcomed by the Secretary of the Treasury and his Department in the performance of their duties, not be resisted or ignored. The California Almond Growers Exchange, producing 70 percent of the almonds grown in the United States is an interested person in connection with what is in substance a petition for a rule relating to the dumping of foreign almonds in the United States under the Antidumping Act, 1921.

V. THE AMERICAN PUBLIC IS ENTITLED, PURSUANT TO THE ADMINISTRATIVE PROCEDURE ACT, TO KNOW THE PROCEDURES UNDER THE ANTIDUMPING ACT CURRENTLY EMPLOYED BY THE TREASURY DEPARTMENT

Chapter XII of the Customs Regulations of 1937 issued by the Bureau of Customs in the past set forth the "procedure under Antidumping Act." A study of chapter XII indicates that substantial duties were imposed upon the United States appraisers. Essentially the same provisions are found in the Code of Federal Regulations, title 19, sections 14.7 to 14.17.

Nevertheless, according to Deputy United States Appraiser Meyerson at New York, appraisers are not carrying out their functions under the Antidumping Act, on specific orders from the Bureau of Customs in Washington. The contention that pursuant to Reorganization Plan No. 26 the duties and functions of the United States appraisers are vested in the Secretary of the Treasury has previously been discussed and need not be reiterated. However, this point should be borne in mind. Repeated and persistent efforts by Mr. Breckinridge in behalf of the exchange to ascertain what procedures currently govern notices of suspected dumping and withholding of appraisement reports have been turned aside by the Bureau of Customs in Washington. The published regulations are not being followed; the regulations actually in use are concealed from American producers by an arbitrary administrative officialdom. The Treasury Department has shrouded this entire subject in an "iron curtain" of secrecy. The matters set forth in the Federal Register of July 19, 1951, 16 Federal Register 6964, are no answer to this fundamental objection. In describing the duties and functions of appraisers, the Antidumping Act is not even mentioned.

This directly and substantially affects American industry. There is nothing requiring secrecy; the very opposite is true—the public interest requires adequate information.

This curtain of secrecy is in direct conflict with section 1002 of the Administrative Procedure Act which states:

"Except to the extent that there is involved (1) any function of the United States requiring secrecy in the public interest or (a) any matter relating solely to the internal management of an agency:

"(a) Every agency shall separately state and *currently* publish in the Federal Register—

(1) descriptions of its central and field organization including delegations by the agency of final authority and the established places at which, and methods whereby, the public may secure information or make submittals or requests;

(2) *statements of the general course and method by which its functions are channeled and determined*, including the nature and requirements of all formal or informal procedures available as well as forms and instructions as to the scope and contents of all papers, reports, or examinations;

(3) *substantive rules adopted as authorized by law and statements of general policy or interpretations formulated and adopted by the agency for the guidance of the public*, but not rules addressed to and served upon named persons in accordance with law. No person shall in any manner be re-

quired to resort to organization or procedure not so published." [Emphasis added.]

It is obvious that the Congress here sought to keep the American public adequately informed as to the procedures of administrative agencies. The attitude and current practices of the Treasury Department, Bureau of Customs, under the Antidumping Act make a travesty of this provision.

The present situation is an intolerable one from the point of view of American industry threatened with injurious dumping of foreign merchandise. For the quasi-paralysis of the United States appraiser at New York and appraisers at other ports removes the protection to American industry normally afforded by the Antidumping Act, 1921. The present lack of any ascertainable procedure in use at the Treasury Department under the Antidumping Act has in effect resulted in a complete circumvention of the act.

VI. IN THE DETERMINATION OF THE AMOUNT OF SPECIAL DUMPING DUTIES THE TREASURY DEPARTMENT IS OBLIGED TO ADHERE TO THE STATUTORY STANDARD

In addition to inaction on the part of the Treasury Department there is another means whereby the purposes of the Antidumping Act may be frustrated. That is the use of an incorrect method of determining the amount of special dumping duty required pursuant to section 161 of the act. The language itself is clear. After the Secretary of the Treasury has made public a finding of dumping as provided in section 160 the appraiser or the person acting as appraiser determines the amount of the special dumping duty, namely, the difference between the purchase price or the exporter's sales price and the foreign market value.

In the instant case there is in Spain a substantial domestic market for almonds. How is foreign market value of Spanish almonds to be determined? This is covered in section 164, which provides:

"For the purposes of sections 160 to 171 of this title, the foreign market value of imported merchandise shall be the price, at the time of exportation of such merchandise to the United States, at which such or similar merchandise is sold or freely offered for sale to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade for home consumption * * * In the ascertainment of foreign market value for the purposes of said sections *no pretended sale or offer for sale, and no sale or offer for sale intended to establish a fictitious market, shall be taken into account.*" [Emphasis added.]

Wholesale prices in the ordinary course of trade for home consumption in the principal markets of Spain are the significant prices to be used in determining the special dumping duty, after the Secretary of the Treasury has found that dumping is taking place.

The foreign market value standard of measure must be used. The case of *J. H. Cottman & Co. v. United States* (20 C. O. P. A. (Customs) 344 (1932)) involved raw phosphate imported by J. H. Cottman & Co. from Casablanca, Morocco, at the port of Baltimore in 1927 and 1928. The merchandise had been exported by an agency of the Government of Morocco.

The Secretary of the Treasury had made a finding of dumping under the Antidumping Act. The United States appraiser had found the purchase price of the various importations of phosphate to range from \$4 to \$5 per ton and the foreign market values to range from \$7.52 to \$7.58 per ton on the date of exportation. A special dumping duty was imposed accordingly. The case reached the United States Court of Customs and Patent Appeals via the United States Customs Court. The appellate court concluded that the Customs Court below did not err and the judgment below against the importer was affirmed.

The detailed analysis by the Court of Customs and Patent Appeals as to the measure employed in assessing the special dumping duty leaves no doubt that the statutory language means what it says. The appraiser or person acting as appraiser under the Antidumping Act has very specific responsibilities which may not be supplanted by vague formulas or glittering generalities. Presiding Judge Graham in his opinion stated:

"It will be observed that several elements enter into a consideration of foreign-market value under said section 205. First, the merchandise or goods similar thereto must be *sold or freely offered for sale* to all purchasers. Second, the goods must be so sold or offered *in the ordinary course of trade*. Third, it must be so sold or offered *for home consumption*, or, in the alternative, for exportation to countries other than the United States" (p. 353).

The importer unsuccessfully sought to obtain a reversal of this decision, but the Supreme Court of the United States denied certiorari (289 U. S. 750 (1932)).

That the function of appraisement under the Antidumping Act is a very real and tangible one is also illustrated by another case, *O. J. Tower & Sons v. United States* (71 F. 2d 438 (C. C. P. A., Customs) (1934)). In this case an appraisement by the United States appraiser was rejected by the court because no valid appraisement of the goods in question, and no ascertainment of foreign market value or cost of production had in fact been made by the appraiser.

VII. THE POLICY OF THE ANTIDUMPING ACT MAY NOT BE DEFEATED BY THE USE OF UNREALISTIC, MANIPULATED RATES OF EXCHANGE IN THE CONVERSION OF FOREIGN CURRENCY IN ASSESSMENT OF SPECIAL DUMPING DUTIES

There are indications that the Treasury Department has an erroneous conception of the standard to be used in measuring the special dumping duties provided for by the Antidumping Act. As has been shown the basic standard is the foreign-market value of the foreign merchandise—the price at which such merchandise or similar merchandise is sold or freely offered for sale to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade for home consumption. In the instant case, the country involved would be Spain, which has a sizable domestic market in almonds.

The Spanish Government has been engaging in manipulation of the exchange rate between American dollars and Spanish pesetas. The present official rate of exchange is 10.95 pesetas per dollar. This is also the rate used in local transactions in Spain involving American dollars. However, in the case of certain commodities, and specifically in the case of almonds, the Spanish Government has been utilizing special, varying so-called export rates in which the number of Spanish pesetas per dollar is greatly increased when exportation of almonds is involved.

In other words, let us say that the official rate of exchange is in effect, and dumping is found in the case of almonds from Spain. The Spanish Government then increases the rate of exchange between pesetas and dollars, by a special export rate specifically applicable to almonds. By this purely mechanical currency manipulation, having nothing to do with the foreign market value of almonds in the ordinary course of trade within Spain, the special dumping duty could be avoided, if permitted. This would be done any time the occasion demanded, and the Antidumping Act could be twisted and turned with the changes by Spain in such special almond export rate. Congress intended no such absurd result. The reality is what counts.

Bearing in mind that under 19 United States Code 164 the foreign market value, that is the market value in the markets of Spain, is the significant test. Such artificial, changeable, fictitious special export rates on almonds must be rejected. The official United States-Spanish rate of exchange must be used, if the act is to achieve its manifest purpose.

The Treasury Department would apparently rely upon the case of *Barr v. United States* (324 U. S. 83 (1945)), as a basis for utilizing such special export rates which exist entirely at the whim of the Spanish Government.

With regard to this decision it is to be noted, first, the Antidumping Act was not involved in the *Barr* case, *supra*. A transaction entirely disconnected from the Antidumping Act was being considered, an ordinary duty assessment on goods paid for in British sterling bought on the free market from a New York bank. No special rate or rates of exchange created by foreign governments to frustrate the enforcement of a United States statute was before the court.

Secondly, the Tariff Act of 1930—not the Antidumping Act, 1921—was the governing statute. Mr. Justice Douglas, writing for the majority, indicated the importance of the policy embodied in a statute in determining cases under the statute. At page 92 he indicated that when it could be shown that the policy of the statute might be defeated or impaired, a different result from the one reached would have occurred.

Mr. Justice Frankfurter wrote a vigorous dissent, in which he was joined by Mr. Justice Black. (Mr. Justice Jackson did not participate in the consideration or decision of the case.) The primary concern of the dissenting justices was that the decision might be sweepingly applied in the delicate field of international finance. They realistically pointed out the unique characteristics of " * * * multiple rates for a single currency—with their effects upon the flow of goods

and upon international economic relations and the opportunities they afford for highly organized manipulations of exchange * * * (324 U. S. 83 at 97).

A reading of the Bar case indicates quite clearly that it does not go beyond its own special facts. In the case of the Antidumping Act, 1921 the paramount purpose of the law is to protect American producers from dumping. This could be completely frustrated by the manipulation of currency exchange by foreign governments. Hence, to paraphrase Mr. Justice Douglas, the artificial special export rates created by fiat of the Spanish Government would defeat the policy of the act.

The manipulations of the Spanish Government also come squarely within the ban of section 164 of title 19, excluding any sale or offer for sale intended to establish a "fictitious market" in the ascertainment of foreign market value.

VIII. ARBITRARY AND CAPRICIOUS ACTION OR FAILURE TO ACT BY THE TREASURY DEPARTMENT UNDER THE ANTIDUMPING ACT SUBJECT TO JUDICIAL CONTROL

It is recognized that the methods of investigation under section 160 (a) of the Antidumping Act to a considerable degree are left to the judgment of the Secretary of the Treasury. However, as was pointed out by the Court of Customs and Patent Appeals in the case of *United States v. Central Vermont Railway Co.* (17 C. C. P. A. (Customs) 166 at 172 (1929)), in making his investigation—

"* * * The Secretary of the Treasury is mandatorily required to make public a finding upon which dumping duties may be assessed, in a certain contingency, namely, when, after investigation, he finds that an industry in the United States is likely to be injured, or is prevented from being established by reason of the importation into the United States of a class or kind of foreign merchandise, and that merchandise of such class or kind is being sold or is likely to be sold in the United States or elsewhere at less than its fair value. If he finds such conditions to exist, he has no choice, but must promulgate the order. He has a broad and liberal discretion in the methods he shall adopt in finding his facts; he has no discretion after the facts are found. In finding the fair value of imported goods, he does no more than appraisers and collectors and ports have been doing for many years." [Emphasis added.]

Clearly, to the extent that the duties of the Secretary of the Treasury under the Antidumping Act are ministerial, the Secretary's actions are subject to judicial review under the Administrative Procedure Act (5 U. S. C. 1009).

The same applies with even greater force to the functions of appraisers or persons acting as appraisers under the Antidumping Act. The duty, in appropriate cases such as the current situation relating to foreign importation of almonds of issuing notices of suspected dumping and of withholding appraisement reports on such almonds, is mandatory.

The Administrative Procedure Act came into being after more than 10 years of careful study by the Congress of the United States. Its most fundamental purpose was to curb the arbitrary exercise of power and abuse of authority by Federal administrative agencies.

No longer may these administrative agencies run roughshod. As was stated by Circuit Judge Frank of the United States Court of Appeals for the Second Circuit in a case (under the immigration laws), *Mastrapasqua v. Shaughnessy* (180 F. 2d 999, 1002 (1950)):

"Courts have no power to review administrative discretion when it is a reasonably exercised * * * But, in appropriate circumstances, they can compel correction of an abuse of discretion or can compel an official to exercise discretion where he has obviously failed or refused to do so. * * * [Emphasis added.]

The failure of the Secretary of the Treasury even to acknowledge the petition filed under the Antidumping Act against the dumping of Italian almonds after the lapse of 9 months, the concealment presently existing as to the procedures being used by the Secretary of the Treasury and his Department under the act, and the intransigent refusal of representatives of the Bureau of Customs to permit representatives of the California Almond Growers Exchange even to discuss the matter with personnel charged with the handling of the case if indeed any action has been or is being taken, all combine to warrant the judicial sanction so effectively expressed by Judge Frank above.

IX. CONCLUSION

It is a disturbing situation when it strongly appears that a department of the executive branch of the Government is ignoring the statutory mandate of the Congress of the United States. It is the function of the executive branch of the

Government to enforce the laws of the United States, not to ignore them. The Antidumping Act is still a law upon the statute books of the United States which must be enforced. The "dumping" of Italian and Spanish almonds must be stopped, and the sanctions of the antidumping law applied now. The injury to American producers must be checked forthwith. We have not reached the stage in this country where acts of Congress are repealed by the executive branch of our Government. Congress has been ignored long enough.

The CHAIRMAN. Any other questions?

Mr. Cooper will inquire.

Mr. COOPER. Let me ask one question for information.

Did I understand you correctly to state that you were requested to present certain information to the Tariff Commission and declined to present it?

Mr. BRECKENRIDGE. No. The letter from the Commission said that we will treat your application as improperly filed and do nothing about it unless you submit the following information by February 1.

That information concerned the production, employment, and profits of companies with respect to products other than the one under investigation. We did not file it, and consequently no investigation was made. However, we had submitted complete information with respect to safety pins. In order that the committee can judge that for themselves, Mr. Dailey has offered to supply a complete copy of the application as filed with the Commission.

Mr. COOPER. The information requested by the Tariff Commission did not involve any trade secrets or any information that would injure your company by presenting it, did it?

Mr. BRECKENRIDGE. It involved information which we did not think relevant to the investigation on safety pins.

Mr. COOPER. That is not the question I asked you.

Mr. BRECKENRIDGE. It involved information which was confidential; yes. However, it could have been submitted on a confidential basis under the Commission's rules.

Mr. COOPER. The rules permit the submission of confidential information that is kept confidential; do they not?

Mr. BRECKENRIDGE. That is correct, Congressman Cooper.

Mr. COOPER. Thank you.

The CHAIRMAN. We thank you for your information.

Mr. BRECKENRIDGE. We thank you for the opportunity of appearing.

NEW YORK, N. Y., June 12, 1953.

Senator EUGENE MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building:

We are advised that no hearings will be held on first Simpson bill, H. R. 5495. Strongly urge that hearings be held by your committee before any action of any kind is taken on trade agreements extension bill.

PIN CLIP AND FASTENER ASSOCIATION,
H. WARNER DAILEY, Secretary.

CHICAGO, ILL., June 19, 1953.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Re your telegram June 10 reconsideration of H. R. 5495. We strongly urge that favorable consideration be given to retaining the provisions for a seven-man Tariff Commission.

GAERTNER SCIENTIFIC CORP.,
L. W. HIGGINS.

CHICAGO, ILL., June 18, 1953.

Senator EUGENE D. MILLIKIN,
*Chairman, Senate Finance Committee,
 Senate Office Building, Washington, D. C.:*

We strongly urge that hearings be held on H. R. 5495.

GAERTNER SCIENTIFIC CORP.

NEW YORK, N. Y., June 16, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Senate Finance Committee,
 Washington, D. C.:*

It is unfortunate that Senate Finance Committee will be unable to hold extended hearings on Simpson bill H. R. 5495. Our analysis of first Simpson bill indicates that its aims are wholly in accord with aims and desires of membership of our international union. From our understanding of the present situation it is unlikely that this ideal bill can pass. The second Simpson bill while not nearly as strong from our point of view will give us some measure of help. From today's paper we see that this second bill has now passed the House of Representatives. We urge that the United States Senate pass the new bill as it stands.

UNITED HATTERS, CAP AND MILLINERY WORKERS UNION.

UNITED HATTERS, CAP AND MILLINERY WORKERS INTERNATIONAL UNION,
 New York, N. Y., April 16, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Finance Committee,
 United States Senate, Washington, D. C.*

MY DEAR SENATOR: We understand that hearings will begin shortly on the proposed extension of the reciprocal trade agreements. Our organization would appreciate being heard on the subject in the course of the hearings. We should be grateful to you if you would let us know whether we might have that opportunity, and, if so, when.

Thanking you, I am
 Sincerely yours,

MARK LEWIS,
 General Secretary-Treasurer.

MAY 5, 1953.

Mr. J. HARRY LABEUM,
*President, Chamber of Commerce of Greater Philadelphia,
 Philadelphia, Pa.*

DEAR MR. LABEUM: Many thanks for your letter of April 30 in behalf of the Chamber of Commerce of Greater Philadelphia endorsing the President's request that the Trade Agreements Act be extended for a 1-year period without change.

You may be assured that your chamber's opposition to H. R. 4204 and any other bills which would reduce the President's authority under the Trade Agreements Act will be called to the attention of the members of the Senate Finance Committee.

I shall be pleased to make your letter a part of the printed record of any hearings we might hold on H. R. 4204.

With very best regards, I am
 Sincerely,

EUGENE D. MILLIKIN, *Chairman.*

CHAMBER OF COMMERCE OF GREATER PHILADELPHIA,
 Philadelphia, Pa., April 30, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Committee on Finance,
 Senate Office Building, Washington, D. C.*

DEAR CONGRESSMAN MILLIKIN: The Chamber of Commerce of Greater Philadelphia desires to be placed on record as strongly endorsing the President's request that the Reciprocal Trade Agreements Act be extended for a 1-year period

without change, and that during this period a comprehensive reexamination of our foreign-trade and economic policies be undertaken.

Since the inception of this legislation, our organization has consistently supported extension of the enabling act in a liberal form and with a full measure of discretionary power for the President to enter into trade agreements.

It is conceded that American exporters to date may not have benefited under the actual operation of our trade-agreements program to the extent they should and that improved and more realistic legislation in this field is needed. It is for this reason we advocate the study recommended by the President and believe that such legislation cannot properly be effected, lacking such a study.

It is our opinion that H. R. 4204, the so-called Simpson bill, does not represent improved legislation in this field; that it is extremely unrealistic and, if enacted, would represent a definite setback in efforts to build a strong foreign economic policy. This organization therefore voices its objection to the Simpson bill in particular and any other bills, including H. R. 2577, which would extend the Trade Agreements Act but with amendments further reducing the President's authority under the act and establishing import controls.

It is our request that this communication be incorporated in the official record of the hearings on H. R. 4204.

Very truly yours,

J. HARRY LABRUM, *President.*

MAY 9, 1953.

Mrs. ALFRED E. MUDGE,

Chairman, National Public Affairs Committee,

*Young Women's Christian Association of the United States of America,
600 Lexington Avenue, New York, N. Y.*

DEAR MRS. MUDGE: Senator George has referred to the Committee on Finance your letter of May 5 advocating a simple extension of the present Reciprocal Trade Agreements Act.

I shall be pleased to make your letter a part of the printed record whenever the Senate Finance Committee holds hearings on this subject, so that the views of the Young Women's Christian Association may be given every consideration.

Sincerely,

ELIZABETH B. SPRINGER, *Chief Clerk.*

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE
UNITED STATES OF AMERICA,
New York, N. Y., May 5, 1953.

Senator WALTER F. GEORGE,

Senate Finance Committee, Washington, D. C.

MY DEAR SENATOR GEORGE: The Young Women's Christian's Association urges renewal of the Reciprocal Trade Agreements Act for at least 1 year beginning in June 1953. We have supported this legislation since it was first introduced in 1934. We have emphasized the following points both in previous statements to the Congress and to our own membership: (1) Mutual reduction of artificial trade barriers and discriminatory practices promotes the exchange of goods; expanding multilateral trade helps each country achieve high levels of production and consumption; such good living standards are necessary for world political stability and peace. (2) The reciprocal-trade program, although never fully tested under normal conditions, has increased our trade with nations participating in it. (3) The purposes of the program are in line with the interests of YWCA members as consumers seeking high living standards, as workers needing a high level of production and employment, and as partners in a world movement of Christian women promoting peace with justice and better living conditions for all.

Extension of the act for 1 year will allow time to prepare longer range policies for international trade that will serve the interests of the United States as a whole and of the free world. Meanwhile, extension of the program without further restrictions would help promote the economic and political stability of other nations in the free world, especially in Western Europe. Only if they are able to sell goods to us will they be able to pay for needed imports and continue to play their full part in the defense of freedom. If they fail to obtain necessary

markets for their goods in the United States, they may find it economically difficult to resist attractive offers of trade with nations behind the Iron Curtain.

We are convinced, from study of the operation of the program, that adequate safeguards for legitimate domestic interests exist in the actual negotiation of tariff concessions, and that no additional procedures are necessary.

We hope that your committee and the Senate itself will act promptly to extend the reciprocal trade program. Will you kindly include this statement in the printed record of the hearings?

Sincerely yours,

MARJORIE R. MUDOE,
Mrs. Alfred E. Mudge,
Chairman, National Public Affairs Committee.

MAY 11, 1953.

Mr. J. M. BARR,
*President, United Aircraft Export Corp.,
East Hartford, Conn.*

DEAR MR. BARR: Many thanks for your letter of May 7 urging the non-approval of H. R. 4294 and the extension of the present Trade Agreements Act without amendment.

I appreciate this expression of your views and shall be pleased to make your letter a part of the printed record of any hearings held by the Senate Finance Committee on H. R. 4294, or similar bill, received from the House.

With very best regards, I am
Sincerely

EUGENE D. MILLIKIN, *Chairman.*

EAST HARTFORD, CONN., May 7, 1953.

The Honorable EUGENE D. MILLIKIN,
*Chairman, Finance Committee, United States Senate,
Washington, D. C.*

DEAR SENATOR MILLIKIN: This corporation is the foreign sales outlet for the several manufacturing divisions of United Aircraft Corp., whose products consist of Pratt & Whitney aircraft engines, Hamilton Standard propellers and aircraft accessories, Sikorsky helicopters, and Chance Vought aircraft. As such, we are vitally concerned with the creation and maintenance of firm markets for sales of these products in all foreign countries. To that end, we consider it essential that dollar-earning countries be permitted by all reasonable means to continue to be in a position to offer their goods in the United States market and thus to continue to earn dollars.

It is our understanding that H. R. 4294, which would make broad changes in the Trade Agreements Act, provides, among other things, for a limitation in the importation into the United States of crude oil and fuel oil. The proposed bill would limit the importation of crude oil in any calendar quarter to 10 percent and fuel oil to 5 percent of the domestic demand during the corresponding quarter of the previous year. Obviously, this limitation would drastically curtail the dollar-earning capabilities of countries exporting oil, with the result that in our particular business it would become very difficult for those countries to continue to purchase aeronautical equipment of United States manufacture. We therefore urge the nonapproval of H. R. 4294 and the extension of the present Trade Agreements Act without amendment.

We request that this letter be made a part of the record of proceedings of your committee on this bill.

Very truly yours,

UNITED AIRCRAFT EXPORT CORP.
J. M. BARR, *President.*

MAY 27, 1953.

The Honorable ROBERT A. TAFT,
United States Senate, Washington, D. C.

DEAR SENATOR TAFT: Thank you for your communication of May 22 attaching a letter from Mr. Wayne E. Kakela, executive manager, Toledo Chamber of Commerce, Chamber of Commerce Building, 248 Huron Street, Toledo 4, Ohio,

recommending support of a 1-year extension of the President's authority to enter into new trade agreements.

You may assure Mr. Kakela that I shall be pleased to make his letter in behalf of the World Trade Committee of the Toledo Chamber of Commerce a part of the printed record of any hearings which the Senate Finance Committee might hold on this subject.

With very best regards, I am
Sincerely,

EUGENE D. MILLIKIN, *Chairman.*

TOLEDO CHAMBER OF COMMERCE,
Toledo, Ohio, May 11, 1953.

HON. ROBERT A. TAFT,
*Member of Congress, Senate Office Building,
Washington 25, D. C.*

DEAR MR. TAFT: On the recommendation of our world trade committee, the executive committee of the board of trustees of the Toledo Chamber of Commerce, meeting on May 7, 1953, unanimously recommends support of the 1-year extension of the Trade Agreements Extension Act of 1951 without change as requested by President Eisenhower.

The prompt passage of a bill meeting the above requirement would, we are sure, have a powerful psychological effect on the free nations of the world as a practical demonstration of this country's intention to promote international economic cooperation.

We further urge that the following points, concerning the Reciprocal Trade Act, be given consideration in the proposed study of the entire foreign economic program:

I. Indefinite extension of the act: Indefinite extension of the act is recommended because the necessity of constantly having to reenact the legislation renders the program unstable. Long-range planning for operations in and outside the American market by businessmen both at home and abroad is difficult if not impossible under the present policy of renewing the act every few years.

II. Amendment of escape clause: Section 6A, the escape-clause provision of the Trade Agreements Extension Act of 1951, provides that "no reduction in any rate or duty * * * 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."

The only criterion or yardstick which this clause permits the Tariff Commission to use is whether the industry is suffering or threatened with serious injury. We believe it is necessary to broaden the interpretation of this clause to include the following points for consideration by the Tariff Commission in its efforts to determine "serious" injury to the domestic industry.

A. The magnitude of the problem. How many workers and how much capital are involved? What percentage of the Nation's labor force is affected?

B. The technological position of the industry. Has it lagged or been negligent in the improvement of product or production methods?

C. The adaptability of the industry. Can it shift production to less competitive products? Does the affected community offer alternative employment?

In addition to broadening the "serious injury" interpretation, the following factors should also be considered in any investigation by the Tariff Commission.

1. The probable effect of the proposed action upon our international relations. Will the country whose products are involved be forced to trade with Communist countries as a result of exclusion from the American market? What is the danger of retaliatory action against United States exports?

2. The probable effect of the proposed action on other American industries. How will industries which produce for export be affected as to the unit cost of their product and employment if their markets are curtailed as a result of retaliatory action and the inability of the foreign country to earn dollars with which to buy United States products?

3. The probable effect of the proposed action on the economic support of our national defense. Is the product of the industry involved so vital that domestic production should be maintained for reasons of self-sufficiency regardless of cost? What are the alternative sources of supply? Would it be better to consider a direct subsidy rather than impose further tariff restrictions?

4. The probable effect of the proposed action on the United States consumer. What will be the impact on the cost of living?

The Toledo Chamber of Commerce respectfully requests that this statement be included in the official record of the hearings.

Very truly yours,

WAYNE E. KAKELA,
Executive Manager.

STATEMENT OF JOHN J. CARR, VICE PRESIDENT, THE RISDON MANUFACTURING CO., NAUGATUCK, CONN., BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. CARR. Mr. Chairman, my name is John J. Carr, and I appear here today on behalf of the Risdon Manufacturing Co. of which I am vice president.

I think, Mr. Chairman, before I read this report I would just like to make my appearance clear in view of Mr. Dailey's appearance.

Mr. Dailey represented some other safety-pin manufacturing companies. We decided that we would appear separately, although we did appear on that application that Mr. Breckenridge mentioned as a safety-pin company.

I am going to talk pretty much on the same subject, and I wanted to make that point clear. The subject is of such vital importance to us that we felt compelled to make a separate appearance.

My company is located in Naugatuck, Conn. We manufacture safety pins and other small products made of metal and wire. In my statement today I am going to try to familiarize you with the adverse and destructive effects of excessive and unfair imports of safety pins from low-cost foreign countries. I do not wish to convey the idea that I am particularly well qualified to discuss in detail the law and its administration but I do feel that there are certain parts of the Simpson bill, H. R. 4294, which, if adopted, would make it possible for us and other manufacturers to receive relief. Up to the present date this relief has not been forthcoming.

I would like to give you the following brief statements regarding the safety-pin industry here in this country.

1. The American safety-pin industry is being seriously damaged by foreign competition.

2. Today popular types of packages of safety pins are being sold at 40 percent below our selling prices to our customers.

3. In addition, some of these packages contain as much as 18 percent more pins than our packages.

4. The selling prices of foreign-made pins are very substantially under our factory costs.

5. Wages paid in foreign countries for the making of these pins are about 35 cents to 40 cents per hour. We average about \$1.75 per hour.

6. American factories making safety pins maintain high working standards and pay wages comparable to other industries in their localities.

7. All of these companies, including our own, have very substantial capital investments in special automatic machinery.

8. It should be recognized that safety pins are very essential at all times for public health and sanitation.

9.. During war periods, when imports are not available, we manufacturers are called upon for maximum output, particularly for military use.

10. These peak requirements have resulted in our facilities being far in excess of the normal requirements of the United States market.

11. Our equipment is fully automatic as is the foreign-production equipment. The production efficiency is substantially the same both here and abroad.

12. Tariffs on safety pins have been reduced over the past years. In 1930 the duty was 35 percent. Today it is 22½ percent.

13. Imports of safety pins have increased tremendously in recent years. Before World War II they were less than 10 percent of American sales. They have recently gone as high as 25 percent and on bulk steel safety pins they have increased to as much as 35 percent of our sales.

14. All of this has had a tremendous adverse effect on our sales and naturally has compelled us to reduce our production and employment.

15. Our plant for some time has been working on reduced hours and the take-home pay of our employees has been sharply cut.

16. Many of these employees have been with us for many years—20 and 25 in some cases. Their life work has been in this type of manufacture and their future looks very dim.

17. All of this results in our being forced to sell today certain sizes of safety pins below our cost to meet this foreign competition.

18. If nothing is done to enable us to get relief, our company will be forced to close up their safety-pin division.

19. We do not fear fair competition—in fact, we welcome it—but with our wages being more than four times those of our foreign competitors plus many fringe benefits which we give, we are put in a completely uncompetitive position.

We have applied to the Tariff Commission for an investigation and relief under the escape clause. However, the Tariff Commission refused to even make an investigation of our case on the ground that the application was “not properly filed.”

In summing up our problem, it appears to us that the extension of the Trade Agreements Act as is would mean that we would have very little hope, if any, of getting this necessary relief.

We feel that Congressman Simpson's bill, H. R. 4294, would provide certain safety valves and stopgaps which would be very helpful to us in getting our case properly considered by the Tariff Commission.

To be more specific, we feel that a properly established Tariff Commission which is well qualified to thoroughly analyze our tariff problems should have the final say in establishing the various escapes and peril points.

We feel that this Commission was set up to be an agency of Congress. However, in the past, it is evident that their findings have been overruled by the executive branch of the Government.

H. R. 4294, in our opinion, covers this point amply and we sincerely hope that that portion of the bill will be adopted.

I thank you.

The CHAIRMAN. Does that complete your statement?

Are there any questions?

Mr. Sadlak will inquire.

Mr. SADLAK. I have no question, but it is manifest to me that thus far in these hearings we have had a constant parade of Connecticut industries and all relate an injury. I am looking forward to having one come before this committee before these hearings are concluded to show me what benefits Connecticut has reaped from the reciprocal trade agreements.

The CHAIRMAN. We thank you for your appearance and the information that you have given to the committee.

GLOVERSVILLE, N. Y., June 19, 1953.

Senator EUGENE D. MILLIKIN,
Senate Chamber:

Very satisfied to leave to your good judgment what ever action you deem advisable on H. R. 5495. Your consideration of testimony before Ways and Means Committee is good move and should reveal apprehension of many industries adversely affected by low-priced imports.

JAMES CASBY, Jr.,
Secretary, National Association Leather Glove Manufacturers.

GLOVERSVILLE, N. Y., June 19, 1953.

Senator EUGENE D. MILLIKIN,
Senate Chamber:

Would strongly urge immediate hearings be held before Senate takes action on trade-agreements bill. We feel situation is of such importance views of industry should be heard.

JAMES H. CASEY,
Secretary, National Association Leather Glove Manufacturers.

**STATEMENT OF JAMES H. CASEY, JR., EXECUTIVE SECRETARY OF
THE NATIONAL ASSOCIATION OF LEATHER GLOVE MANUFACTURERS,
INC., GLOVERSVILLE, N. Y., SUBMITTED TO THE HOUSE COMMITTEE
ON WAYS AND MEANS**

Gentlemen, I am appearing here today on behalf of the members of the National Association of Leather Glove Manufacturers, Inc., and, in addition, am representing other manufacturers in the industry who are not members of the association, but whom we have permission to represent.

Our membership is national in scope; and, although the principal manufacturing areas are in the States of New York, Wisconsin, and Illinois, we do have members in several other States.

The unions representing the glove industry are familiar with the written statement that we are going to submit to your committee and have given to our statement their wholehearted approval. Their letters of approval are included with this statement.

The case of the glove manufacturers could not be presented before your committee without calling to your attention the fact that in upstate New York, in the county of Fulton, we have the largest concentration of glove manufacturers in the world. It was here that the industry started over 200 years ago, and it has retained its leadership in fine glove production since that time.

We also have as associate members in our organization most of the tanners of glove leather, who, for the most part, are solely dependent on the operations and success of the leather glove industry. These tanneries are mainly located in Fulton County, New York State; and I mention this to give you an idea of how closely the economy of this community is interwoven with that of the leather glove industry.

As manufacturers, there are several problems that concern us with foreign trade, all of which will be affected by the present bill, H. R. 4294; and we want to call the pertinent facts which affect us in this resolution to your attention.

First, we want to state that the manufacture of leather gloves is a handcraft industry, and at the same time, point out that a handcraft industry should not be confused with an inefficient one, any more than you would call the work of any great artist who paints or sculptures by hand inefficient.

Our product is made from the skins of animals, which vary in size, texture, and weight, just as it does on the human body. For this reason, every skin must be handled as a separate item and individually cut.

Our men are trained under the authorization of the Apprenticeship Division of the United States Department of Labor and are given 2 years of training before they are permitted to work on their own as master cutters. This is pointed out to give you an idea of the skill a man must have before he is able to become a full-fledged glove cutter.

Our women workers, who are the only mechanized group in the industry, are highly adept in the sewing operations on gloves and have spent many tedious months in developing their respective skills.

It must be obvious to you gentlemen that an industry so handcraft in its nature has a correspondingly high labor cost that makes us very vulnerable to low European labor rates. In the glove-producing areas in Europe, labor rates average about one-fourth of ours; and it is to this type of competition, costwise, that we are most vulnerable.

A serious problem facing us at this minute is the ages of glove workers in the industry, and it is very doubtful if we are going to be able to attract younger people to this industry if their wages must be depressed by imported merchandise produced at a considerably lower rate than that needed for our American standards.

The American leather glove industry should not be here today defending the present House bill and asking for the mere strengthening of the various clauses contained therein, but should be actually insisting that the tariff cuts that have been forced upon the industry since 1936 be restored. The spread in labor rates between this country and Europe is increasing yearly; and, with ever-increasing demands for social benefits, our problem becomes more acute as the years go by.

Leather glove manufacturers are by no means isolationists or high-tariff protectionists, but rather businessmen who operate in all world markets. With the exception of a small amount of native deerskin and some domestic sheepskin, glove manufacturers purchase all of their skins from Europe and Latin American countries. Our annual contribution to international trade is considerable. In addition to this, we do purchase finished leathers from foreign countries which are also used in the manufacture of gloves.

It goes without saying that, if foreign gloves are permitted to come into this country without protection of a strong tariff, the raw material markets now enjoyed by Europe and South America will be lost to them.

Our need is for an equalization in labor rates. Stylewise and qualitywise, we will take our chances.

In urging upon you the strengthening of section 303 of the Tariff Act, namely, that covering countervailing duties, we would like to call to your attention the quandary that our Treasury Department has from time to time found itself in.

In a French publication, *La Halle Aux Cuir*, it was announced that the French Government would aid certain industries in the developing of an export market. The glove industry was among those selected. It was stated that certain social taxes paid by manufacturers would be rebated to them in proportion to the amount of items they exported.

This information was passed on to the Treasury Department, Bureau of Customs; but, up to the present time, no action has been taken on this case. We feel, however, that it would have been had this section of the act been made mandatory on the Treasury Department.

Only this past month, as reported in the French glove magazine, *Ganterie*, the president of the Glove Association in France, which represents the various glove-producing areas, had this to say: "The French glove-making industry is appreciative of the fact that our government has recognized our problem and has not forgotten us in the measures adopted." He states that the reimbursement of social charges now given to the glove manufacturers in France should be made on a quarterly basis, inasmuch as their budgets are not sufficiently strong to keep them waiting too many months.

In other words, the practice that we have been complaining about to the Treasury Department has been publicly acknowledged by the French Government and the glove industry at large, and it does not seem necessary that further proof should be needed. Yet our Treasury Department remains in a quandary as to whether the refund is a mere remission of internal taxes or a rebate.

We would, therefore, suggest to you that this section be strengthened, and if ambiguous to the Treasury Department, be well spelled out by Congress, so there will be no misunderstanding as to whether countervailing duties should

or should not be added. It is up to the Members of Congress to write the act and prevent undue injustice to the domestic producer and to American labor, and at the same time, to make sure that our Government is not defrauded of customs duties to which it is entitled.

A second situation arose in July of 1952, and we notified the Treasury Department that the French Government was granting a bounty to French glove exporters by permitting a more favorable rate of exchange than the official rate and the one established by the International Monetary Fund. The law again provides that a countervailing duty should be assessed if, through currency manipulation, a grant or bounty is given to an exporter.

The Treasury Department, Bureau of Customs, officially recognized this practice in a letter dated July 10, 1952, which said:

"Further reference is made to your telegram of January 4, 1952, relative to an alleged grant or bounty conferred by the French Government upon glove exporters.

"According to official information received by the Bureau, the French Government has not, since approximately February of this year, issued any new authorizations for the export of gloves under the arrangement which made possible for the French exporter of gloves a more favorable rate of exchange than the official rate. Since the arrangement is reported to be no longer in effect, the matter will be considered closed unless you have a further interest in it."

Here again, we feel that an illegal practice was going on, and yet no action was taken. It is these practices on the part of foreign governments which give us trouble and circumvent any rate of duty that might be established.

We have heard much in the past of the word "reciprocity." Let me call your attention to Women's Wear Daily, which, in its issue of June 6, 1952, stated on the front page: "The French Government's Commission on Economic Affairs has appealed to high government authorities to forbid imports of all types of clothing from all sources." It was this same group which stated that American glove producers should look upon French glove manufacturers as colleagues and advocate the abolition of all tariffs. In other words, reciprocity is practiced, providing that we in the domestic industry open our markets to them, while our merchandise is eliminated from theirs.

One of our leading glove importers in a statement to the press which appeared in Women's Wear Daily on Friday, April 10, 1953, said: "French gloves have been an aid rather than a hindrance to the sale of domestic products." Continuing, he states: "The type of gloves produced in European countries is not competitive with domestic production." If any statement was ever made that is contrary to the true story, that is it.

It must be acknowledged that any hand covering, regardless of the type or kind, is competitive with any other kind; but of more importance is the fact that their gloves are definitely competitive with those produced by the American leather-glove industry. It is true that France and Italy may develop a novelty type of glove with a little different styling or ornamentation than we might make here; but that is a style factor and one in which there is a recognized limited volume. It is our staple merchandise that we are most concerned with, and it is here that we find our greatest competition.

In the report made by the French Glove Manufacturing Mission to the United States, published in October 1951, the head of one of the trade associations for the glove industry in France had this to say: "France brings its American friends the tradition, the chic and elegance of its models, and America should bring to France its manufacturing methods, its material, and the quality of its production."

I am inclined to believe that the contribution made by the French glove manufacturers will only be, as they call it, "chic and elegance." It is acknowledged the world over that American leathers today are beautiful. They rank with the finest in the world, and our research and development in America has produced leather surpassed by none; yet we must constantly listen to the nonsense that we are not competitive with European items.

The same importer who made the statement that "imports help the domestic industry" found them so helpful that he sold his factory in Gloversville, N. Y., and has become an importer. Surely, if there were any basis for the argument that imports help the domestic industry, his factory would be going today in Gloversville, N. Y., in the county of Fulton.

As they modestly admit the "elegance" of the French glove, it would seem that at least they would price their merchandise competitively with the domestic producer, and not always try to underprice them in the domestic market.

Gloves which are so elegant and chic as we have been told should be able to sell on their own merits, which would mean that the French glove would not have to land in this country \$2 or \$3 below the price of the domestic producer. Yet the fact remains that American producers are constantly undersold by imports and, in order to remain in the market, have to meet these low European prices. Gloves which are considered so elegant in the minds of importers should be priced right; and labor in foreign countries should be paid a sufficient sum to give them purchasing power and not at the level at which wage rates are established today, with the obvious result of preventing labor in this country from making the gains it rightfully deserves.

We would like to point out to the committee that many French glove manufacturers sell directly to retailers; and here we find large, well-financed stores buying directly from manufacturers, thereby causing an even greater strain in the domestic market. The profit of legitimate importers is eliminated, the cost of distribution the domestic manufacturer must bear is eliminated, and it is very doubtful if the consumer enjoys any of the savings. The importer is undersold, and the domestic manufacturer is placed in an untenable position price-wise.

This committee will hear from such organizations as the National Retail Dry Goods Association, the National Council of Importers, and many others, asking for either a reduction in tariffs or complete abolition of tariffs; and they attempt to back up their requests by stating that such is in the interests of international trade.

Such thinking is not consistent with good planning, and such a program should not be looked upon as a cure for all international ills. The point has already been given too much publicity, and has created false hopes in the minds of many.

Last year before the Senate Finance Committee, the National Retail Dry Goods Association opposed the \$10 customs limit outlined in the customs simplification bill, and referred to those who would permit merchandise to be shipped into this country up to and including \$10 duty-free as "international do-gooders."

Unquestionably the retailers were correct in stating that the foreign mail-order competition they would receive would be very harmful. This same group must also realize that constant reductions in tariffs only tend to accomplish the same thing, and would affect them adversely.

We certainly would not want to let this opportunity pass without calling to your attention the fact that this industry is one required to produce handwear for our Armed Forces. I don't know if you gentlemen realize it or not, but it takes a very experienced industry to produce the type of equipment needed for the military throughout the world, and only those experienced in the industry's operations are qualified to meet these requirements. To disrupt an industry which is currently being called upon to produce for the armed services seems preposterous at this time. Only too well do we all know the uselessness of a combat man with frozen hands.

Before we come to the significant points of H. R. 4294, let me caution the committee that, under our so-called program of reciprocity, a reduction in the tariff seldom benefits the country with which negotiations take place. We can point to examples of tariff reduction made with France and England and, at the same time, show that neither country benefited by the reductions.

As a matter of record, in 1935, 1936, and 1937—in fact, until Czechoslovakia was taken over by Russia—it was able to drive every other foreign country out of the domestic glove market, the reason being their low cost of operation. When you favor such a program, you merely give a monopoly to the low-cost producing country.

It is our recommendation—

1. That the trade agreements extension bill be continued for a period of 1 year.
2. That the Tariff Commission, in making its peril-point findings, should be guided by Congress, and, instead of saying "serious injury to the domestic industry producing a like or competitive article," should add to the new test the effect on employment and injury to American workers.
3. The peril-point amendment, as reported by the Tariff Commission, should be made mandatory upon the President.
4. The escape-clause procedure is cumbersome and awkward, as well as being too slow. We recommend that the Tariff Commission be required to report within 6 months its findings.

5. That section 303 be rewritten in its entirety and clearly spell out to the Treasury Department its obligations and duties with respect to bounties, grants, currency manipulation, and any other practice which might tend to circumvent the existing rates.

For myself and the glove manufacturers of the United States, I thank you.

CARACAS, VENEZUELA, June 15, 1953.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.:

Reference your cable June 13, also due time factor impossible for our written observation regarding Simpson bill H. R. 5495 to reach Washington by June 17. Our objections particularly as regards disastrous effect proposed legislation restricting importation Venezuelan oil into United States.

Included in Joseph W. Foss testimony on H. R. 4204 before House Ways and Means Committee May 13, consequently we recommend this testimony from records Ways and Means hearings be brought to attention of Senate Finance Committee considering H. R. 5495 as summary of our position.

AMERICAN CHAMBER OF COMMERCE, CARACAS, VENEZUELA.
GEORGE SPIERS, Executive Vice President.

CARACAS, VENEZUELA, April 21, 1953.

HON. EUGENE MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.:

The American Chamber of Commerce of Venezuela respectfully request that it be permitted to testify at the hearings of your committee which we understand will commence shortly, regarding legislation aimed at restricting imports of oil into the United States. This chamber represents the majority of American businessmen in Venezuela and is anxious to present its point of view on this vital problem. Kindly cable reply to American Chamber of Commerce, Caracas, Venezuela.

J. J. REYNOLDS, Secretary.

STATEMENT OF JOSEPH W. FOSS, REPRESENTING THE AMERICAN CHAMBER OF COMMERCE OF VENEZUELA, CARACAS, VENEZUELA, BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. Foss. Joseph W. Foss, Caracas, Venezuela.

On behalf of the American Chamber of Commerce of Venezuela, I would like to thank the chairman and members of the Ways and Means Committee of the House of Representatives for the privilege of appearing before your committee.

My name is Joseph W. Foss. I am an American citizen born in the State of New Mexico, and have been engaged in international commerce for the past 20 years, most of these in Latin America, and during the past 4 years I have represented American interests in Venezuela. I am managing director of a manufacturing and distributing company, operating with American capital and technical know-how, combined with Venezuelan capital and business experience, in a successful joint venture in manufacturing abroad. The company is known as "Cauchos General," and is an affiliate of the General Tire & Rubber Co., of Akron, Ohio.

I have come from Venezuela at the invitation of your committee in response to the cablegram from the American Chamber of Commerce there, in which we indicated our great concern regarding the effect of proposed legislation which would drastically restrict the importation of Venezuelan oil into the United States. I am appearing before your

committee as a representative of this chamber, an organization representing the majority of American business interests in Venezuela.

I have not included in my statement the following names, but I believe the committee will be interested in some affiliates of American companies who are members of our chamber. These are:

Abbott Laboratories; Alcoa Steamship Co.; American Can Co.; American International Underwriters; Celanese Corp.; Burrows; General Tire; Studebaker; George F. Driscoll; General Motors; Hartford Fire Insurance; Ford Motor Agencies; International Business Machines; International General Electric; Liquid Carbonic; McCann Ericsson; Otis Elevator; Pan American World Airways; Price Waterhouse; Procter & Gamble; Remington Rand; U. S. Rubber Co.; Sears, Roebuck; Sharp & Dohme; E. R. Squibb; United Merchants and Manufacturers; Union Bag Co.; Westinghouse; Arthur Young; Pan American Life; United States Life; and many others.

The American oil interests in Venezuela are presenting their views to your committee. I represent American businessmen in Venezuela not associated with the petroleum industry there, and our chamber has received no financial support from any of the oil companies. Nevertheless, since the entire economy of Venezuela and, consequently, the welfare of those promoting American business there, is dependent on this basic industry, our interests are also dependent on its welfare. Approximately 70 percent of the total Venezuelan Government income is derived directly or indirectly from the oil industry.

The American Chamber of Commerce of Venezuela summarized its official position regarding the proposed legislation in a letter dated April 14, 1953, addressed to your chairman. A copy of the letter is attached to this statement.

(The letter referred to follows:)

CAMARA DE COMERCIO
AMERICANA DE VENEZUELA,
Caracas, Venezuela, April 14, 1953.

HON. DANIEL A. REED,
Chairman, Ways and Means Committee,
Washington, D. C.

DEAR SIR: The American Chamber of Commerce of Venezuela wishes respectfully to direct the attention of the Ways and Means Committee of the House of Representatives of the United States of America to the disastrous consequences to United States businessmen and United States business interests in Venezuela and throughout Latin America which would result in the event of passage by the United States Congress of any of the many bills before your distinguished committee which contemplate the restriction of imports of crude petroleum and residual fuel oil into the United States.

Venezuela, as the fifth largest customer for United States export products in the Western Hemisphere, purchased approximately \$500 million worth of goods from the United States in 1952, and paid for them in dollars.

If the importance of residual fuel oil to the United States is restricted quarterly to 5 percent of United States consumption during the comparable quarter of the previous year as contemplated by the bills before your committee, Venezuelan imports to the United States of this commodity would be reduced from a current estimate of 380,000 barrels a day to approximately 75,000 barrels a day, with a resultant estimated loss of dollar income to Venezuela for the year of approximately \$342 million, or over three-fifths of the total value of her purchases from the United States last year. The loss of income to the Venezuelan Government would be in the neighborhood of \$148 million, or approximately 22 percent of estimated Government income for 1953.

Apart from the potentially disastrous dislocation of the Venezuelan economy by this unilateral action on the part of the United States which threatens the economic stability of one of our country's best customers, one of her staunchest friends, and one of her most strategic allies, American businessmen in Venezuela

will suffer severe financial losses, if not termination of their business operations in this country.

The problem of conservation of United States oil reserves is of vital interest to all Americans. The passage of any bill of this type would obviously accelerate the depletion of United States oil reserves.

Investments by United States business interests in Venezuela today are estimated at over \$3 billion. There are estimated to be working in Venezuela over 10,000 United States citizens. These investments and business activities of United States citizens have been fostered by the consistent favorable policies of the Venezuelan Government toward foreign capital and foreign business activities in Venezuela over many years and irrespective of the parties in charge of the Government. These investments and the opportunity to work and prosper in Venezuela, historically offered to United States citizens, will be seriously affected. In the United States, American farmers, manufacturers, and exporters will be faced with a serious loss of income from one of their best markets as a result of the restrictive measures forced upon the Venezuelan Government by the loss of dollar income.

Further, we feel the repercussions throughout Latin America and the world brought about by the apparent repudiation by our country of a bilateral trade agreement so recently concluded would constitute a serious blow to world confidence in our "good neighbor" policy and the principle of "trade not aid," and tend to make our friends in this hemisphere so disillusioned as to become prey to Communist propaganda and "hate America" campaigns which our enemies are all too ready to stir up with or without provocation.

These bills would seem to favor a relatively small but articulate sector of the United States economy at the expense of many other of our national economic, public, and diplomatic worldwide interests, and this organization of United States businessmen abroad is unanimously in favor of urging your committee against the recommendation of any reduction of United States oil and residual fuel oil imports from Venezuela.

Respectfully yours.

AMERICAN CHAMBER OF COMMERCE
OF VENEZUELA,
J. J. REYNOLDS, *Secretary.*

Mr. Foss. As a result of the activities of businessmen engaged in the importation and distribution of American products of all kinds, and those engaged in local manufacture in Venezuela, employing American machinery, raw materials, technical and business know-how, together with American or a combination of American and Venezuelan capital, Venezuela purchased over half a billion dollars of American products during the past year.

In addition to this one-half billion dollars of American products purchased by Venezuela, the unrestricted remittances of profits and dividends, and funds, resulting from associated services, such as banking, insurance, shipping, and so forth, amounted to some \$370 million last year. In other words, a total of approximately \$900 million of income to the United States results from trade with Venezuela.

(Tabulation on transfers of dollars from Venezuela to the United States follows:)

Invisible transfers of dollars from Venezuela to the United States

[In millions]

	1949	1950	1951	1952
1. Transportation and insurance	\$64.05	\$58.53	\$62.15	\$69.37
2. Remittance of American citizens.....	16.84	16.49	17.89	19.91
3. Expenses of Venezuelan travelers.....	17.08	25.53	27.74	30.87
4. Profits of American companies.....	161.68	218.16	232.34	245.73
5. Rental on movies.....	2.00	2.65	3.28	3.65
Total.....	261.65	321.36	343.40	369.53

Source: Data from Banco Central de Venezuela.

Mr. Foss. Total investments by United States business interests in Venezuela today are estimated at over \$3 billion.

We have compiled some statistics pertaining to the source of Venezuelan imports, by State, of the States of the United States. We think the committee will be interested in at least some of these items as to their source, as far as the States are concerned.

Foodstuffs and beverages for the 3-year period 1949 to 1951, annual average, \$72 million. These products came from the States of Iowa, Nebraska, Wisconsin, Kansas, California, Washington, Oregon, Texas, South Dakota, North Dakota, New York, and Florida.

As an example, dried milk from Wisconsin, California, Ohio, Michigan, Illinois, New York, Minnesota, Missouri, and Pennsylvania, purchased by Venezuela, amounted to over \$20 million in 1951.

Tobacco manufactures, over \$4 million yearly average—from North Carolina, Virginia, and Kentucky.

Textiles, \$38,400,000 annual average, from North Carolina, South Carolina, Massachusetts, New Hampshire, Alabama, Tennessee, Virginia, Maryland, and Georgia.

Lumber and paper, \$18 million annually, from Louisiana, Alabama, Oregon, Washington, and Texas.

Metals and manufactures, \$64 million annually—Pennsylvania, Ohio, Indiana, Maryland, New York, Wisconsin, Kentucky, Alabama, California, Arizona, Utah, Montana, and Connecticut.

Machinery and vehicles, \$175 million annual average, from New York, Ohio, Pennsylvania, Connecticut, Massachusetts, Illinois, Michigan, Iowa, Indiana, Wisconsin, Texas, and California.

Chemicals and related products, \$18 million annually, from Texas, Pennsylvania, New Jersey, Michigan, Massachusetts, and Indiana.

From the above, we see that Venezuela's major purchases of American products come from some 35 out of the 48 States of the Union.

At the present time there are approximately 25,000 American citizens living in Venezuela, dependent for their livelihood on American business activity in that country. This is one of the largest American communities outside of the United States. There are approximately 150 American firms operating in Venezuela, and hundreds of Venezuelan firms directly concerned in the importation, sale, or processing of American products.

It is pertinent to note that the development of this American business, in and with Venezuela, is an outstanding example of cooperative free enterprise between citizens of the two countries, and has been accomplished at no expense to the American taxpayer.

During some 20 years in Latin America, I have observed numerous instances of American business interests attempting to find a workable basis for participation in the development of various phases of the economies of these countries. More recently, as a resident of Venezuela, I have observed firsthand a successful example of such a formula, namely, rapid development and diversification of the economy, based on the sound development of her raw materials, primarily petroleum, accomplished by means of a working partnership between Venezuelan public and private interests on the one hand, and American capital and technical know-how on the other, and with mutually beneficial results. An even more recent example of this cooperation is the present rapid development of Venezuela's strategic iron-ore deposits.

Venezuela has consistently maintained the same fair and equal treatment for American business operations as for that of her own citizens. As a result of her progressive economic policy, it has not been necessary for her to resort to any appreciable international borrowing, either public or private, to develop her economy and, at present, she has no foreign debt. Her currency is one of the soundest in the world. She has resorted to no exchange restrictions or controls on remittances, and as a result American products have been purchased freely and paid for promptly.

Venezuela has proven herself as a friendly nation. She cooperated wholeheartedly with the United States during the war and supplied a large percentage of the petroleum needs of our Armed Forces without resorting to profiteering.

We have seen again recently, serious instances of the trend toward nationalization of strategic raw material resources in the face of restrictions, or differences of opinion between parties concerned, or merely as a result of a studied determined policy. Under present conditions of international tension, and the existing threat to world peace and the principles of democracy and free enterprise, everything possible should be done, particularly in our own hemisphere, to encourage those countries such as Venezuela who have consistently resisted this dangerous trend, and the ever-present Communist influence. United States legislation restricting the sale of Venezuela's basic products and drastically affecting her economy might conceivably compel her to modify her present sound economic program.

An interesting and significant sidelight on the development of favorable relations between the two countries is indicated by the statistics of the number of Venezuelan students now attending American schools and universities. Prior to the Second World War, the number was negligible, as most students were sent to Europe. In 1947, there were 200 to 250 Venezuelan students studying in the United States, and by 1952, the number had increased to over 3,000.

The United States and Venezuela are a symbol and an outstanding example to the world of a joint venture in development of economic relations between countries as a free enterprise and "trade, not aid." The basis for maintaining relations of this nature must be continued purchase of her basic products. The United States must continue as a buyer, as well as a seller, during periods of dislocation in the supply and demand for such products, as well as in times of extreme emergency and vital need, such as occurred during the Second World War and more recently in our defense program.

It has only been a short time since the United States was encouraging Venezuela to maximum effort to increase and assure continued supply of strategic raw materials. Venezuela's production of strategic raw materials cannot be decreased and increased arbitrarily, depending upon needs and wishes of the United States and other nations of the free world, without seriously disrupting her complete economy.

Now in Venezuela a new source of iron ore is in the process of being developed which promises to supplement rapidly depleting national reserves in the United States. It would, therefore, seem prudent foresight to avoid any legislation which might prejudice the orderly development of this source of vital raw material from a friendly close neighbor.

The American public may not yet be fully informed as to the consequences of the proposed restrictions, but this has become an issue of great public concern in Venezuela because it involves the disruption of the entire national economy. I cannot overstress the great interest of our sincere Venezuelan friends in the proposed restrictions.

All of our good neighbors to the south are anxiously waiting to see whether or not we are going to take disastrous action toward one of our best commercial friends and associates. They are also anxious to be assured by our action that participation of private American capital and economic cooperation through free enterprise does really pay off, as we profess it to do, in the development of the economies of our neighbors.

We are presented with the opportunity to prove or disprove this at the present time. If we take wrong action now, it will have drastic and far-reaching repercussions throughout the Western Hemisphere.

In August 1952, Venezuela and the United States signed a reciprocal trade agreement for their mutual benefit which was the result of a studied consideration of the two different economies. (The United States to supply finished goods and raw materials, and Venezuela to supply, in return, mainly iron and petroleum, which are her principal products.)

We must not—perhaps more correctly stated, it is our sincere feeling that we should not—pass legislation which will abrogate in fact or principle a trade agreement so recently signed in good faith, force Venezuela to modify her trading practices, oblige her to look elsewhere for her needs, and resort to the numerous trade and currency restrictions we have seen develop in other countries.

It is our strong recommendation that there be no legislation to impair the present excellent commercial relationship between the United States and Venezuela.

Mr. GOODWIN (presiding). Thank you very much, Mr. Foss, for that comprehensive and very admirable statement in behalf of the American chamber from Venezuela.

Mr. Foss. Thank you, Mr. Chairman.

DENVER, COLO., June 20, 1953.

HON. E. D. MILLIKIN,
Senate Office Building, Washington, D. C.:

My testimony on original Simpson bill is available in record of hearings before House Ways and Means Committee. With reference H. R. 5495 we strongly urge acceptance of proviso for appointment of seventh commissioner. It seems rather futile to leave matter in such shape, there are constantly recurring split decisions. In view of fact you do not contemplate hearings on H. R. 5495 and it does not contain some of provisions of original Simpson bill which we consider vital if we are to have anything like adequate protection for domestic industry, labor, and agriculture. We urge you to hold hearings on H. R. 5495 soon as House action makes it feasible.

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION,
By F. E. MOLLIN, *Executive Secretary.*

DENVER, COLO., June 11, 1953.

HON. EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.:

Since writing you, find there is keen interest in having record made before your committee on issues of the original Simpson bill. Our friends interested in tariff protection are fearful that if H. R. 5495 is slipped through quickly there

may be no further opportunity for full hearings on other important provisions of original bill. We hope you will find it possible to go into this whole matter before too long.

F. E. MOLLIN.

STATEMENT OF F. E. MOLLIN, EXECUTIVE SECRETARY, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION, DENVER, COLO., BEFORE THE HOUSE WAYS AND MEANS COMMITTEE

My name is F. E. Mollin. I am and have been, for more than 24 years, executive secretary of the American National Cattlemen's Association, with headquarters in Denver, Colo. Our membership is largely in the 17 Western States and in the Southern States of Georgia, Florida, Alabama, Louisiana, Mississippi, and Arkansas. This is the principal area in the United States where beef cattle are grown with grass as the principal feed. In addition, we have a considerable scattered membership among feeders in the irrigated valleys of the West and in various of the Corn Belt and Eastern States.

Our association has long maintained a policy relative to international trade favoring a reasonable degree of protection for American industry, labor, and agriculture. Our latest declaration of policy on this subject was resolution No. 2 adopted at our Kansas City convention on January 7, 1953, which I quote below:

"RESOLUTION NO. 2. WORLD TRADE

"Resolved, That the promotion of world trade should be on the basis of fair and equitable competition and must be done within the principle, long maintained, that foreign products produced by underpaid foreign labor shall not be admitted to our country on terms which endanger the living standards of the American workingman or the American farmer or stockman, or threaten serious financial injury to a domestic industry."

We are in accord with most of the provisions of H. R. 4294. We think the extension of the Reciprocal Trade Act, which expires June 12, should be limited to 1 year. There are such rapidly changing conditions in the world today that it is impossible to foresee important developments that may arise at any time.

We think it of the utmost importance that the provisions of the extension act for the protection of American industries, labor, and agriculture should be strengthened. We have no sympathy for those who advocate free trade, either as a manifestation of good will toward all, at the expense of Uncle Sam, or for the selfish purpose of encouraging greater imports of foreign products, either industrial or agricultural, in order that we may export more surplus products from this country. I see no gain to the United States in robbing Peter to pay Paul. Any legitimate increase in foreign trade on products that are not highly competitive should, of course, be encouraged. These free traders, however, who advocate acceptance of imported manufactured products, even to the extent of closing up domestic plants and putting thousands of laborers out of work and then suggest that every effort should be made to find them new jobs, are, in my opinion, not even entitled to be considered true Americans.

We favor the changes suggested in section 3, concerning the nature and extent of the injury to be considered by the Tariff Commission, in making its peril-point findings.

We strongly favor the provision in section 4, making it mandatory for the President to follow the peril-point recommendations of the Tariff Commission. It seems rather futile that the United States Tariff Commission should be asked to go to the trouble of determining the peril-point on every item being considered for concessions in the making of trade agreements, and then giving the Executive the power to completely ignore the recommendations of the Tariff Commission. Congress having surrendered its authority as the tariff maker for our Government, it seems to me that it is of the highest importance that its authority be delegated to an independent agency, such as the United States Tariff Commission, which would be free of political or other bias than to surrender it to the Chief Executive, who is constantly importuned by its own State Department to make concessions that may be in the interest of improving diplomatic relations, but totally without regard to the effect of such concession upon domestic industries, labor, or agriculture.

The same argument applies to the change in section 6; it makes it mandatory for the President to follow the escape clause recommendations of the Tariff Commission. We also favor the reduction of 6 months in the time given the

Tariff Commission to complete its study on any application made under the escape clause. In the administration of the reciprocal trade agreements it has seemed to us that the foreign party in the transaction has, in most cases, been given the favored treatment. As an example, we received, recently, a foreign agricultural circular, in which reference is made to the restoration of the quotas on imports of Canadian cattle into this country. These quotas have been in suspension since the beginning of World War II, until President Eisenhower proclaimed their restoration on March 2. The circular stated that the quota on cattle, weighing under 200 pounds, at the reduced rate of duty, was 200,000 head. The second Canadian trade agreement established this quota at 100,000 head. On inquiry as to when the 200,000 quota was established, I am advised that the "general agreement" on tariff and trade, signed at Geneva, October 30, 1947, and commonly referred to as GATT, replaced the 1939 agreement with Canada. The quota on cattle weighing more than 700 pounds is 400,000 head. These quotas are established on a basis that practically insures the movement into this country at the reduced tariff rates of all the cattle which Canada wishes to export. I see no occasion whatsoever for the increase in the quota of the cattle weighing less than 200 pounds from 100,000 head to 200,000 head. So far as I know, we have never received 100,000 head in any 1 year but our State Department is always willing to accommodate a foreign country which thinks that sometime in the future it might desire a larger quota. Under the present conditions these quotas are entirely meaningless.

We favor the provision in section 8 of the bill, to amend section 22, of the Agricultural Adjustment Act, which makes the acceptance of recommendations of the Tariff Commission mandatory upon the President and also reduces, by 6 months, the time given for action.

We also favor section 14, which would add 1 member to the Commission and thus avoid the strong possibility of a tie vote in the action of a 6-man commission.

Our industry, as I am sure you all know, has taken a severe licking in prices during the past 6 months. It seems almost unbelievable that such a tremendous price decline could occur in a period of general prosperity and with practically full employment at the highest wages ever paid anywhere.

We were probably spared even greater price reductions by the fact that imports from both Mexico and Canada, during the past year, were far below normal due to the fact that foot-and-mouth disease existed in each country for part of the year 1952, and hence imports of cattle or beef products were banned for that period. When fully normal conditions are restored in both those countries, we can expect a sharp increase in imports and very soon it may be necessary for our industry to appeal for restoration of tariff cuts previously made through application under the escape clause provisions of the act. Canada was responsible, last year, for the dumping into this country of approximately 60 million pounds of New Zealand beef. It came in largely in the month of August and the greater part of it was held in storage until our markets were already facing a demoralized condition due to heavy domestic slaughter. Then this New Zealand product was dumped, particularly, in certain cities in Ohio, to the great disadvantage of local producers, feeders, and slaughterers.

Despite the fact that imports of live cattle or dressed beef were barred from both Mexico and Canada during a large portion of the year 1952, the imports of dressed beef and various other classifications of beef products, as shown below, for the years 1951 and 1952 were quite substantial.

	1951	1952
Beef, fresh chilled or frozen:	<i>Pounds</i>	<i>Pounds</i>
Canada.....	74,437,000	1,202,000
Mexico.....		7,181,000
Dominican Republic.....	3,804,000	1,894,000
Ireland.....	8,195,000	9,236,000
New Zealand.....	28,000	60,698,000
Others.....	248,000	1,848,000
Total.....	86,714,000	71,971,000
Veal, fresh chilled or frozen:		
Canada.....	7,369,000	69,000
New Zealand.....	9,000	9,000
Mexico.....		20,000
Others.....		
Total.....	7,298,000	98,000
Canned Beef, Inc., corned:		
Mexico.....	3,603,000	3,370,000
Argentina.....	130,384,000	94,145,000
Brazil.....	3,185,000	3,127,000
Uruguay.....	15,737,000	15,789,000
Others.....	975,000	3,552,000
Total.....	153,904,000	119,983,000
Pickled and cured beef and veal:		
Mexico.....	42,749,000	45,920,000
Argentina.....	11,282,000	13,222,000
Uruguay.....	2,895,000	1,104,000
Others.....	3,167,000	268,000
Total.....	60,093,000	60,514,000
Subtotal.....	308,009,000	252,571,000
Boneless¹.....	11,189,000	27,500,000
Grand total.....	319,148,000	280,071,000

¹ Boneless beef classification under "other meats" not included in first totals above.

We are firmly convinced that the economy of this country will not stand any further major tariff reductions; instead the tendency should be, with bankruptcies and business failures on the increase, to give added protection to American industry, labor, and agriculture, and we solicit your earnest consideration in the final draft of this bill to that end.

WASHINGTON, D. C., June 20, 1953.

Mr. ERIC JOHNSTON,
President, Motion Picture Association of America, Inc.,
Washington 6, D. C.:

Your letter June 19 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Senate Committee on Finance.

MOTION PICTURE ASSOCIATION OF AMERICA, INC.,
Washington 6, D. C., June 19, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance, United States Senate,
Washington 25, D. C.

MY DEAR MR. CHAIRMAN: The Finance Committee's announcement that it will accept statements with respect to the bill (H. R. 5495) extending the Reciprocal Trade Agreements Act, now pending before it, prompts this letter. I testified on this legislation on May 19 last before the House Committee on Ways and Means and since that record is before your committee, I will not presume now to repeat that testimony.

As president of the Motion Picture Association of America, an organization representing the leading producers and distributors of American motion pictures throughout the world, I strongly endorse President Eisenhower's recom-

mendation that the Reciprocal Trade Agreements Act be extended for an additional year. I support also his suggestion that a special Commission be created to study foreign trade and make such additional legislative recommendations as may be deemed necessary or advisable. Pending such study and report, it appears to me inadvisable to make any changes in the Tariff Commission.

My experience as Chairman of the International Development Advisory Board and as a member of the Public Advisory Board for Mutual Security buttresses my views as a private businessman that in today's world freer trade is a keystone to world peace.

All of use realize that lowering trade barriers results in economic problems for some of our people. This is equally true of many types of adjustments continually required in a competitive economy. In the field of foreign trade we must face up boldly to these adjustments. Unless we do we shall never find the successful formula for our own well-being and security.

Strong and free governments all over the world are the end product of a prosperous citizenry. The more we can help such nations to develop their resources, the stronger the cement of democracy becomes. And the more that development is promoted by private economic enterprise—the fuller interchange of goods and services—the less the burden on our own taxpayers for grants, loans, aid, and even military assistance.

Sound trade policies which encourage the great reservoir of American risk capital and technical skills to invest in development programs abroad could be among the most prudent and economic steps for us to take.

The American motion-picture business firmly espouses freer trade. Proportionately, we are this Nation's largest export business. More than 40 percent of the revenues of our producing and distributing companies come from abroad. Nine out of ten motion pictures do not pay their way from exhibition in the domestic market. We must have foreign markets to survive.

And while we are the only film makers in the world not subsidized by government, we welcome the importation of foreign films for American exhibition. That competition has increased markedly in recent years, but we would have it no other way. We have our difficulties abroad—import restrictions on our product, blocked funds, currency conversions—which hamper our operations, but we would strenuously oppose such restrictions on foreign films coming here.

We think these are sound principles which inevitably will be to our benefit and I believe they merit wider application in our whole foreign-trade program.

It is my earnest conviction that the prompt renewal of the Trade Agreements Act without hampering restrictions is of major importance in our relations with the free world today. And I believe that the proposed survey of trade problems will prove fruitful in your consideration of this problem a year from now.

Sincerely yours,

ERIC JOHNSTON.

STATEMENT ON RECIPROCAL TRADE BY ERIC JOHNSTON

My name is Eric Johnston. I am president of the Motion Picture Association of America, 1600 I Street NW., Washington. I also serve as chairman of the International Development Advisory Board, and as a member of the Public Advisory Board for Mutual Security.

I come before your committee to urge enactment of President Eisenhower's request to extend the Reciprocal Trade Agreements Act for another year, as proposed in bills introduced by Representatives Keating, Cooper, Javits, Hyde, Frelinghuysen, and Ford.

I also strongly endorse the President's request that Congress set up a special commission to survey reciprocal trade agreements and other phases of foreign trade, and to make recommendations on future legislation.

I have appeared before your committee previously to advocate freer trade and I shall not impose on your time by rehashing earlier testimony.

I would like to take the liberty, however, of stressing two aspects of foreign trade policy on which I have firsthand experience.

The first relates to the underdeveloped areas. In the last few years I have traveled extensively throughout the world. Just recently I completed a trip through Ethiopia, Egypt, Saudi Arabia, Jordan, Syria, Lebanon and Israel that has strongly reinforced some of my previous impressions and observations.

We may preach democracy all over the world, but how can we expect it to take root and flourish in underdeveloped or feudalistic societies?

The greater the development of such regions, the greater the contribution they can make to the stabilization of free world economy and to our own na-

tional security and well-being. The more that development is promoted by private economic enterprise, the less will be the burden on our taxpayers.

Underdeveloped lands need tools, technicians, and investment. America is today the greatest reservoir of capital and technical skills. But how can our private entrepreneurs be expected to invest abroad if trade policies are adopted that would prevent them from realizing on their investments?

It is not from activities of unadulterated generosity that we ought to establish the kind of trade policies that would enable the people of less developed areas to become stronger economically.

Apart from the strategic materials and raw products which we need and which they have, they represent the markets for our new products and for those of our friends.

My second point relates to the American motion-picture industry, which makes an important social and economic impact on virtually every community of our Nation. It is commonly agreed that American films are the most effective medium for telling our story abroad.

However, few people are aware that, proportionately, the film industry conducts America's largest private export business. More than 40 percent, 42 percent last year, of the revenues of film producing and distributing companies come from abroad. Nine out of 10 American films do not recoup their cost in the domestic market. We must have foreign markets to survive.

A backward step in America's trade policies could seriously imperil the foreign markets for our films and thus threaten the very existence of the motion-picture industry.

Another striking fact about the motion-picture industry is that it is the only major film enterprise in the world that neither directly nor indirectly receives a Government subsidy. We want it that way.

Today, there are no restrictions on the import of foreign motion pictures into the United States and we are asking for none.

WASHINGTON, D. C., June 20, 1953.

MR. SHERLOCK DAVIS,
General Counsel, United States Cuban Sugar Council,
Washington 6, D. C.:

Your letter June 19 and accompanying statement will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance.

UNITED STATES CUBAN SUGAR COUNCIL,
Washington 6, D. C., June 19, 1953.

HON. EUGENE D. MILLIKIN,
United States Senate,
Washington 25, D. C.

DEAR SENATOR MILLIKIN: I am taking the liberty of sending you herewith a copy of the statement submitted by the United States Cuban Sugar Council to the Committee on Ways and Means of the United States House of Representatives, in which the council presents its reasons for favoring the extension of the Reciprocal Trade Agreements Act for 1 year, as recommended by President Eisenhower. A copy of this statement is also being sent to each member of the Committee on Finance, since it has been announced that the committee will not hold hearings on this matter.

Very truly yours,

SHERLOCK DAVIS, General Counsel.

STATEMENT OF SHERLOCK DAVIS, GENERAL COUNSEL, UNITED STATES CUBAN SUGAR COUNCIL, WASHINGTON, D. C., BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. DAVIS. My name is Sherlock Davis, and I am general counsel of the United States Cuban Sugar Council.

The United States Cuban Sugar Council, which I represent, is composed of a group of companies which own or operate sugar properties in Cuba, the stockholders of which are predominantly United States citizens. The securities of 11 of these companies are listed on securities exchanges in the United States, and their share are widely distributed among investors in this country. These companies account for approximately 40 percent of the total output of sugar in Cuba. The names of the companies are listed at the end of this statement.

RECIPROCAL TRADE AGREEMENTS ACT SHOULD BE EXTENDED

In former years, when the act has been before this committee for renewal, the United States Cuban Sugar Council has strongly urged the extension of the Reciprocal Trade Agreements Act for periods of at least 3 years. The council would favor a 3-year extension of the act at this time, but inasmuch as the President has recommended to the Congress a renewal for 1 year, pending completion of a reexamination of the economic foreign policy of the United States, the council supports the Presidential recommendation. The council believes that in extending the act it would be preferable to eliminate the peril-point and escape-clause provisions.

The council is strongly opposed to H. R. 4294 as introduced on March 30, 1953, because of the restrictions it would impose on the authority of the President, and the adverse effect we believe it would have on the foreign trade of the United States.

UNITED STATES-CUBAN EXPERIENCE DEMONSTRATES VALUE OF RECIPROCAL TRADE PROGRAM

The increase in volume of trade between the United States and Cuba since 1934, when the first agreement, that with Cuba, became effective provides a convincing demonstration of the value of the trade-agreements program.

In 1941, before this country became actively engaged in World War II, the value of United States exports to Cuba was about 177 percent above the 1934 figure. During the same period, the value of United States imports from Cuba increased about 129 percent.

In the 18 years from 1934 to 1952, the value of United States exports to Cuba multiplied 11 times, and the value of imports from Cuba more than 5 times. In 1952 United States exports to Cuba were valued at approximately \$516 million and imports from Cuba at \$438 million. The value of United States exports to Cuba exceeded that of imports from Cuba by \$52 million in 1950, \$124 million in 1951, and \$78 million in 1952.

These important increases in trade occurred in spite of the fact that during much of the 18-year period, United States imports of sugar from Cuba were restricted by quotas established by legislation dating from 1934. Trade with Cuba increased most rapidly from 1942 through 1947, when sugar quotas were suspended.

During this war period, United States consumers suffered from a shortage of sugar. In an effort to alleviate this shortage, the United States Government urgently requested increased production from growers in all areas supplying this market. Producers in Cuba were

the only ones to respond with a substantial increase. The large 1947 crop in Cuba was the major factor enabling the United States to end sugar rationing that year. The bulk of this crop was sold by Cuba to the United States at a price substantially below prices quoted for sugar sold to buyers from other countries.

Also, the larger sales of Cuban sugar in the United States from 1942 through 1947 increased Cuba's ability to buy from this country, and United States exports to Cuba increased substantially.

The volume of trade between the two countries has remained at a high level since quotas on sugar were reestablished in 1948. A major factor enabling Cubans to maintain this high level of purchases from the United States during the past 5 years has been the shipment to various countries in Europe and Asia of substantial quantities of Cuban sugar, which have been paid for with funds supplied by the United States through the Economic Cooperation Administration and other agencies. Since such transactions are generally expected to decrease in size, and ultimately disappear, the quantity of Cuban sugar permitted to enter the United States is likely to become of increasing importance in maintaining the level of this country's exports to Cuba.

INCREASED EXPORTS TO CUBA BENEFIT EVERY SECTION OF THE UNITED STATES

United States exports to Cuba cover a wide range of farm and factory products, one or more of which is produced in every section of this country. Products purchased by Cubans in large volume, and the increase in these purchases between 1934 and 1951 include:

Number of times United States exports to Cuba multiplied, 1934-51

Product:	
Rice	4,748
Fruits and vegetables.....	25
Lard	14
Wheat flour.....	3
Other foods and beverages.....	14
Machinery and vehicles.....	30
Rayon and other synthetic fibers.....	29
Chemicals and related products.....	13
Iron and steel products.....	9
Cotton manufacturers.....	3

In 1951, Cubans purchased about \$52,000,000 worth of United States rice, which amounted to approximately 20 percent of this country's production and more than half of its total rice exports. Nearly half the rice produced in the United States in 1951 was exported.

The Cuban market for rice is, therefore, of great importance to farmers in Louisiana, Texas, Arkansas, Mississippi, and California, where nearly all United States rice is grown. The farm value of rice in Louisiana exceeds that of sugarcane.

United States exports of machinery and vehicles to Cuba were valued at \$141,000,000 in 1951. Automobiles, trucks, and tractors were among the items in this group which the Cubans purchased in large quantities.

The sale of synthetic textile products to Cuba has also become of increasing importance to producers in this country. Cuban pur-

chases of \$21,000,000 worth of these products in 1951 were larger than those of any other country.

Some statistical tables and a chart showing the importance of United States trade with Cuba are attached to, and form a part of this statement.

CUBAN SUGAR ESSENTIAL TO UNITED STATES CONSUMERS

The value of United States imports from Cuba increased from about \$79,000,000 in 1934 to \$418,000,000 in 1951. Sugar has accounted for approximately three-fourths of this increase, rising in value from \$55,000,000 in 1934 to \$312,000,000 in 1951. The quantity of sugar received from Cuba was 58 percent larger in 1951 than in 1934. The increase in the price of sugar to United States consumers from 1934 to 1951 was substantially less than the average increase in prices of all foods in the United States. The increased quantity of sugar imported into the United States has been of great value to consumers here, assuring them of an adequate supply at reasonable prices. During World War II, and for a year or more following the outbreak of war in Korea, it was indispensable, and saved this country from real sugar famines.

CONCESSIONS MADE BY BOTH NATIONS IN THE INTEREST OF INCREASED TRADE

Many important concessions by Cuba to the United States, as well as by the United States to Cuba, are included in the General Agreement on Tariffs and Trade, of which the United States-Cuban agreement is a part. The concessions which Cuba made in this agreement covered commodities which accounted for about 95 percent of the total value of Cuba's imports from the United States in 1939. The major item on which the United States has granted a concession to Cuba is sugar, which accounts for approximately three-fourths of all United States imports from Cuba.

A further expansion of trade between the United States and Cuba would provide an outlet for increased quantities of the many farm and factory products sold to Cuba, and further safeguard future supplies of sugar for United States consumers. Larger sales to Cuba would benefit agriculture, industry and labor in all sections of the United States.

INCREASED IMPORTS WOULD BENEFIT, NOT INJURE, THE UNITED STATES ECONOMY

If the present volume of United States exports is to be maintained, this country must find ways of increasing its imports. A decline in exports will necessarily mean a decline in the volume of business some of our most important industries.

An increase in imports, which would enable other countries to maintain their recent levels of purchases from the United States, would benefit not only exporting industries, but consumers generally would be able to buy more goods at lower prices.

Mr. Henry Ford II has been quoted as saying:

I believe we could easily absorb another 5 or 6 billion dollars' worth of goods from abroad each year * * * business would benefit, labor would benefit, agri-

culture would benefit, and the consumer—that means all of us—would benefit very materially.

Dr. Yale Brozen, of Northwestern University, speaking at the annual meeting of the American Farm Bureau Federation in December of 1952 said:

Because of our tariff and our complicated customs procedures, we buy less goods from foreigners than we otherwise might. As a consequence, foreigners have less dollars available for use in buying American farm products. In the last 8 months, American agricultural exports have dropped 31 percent from last year's level because of our declining purchases abroad and also in retaliation against our program of import restrictions.

ELIMINATE OR MODIFY PERIL-POINT AND ESCAPE CLAUSE

Present provisions of the Trade Agreements Act concerning the establishment of peril points and the operation of the escape clause appear to have been designed to protect domestic industries from even the threat of serious competition from abroad regardless of the effect such protection may have on the people of the United States as a whole. The provisions, in their present form, completely disregard the interests of consumers and exporters expanding the foreign trade of the United States.

The termination or modification of a trade agreement so as to protect one or more domestic industries not only injures consumers by forcing them to pay higher prices or go without something they could otherwise afford; it also reduces the ability of people in other countries to buy from the United States. Foreign trade is a two-way street, and when the United States reduces its imports, the amount of funds available in other countries for purchases of United States commodities is also necessarily reduced.

Operation of the escape clause encourages other nations to take retaliatory action against the United States. Backing out of a trade agreement to protect some domestic industry obviously encourages the nations most affected to increase their restrictions on imports from the United States. This type of trade war is the reverse of the economic cooperation so badly needed between the United States and other nations of the free world.

Because of these considerations, the Council recommends that the peril-point and escape clause be omitted when the Trade Agreements Act is extended. If this is not done, they should at least be changed so as to require consideration of the interests of consumers and exporters as well as those of domestic industry.

H. R. 4294 WOULD REDUCE, NOT EXPAND, FOREIGN TRADE

Sections 5 and 6 of H. R. 4294 would require the President to withdraw or modify any concessions made on any product in an existing trade agreement, if the Tariff Commission should find that the product is being imported into the United States in such increased quantities or under such conditions as to cause or threaten unemployment or injury to anyone engaged in the production of the article or of a competing product.

Under the present law, the President has authority to consider factors such as the interests of United States consumers and exporters, and the general foreign policy of the United States, in determining

whether a concession should be withdrawn or modified. Such authority would be entirely removed under H. R. 4294. If enacted, this bill would almost certainly result in increases in rates of duty and in reduced imports. The extremely narrow basis upon which action would have to be taken would force the President to ignore the vital interests of exporters and consumers—that is all of us.

The Public Advisory Board for Mutual Security in its recent report to the President recommended:

That decisions on trade policy be based on national interest, rather than the interest of particular industries or groups * * *.

H. R. 4294 violates this sound recommendation.

The provisions of H. R. 4294 regarding import quotas on crude petroleum and residual fuel oil, and additional duties on lead and zinc, would restrict imports and would, thereby, reduce the foreign trade of the United States at a time when the expansion of that trade is of the greatest importance.

In any event, provisions with respect to individual commodities seem out of place in a general law providing for the negotiation of trade agreements.

In conclusion, may I say, Mr. Chairman:

1. The trade agreement with Cuba is a good example of the value of the Reciprocal Trade Agreements Act. This has been amply demonstrated by the increase in the volume of trade between the two countries since 1934.

2. The agreement with Cuba is also a good example of increased trade resulting from concessions made by both nations. The agreement has not been a one-way street.

3. Increased exports to Cuba and to other nations since 1934 have benefited the producers of one or more products in every section of the United States.

4. H. R. 4294, if enacted, would hinder the development of the foreign trade of the United States instead of encouraging the expansion needed to maintain a high level of economic activity in this country.

5. Further increases in trade with Cuba and with other countries would be of obvious and lasting benefit to the United States by increasing both the supply of needed imports, and the ability of people in other countries to purchase our exports, thus helping to improve standards of living and combat communism throughout the free world.

In view of these facts, the Council strongly recommends the extension of the Reciprocal Trade Agreements Act, eliminating the peril-point and escape-clause provisions, so that it will further encourage the development of foreign trade.

Thank you very much, Mr. Chairman.

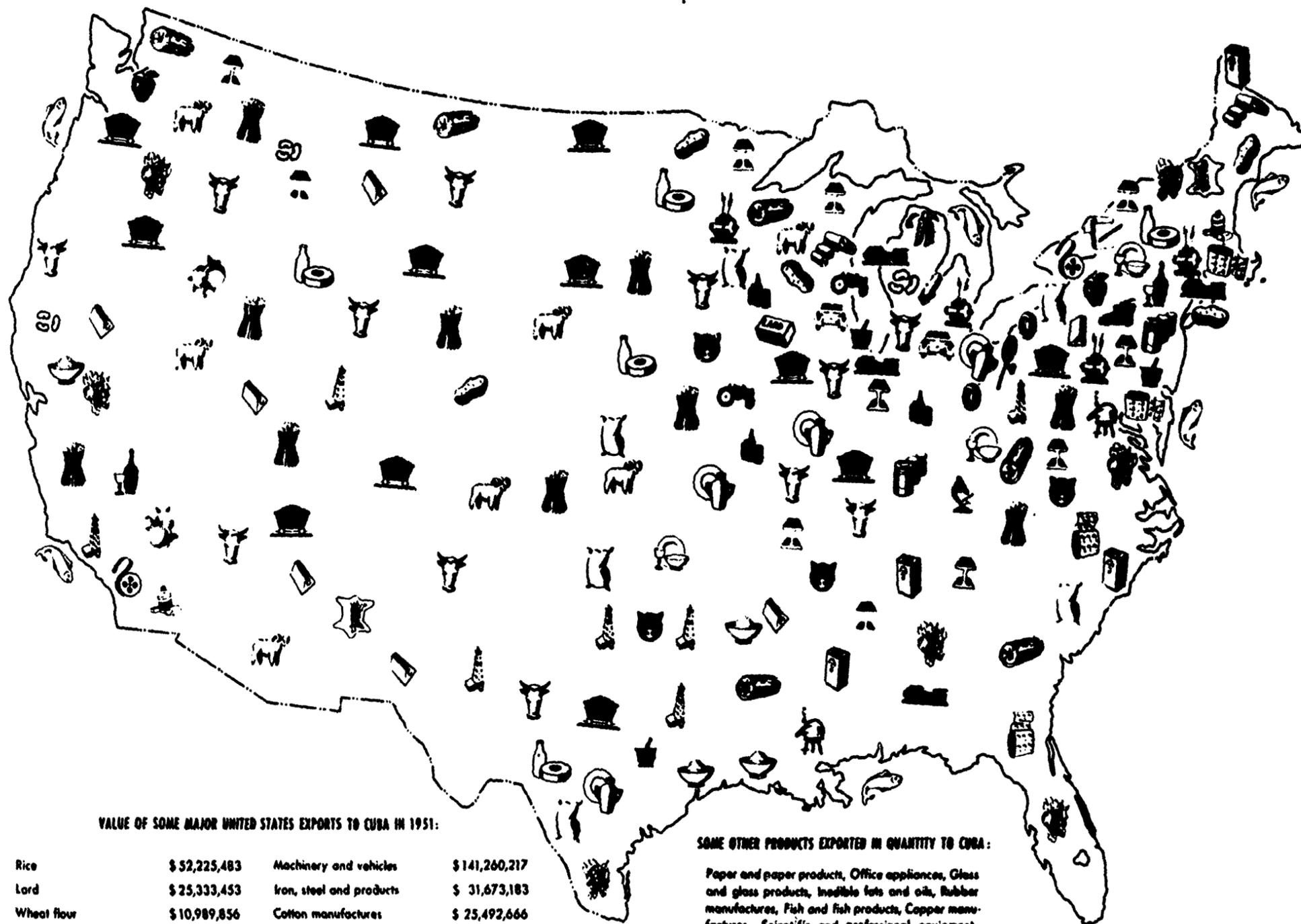
The CHAIRMAN. We thank you very much.

Are there any questions?

We thank you for your appearance and the information you have given the committee.

CUBA'S PURCHASES BENEFIT EVERY SECTION OF THE UNITED STATES

CHART XXIV



VALUE OF SOME MAJOR UNITED STATES EXPORTS TO CUBA IN 1951:

Rice	\$52,225,483	Machinery and vehicles	\$141,260,217
Lard	\$25,333,453	Iron, steel and products	\$ 31,673,183
Wheat flour	\$10,989,856	Cotton manufactures	\$ 25,492,666
Fruits and vegetables	\$26,167,970	Rayon and other synthetic fibers	\$ 21,373,030
Other foods and beverages	\$31,291,921	Chemicals and related products	\$ 37,500,208

SOME OTHER PRODUCTS EXPORTED IN QUANTITY TO CUBA:

Paper and paper products, Office appliances, Glass and glass products, Inedible fats and oils, Rubber manufactures, Fish and fish products, Copper manufactures, Scientific and professional equipment, Pigments, paints and varnishes, Aluminum manufactures, Coal, Shoes and other leather articles

(The tables referred to follow :)

UNITED STATES TRADE WITH CUBA—REPRINT OF SELECTED MATERIAL FROM SUGAR FACTS AND FIGURES, 1952

By the United States Cuban Sugar Council, Washington, D. C.

TABLE 24.—Value of visible Cuban imports from and exports to the United States and all countries, 1902 to 1951¹

Period	Cuban visible imports from—			Cuban visible exports to—		
	United States ²		All countries	United States ²		All countries
	Thousands of dollars	Percent of total	Thousands of dollars	Thousands of dollars	Percent of total	Thousands of dollars
Average, 1902-05.....	31,748	43	73,099	62,848	82	85,198
Average, 1906-10.....	48,379	80	98,555	99,331	86	113,646
Average, 1911-15.....	71,793	66	127,095	144,918	53	174,160
Average, 1916-20.....	247,612	74	336,065	370,631	76	491,064
Average, 1921-25.....	188,637	68	278,142	298,477	81	363,778
1926.....	160,051	61	260,836	242,882	81	301,709
1927.....	188,056	62	267,384	258,148	79	324,368
1928.....	129,249	61	212,817	202,635	73	279,070
1929.....	127,051	80	216,215	208,764	77	272,440
1930.....	91,872	87	162,462	116,074	69	167,411
1931.....	48,940	87	80,111	80,074	75	118,868
1932.....	27,653	84	61,024	57,482	71	80,672
1933.....	22,674	84	42,361	57,112	68	84,361
1934.....	41,225	86	73,418	81,094	76	107,746
1935.....	65,686	88	96,465	101,534	79	126,022
1936.....	96,494	64	168,215	121,890	79	154,647
1937.....	88,847	69	129,572	150,149	80	184,071
1938.....	78,182	71	108,007	108,343	76	142,678
1939.....	73,881	74	108,862	111,182	78	147,676
1940.....	81,042	78	103,807	104,906	82	127,288
1941.....	117,111	87	128,860	181,220	86	211,808
1942.....	128,163	84	146,783	164,108	90	182,378
1943.....	185,865	78	177,436	206,620	84	240,628
1944.....	168,841	81	208,648	379,975	89	427,068
1945.....	187,968	79	268,936	223,331	79	406,924
1946.....	220,094	76	300,227	320,684	67	475,804
1947.....	436,448	84	519,890	497,706	67	746,592
1948.....	420,260	80	527,486	366,407	82	706,872
1949.....	378,676	83	451,860	308,902	64	678,307
1950.....	407,120	79	518,070	380,868	89	642,049
1951 ³	492,322	77	640,218	417,401	84	766,140

¹ Visible imports and exports do not include numerous items such as payment for ocean freight and insurance, tourists' expenditures, and returns on American investments in Cuba.

² These figures differ from U. S. Government data covering the same years. See tables 26 and 27.

³ Preliminary.

Source: Cuba Sugar Yearbook.

TABLE 25.—Value of merchandise exports from the United States to Cuba, domestic exports by commodity groups, and total foreign exports (reexports), 1926 to 1951

[In thousands of dollars]

Year	Animal and animal products, edible	Animal and animal products, inedible	Vegetable food products and beverages	Vegetable products, inedible, except fibers and wood	Textile fibers and manufactures	Wood and paper	Non-metallic minerals	Metals and manufactures, except machinery	Machinery and vehicles	Chemicals and related products	Miscellaneous	Total domestic exports	Total foreign exports (re-exports)
1926	29,147	8,769	22,498	4,226	20,009	8,838	13,923	14,453	20,499	9,243	4,840	158,489	4,088
1927	25,002	9,123	21,498	4,547	19,326	8,622	14,169	12,981	22,963	8,349	4,647	151,127	4,258
1928	21,907	6,492	16,901	4,226	17,305	6,499	13,005	10,712	17,541	6,301	3,845	125,624	2,873
1929	20,347	5,636	15,529	5,090	18,377	7,092	13,499	11,499	18,628	6,234	3,988	123,279	2,630
1930	14,098	3,983	10,660	3,891	14,302	4,819	13,204	7,481	11,639	4,902	2,991	91,859	1,992
1931	6,780	1,836	6,561	1,957	8,720	2,630	5,747	3,018	4,900	2,548	1,483	46,240	723
1932	2,655	1,305	4,845	1,662	6,775	1,714	3,183	1,734	2,232	1,933	1,007	25,396	358
1933	1,888	1,050	4,229	1,606	6,130	1,601	2,809	1,796	1,895	1,780	796	24,783	330
1934	3,227	1,646	5,791	1,878	11,092	3,442	4,416	3,977	4,751	2,794	1,757	44,771	583
1935	4,746	2,250	9,294	2,026	11,310	3,880	5,588	5,453	8,898	3,474	2,313	59,192	947
1936	4,946	2,351	8,348	2,442	14,133	3,909	6,916	6,167	10,911	3,873	2,660	66,706	716
1937	6,296	2,800	14,573	2,695	17,168	6,673	9,656	9,583	14,457	4,333	2,339	90,700	1,088
1938	5,524	2,947	14,468	2,451	12,570	4,440	8,403	7,129	11,312	3,892	2,153	75,678	638
1939	4,900	2,293	14,458	2,151	16,201	4,416	7,653	9,101	10,033	4,938	2,438	80,630	816
1940	5,074	2,063	17,139	2,219	14,183	4,536	7,548	9,462	11,477	5,240	3,794	84,133	859
1941	8,548	2,321	26,690	4,757	24,873	6,404	16,480	12,922	16,687	8,080	5,980	124,661	1,106
1942	9,065	2,966	29,453	3,186	31,650	8,740	11,208	7,544	12,158	10,085	5,240	131,394	1,396
1943	8,541	2,581	36,956	3,746	22,008	8,954	11,433	9,372	12,371	10,064	5,555	131,371	2,367
1944	12,487	4,183	43,461	4,281	29,260	9,818	14,767	12,773	16,187	13,358	7,760	161,896	3,978
1945	12,299	3,423	55,922	6,269	26,900	9,741	13,767	16,322	20,144	15,066	9,057	188,820	6,886
1946	26,078	4,221	51,504	9,793	52,618	10,651	16,616	21,777	40,788	17,561	15,064	267,221	4,080
1947	38,154	9,665	131,509	12,680	66,518	15,854	27,865	31,688	63,997	28,868	21,652	484,689	6,227
1948	34,168	7,820	90,267	10,539	66,226	17,029	29,351	36,439	103,963	25,028	23,006	493,136	2,785
1949	30,365	6,524	90,429	10,389	66,263	14,190	31,356	28,074	73,114	26,797	20,515	377,868	2,397
1950	33,156	8,109	109,571	11,082	68,972	18,924	31,431	38,406	98,841	33,292	23,783	453,566	2,682
1951 ¹	45,644	11,201	100,365	13,665	63,539	26,798	36,420	36,762	141,260	37,500	23,869	536,983	2,776

¹ Exclusive of commodities in "special category" for which data are withheld by the Government for security reasons.

Source: U. S. Department of Commerce.

TABLE 26.—Value of United States exports to Cuba, by groups of commodities, 1951

Animal and animal products, edible:	
Meat and meat products.....	\$9,082,509
Lard, including neutral.....	25,833,453
Evaporated and condensed milk.....	4,907,075
Other dairy products.....	1,874,279
Fish and fish products.....	1,480,278
Other products.....	2,065,934
Total	45,643,528
Animal and animal products, inedible:	
Leather and manufactures.....	5,677,890
Animal and fish oil and fat, inedible.....	5,143,537
Other products.....	879,977
Total	11,200,918
Vegetable food products and beverages:	
Rice.....	52,225,488
Wheat flour.....	10,989,850
Other grains and preparations.....	3,066,956
Beans, dry ripe.....	6,663,524
Potatoes, white fresh.....	2,030,456
Onions, fresh.....	1,517,087
Tomato paste, puree and juice.....	2,787,897
Other vegetables and preparations.....	2,933,799
Apples, fresh.....	1,165,480
Pears, fresh and canned.....	1,226,144
Fruit juices.....	4,390,201
Other fruits and preparations.....	3,403,872
Candy and chewing gum.....	1,358,145
Soybean oil, refined edible.....	1,497,911
Fodders and feeds.....	3,317,849
Other products.....	1,711,485
Total	100,865,155
Vegetable products, inedible, except fibers and wood:	
Tires and tubes.....	1,815,907
Other rubber and manufactures.....	3,388,671
Naval stores, gums and resins.....	978,897
Coconut oil.....	1,150,116
Soybean oil, crude.....	1,896,006
Other vegetable oils and fats, inedible.....	2,066,574
Cigarettes.....	1,270,522
Other products.....	1,618,920
Total	13,685,113
Textiles:	
Cotton, unmanufactured.....	4,875,888
Cotton manufactures and semimanufactures.....	30,439,231
Vegetable fibers and manufactures.....	1,919,496
Wool and manufactures.....	1,790,786
Synthetic fibers and manufactures.....	21,373,080
Other products.....	3,640,789
Total	63,538,665
Wood and paper:	
Wood and wood products.....	7,391,137
Paper and paper products.....	19,406,214
Total	26,797,351

See footnote on p. 170.

TABLE 26.—Value of United States exports to Cuba, by groups of commodities, 1951¹—Continued

Nonmetallic minerals:	
Petroleum and products.....	\$18, 043, 043
Stone, cement, and lime.....	1, 720, 407
Glass and products.....	3, 592, 600
Clay and products.....	4, 160, 215
Other products.....	3, 313, 735
Total.....	36, 420, 000
Metals and manufactures, except machinery:	
Iron, steel, and products.....	31, 673, 133
Aluminum and manufactures.....	1, 423, 033
Copper and manufactures.....	742, 419
Brass and bronze manufactures.....	1, 216, 049
Other products.....	1, 646, 885
Total.....	36, 701, 569
Machinery and vehicles:	
Electrical machinery and apparatus.....	32, 062, 469
Industrial machinery.....	37, 323, 295
Office appliances and printing machinery.....	4, 323, 151
Agricultural machinery and implements.....	2, 371, 929
Tractors, parts, and accessories.....	3, 011, 322
Automobiles, trucks, buses, and parts.....	52, 444, 339
Other vehicles and parts.....	4, 248, 512
Total.....	141, 260, 217
Chemicals and related products:	
Medicinal and pharmaceutical preparations.....	13, 123, 701
Chemical specialties.....	3, 323, 775
Industrial chemicals.....	3, 941, 715
Pigments, paints, and varnishes.....	3, 510, 955
Fertilizers and fertilizer materials.....	6, 455, 702
Other products.....	1, 641, 360
Total.....	37, 500, 308
Miscellaneous:	
Photographic and projection goods.....	2, 245, 708
Scientific and professional equipment.....	1, 904, 898
Musical instruments, parts, and accessories.....	1, 129, 657
Miscellaneous office supplies.....	1, 261, 933
Toys, athletic and sporting goods.....	1, 614, 416
Books, maps, pictures, and other printed matter.....	1, 713, 396
Jewelry.....	1, 117, 827
Bottle and container closures, except cork.....	1, 768, 144
Notions and novelties.....	1, 074, 818
Shipments valued at less than \$100.....	5, 804, 448
Other products.....	4, 213, 639
Total.....	23, 808, 934
Reexports of foreign merchandise.....	2, 775, 815
Total, all groups.....	539, 757, 468

¹ Exclusive of commodities in "special category" for which data are withheld by the Government for security reasons.

Source: U. S. Department of Commerce.

WASHINGTON, D. C., June 20, 1953.

Mr. ROBERT C. JACKSON,

Executive Vice President,

American Cotton Manufacturers Institute, Inc., Charlotte, N. C.

Your letter June 19 and accompanying statement will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,

Chairman, Senate Committee on Finance.

THE AMERICAN COTTON MANUFACTURERS INSTITUTE, INC.,

Charlotte, N. C., June 19, 1953.

Hon. EUGENE D. MILLIKIN,

United States Senate,

Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: For a year or more the cotton textile industry has found that the chief barriers to its export trade do not arise from any general scarcity of dollar exchange. They are due primarily to trade and exchange policies of other countries which are motivated by purposes other than the balancing of international payments. It is our belief that a number of other industries are sharing this same experience.

In many cases so-called dollar scarcity is quite apparently being used as a subterfuge to divert attention from trade practices and internal policies which are in conflict with sound procedure for the restoration of multilateral trade and competitive world markets.

As our exporters have confronted these realities, which in many countries are increasingly unfavorable as the dollar supply becomes more abundant, they have lost patience with the point of view that American import policy is a primary factor in the situation. The problem is far more vast than this and to our minds demands for its solution a complete reorientation of American foreign economic policy.

Inasmuch as the Senate Finance Committee is not scheduling public hearings relative to the extension of the Trade Agreements Act, we are begging the privilege to submit to each member of the committee individually for his reference a more detailed statement of the views of the cotton textile industry. Accordingly we are enclosing for such use as you wish to make of it two documents: (1) The statement of the American Cotton Manufacturers Institute made to the Committee on Ways and Means of the House of Representatives on May 18; (2) a copy of a small booklet just published entitled "World Trade and the United States," which reflects the views of the industry on the broader aspects of the problem.

With many thanks for your consideration,

Sincerely yours,

ROBERT C. JACKSON,

Executive Vice President.

STATEMENT OF CLAUDIUS T. MURCHISON, ECONOMIC ADVISER, THE AMERICAN COTTON MANUFACTURERS INSTITUTE, INC., BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. MURCHISON. My name is Claudius T. Murchison, and I am appearing before the committee on behalf of the American Cotton Manufacturers Institute, Inc. I am sure we are all familiar with that organization which represents about 85 percent of the country's total spindleage, and which has about two-thirds of the total American cotton consumption which is by far the greatest textile industry, cotton textile industry, in the world. We are twice as great as India, which is second in importance, twice as great as the combined output of the United Kingdom and Japan. In fact, we consume 40 percent of all the cotton consumed in the free world and, naturally, we do not wish to be sacrificed as a tariff policy gesture.

During the past years the textile industries of the world have been rebuilt, have recovered very rapidly, and the total productive capacity of the world is greater than it was prior to World War II.

Within the past 2 years, the Japanese industry has virtually completed the rebuilding of its plants and equipment. The United Kingdom has made great progress. The countries of Western Europe have more than recovered their losses from the war. So that in the meantime, world supplies of raw cotton have become adequate for all countries and is actually in surplus supply relative to the current rate of consumption.

These developments are of great interest to us from the point of view of future export possibilities and also in terms of imports into the home market.

I am now on page 3, Mr. Chairman, in the middle of the page. I will stick to the text more closely.

Our industry has long been sensible of the great dangers as well as the great opportunities which spring from the rapid changes in the world trade picture. As early as 1936, only 2 years after the adoption of the trade agreements program, our industry was inundated by a great tidal wave of cotton goods imports from Japan. American tariff policy was unable to cope with that danger, which was then recognized even by the State Department, and it became necessary for the industry to seek relief through private negotiations with the Japanese industry itself. For legal reasons, negotiations of this type can no longer be engaged in by private industry and, wholly aside from this consideration, the day has long passed when international conditions make such an approach possible or desirable.

The international textile conferences which have been held since World War II in Japan, in England, and the United States, finally culminating in the world textile conference held in Buxton, England, last September, have concerned themselves with the great objective of expanded world consumption and the alleviation of trade barriers and uneconomic national procedures which serve to reduce trade and consumption.

In this long and intimate contact with the immediate problems and practices of the international cotton-goods trade, we have derived an understanding which is broad and realistic. On the matters which are now before this committee, and on the issues which relate to the future foreign trade policy of the United States, we feel that we can speak from more than passing knowledge and from more than average understanding.

I might add there that we have gone beyond the doctrine, in our point of view. We have no interest in preaching, but we are trying to bring together the pertinent factual data of the present world situation, and, from that, endeavoring to arrive at a new approach. The cotton textile industry has appeared before this committee many times, on the occasion of every extension of the law. Throughout the years our position has been consistent. We have accepted the basic principle of reciprocal action in international trade, and the basic principle of most-favored-nation treatment. We likewise accepted the principle which was the cornerstone of original administrative policy, in 1935, that in the making of tariff concessions those industries which were performing efficiently, competitively, and advan-

tageously to the American economy should not be placed in jeopardy by any tariff action.

Unfortunately the policies and procedures of the trade agreements authority, using the term in its generic sense, drifted rapidly away from certain of these original conceptions. With each passing year our industry, as well as many other industries, was forced to raise its voice in ever louder protest against the procedures of the trade agreement authority which progressively subordinated the interests and the recommendations of American industry, while at the same time awarding handsome concessions to other countries whose reciprocal concessions were promptly nullified by arbitrary trade restrictions far more effective and destructive than tariff rates.

The idea of reciprocal trade became a hollow shell. The concessions granted were of no effect except on the side of the United States. The most-favored-nation treatment was an empty idea except as practiced by America. The treatment of American industry in the extension of concessions lost sight of the original ideas—efficiency, adequacy, and advantage to our economy—and appeared to be governed by the interests of other countries.

Our industry furthermore believes that the establishment of GATT represented the supreme violation and abuse of the original intent and purpose of the Reciprocal Trade Act.

The unfortunate history of this act, however, in no way weakens the validity of the principles upon which it was established; but it does demonstrate that the triumph of principle depends on the procedure which is followed. Reciprocal action which is the essence of mutuality is a precious thing. The most-favored-nation principle is a precious thing. In each instance the right to practice it and the right to benefit from it should be earned and protected. Since this was not done, the course of events has been as follows:

The average level of American tariffs as a ratio of duties collected to value of imports has been reduced by considerably more than two-thirds since 1939. Fifty-eight percent of total imports in 1952 paid no tariff whatever. The remaining 42 percent of dutiable goods bore an average customs rate of between 12 and 13 percent. On the average our tariffs are relatively low, in fact much lower than the tariffs of many other countries who use as additional protective devices import and exchange restrictions. In addition to progressive tariff reductions, our foreign-aid program has donated since World War II an average of \$5 billion a year to supplement the dollar exchange provided by the rapidly expanding imports of goods and services into the United States. In addition we have supplied the major funds for the operation of these several international banking organizations.

While the United States has thus been engaged in the expensive and thankless task of attempting to expand and liberalize world trade, other countries for the most part have pursued opposite tactics. Outside of North America, most countries have established import controls which not only restrict the total volume of imports but determine the types and quantities of the goods to be imported. Complete currency controls have likewise been instituted. The various governments have expropriated from their subjects their holdings of foreign currencies and bank balances, whether accumulated in the past or currently earned from whatever source. These funds are used by the state to finance its own programs or are parceled out to selected

licensed individuals in the form of exchange allocations to provide payment for imports of such goods as are permitted entry.

Rates of exchange are arbitrarily fixed and in most cases have no relationship to actual value. The manipulation of exchange often takes the form of multiple rates which have the effect of changing the value of the domestic monetary unit according to the use which is made of it. The range of valuation may be as much, and often is, as 50 to 200 percent. These multiple exchange rates, as well as other trade restrictions, apply alike to exports and imports. In consequence of the arbitrary and divergent values placed upon domestic currencies, most of them have lost all usefulness as media of international exchange.

Even in the case of the pound sterling, which is the only currency aside from the dollar now used in any considerable degree in international settlements, drastic limitations are imposed according to who has it, what country he happens to be in, and what he tries to spend it for. Generally speaking, and making the appropriate degree of exception regarding pound sterling, the world currency situation is such that even between adjoining countries international settlements can usually be made only in dollars.

In South America, virtually all of the countries make their settlements with each other in dollars. For many countries outside the Latin American area, most international transactions are financed by dollars. Since the dollar alone could hardly be expected to finance the total of world trade on a multilateral basis, the pattern of world trade has been forced into a series of bilateral barter arrangements. Each country can trade with another only to the extent that it can effect a reasonable balance.

The problem of shaking off the world network of trade restrictions is made more difficult by certain policies which many nations have committed themselves to. In some instances they are diverting their exchange proceeds from normal trade uses into the development of domestic projects which are beyond the means of the state. In these instances consumer goods are embargoed or restricted in order to permit entry of capital goods for industrial or transportation development. In certain countries, the exchanges are regulated mainly to support inflated price and credit structures and programs of social welfare and so-called full employment. In other countries the major purpose is to protect inadequate and inefficient industries. In these cases the net result is a curtailment of consumption.

In the case of Cuba, which has been referred to this afternoon, their tariff rates instead of being diminished as a result of the trade-agreements program have actually been doubled in the past couple of years. The same is true of Venezuela, whose rates became three times as high as ours. In the case of Pakistan, the minimum rate on imported cotton goods is 65 percent ad valorem. In India the rate is 100 percent ad valorem on those goods which are allowed entry at all. Some countries utilize their controls very largely to reshape their external economic relations. Exports and imports are regulated in accordance with geographic areas or to attain trade balances with particular countries.

In only a few cases have internal programs or external restrictions been coordinated for the primary purpose of balancing an expanded trade, restoring national solvency, currency integrity, and economic

stability. We find these mostly in western Europe, although the same cannot be said either of France or of Italy.

Caught in this pattern, international trade needs much more than an additional supply of dollar exchange. The number of dollars available to foreign countries has increased rapidly, within the past 2 years, but the growth has not been accompanied by any marked easing of trade and currency restrictions. As a matter of fact, they have become more comprehensive and intensive.

We commonly hear the expression "how do we expect to sell when we do not buy." As a matter of fact our buying has been expanding much more rapidly than our selling. Since 1945 imports have increased on an average of a billion dollars a year. In 1951 and again in 1952 merchandise imports almost reached \$11 billion in each year. In those 2 years the dollar exchange provided by imports exceeded by \$6 billion the dollar exchange created by the imports of the preceding 2 years.

On the other hand, our exports have not yet broken through the high level reached in 1947. Until last year they have actually sagged from 20 to 30 percent under the 1947 level. The greatly improved supply of dollar exchange, therefore, has gone into repayment of old debts, into financing, the trade of other nations, and into the accumulation of monetary reserves of foreign countries.

Here are some very startling figures, encouraging albeit: The total gold and dollar reserves of foreign countries now stand at \$20.4 billion, which is an increase of \$6 billion over the level of 1948. During the past year alone foreign dollar reserves increased by almost \$1½ billion. The countries of Western Europe which are usually referred to as the problem area increased their gold and dollar reserves last year by \$1¼ billion, reaching, and I quote Federal Reserve figures, the grand total of \$8.3 billion. And of this amount, \$3.3 billion were dollar deposits, and the remainder in gold. Even Asia added \$200 million to its reserves last year, and that is mainly Japan, the Philippines, and Indonesia. The United Kingdom has more than held its own. I might add here another correction to a common misconception, and that is this huge increase in the American dollars being held is bound to come back to us in the form of demand for American goods. That need not necessarily be true at all, and right now it is not true. Those balances are being used for three other purposes:

One, the acquisition of gold. Over \$700 million in gold from December 10 to March 1 was acquired by foreign countries; secondly, an investment in American securities, 50 percent of the total dollar balances in this country, which amount to over \$9 billion invested in securities, and those balances which are active are being used to finance the trade of foreign countries among themselves. That is, checks being written by one country to another, and these deposit balances are having rapid turnovers in what we call the interarea transfers outside the United States, and are not being used to buy American exports.

As a matter of fact, how can these great reserves be accumulated and made bigger and bigger, bigger now than at any time since 1945, and at the same time be used to buy American goods? So that another misconception is the tremendous dollar deficit. Mr. Ivan Rooth, Managing Director of the International Monetary Fund, recently stated that the

world dollar deficit in 1952 was only \$1½ billion. The fact that this greatly improving dollar situation has failed to meet response in an easing of world-trade barriers proves the problem is one of trade and currency restrictions instead of dollar scarcity. The most perfect illustration of this truth is found in the dropping off of American cotton exports. Most of these exports go to the United Kingdom, the countries of Western Europe, and to Japan, the manufacturing countries. The rapid dollar accumulations of all these areas indicate that the restricted imports of cotton are not due to inability to purchase it. The difficulty lies in the fact that about one-half of the cotton purchased in these areas is normally processed for reexport. The reexports normally go to the great undeveloped areas which are deficient in manufactured goods such as southern and southeastern Asia, Indonesia, Australia, Africa, and the Near East. The tight restrictions which have been imposed in these areas of ultimate consumption explain why our cotton exports have declined. It is not the problem in the countries of first destination but the problem in countries of ultimate destination where the restrictions are so tight.

The current effort to substitute the market of the United States for the closed markets of the great undeveloped areas simply bypasses the world-trade problem. It would in no respect ease the economic difficulties of the underdeveloped areas which I have just mentioned.

The greater part of the American import trade consists of raw materials and crude foodstuffs and semimanufacturers which come primarily from the world's undeveloped areas. Most of the goods in this category are duty free. Where tariff rates apply, they are usually only nominal and do not act as restrictives on quantity. The only important exception is wool which has protection because of our agricultural support policy. Even in the category of semimanufacturers, the duties for the most part are nominal and nonrestrictive. The conclusion is that for about three-fourths of the total American import trade, tariff duties have but little significance and are inconsequential by way of limiting supply.

The 25 percent of our imports which consist of manufactured goods is the only classification in which import duties may be considered as restrictive on quantity. To break down the rates in this category would tend to increase imports only from the industrial areas of Japan, the United Kingdom and Western Europe. As we have already seen, these are not the problem areas except in a secondary sense. If world trade were conducted on a multilateral basis, which is a normal basis, there would be no export problem in Western Europe, the United Kingdom and Japan. Their export trade would flow into their normal markets and the settlements would be affected through the familiar triangular methods which are normal and logical and historical.

The current clamor for increased imports from the industrial countries, therefore, if effective, would only make world-trade relationships more unnatural and more arbitrary. It would not ease the problem of the great undeveloped areas.

On the other hand, it would create the serious danger of undermining certain American industries and so reduce our ability to consume the raw materials of the United States and the rest of the world. In addition, it would create points of weakness in our economy which might well precipitate a general business recession in the United

States. Such a recession would be reflected immediately in a great reduction of imports which always happens in a depression and a decline in the supply of dollar exchange to finance our exports. The expanding volume of imports which has been so marked in recent years is conditioned upon the maintenance and expansion of American prosperity. We need only to insure the continuance of that condition to solve any exchange problems.

But America is in a position to broaden still further the basis of our exports through the medium of such intangible services as foreign investment, tourist expenditures and many other intangible items. No one can doubt that the ultimate solution of international instability lies in a more balanced economic development of the great agricultural areas of the world. Unnumbered billions of dollars will be needed in the years to come to attain this objective. In the United States alone, we are throwing in a new investment of \$26 million a year.

The outward flow of such investment would for many years exceed the return flow of interest and profits. Canada has very rapidly provided a striking demonstration of the amazing results which can be achieved by a program of private investment. The building of industries, the development of transportation, the improvement of distribution in the various countries of the world would raise the standards of living from poverty to well-being and at the same time provide the additional and growing purchasing power which is essential to a greater world trade.

But before this can be accomplished favorable conditions for the employment of capital must be created. These lie in the field of politics, as in economics and business. They call for leadership in the human sense as distinct from economic grants. American responsibility in this leadership relates to two objectives. The first is the breaking down of barriers to trade; the second is the promotion of those positive and constructive measures which are necessary to economic growth.

What needs to be accomplished is:

- (1) The restoration among the various countries of rational price and currency relationships;
- (2) The establishment of procedures to restore and maintain the interchangeability of currencies;
- (3) The promotion among the various countries of national standards of action looking to internal stability;
- (4) The general adoption of policies to encourage private investment, both domestic and foreign;
- (5) The establishment of policies which assure protection of foreign capital and the earnings therefrom;
- (6) The general acceptance of policies which will maximize the incentives and facilities of private enterprise.

These are great objectives which cannot be attained by the simple preaching of doctrine. Likewise, past experience has proved that they cannot be attained by a policy of giving. Furthermore, the realities of the world situation and the facts of American trade prove that they cannot be attained by the device of breaking down the American tariff structure.

They can be attained in part by international cooperation in building the mechanisms which facilitate passage from a program of restric-

tions to a program of multilateral trade and free operating markets. But in very great degree, success will be dependent on bilateral bargaining. The bargaining will need to embrace far more than tariff matters. The retention of the principle of reciprocal action is necessary. But its administration must expect and demand in every instance an exchange of benefits which is real and gives full measure for value received.

This is our view of the problem. It envisions a great increase in the breadth and flexibility of American trade policy. The problems are real and gigantic. Upon their solution rests the future prosperity of America and of the world. Nothing less than a program of the most profound study can map the approaches to this problem and the devices by which it is to be attacked.

Consequently, and in spite of the fact that we do not like this trade-agreements program as it has been administered, and have criticized it bitterly, and have seen it reach the acme of utter futility, we must concur in the recommendations of the President that the present Trade Agreements Act as amended be extended provisionally for another year without substantial change. We certainly could approve no change which weakens the present safeguards contained in the law, and would advocate the greatest administrative diligence in giving full effect to those safeguards. We take this position on the assumption that the studies recommended by the President through a joint congressional-executive commission will be carried forward and result in recommendations which will serve as the basis of a well-considered, all-embracing foreign trade program which would assure needed protection for American industry and at the same time serve to reopen the channels of world trade.

Mr. Chairman, we feel that those two objectives are not inconsistent.

WORLD TRADE AND THE UNITED STATES

A study of the disordered state of world trade, the methods by which it has been brought about, and the role of the United States in a program of restoration

(By Claudius Murchison, Economic Adviser, the American Cotton Manufacturers Institute, Inc.)

FOREWORD

The current controversy over the future course of our foreign trade policy is doubly heated because it involves not only America's economic well-being, but also the restoration of order and stability to the trade of all countries.

A United States trade policy which has the breadth, decisiveness, and new purpose to meet the emergencies of the time cannot be supplied from the doctrinaire formulas of the past. It must be built from an appraisal of the realities which now confront us.

The purpose of this study is to bring together the most fundamental of these realities which, strangely enough, are those most commonly overlooked, and to relate their significance to America's responsibility in the solution of the world trade problem.

Written by Dr. Claudius T. Murchison, economic adviser to the American Cotton Manufacturers Institute, this study is the product of long experience with the intricacies and difficulties of international commerce. As head of the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce in the early thirties, president of the Cotton Textile Institute, and a member of the industry's delegations to international textile conferences at Tokyo, Manchester, New York, and Buxton, Dr. Murchison has long

been familiar with the foreign trade problems which have suddenly moved to the forefront of our economic and political affairs.

ROBERT C. JACKSON,

Executive Vice President, American Cotton Manufacturers Institute, Inc.
WASHINGTON 6, D. C., June 1, 1943.

WORLD TRADE

I. THE PRISONER OF BUREAUCRATIC CONTROL

Many countries share responsibility for the creation of present world-trade confusion. A majority persist in policies which are antagonistic to the restoration of order and stability. Their actions have removed from the bulk of world trade its multilateral supports, and, outside the United States and Canada, reduced it to the level of two-way barter.

Most currencies, with the exception of the dollar, are either valueless as international media of exchange, or so restricted as to have usefulness only in limited areas. Wide disparities have been created among national price levels. The bases of international free market operations have disappeared. Most movements of commodities or capital are tightly regulated. World trade is the prisoner of bureaucratic control.

The problem is worldwide and, of even greater significance, it has taken its extreme form while the flow of American foreign aid was at its crest. How, then, can its solution reasonably be expected from a continuation of what has failed or by the substitution thereof of so-called dollar equivalents?

Reliance on continued foreign economic aid, or on increased imports into the United States resulting from tariff reductions, would be futile, not only because this expedient is dwarflike compared to the extent of the problem, but is also incompatible with its nature. The present distortions and strangulation of trade spring from the nationalistic policies and methods with which it is carried on. These policies and methods are rooted in the areas where they thrive and are invulnerable to the type of action which America has so far pursued. They can be changed only by a procedure which is adaptable to separate and widely varied sovereignties. Our challenge is to find the common denominator of reciprocal action, a common denominator to which the conduct of nations will respond as they direct their internal and international economic operations.

Against the realities of current international conduct, the question of American tariff reductions as a factor of solution is given false importance. It is a fringe issue which only clouds and confuses those which are basic. Even were the demands for general reductions realized, the action, far from being remedial, would tend to make more lasting the present ruptures of international trade and more certain the continuance of its deterioration. The issue should be relegated, therefore, until such time as it can be dealt with in its own framework and on its own merits.

In the meantime the approaches to realistic solution of the world trade problem, as in the case of any problem, can be mapped only by tracing those procedures which created the problem. They grew from the successes and failures of the postwar period; from the step-by-step adaptations of expedients; from the progression of changing motives; from the final crystallization of these into acceptance as basic facts or national institutions.

THE PRODUCTION-TRADE PARADOX

In the recount of successes and failures on the international scene, the greatest postwar success, as well as its greatest disappointment, was the recovery of production and the failure of that recovery to achieve trade stability.

During the early postwar years it was generally assumed that the restoration of multilateral trade and general currency convertibility awaited only the recovery of production.

In certain countries production increases have approached the phenomenal; in many others they have been substantial. But the basic external difficulties remain unshaken. Those nations, notably Germany, Holland, the United Kingdom, and Japan, which have through the exercise of rigorous economic discipline, achieved a substantial degree of internal stability and some measure of external balance, hold to their positions precariously because of the failure of other countries to pursue similar courses. In fact, they must continue to follow certain practices defensively which accentuate the difficulties of other countries

less favorably situated. A notable example is Great Britain, whose restrictions are especially adverse to France and Italy.

In the world's industrial area, the Mediterranean countries, including France, have made strikingly less progress toward internal stability and external balance than the majority of others. The raw material countries or underdeveloped areas of the world supply the extreme cases of adverse conditions and drastic trade restrictions. The basic logjam of world trade lies in Southern and Southeast Asia, in Indonesia, Australia, and Oceania; in the Near East, Latin America, and Africa.

The economies of these areas were not basically changed by World War II or by the Korean war. The latter conflict, in fact, balled them out of their previously existing financial difficulties. Failure to adjust to temporary trade dislocations sprang other leaks which were too long left unstopped. But the prevailing feature of the aftermath was the political impetus to programs and ideologies of nationalism. Begun as expedients of the moment, they hardened into national institutions. They are not the products of fundamental change in the structure of functioning of these economies. They are the products of national choice.

THE FOREIGN AID PROGRAM

As each of these countries, in company with those of the war-devastated areas, made its independent and individualistic contribution to international disunity and cross purposes, the United States tried to hold in place the crumbling foundations of world trade through the final phase of its economic aid programs.

The first phase of foreign aid was concerned with the imperative need of human relief and rehabilitation; the second with the provision of materials and facilities for the rebuilding and expansion of production. The third phase for the most part has been the gratuitous settlement of trade imbalances. The great success of the first two was not reenacted in the third. The easy crossing off of today's debts to make room for tomorrow's obligations was only a surface palliative—at most a purchase of added time which was not generally taken advantage of. The United Kingdom used the opportunity to gain firmer footing in her international relationships. The program saved France and 1 or 2 others from immediate financial debacle, which may prove to be only a reprieve. But for world trade as a whole, the conditions of restriction and confusion grew only worse, reaching perhaps the ultimate of irrationalism in 1952.

FOREIGN AID AND AMERICAN EXPORTS

America's compensation, if any, did not include an expansion of her export trade despite claims to the contrary. In fact, since 1947 foreign aid has been unable until last year to sustain American exports at the 1947 level, although the flow of dollar exchange from other sources was being rapidly increased. The bulk of foreign aid has gone to the United Kingdom and to the countries of Western Europe. Yet our economic, as distinct from military, exports to this area have shown especial weakness. The weakness has been pronounced in agricultural exports.

In the case of cotton, the weakness is due to no failure of domestic consumption in those countries. It springs from the fact that about one-half their cotton imports are for manufacture and reexport to other countries and areas. Hence, whatever their dollar-exchange positions may be, they can purchase cotton from us in usual volume only if they can sell the end products to others. Because of trade restrictions among these others, no amount of additional dollar exchange through foreign aid or otherwise to the United Kingdom, to Western Europe or to Japan can, under present conditions, serve as an important factor in the expanded consumption of American cotton.

The same reasoning applies to any other agricultural commodity insofar as its export to other countries depends on processing for reexport. The problem of sustained and expanding agricultural exports from the United States, therefore, is by no means limited to financing the first country or countries of destination. It extends to the outer rim of the trading area.

For the United Kingdom and continental Western Europe, as well as Japan, the bulk of reexports normally moves into the vast areas which are deficient in manufactured goods. These vast areas of deficiency are precisely where trade restrictions are the most drastic. Because of them the completion of the normal economic process is denied.

Accordingly, American-aid dollars, while keeping open the gates of raw material entry for the industrial countries, have not kept open the gates of product export. They have paid import bills, they have not produced export markets.

THE UNITED STATES AS A SUBSTITUTE MARKET

The peculiar nature of this trade impasse supports the inference that the United States, having failed to break it by "aid" dollars, cannot break it by becoming a substitute market for goods commonly sold in other areas. If such action were taken, exports to the areas of deficiency would still be blocked. America's power to relieve the situation would become less, because increased imports of manufactured goods from Europe would diminish America's need for raw materials. This could be no improvement over the long-standing situation in which we are buying from the underdeveloped areas either the maximum they can supply or the maximum which we can use. The proposal, therefore, does not meet the problem head on. It merely short circuits it.

THE PURPOSES OF RESTRICTION

If the gateways to the great markets for manufactured goods cannot be opened by the diversion of European and Japanese exports from the areas of deficiency to the United States, the keys may be found in the restrictive programs which afflict industrial and agricultural areas alike, and which we shall now describe. It is commonly assumed that these restrictive programs have been forced on the various countries by basic trade difficulties which they could not otherwise overcome. No overall assumption could be in greater error. In most cases payment difficulties and deficit positions are either created or greatly intensified by external controls and internal policies.

The purposes may in greater part be summarized as follows: (1) The diversion of foreign exchange proceeds from their normal trade uses to the financing of domestic projects beyond the ordinary means of the state. (2) The administration of exchange values and funds to provide support for inflated price and credit structures, faulty fiscal policies, or programs of social welfare and so-called "full employment." (3) The use of exchange and commodity restrictions, far beyond the scope of usual tariff measures, to protect inadequate and inefficient industries, even when the factors of economic growth are adverse. (4) The manipulation of exchange and of export-import trade to reshape or rearrange external economic relations.

These objectives will be present singly, or in combination, with the full regalia of implementation in the great majority of countries. In only a few cases have planned internal programs and external restrictions been correlated with the purpose of balancing an expanded trade, restoring national solvency, maintaining currency, integrity, and achieving economic stability.

The summary of objectives just given is intended as a prolog to the actual drama which unfolded in a typical or representative state as it built story by story its structure of controls.

EXPROPRIATION OF FOREIGN FUNDS

The first foundation stone is the expropriation by the state of all foreign currencies or bank balances which its residents own or are currently earning. They include proceeds from exports, sale of securities and services abroad, and receipts from foreign investment or loans. In addition to these foreign funds expropriated from private sources, the state also takes ownership of funds received as grants in aid from the United States or as loans from the International Monetary Fund, or the EPU, or the World Bank, or the Export-Import Bank subject to such conditions as may be imposed by the sources. In general, private ownership of foreign funds, with few and carefully regulated exceptions, is prohibited, and private use is permitted only in accordance with official stipulations. Deprived of the means to make foreign purchases independently, the individual is without choice or effect in determining the character or the volume of his country's imports or foreign financial transactions.

ADMINISTERING THE EXCHANGE MONOPOLY

In administering its monopoly of foreign funds, the state itself determines the purpose and the amount of every expenditure. For trade purposes, a portion of the funds may be parceled out to selected individuals to finance the commercial

import of specified types and quantities of goods. Often, and in large part, foreign funds are utilized directly by the state for the import of goods and services on its own account either for resale or for programs of industrial and agricultural development, or social welfare. Here the basic significance is: The manner of using foreign funds depends wholly on the bureaucratic judgment of the state as to the nature, measurement and relative priorities of the country's needs.

THE CONTROL OF IMPORTS

In the control of imports for commercial distribution, provisional estimates are made of total permissible volume. The estimates may be formulated and made enforceable by a periodical budgeting of exchange funds, say once a quarter. In most instances, however the determinations are made at administrative discretion and are subject to frequent and sharp variation without advance notice.

An unerring second step is the breakdown of the total into various commodity classifications, each being assigned a rating or priority according to relative importance or urgency. There are usually 5 or 6 categories ranging from "essentials" to nonessentials or luxuries. No category bears a fixed ratio to the estimated overall total, being subject to change from time to time according to administrative judgment or exchange availability. These general categories are supplemented by numerous specific items segregated for special treatment from favoritism to outright prohibition. Most commodities not on the "essentials" list have very tenuous and unpredictable status. The significance: Stable programs of merchandising on the part either of importers or of foreign exporters are made impossible.

THE CONTROL OF EXPORTS

Exports are likewise generally subject to control even where no "strategic" considerations are involved. Their control may take the form of allotment to comply with a "trade and payments agreement," or an overall limitation, or the imposition of export taxes, or the control of export prices. It is not unusual for a country to step in and out of the world market as an exporter of certain commodities, or to change unilaterally the terms of trade through price, or exchange rates, or export taxes, for reasons of tactical or opportunistic advantage. The end result is more instability and confusion added to the already confused international trade.

With respect both to imports and exports, controls may be and usually are influenced by particular relationships with other countries. Exports to one country or area may be curtailed, while similar exports to other areas may be encouraged by special arrangement. Likewise imports of certain goods may be permitted, or denied, or varied as to volume according to the country or area of origin. The end result: A shattering of the normal criteria of supply and demand in the world distribution of goods.

HIGHLY RESTRICTIVE LICENSING

A system of highly restrictive licensing covering all individual exporters and importers implements the schedule of controls. In a generic sense there are two types of licenses: the general and the specific or special. Under the general license the operator imports or exports according to a predetermined pattern of trade in each commodity classification. However, each individual import transaction ordinarily must be approved in advance before exchange is allotted. In the case of exports, advance approval is likewise required for purpose of volume or destination control, or tax collection, or expropriation of exchange proceeds at specified rates. Specific licenses are issued for items of special status which have uncertain or sporadic rating. Withdrawal from general license to specific license may mean prohibition for an indefinite period. There is much shifting of license status indicating the rapid play of discretionary powers. Individual competition is eliminated: individual incentive destroyed.

IMPORTERS CANNOT CLOSE PURCHASE CONTRACTS

Importers cannot close purchase contracts with foreign sellers unless and until each transaction is approved by the control authorities. Upon such approval some countries require the importer to pay immediately to the exchange authority:

the full amount or the greater part of the import valuation in local currency. In return he is given an exchange allotment but may not draw upon it until delivery of the goods, or the exporter's draft with shipping documents, or until such later time as the exchange authority chooses. Extensive payment delays are frequent, which are in effect forced loans from importers as well as foreign exporters. By way of illustration, Brazil's accumulation in 1952 of unpaid American export drafts on delivered goods approximated \$250 million and became long overdue despite allotment of exchange before goods were shipped, and despite payment by the importers to the Government of the full amounts involved. Similar deficits with western European countries were accumulated, creating additional exchange difficulties in soft currencies no less pronounced than in dollars.

FIXATION OF EXCHANGE RATES

Arbitrary fixation of exchange rates has been a feature of most control systems. Official exchange parities do not generally reflect actual values. Virtually all countries have undergone varying degrees of inflation since the outbreak of the Korean war. Price levels have risen in very irregular fashion from 10 to 200 percent or more. Previous or traditional patterns of price relationship between countries have disappeared. For this and other reasons, the relative values of most currencies have become hopelessly garbled.

Obviously a free and general exchange of currencies under these circumstances is impossible. Moreover, currency disparities caused by uneven inflations are only accentuated by trade restrictions. Violations of the principle of comparative value in the fixation of exchange rates have therefore become a major obstacle to multilateral trade. Progress toward trade recovery has occurred in greatest measure where these violations have been relatively minor and where internal policies have respected the integrity of the Nation's currency, as in Germany, Holland, Switzerland, the United Kingdom, and in somewhat less degree Belgium and the Scandinavian countries. In those nations whose currencies are substantially overvalued by official decree, the maintenance of a competitive export trade is impossible without the use of special aids. On the other hand the pressure for excessive imports is exaggerated and chronic. The end result is a progressive strengthening of import controls, and a continuing impetus to further inflation.

MULTIPLE EXCHANGE RATES

Some countries have temporized with the problem of exchange disparities by setting up multiple exchange rates with wide differentials according to use. They apply both to exports and imports and to capital movements as well, and in most cases are subject to change on discretion of government. But these multiple rates are merely clumsy devices of price adjustment on particular classes of import or export commodities, and do not facilitate international settlements, except indirectly, as they narrow or widen the export-import ratio. If it is desired to expand the exports of a particular commodity, the exchange rate is cheapened, or the exporter is paid a higher price for the exchange proceeds. If, on the other hand, it is desired to increase certain types of imports, the exchange rate is revalued upward for that purpose.

RESTRICTIVE USE OF CURRENCY ABROAD

In the destruction of currency exchange values, another common device is the restricted use or transferability of currency held by nonresidents. Ordinarily a foreign holder may not use the currency of one country to make payments in a third country. For most soft currencies this type of restriction amounts virtually to a prohibition. Even in the case of sterling owned by a nonresident or foreigner, its use depends on what country he is in, on how he obtained it, on where he intends to spend it and for what purpose. This type of restriction is the demolition of the last remaining prop to multilateral trade.

The use of restrictions on sterling fall into five classified accounts: "Scheduled territories," which are the sterling area; the "American account" countries; the "transferable account" countries; the "bilateral" countries; and the "unclassified countries." The variations of restrictions from one account to another are too complicated for description here. To give only a single illustration, Japan as a "bilateral country" may use its sterling balances freely only within the sterling area. She may not use them for payments elsewhere except under narrow

limitations as to place and purpose as approved by the Bank of England. If, therefore, consideration of price, supply and need impede purchases by Japan from the sterling area, her sterling balances are rendered useless in proportion and consequently force readjustments in her foreign trade pattern. The United Kingdom not only regulates nonresident use of sterling through the classified accounts, she also utilizes the device of "blocked balances" to freeze accumulation of sterling derived from certain sources, or earned by nonresidents in noncurrent transactions.

BILATERAL COMMODITY AGREEMENTS

The methods and facilities of multilateral trade having thus been destroyed by the various commodity and exchange restrictions above enumerated, world trade outside North America is forced into the artificial molds of bilateral commodity agreements sometimes referred to as "trade and payment accords." Typically each country agrees to exchange with another certain quantities of specified goods in amounts which will approximate a balance. If prices are agreed upon they are usually fixed in dollars and the year-end settlement, if not in balance, usually requires payment in dollars. Even with this type of trade balance through agreement, the retention of unrealistic exchange rates usually debars pricing or settlement in the currencies of the principals.

This extreme caution penetrates even into the sterling area trade where the United Kingdom, India, Australia and Pakistan have set up bilateral agreements among themselves to soften the trade restrictions against each other. The great bulk of world trade among the soft currency nations is contained within the framework of this cumbersome type of arrangement.

EXCESS BURDEN ON THE DOLLAR

The burden on the dollar as an international medium of exchange is greatly intensified by the lack of interchange of the soft currencies. The seeming dollar scarcity is due in large degree to the multiplicity of the functions which it has to assume because of the inability of other currencies to function. Many of these unaccustomed roles have no direct bearing on American trade. There is, for example, the use of dollars by Pakistan to finance sugar imports; the use of dollars by Japan to finance her trade with Italy, the use of dollars by practically all Latin American countries to finance their international settlements both among themselves and overseas.

The burden on the dollar is further accentuated by its increased use as the monetary reserve of other countries. The monetary safety of the sterling area is now commonly measured by its dollar reserves. Since the dollar is the only currency fully and freely convertible into gold on demand, all countries in their striving for a greater reserve concentrate on dollars. The process of accumulation, while under way, causes a proportionate removal of dollar buying power from American export trade.

According to the Federal Reserve Board, dollar holdings of foreign countries increased more than \$1.4 billion during 1952. In adding to their official dollar holdings, foreign countries invested more than \$800 million in United States Government securities. This increase in dollar holdings in 1952 was accomplished despite large debt repayments.

It is estimated that from December 10, 1952, to March 1, 1953, some 700 millions of dollars were converted into gold for export. This expansion of foreign reserves by way of the dollar, while wholly constructive, must be weighed as a major factor in the increased demand for the dollar. Obviously foreign dollar reserves cannot be increased by \$1.4 billion within a year and at the same time serve as a purchasing medium for American exports.

The farflung use of the dollar likewise includes its service as the foundation currency for the International Monetary Fund, the European Payments Union, the Bank for International Settlements and the World Bank.

The full extent to which the dollar is being used abroad is not revealed by the year-end payments balances of the United States. The consolidated payments balance for 1946-52 admittedly fails to account for about \$4 billion. Not only is the dollar virtually the sole medium of interarea capital transfers outside the United States as well as the solvent of international trade transactions; it has been ladled in great quantities from recent exchange proceeds to repay old debts accumulated during former years.

All of these factors, taken into account, largely explain why sustained dollar demand has diverted attention from the greatly expanded sources of dollar

supply in the past 2 years. Viewed in terms of current transactions and with due allowance for the extraordinary roles the dollar is called upon to play outside the dollar orbit, the exchange situation reveals no condition of emergency in terms of supply and no cause for alarm as to its adequacy to finance American export trade if permitted to do so. The restoration of the normal international functions of foreign currencies, by restoring normal functions to the dollar, would immediately result in greater dollar expenditures for American goods.

CONTROL SYSTEMS HAVE BECOME INTERMESHED

The clearing away of the jungle of restrictions must take into account that the control systems have become intermeshed. As each country inaugurated its restrictions, export hardships were thereby imposed on other countries which in turn had to readjust their own restrictions. There came into being a self-propelling succession of actions leading to a final condition in which the extremes of control in one country were secondary effects of controls imposed by others.

CONTROLS DEPART FROM ORIGINAL PURPOSE

This procedure of action and counteraction, of retaliation and defense, has caused most systems of control to depart from their original purpose. In the beginning the major desire was to effect an overall balance of payments. Eventually controls found their chief purpose in remaking commercial policy and in reshaping internal economic development. The power to limit total trade carries the power of selection as to types of trade, and power over the total exchange resources of a country becomes the power to apply those resources according to the designs of the state.

As would be expected, the emergencies of trade have supplied the motivation and the means for state programs of internal transformation. Invariably such programs have intensified previously existing conditions of imbalance. The large-scale industrial, transportation, and agricultural projects have involved a diversion of foreign currency exchange from its customary use. In addition there has been resort to heavy foreign borrowings, to grants-in-aid, to large-scale internal borrowing, to excessive expansion of bank credit and to high taxes. In some instances expropriation of foreign investment has been included. Inevitably the results have been inflation, increased consumer demand for goods with no immediate counterpart in greater domestic production, and another round of higher tariffs and exchange restrictions.

With such programs underway, trade restrictions tend to channelize an increasing percentage of imports into capital uses. Consumer goods scarcity, rationing, high prices, a depreciated currency and bureaucratic regulation of all economic activity make up the final composite. Not infrequently it is supplemented by novel schemes of social welfare which strain still further the resources of the state.

BALANCING PRODUCTION AND TRADE

A number of states which have thus broken the links between their economy and the economies of other countries will in due course be confronted by the dilemma of choosing between deflation with its own series of economic headaches, or currency devaluation. With either choice the internal adjustment, in order to be permanent, must embrace a domestic production policy which is soundly related to resources of materials, capital and manpower, and which sets a complementary pattern between the domestic and foreign aspects of its economy.

Where elaborate systems of trade obstacles are retained, increased production, in many cases, has led only to the net result of diminished consumption. By strangling the processes of multilateral trade and substituting the pattern of bilateral exchanges, total trade is kept down to proportions which can be balanced on a country-by-country basis. Those world commodities which would move easily and swiftly into international consumption are held back not because the means of payment are basically lacking, but because they are in effect denied by the operation of nationalistic policies.

Such is the plight to which world commerce has been brought by planned national policies. The original causes are past history. Their results have hardened into a secondary set of causes which have become basic. Upon them the first attack must be made if world trade is to be restored eventually to normal pattern.

Yet a considerable body of opinion would strengthen present distortions in world trade rather than correct them. It apparently accepts the fallacy that trade should be balanced on a country-by-country or an area-by-area basis. Recent publications of the United Nations openly supporting the bilateral concept have urged Latin America to buy machinery from Europe rather than the United States; not because the European machinery might be better or cheaper, but because its purchase would promote a payments balance between the two areas.

The United Nations has also advised Western Europe to substitute the manufacture of synthetics for the manufacture of cotton goods on the grounds that such action would lessen the balance of payments difficulty. The United States is roundly denounced for not buying more from the United Kingdom in the interest of a payments balance. This type of thinking is a return to medievalism. Even the doctrine of multilateral trade seems to hang in the balance.

II. AMERICA'S RELATIONSHIP TO WORLD TRADE

It is by way of startling contrast to place the acts and policies of the United States against the background of events above chronicled. For 7 years America has donated an average of \$5 billion a year to foreign-aid programs. As previously noted in our discussion of foreign-trade restrictions, the utilization of the grants as foreign-exchange palliatives during the past year and a half did not retard the process of trade corrosion.

The program of reciprocal tariff reductions begun prior to the war and accelerated since 1946 through GATT has likewise failed to fulfill its purpose of a freer and more flexible trade. The only net outcome was the reduction of American tariffs. United States customs duties were sharply reduced while the areas abroad, as previously described, became higher and more restrictive.

A third resort in the interest of world trade was United States leadership in the organization and financing of the International Monetary Fund, the World Bank, the European Payments Union; the enlargement of the scope of the Export-Import Bank; the broadening of the activities of the Commodity Credit Corporation, and the setting up of special revolving funds by Congress to provide emergency export credit.

EXPANSION OF AMERICAN IMPORTS

But the most spectacular as well as the most solid and lasting form of American effort in the restoration of world trade has been the extraordinary increase of her imports. They have multiplied fourfold since the prewar period and have almost doubled since 1947. The dramatic upward sweep of imports has occurred while exports for a period of 5 years have actually sagged.

So insatiable has been the American demand for foreign goods that not infrequently foreign sources have been unable to satisfy it in certain commodity classifications; or have partly frustrated it by excessively high prices, or by the imposition of export taxes amounting in some instances to as much as 25 to 100 percent of the market value of the goods.

Yet America's remarkable import performance which easily stands out as the most constructive trade development of the postwar period has not been recognized in the public mind and has been subject to the most astonishing misrepresentation in foreign countries.

Incessantly the popular refrain has been, "How can America expect to sell when she refuses to buy?" The prospective decline in the volume of foreign aid has caused the language to be rephrased as "Trade—Not Aid." But there is no change of concept, the purpose continuing to be nothing more than a leveling of the American tariff structure. Other nations recoiling from the impenetrable mazes of their own self-imposed restrictions would now turn to America to make it gateless.

Strong support of the idea is not lacking in certain American groups. Their thinking is typically expressed in the language of the report to the President by the Public Advisory Board for Mutual Security, more commonly known as the Bell report: " * * * if this country does not soon take measures to facilitate an increase in imports, United States exports will decline, and American industry and agriculture will be seriously affected."

Examination of our import data discloses that the average annual increases are already as great as the 700 million to 1 billion which the report declares necessary to save the world.

Our present level of imports is 4½ times the average of 1936-40. It is almost twice as high as 5 years ago. Here are the figures in dollars based on foreign wholesale value:

[In thousands of dollars]

	Imports	Amount of increase or decrease
1936-40.....	2,440,042	-----
1945.....	4,098,101	¹ +1,658,059
1946.....	4,824,902	+726,801
1947.....	5,666,321	+841,419
1948.....	7,092,032	+1,425,711
1949.....	6,591,640	-500,392
1950.....	8,743,082	+2,151,442
1951.....	10,812,961	+2,069,879
1952.....	² 10,700,000	³ -113,000
Average annual increase, 1945-52.....	-----	³ +1,000,000

¹ Over prewar average.
² Approximate.

Over the past 8 years the average annual increase has been approximately \$1 billion. The slight break in 1949 was due to the general business recession of that year in the United States. The import showing of 1952, though slightly under the record peak of 1951, is even more impressive. In physical volume it set a new high record despite the tapering off of imported raw materials for war. Its dollar volume was slightly under the 1951 level only because of an appreciable decline of import prices. Combined imports of 1951-52 exceeded the total for 1949-50 by more than \$6 billion. This huge increment was tossed into available dollar exchange while the foreign aid program was proceeding undiminished. What happened to it? It was not reflected in an expanded export trade.

Despite the remarkable advances of the import total and the lag of exports, the Bell report is moved to say: "United States exports have increased more than imports, and the dollar earnings of other countries and their receipts from American investment are insufficient to pay for their imports from the United States.

The truth is that United States exports, even with the help of aid funds, have not increased more than imports. They certainly should have, but exports reached their peak in 1947. For 3 years thereafter they fell rapidly to a figure which in 1950 was only two-thirds of the 1947 volume. The subsequent recovery regained the 1947 level only in 1952. This is the record—which should be compared with the preceding import table.

American merchandise exports including military aid, 1937, 1939, and 1947-52

[Value in billions of dollars]

Year	Exports, United States merchandise	Year	Exports, United States merchandise
1937.....	3.1	1949.....	11.9
1939.....	3.1	1950.....	10.1
1947.....	15.2	1951.....	14.9
1948.....	12.5	1952.....	15.2

Source: Department of Commerce.

THE SUFFICIENCY OF DOLLAR EARNINGS

The contention of the Bell report that "the dollar earnings of other countries and their receipts from American investment are insufficient to pay for their imports from the United States" is likewise misleading as stated. It gives the impression that "other countries" include all countries, and that their imports from the United States consist wholly of things which they need in normal commercial trade; and implies that the policies and practices of other countries have had no part in the creation of the problem—an implication which has been dealt with previously.

The assertion that other countries have insufficient dollar earnings to pay for their imports certainly does not apply to the sterling area, which has attained balance while building up its dollar reserves by a half billion during the last half of 1952. It cannot apply to Canada, whose dollar is at a premium over the United States dollar. It does not apply to Germany which has a favorable overall balance, or to Holland, or to Mexico. It does not apply even to Brazil or to Argentina, both of which countries had favorable export merchandise balances with the United States in 1952. It does not apply to South America as a whole, whose sales of goods to the United States last year exceeded purchases by \$451 million. The Director of the International Monetary Fund reported that the dollar deficit for the whole world in 1952 was only \$1½ billion.

Of the countries which are on the deficit side, it should be noted that "insufficiency of exchange to pay for their imports" is quite as marked in soft currencies as in dollar exchange. The very heart of the world trade problem is the inability of the soft currency nations to trade with each other multilaterally.

The report also fails to point out that the overall deficit position of certain foreign countries has been purposely created to finance internal programs requiring imports of capital goods and raw materials out of proportion to normal exchange proceeds. It is a type of deficit which is chosen as national policy, not one which is imposed by basic trade disadvantage.

Another disregard of reality in the report's diagnosis is its failure to admit that foreign aid has created most of our export excess and is not the result of it. The goods are given and the dollars are given to pay for them. They, therefore, can have no part whatever in any imagined "insufficiency" of dollars in other countries.

To further assure dollar sufficiency, rising imports as a source of exchange are being rapidly reinforced by the development of so-called service activities. These are often referred to as the invisible or intangible items of trade. They consist mainly of travel expenditures, foreign investment, transportation, banking services, brokerage, and insurance. The total is capable of great expansion.

American tourist expenditures for foreign-owned transport and in foreign countries have shown phenomenal growth amounting in 1952, according to the Department of Commerce, to about \$900 million. American investment abroad, direct and indirect, probably exceeds \$1 billion per year, with the possibilities of growth scarcely touched. The vast underdeveloped areas of the world are crying for industrial development and modernized agriculture. Private foreign investment on a large scale awaits only the more favorable economic climate which would result from currency and trade stabilization. To cultivate this field of rich promise should be a major objective of American foreign policy. Programs of foreign capital investment would not only provide relief to the problem of payment imbalances, but the long-range gains to be expected in the purchasing power of underdeveloped areas might prove to be the most powerful force now foreseeable for the expansion of world trade.

THE UNITED STATES AS A CREDITOR NATION

By many, it is mistakenly assumed that the United States as a creditor nation can maintain its export position only by importing more than it exports. No theoretical reasoning which takes account of all payments factors, such as those mentioned above, can support this conclusion. It is based mainly on pre-war British experience when returns from heavy overseas investments paid for a large import balance.

In the case of Britain, as well as of certain European countries, import balances resulting from creditor positions were a desirable and necessary consequence of the limited material resources and food supplies of those countries. To be prosperous their economies required an excess of merchandise imports to the maximum amount made possible by their foreign investments and other services.

America does not constitute a parallel case. The tendency, whether realized or not, of merchandise exports to exceed merchandise imports is inherent in the American economy. As a supplier of domestic needs it possesses a balance unapproached by any other country. Its production surpluses available for export cover an unparalleled range of commodity classifications. Viewing its industry as a whole, physical productivity in terms of man-hour output also averages higher than for other industrial countries in those activities suitable to mass production.

In short, the agriculture and natural resources of the United States are sufficiently adequate and varied to meet the bulk of raw material requirements

of industry and the consumption needs of the people. In most of the basic commodity categories exportable surpluses are present in heavy volume.

While it is true that specific deficiencies in our domestic supply are many and important, they do not in the aggregate require an import volume which approaches our export potential. Consequently, if our imports are destined to exceed exports because of balance-of-payments reasons, that outcome would have to be created by failure of the intangible supports of trade, or by a worsening of foreign trade restrictions, or by a loss of productive power in American industry and agriculture.

THE PRESENT TARIFF STRUCTURE

Tariff duties apply to less than half of American imports. In 1951 approximately 55 percent of imports were duty free. In 1952 the percentage rose to 56. Such items as coffee, tea, bananas, cocoa beans, raw rubber, raw silk, newsprint, tin and many others of great economic importance are on the free list.

The average duty collected on dutiable goods is between 12 and 13 percent, ad valorem equivalent. Of the dutiable goods a very large proportion, about one-half, is subject only to nominal duties or to duties which are primarily for revenue and not restrictive on volume. In this group are most metals and minerals, sugar, fresh and frozen fish, nitrates, lumber, burlap, and many other items.

The great scope of the free list and the wide coverage of the nonrestrictive duty list indicate that for about three-fourths of American imports tariffs are not an issue. Whatever protection is left in the tariff structure is with few and minor exceptions, confined to those groups representing 20 to 25 percent of imports. These include a wide range of manufactured foodstuffs and agricultural products such as wheat, meats, fruits, nuts, butter, cheese, and raw wool except carpet wool, as well as textiles, footwear, chemicals, ceramics, and other classifications.

Of our total imports only about two and one-half billion represent imports in the so-called protected categories. Yet this limited segment includes the commodity range which would have to provide the offset for reduced foreign aid if it is to be accomplished by an increase of imports from tariff reductions. Even a doubling of such imports would fall short by one-half of offsetting the discontinuance of foreign aid as a balance-of-payments factor. Obviously this area of trade is too narrow a basis for the intended objective.

Consequently, one is forced to the conclusion that the free trade advocates also have in mind the withdrawal of quota and tariff protection from American agriculture. This could mean nothing less than the abandonment of the entire agricultural support program.

THE NATURE OF OUR IMPORTS

Another angle of judgment regarding the effect of tariff reductions takes into account the nature of our imports. The tariff classifications show that, of the 1951 imports, crude materials constituted 30 percent; crude foodstuffs, 20 percent; manufactured foodstuffs, 8½ percent; semimanufactures, 23 percent; finished manufacturers, 18 percent.

Accordingly about one-half of American imports consist of crude materials for industry and crude foodstuffs for further processing, both of which are for the most part within the duty-free or the nominal duty groupings. The only exception of commercial importance is wool which has protection because of the domestic support policy.

Although cotton imports are limited by quota restrictions, domestic production greatly exceeds home consumption and must rely on exports for removal of heavy surplus. Any substantial entry of foreign cotton, therefore, is not economically justified and would be inconsistent with the agricultural support program. The same conclusion applies to certain other basic agricultural commodities whose domestic production is in excess of home requirements.

Viewed as a whole with the above noted qualifications, crude material and crude foodstuff imports which are supplementary to American supply are limited only by the consumption capacities of our internal economy. Their import fluctuations and rate of growth under peacetime conditions are determined primarily by the fluctuations of American industry and the basic consumption trend of the American population. The tariff as a factor in the determination of volume and price is inconsequential.

The same conclusions apply in only slightly less degree to semimanufactures which constitute 23 percent of imports.

Manufactured foodstuffs and finished manufactures supply the remaining 27 percent of imports. Manufactured foodstuffs consist largely of canned seafood, dairy products and processed meats from Denmark and Holland; delicatessen items from the Mediterranean countries, and alcoholic beverages from the United Kingdom and Western Europe. On such items demand elasticity as related to price is fairly limited. Tariff reductions would serve mainly as price depressants rather than demand stimulants and tend to demoralize the affected American market out of all proportion to the actual increase in imports which might result.

IMPORTS BY AREAS OF ORIGIN

The great bulk of our duty-free or nominal duty imports is from the underdeveloped areas of the world. Most imports of raw industrial materials, crude foodstuffs and semimanufactures come from Latin America, Southeast Asia, Oceania, Australia, Canada, and the Near East. From the United Kingdom, Western and Southern Europe come the bulk of manufactured foodstuffs and finished manufactures.

Since our imports from the relatively underdeveloped areas are already unrestricted with minor exceptions, the net foreign gain, if any, from the "trade—not aid" program would be limited to Western Europe, Southern Europe and the United Kingdom. Of all areas this is least dependent on exports to the United States.

There is no economic basis for a merchandise balance between the United States and this area which would be profitable to both. The economies are not complementary.

Historically the payments balance has been achieved through the natural method of triangular or multilateral trade by way of Latin America, Canada, Southeast Asia, Indonesia, Australia, and the Near East. This is the logical procedure to maximize the trade for all concerned. The objective should be to restore it rather than write its epitaph.

That the process of restoration requires something more than a change of import policy on the part of the United States is indicated by the fact that those countries to which we have opened up our markets freely and fully happen to be the countries which are in greatest trade difficulties. Despite our maximum contribution tradewise, their currencies are the weakest, their systems of control are the most rigid, and in many instances their programs of nationalism are the most rampant. Their exports to the United States have, in fact, approximated the best they were able to do. In general, their exports have been adequate to sustain a satisfactory trade balance under conditions of sound economic policy.

Yet as between themselves, as well as with us, the payment situation has been almost fantastic in all its features. This very pertinent truth has been overlooked in the discussions of the so-called dollar gap. It brings into sharp focus the fact that trade instability and currency inconvertibility as they now exist have occurred in spite of American trade policy. On the contrary, American trade policy has been the supreme force which warded off complete disaster throughout the entire area of international trade. Past effort and its consequences do not suggest that more successful correction can be achieved by leading large segments of American industry and agriculture to the sacrificial altar.

SUMMATION OF CONCLUSIONS

World trade is entangled in a jungle of restrictions which not only impede the interchange of goods, but make virtually worthless most of the world currencies as media of international exchange.

This restrictive growth has developed despite the foreign-aid programs and other policies of trade liberalization pursued by the United States and has been nurtured by the policies and practices incidental to the national objectives of other countries.

Its removal, therefore, is a task of worldwide scope and of many fronts. America's responsibility extends to a new set of issues which on the negative side relate to the sweeping away of restrictions; and, on the positive side, the building of new supports for an expanding multilateral trade.

They involve the restoration of rational price and currency relationships; the establishment of procedures to maintain the interchangeability of currencies;

the promotion of national standards of action looking to internal stability; the general adoption of policies to facilitate internal development by the encouragement of private investment, both domestic and foreign; the acceptance of policies which assure protection of foreign capital and the earnings therefrom; and, finally, the establishment of institutions which will maximize the incentives and facilities of private enterprise.

JUNE 15, 1953.

HON. LYNDON B. JOHNSON,
United States Senate, Washington, D. C.

DEAR SENATOR JOHNSON: Thank you for your letter of June 12 enclosing a letter from Mr. Ernest Williams, secretary, Texas Sheep & Goat Raisers' Association, Inc., San Angelo, Tex.

I appreciate your courtesy in sending me Mr. Williams' letter expressing his association's views with regard to H. R. 5495, and I am taking the liberty of making his letter a part of the printed record when hearings are held on this measure.

With very best regards, I am

Sincerely,

EUGENE D. MILLIKIN, *Chairman.*

TEXAS SHEEP & GOAT RAISERS' ASSOCIATION, INC.,
San Angelo, Tex., June 8, 1953.

HON. LYNDON B. JOHNSON,
United States Senate, Washington, D. C.

DEAR SENATOR: We are asking your help to put into H. R. 5495, the House bill to extend the Trade Agreements Act, and which I understand will probably be reported out of the Senate Finance Committee on Wednesday, June 10, provisions for "more protection to American agriculture—specifically the wool industry."

As you know this association, representing the sheep industry of Texas, has long felt that the industry was not sufficiently protected by provisions of the Trade Agreements Act from wool importations from countries having a lower cost of production.

I hasten to say that we do not and have not opposed the importation of foreign wools into the United States in the amounts needed for consumption above our own production, and so long as the American grower has first chance at the American market at a fair price. Certainly there is nothing selfish in this desire, nor is it against the best interests of the United States.

We do strongly oppose the importation of wools at prices less than our cost of production. The American sheep industry is efficient but costs of production are dictated by factors over which the producer has no control. His supplies are produced by labor which has a floor under its wages; certain supplemental feeds have either directly or indirectly floors under which the cost cannot fall. The market for lamb is a free one. Wool does have a support in the form of a loan but that loan is lower than full parity and yet high enough in terms of foreign exchange to allow wools from other countries to come in at an even lower price.

As mentioned above, we do not oppose the importation of those wools. Until such time as the Congress recognizes the needs of the American wool industry and as a result it is able to expand in numbers, we must have those wools. We do strongly feel that not one pound of Australian, New Zealand, South African, or South American wool should come into this country at less than the American parity price for such wool. It is our contention that the raising of tariffs to a point more in keeping with American production costs would not decrease the amount of wool coming into this country nor would it decrease the flow of American dollars to those countries from which the wool comes.

If better protection for the American wool producer cannot be written into the Senate version of H. R. 5495, we urge you to contact Senator Millikin and others of the Senate Finance Committee and ask that they kill the bill.

With best personal wishes, I am

Sincerely yours,

ERNEST WILLIAMS, *Secretary.*

WASHINGTON, D. C., June 20, 1953.

Mr. O. P. LOKER, Sr.,
Starkist Foods, Inc.,
Terminal Island, Calif.:

Your telegram June 19 will be printed in the record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance.

TERMINAL ISLAND, CALIF., June 19, 1953.

HON. EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.:

Our industry favors enactment of H. R. 5495 as passed by House, and strongly urge that seven-man Commission be retained.

O. P. LOKER, Sr.,
Starkist Foods, Inc., California Fish Cannery Association, Tuna Research
Foundation.

WASHINGTON, D. C., June 20, 1953.

Mr. H. L. DILLINGHAM,
Secretary, American Glassware Association,
New York, N. Y.:

Your telegram June 19 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance.

NEW YORK, N. Y., June 19, 1953.

Senator EUGENE D. MILLIKIN,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.:

American Glassware Association supports H. R. 5495 particularly the seven-man Tariff Commission. The bill is step in right direction but does not go far enough and hope that the seven-man committee authorized by the bill will incorporate in their investigation the advisability of many points contained in H. R. 5496 now before Ways and Means Committee.

H. L. DILLINGHAM,
Secretary, American Glassware Association.

WASHINGTON, D. C., June 20, 1953.

Mr. G. P. BYRNE,
Managing Director, United States Wood Screw Service Bureau,
New York 7, N. Y.:

Your telegram June 19 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance.

NEW YORK, N. Y., June 19, 1953.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.:

As representing all manufacturers of wood screws in United States, we strongly urge your committee support at least seven-man Tariff Commission in H. R. 5495. American wood screw industry desperately needs the kind of assistance provided in H. R. 5496. American workmen and their concerns cannot compete with low-wage foreign labor. H. R. 5496 would help equalize this unfair competition and save American jobs and capital equipment.

G. P. BYRNE,
Managing Director, United States Wood Screw Service Bureau.

ONONDAGA POTTERY CO.,
Syracuse, N. Y., June 19, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR MILLIKIN: Your telegram of June 18 suggests written statement our views on H. R. 5495.

In our statement before the Ways and Means Committee hearing on Simpson bill, H. R. 4294, we stated our views fully. Copy of this statement is enclosed herewith, and we particularly invite your attention to comment regarding H. R. 4294 beginning at the middle of page 3. You will observe that we have had some experience with the existing trade agreements act and its administration, and we must be most emphatic in stating that the present act and the compromise revisions as set forth in H. R. 5495 are not adequate to insure the protection required by the pottery industry.

You will note that our industry applied for escape clause action on February 11, 1952. The decision was announced a year later, February 6, 1953, but at that time the Commission was a four-man body. Our situation fulfills each of the basic injury criteria as set forth in section 7B of the Trade Agreements Act of 1951. These basic injury criteria are set forth in detail on page 4 of our statement.

There is no element of disrespect in our suggested withdrawal of the discretion formerly granted the President by the Congress in putting the findings and recommendations of the Tariff Commission into effect. The Commission is not a Cabinet department but a bipartisan semijudicial body. After a matter has been considered and decided under the law it should not be subject to review or change by any other department. This is not an infringement of Presidential powers, inherent or otherwise, but a simple withdrawal of congressional powers abdicated to the President to be exercised without public hearing and without recourse as under earlier versions of the law.

Since the second Simpson bill, H. R. 5496, includes some of the features we requested at the Ways and Means hearing we urge that this bill be reported out of committee promptly.

Sincerely yours,

E. L. TORBERT, *Vice President,*
Chairman, Foreign Trade Committee,
Vitrified China Association, Inc.

SYRACUSE, N. Y., June 18, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building:

Much time, money, and effort has been expended in hearing on original Simpson bill, H. R. 4294, which includes features needed to safeguard applicants for relief under escape clause. The pottery industry must have assurances that their interests will be safeguarded and we urge further public hearing if there is any substantial modification of original Simpson bill, H. R. 4294.

E. L. TORBERT,
Chairman, Foreign Trade Committee, Vitrified China Association.

STATEMENT OF EDWARD L. TORBERT, VICE PRESIDENT, VITRIFIED CHINA ASSOCIATION, INC., SYRACUSE, N. Y., BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. TORBERT. Thank you.

My name is Edward L. Torbert. I have been associated actively with the vitrified china industry since 1895, and presently am vice president of Onondaga Pottery Co., Syracuse, N. Y., manufacturers of vitrified china under the trade name "Syracuse China."

I represent the Vitrified China Association, Inc., and manufacturers of vitrified china. Some of the potteries in this industry are located in towns and small cities. A number of these communities are almost

wholly dependent for their existence upon the business, employment, and payroll of the pottery industry.

The vitrified china plants—15 in all—give employment to approximately 8,000 persons.

Also concerned, though I do not represent them, are the clay and materials suppliers to the American industry located in such States as Virginia, North Carolina, Florida, Alabama, Georgia, and Texas.

Expiration of the Trade Agreements Extension Act of 1951 has provided the free traders with an opportunity for much propaganda and exploitation of such catch phrases as "trade—not aid." Likewise, there is provided the opportunity for careful consideration of a sound and enduring economy for these United States in the years ahead.

This latter aspect was, I believe, fully understood by President Eisenhower when, in his state of the Union message requesting Congress to study the Trade Agreements Act, he made this important qualification: "This objective must not ignore legitimate safeguarding of domestic industries."

In the light of this Presidential declaration we present the following regarding the vitrified china industry.

In our industry salaries and wages constitute the largest item of cost, amounting to 60 percent of the factory selling price of china-ware produced, even though our operations are mechanized and efficient to a degree unequaled, in our knowledge, by any other country in the world. Imports of china tableware, with which we are in direct competition, come principally from Japan, Germany, and England. Wages paid to pottery workers in the United States are 10 times the wages paid for similar work in the better Japanese potteries, 6 times wages in German potteries, and 3 to 4 times wages paid in English potteries.

The pottery industry in the United States needs adequate protection if it is to continue to exist in a condition of healthy activity. To survive and thrive the pottery industry cannot continue without protection for the very ordinary and simple reason that pottery can be produced abroad, transported to this country and sold here at a price below that at which United States potteries can produce and sell their product.

Ours is an inescapable position that neither methods nor management can change. Our problem is, in essence, a purely wages problem. The American pottery employer cannot afford to pay American wages and sell in competition with the distressingly low wages paid in so many foreign countries.

IMPORTS

The Tariff Commission in a report published in February 1953 stated:

Annual imports of the kinds of household china tableware which are now dutiable at trade agreement rates of duty have increased sharply in postwar years. The total quantity of such imports was about three times as great in 1950, and about four times as great in 1951, as the annual average in the prewar period 1937-39. Imports of certain household china tableware not dutiable at trade agreement rates but competitive with some domestic household china tableware have also increased sharply in postwar years.

All china tableware imports, whether at trade-agreement rates or otherwise, are competitive with American production. The total of all such imports in the 3 years after the war, 1950-52, was approximately 1 million dozens greater than the imports in 3 years before the war, 1937-39. This would have given employment to several hundred American workmen during the years that employment in American potteries was declining.

Imports of fine china from England in a corresponding period have increased over 1,000 percent. The situation in relation to English shipments was brought to the attention of this committee in April 1945 at a hearing on the Doughton bill, H. R. 2652, from which I quote:

United States Government reports of imports show that for 3 years, 1941-43, during the war, the dozens of fine china imported from England increased 149 percent, in value 187 percent as against 3-year period prewar 1937-39.

The increasing trend of imports and the declining domestic production is substantiated in the following figures.

Domestic production declined 25.5 percent from 1949 to 1952 while imports increased 56.5 percent in the same period.

Not only has chinaware been imported at very low prices to the direct harm of American wage earners. Foreign manufacturers have used decorative treatments taken directly from the creation of American potteries and, in some cases, have even copied the name of the pattern.

I am asking Dr. Martin to leave with you some samples. I have a sample here of a pattern that is named Apple Blossom, designed and patented by an American pottery and sold at retail for \$11.75 for a five-piece place setting. The name of the pattern, "Apple Blossom," appears on the back of the plate. Also submitted is a sample of Japanese manufacture in which an integral part of the American patented Apple Blossom decoration is used in the same color combination as the original American production. The Japanese production is marked, "Apple Blossom," on the back of the plate. This Japanese five-piece place setting retails for \$3.99.

I submit also a sample of an American plate, in a pine decoration. This is marked on the back "Pine," and is a well-known pattern by one of the finest manufacturers in the United States. I also submit a sample of Japanese china, in which again they have taken an integral part of the decoration and copied it. The United States ware sells for \$19.25 a 5-piece place setting; this sells for \$3.99.

I have a third display not mentioned in my brief. I submit a plate of an American manufacturer which I purchased in a retail store for \$2. Here is the Japanese imitation; I paid 55 cents for it.

Lest you think that the Japanese ware presented is not good quality, let me say that the Japanese have recently employed some of the finest designers and decorators. I am simply submitting for observation some of the new Japanese china.

Mr. CURTIS of Nebraska. In reference to that Apple Blossom plate, I notice the Japanese product is also named Apple Blossom.

Mr. TORBERT. Yes, sir; they have copied the name as well as the pattern.

Mr. CURTIS of Nebraska. Is that a violation of any regulation or law?

Mr. TORBERT. The design is patented, but they have very skillfully refrained from making a complete reproduction.

Mr. CURTIS of Nebraska. The title is not copyrighted or patented? There is no way you could do that?

Mr. TORBERT. No.

Mr. CURTIS of Nebraska. And there is nothing in the tariff laws or the laws relating to imports with respect to that?

Mr. TORBERT. No, sir.

Mr. JENKINS. Each of these items is marked somewhere, "Made in Japan."

Mr. TORBERT. Yes, sir.

Mr. JENKINS. You may proceed.

Mr. TORBERT. Now I would like to comment on H. R. 4294.

We have had specific experience with the existing Trade Agreements Act and its administration. We, therefore, have a direct and immediate interest in the action you take with reference to H. R. 4294.

The groups I represent are in favor of the passage of H. R. 4294 as it stands.

A few comments on our own experience may help you appreciate the importance of some of the changes made by this bill in the provisions of the Trade Agreements Extension Act of 1951 under which the program has been operating.

ESCAPE CLAUSE APPLICATION

The vitrified china industry applied for escape clause action on February 11, 1952. By the time a decision was announced a year later—February 6, 1953—the Commission had been reduced to a four-man body.

Our situation fulfilled each of the basic injury criteria as set forth in section 7 B of the Trade Agreements Act of 1951:

A decline in sales, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers.

I offer for inclusion in the record at this point a chart filed at our hearing showing the increase in imports and decline in domestic production, which was actual as well as relative.

(The chart referred to appears on p. 197.)

Mr. TORBERT. The partial Commission decision a year later was against us 4 to 0, the reason given being as follows: That domestic production was higher than in the pre-World War II period and some companies had not provided desired accounting data.

The Commission pointed out in justifying its action that domestic production had increased over prewar by some 400 percent, but chose to ignore the fact that chinaware imports from Great Britain had increased still more—over 1,000 percent over prewar.

Mr. JENKINS. They still decided against you?

Mr. TORBERT. Yes, regardless of that. As I said, we fulfilled every criteria of injury.

PERIL POINT AND ESCAPE CLAUSE

We favor the retention of the peril point and escape clause provisions of the act and the modifications proposed in this bill.

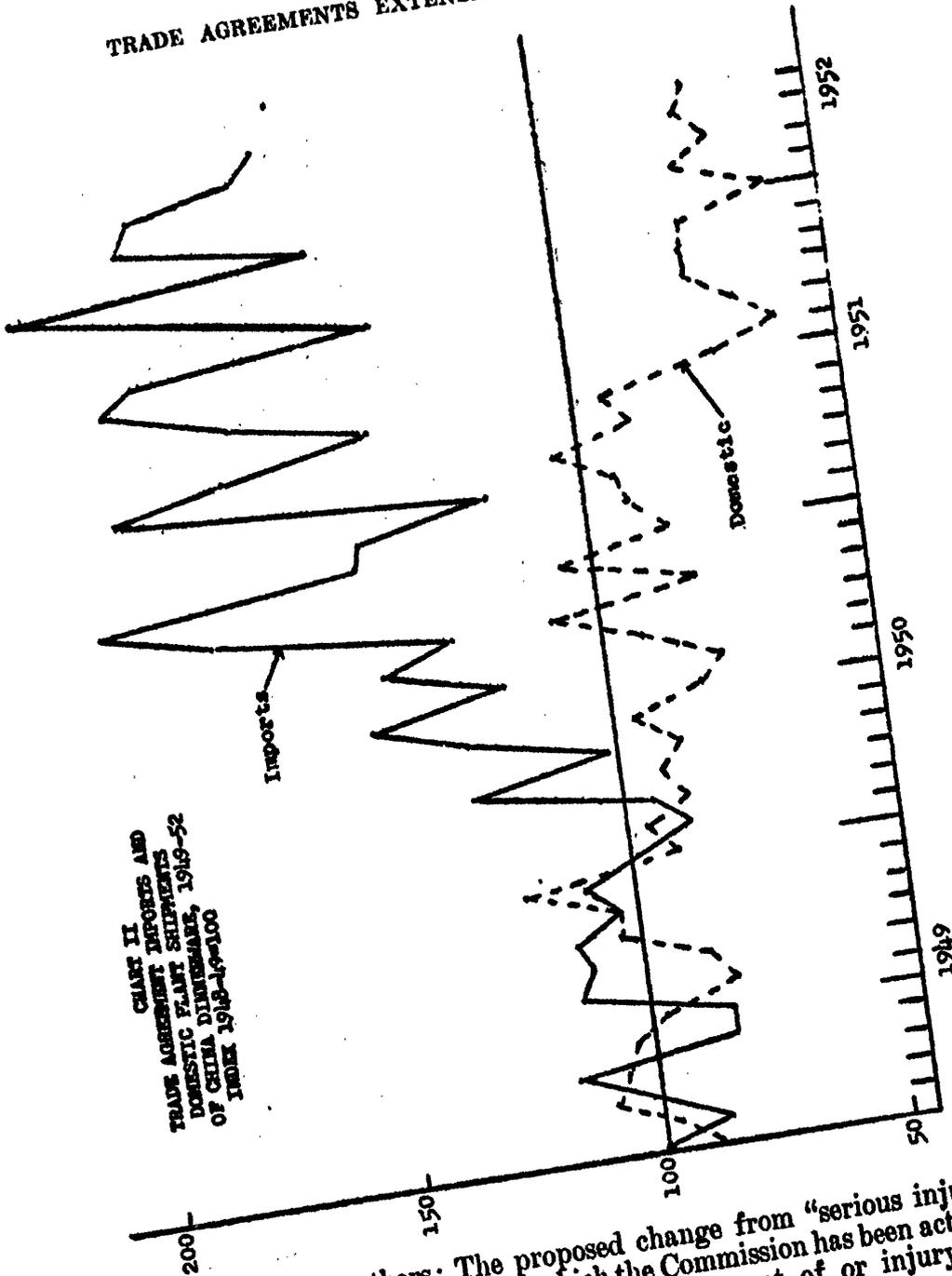


CHART II
TRADE AGREEMENT IMPORTS AND
DOMESTIC PLANT SHIPMENTS
OF CHINA DINNERSHANK, 1949-52
INDEX 1949-49=100

Section 3 and others: The proposed change from "serious injury to the domestic industry," under which the Commission has been acting capriciously, to the more specific "unemployment of or injury to American workers, miners, farmers, or producers," has our approval.

Section 6 (a) 1: We applied to the Tariff Commission for escape clause action on February 11, 1952. The adverse decision by a four-man Commission was announced 1 year later, on February 6, 1953. This is an unreasonable length of time for action on such an application, and when we reapply before a full Commission we hope the 6 months' limit provided in section 6 (a) 1 of this bill will be in effect. wait for an answer. It was our feeling that the staff of the Tariff Commission was intelligent and hardworking but that it was hampered

by inadequate facilities and assistance. A study will doubtless show that to function properly and as intended by the Congress, the staff and facilities of the agency will have to be strengthened. We bespeak your attention to this situation at the same time that we ask for the 6-month limit on findings and action in each case.

Section 6 (c): We agree with the more precise spelling out of the remedies which may be applied under the escape clause in this section.

Section 9-10: We favor the withdrawal of the discretion formerly granted the President by the Congress in putting the findings and recommendations of the Tariff Commission into effect. The Commission is not a cabinet department but a bipartisan, semijudicial body. After a matter has been considered and decided under this law, it should not be subject to review or change by any other department.

It is futile and without real value to have a Commission, and for industry to take part in the arduous and expensive proceedings, if those proceedings are then to be set aside.

Let me emphasize that this is not an infringement of Presidential powers, inherent or otherwise, but a simple withdrawal of congressional powers abdicated to the President to be exercised without public hearings and without recourse as under earlier versions of the law.

Section 14: We favor increasing the Tariff Commission to seven members, avoiding the stalemate of 3-3 decisions under the added responsibilities placed upon the Commission by this bill.

FREE TRADE

Just a word about the "Free Trade" campaign; we hear much about the "Trade Gap" and the necessity for increased exports. It is difficult to understand the importance given this matter when one studies the facts. In 1949 United States exports amounted to 4.3 percent of our gross national product; in 1950, 3.6 percent; in 1951, 4.6 percent; and in 1952, 4.3 percent, or an average of 4.2 percent for a 4-year period.

I have in my hand here a copy of the World Trade News, published by the United States Department of Commerce, July 16, 1951. This chart is headed in bold type "Millions of United States Jobs Depend on Exports."

Thirteen different groups are listed, and the total number of jobs involved is given as 1,685,000. This is 3 percent of the total United States labor force for 1949 as reported by the National Industrial Conference Board.

Thus it would appear that approximately 3 percent of our total labor force produces 4.2 percent of our gross national product which is exported.

Is it conceivable that 4.2 percent of the production of the giant export industries warrants the sacrifice of the pottery industry and others now subject to foreign competition which are estimated to employ four to five million persons?

Recently when I visited the office of a United States Senator and told of our efforts to keep our workmen engaged, I was asked the question, "If your plant was closed for lack of business, could your employees be transferred or absorbed by other industries?"

I will present facts regarding employees of the pottery with which I am associated as a typical American pottery. Of our present em-

ployees 8 have been with us over 60 years, 16 from 50 to 59 years, 39 from 40 to 49 years, 103 from 30 to 39 years, 229 from 20 to 29 years, and 337 from 10 to 19 years, a grand total of 727 men and women with over 10 years of service.

In this group are forty or more crafts, many peculiar to the production of china. A large percentage of these employees own their homes and have never had any other employment. Obviously, it is not only impracticable but inhuman to transplant these men and women to other jobs in other communities, particularly when it can be avoided.

And now, gentlemen, I have the privilege and the honor on behalf of my fellow workers, to present to the Congress of the United States a signed petition asking your cooperation in retaining their jobs. The petition reads as follows:

We, the undersigned employees of the Onondaga Pottery Co., are familiar with the inroads being made by imported china on American production of china and respectfully petition you to make laws that will protect our jobs.

HABLEY-DAVIDSON MOTOR Co.,
Milwaukee, Wis., June 19, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee, Washington, D. C.

DEAR SIR: This morning we received your telegram reading as follows:

"Senate Finance Committee decided today that time factors require early action on Simpson bill, H. R. 5495, dealing principally with 1-year extension of Reciprocal Trade Agreements Act. Committee voted to extend until Tuesday morning, June 23, the period within which those interested may submit written statements of their views on this bill. Such statements will be given careful attention by committee which will also consider recent testimony of more than 200 witnesses given during 3 weeks of hearings held by House Ways and Means Committee. Please feel free to submit written statement of your views on H. R. 5495."

This telegram almost sounds as though you had not received our telegram of June 16 which we are quoting below in which we gave our reasons for being opposed to H. R. 5495 and being heartily in favor of H. R. 5496.

"Answering your wire 18th we are unalterably opposed to H. R. 5495 because like present act it gives President unlimited and absolute powers over tariffs directly contrary to Constitution. Present administration apparently no different from last in flaunting Tariff Commission recommendations protecting American industry. We cannot escape the discouraging conviction that the bipartisan committee is merely a sham to cover up free-trade leaning of administration and is a temporary sop being thrown to American manufacturers injured by excessive imports. Apparently Members of Congress who recently favored relief now being pressured into supporting H. R. 5495 knowing it is inadequate. Why doesn't Congress assert its rights and pass H. R. 5496 which you yourself must know actually affords relief. Evidently the whip has been cracked and Congress is obediently falling into line."

It is pretty well agreed that the administration of the 1951 extension of the Trade Agreements Act was completely unsatisfactory. The intent of this extension may have been all right but the administration was so completely one-sided that we might just as well not have had an escape clause or a peril point.

The freetraders or those in favor of freer trade objected to the 1951 extension not because it helped any American industries that had been injured by excessive imports but solely on the basis that they objected to the potential use to which the escape clause and the peril point might be put in the future. That is why when they thought they were sure of winning they wanted a Trade Agreements Act without any escape clause or peril point.

Industries like ours that had been injured by excessive imports objected to the 1951 extension because American industries got exactly nowhere by this extension. Consequently, everyone was objecting to the further extension of the 1951 act.

Then as time went along and the freetraders found out they were not going to be able to ride roughshod over American industry that had been hurt by imports they began to run to cover and then they were willing to accept the renewal of the Trade Agreements Act including the peril point and the escape clause. They felt that if they didn't compromise to that extent we might be able to put through a bill like H. R. 4294. This compromise was not made to help American industry, it was made purely because the freetraders were convinced that that was the best they could get.

For the last few months it has been the consensus of opinion that the majority of the Members of the House favored suitable relief for American industry and it was on the basis of this belief that the Simpson bill 4294 was brought into existence. At the time it seemed to reflect the thinking of the majority of the House. It was also felt that the Senate would more than likely go along on any legislation that would offer relief to efficient American industry that had been hurt by imports from countries paying wages about one-fourth of our wages, having a low standard of living and using currencies that had been devaluated by 30½ percent. It was even our understanding that you yourself were more or less convinced of the fairness of such legislation.

When President Eisenhower sent back the Tariff Commission's recommendation in the briar pipe case for further study it was felt that he was doing so so that he would have all the facts in his possession. Freetraders claimed that it was an indication that he was in favor of lower tariffs. We thought that he was being careful. Then about a week or 10 days ago he summarily turned down the recommendation of the Tariff Commission to increase the duty on screen-printed silk scarves and he was quoted as saying that he would not approve of any Tariff Commission recommendation in the next year except in cases of extreme hardship. Who would be the judge of extreme hardship, one man? On that basis our President might turn down a Tariff Commission recommendation in the case of a firm that was practically on its last leg financially and if the President said that he was convinced that the firm would be able to hang on for another year he would feel that he was justified in turning down the case.

The President has cracked the whip and apparently our obedient Congressmen and Senators are toeing the line. The majority in the House that seem to be in favor of affording suitable relief to American industry has faded into thin air, a fine example of the courage and independence of some of our Congressmen. Apparently they are part of the machine and the machine functions as it is told.

If the Senate passes H. R. 5495 we will be convinced that the same pressure has been successful in the Senate as in the House. The Senators and the Congressmen will vote as they are told and not as they believe.

What we utterly fail to understand is why a bill like H. R. 5495 should be put on the statute books for 1 year. Outside of the fact that it provides for 7 members on the Tariff Commission instead of 6 and cuts down the length of time that the Tariff Commission can take to decide a case, it is exactly the same as the 1951 extension. That act has been utterly useless so why in the world should we extend the same kind of an act for another year?

It is quite true that the President has asked for a bill like H. R. 5495 so as to give a study commission 1 year's time in which to study all of the various angles of the tariff problem and come up with recommendations to be embodied in a new bill 1 year hence. On the basis of the very disappointing performance of the present administration in tariff matters since January we are very much afraid as to the kind of a study commission that will be set up and also the result of its work. If that commission is made up like the various commissions were in the last administration when their decisions were a foregone conclusion before they started to work, then this commission is not going to be any better than the other ones and we are going to be sold completely down the river.

Increasing the Commission from 6 to 7 members is a very good idea provided the right kind of Commissioners are appointed. They will undoubtedly be Republicans but there are a lot of Republicans that are freetraders or at least believe in free trade and if Republicans of that caliber are appointed to the two vacancies in the Tariff Commission American industry might as well open the floodgates and let the European countries take away their home markets.

It is conceded that any Trade Agreements Act adopted now may be changed a year hence so why don't we adopt a good bill like H. R. 5496 and get the benefits of a good bill for a year and then if this study commission recommends any changes, change H. R. 5496 a year hence instead of 5495.

It seems as though the present administration and Congress are bound and determined to foist an unsatisfactory act on American industry. It is just plain

astounding that our representatives in Washington should give every possible consideration to everybody in the world except American industry.

We are thoroughly convinced that with the exception of the increase from 6 to 7 members of the Commission and the cutting down of the time, H. R. 5495 is just as unsatisfactory and is a very, very poor substitute for the 1951 extension of the Trade Agreements Act.

This tariff problem is far greater than the Harley-Davidson Motor Co. The freetraders seem to feel that there is no limit to the quantities of manufactured goods that this country can absorb. It has been suggested that imports into this country be increased by \$5 billion annually and practically all of this increase would be in manufactured goods because raw materials mostly are already coming in free of duty and we are therefore absorbing as much as our economy would stand.

In most instances European and Japanese manufacturers make the same kind of merchandise that is now made in the United States. They do not try to introduce new products into our market. They try to steal the American markets that have already been established and that is why they are making the same kind of goods that we are making here. If they bring in \$5 billion worth more merchandise per annum it is self-evident that the American economy will not be able to absorb this increase plus previous imports plus American products. That is going to mean loss of jobs to thousands and thousands of American workmen and if it continues it will bring on a depression in this country. When that happens, and it will surely happen, the Congressmen and the Senators in the present session of Congress can look back with pleasure to their part in putting through H. R. 5495. It will surely be a feather in somebody's cap. That is what we think about H. R. 5495.

Very truly yours,

E. V. GUMPERT,
Export Manager.

MILWAUKEE, WIS., June 11, 1953.

EUGENE D. MILLIKEN,
Senator from Colorado,
Senate Office Building, Washington, D. C.:

Understand your committee inclines toward reporting Simpson bill H. R. 5495 without public hearings. This would completely eliminate all hope for 5496 which contains all highly desirable features of original bill Simpson H. R. 4294. Passage of H. R. 5495 practically equivalent extension present highly unsatisfactory Trade Agreements Act. Why don't you give efficient American industry injured by excessive imports a workable bill like 5496 and make changes in that bill a year hence if bipartisan committee finds changes necessary? President has just rejected Tariff Commission recommendation for increased duty on scarves apparently injured American industry has no possible chance for relief this coming year unless Congress passes H. R. 5496. If you pass H. R. 5495 American industry will continue to lose and foreign competitors as usual will gain. American industry asks no special favors but don't you fully agree with us that the first duty of Congress is to the United States.

HARLEY DAVIDSON MOTOR Co.,
WILLIAM H. DAVIDSON, *President.*

DETROIT BOARD OF COMMERCE,
Detroit, Mich., June 19, 1953.

HON. EUGENE D. MILLIKIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR MILLIKIN: This is with reference to the Simpson bill, H. R. 5495, a bill 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, which has been referred to the Senate Finance Committee.

The Detroit Board of Commerce, an organization of approximately 6,800 members representing about 3,900 commercial and industrial activities, wishes to go on record in support of the bill, with the exception of its provision regarding an increase in the membership of the Tariff Commission.

We wish to go on record strenuously and emphatically objecting to such increase as provided by section 201 of the bill. The Tariff Commission has traditionally been a bipartisan, fact-finding body, and the wisdom of such a foundation should not be set aside by adoption of this particular section, especially in the light of prevailing world conditions. An objective Tariff Commission is a necessary part of our position as the leading Nation of the world, a part which finds no place for politics.

Passage of this bill, the Trade Agreements Extension Act of 1953, is strongly urged, but it is requested that the membership of the Tariff Commission remain unchanged.

Respectfully submitted.

GERALD R. HEATTER,
Manager, World Trade Department.

WASHINGTON, D. C., June 22, 1953.

Mr. GERALD R. HEATTER,
*Manager, World Trade Department, Detroit Board of Commerce,
320 West Lafayette Avenue, Detroit 26, Mich.:*

Your letter June 19 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

UNITED WALL PAPER CRAFTSMEN & WORKERS OF NORTH AMERICA,
York, Pa., June 20, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D. C.*

DEAR SENATOR MILLIKIN: Thank you for your telegram of June 18 advising that the committee has decided that time factors will not permit hearings on H. R. 5495.

We strongly urge support of the seven-man Commission provided in H. R. 5495, but we point out that H. R. 5495 does not go far enough in meeting our needs legislatively for the protection of the jobs of our American workers which are being jeopardized by the rising tide of competitive foreign imports.

In your considerations of the second Simpson bill, H. R. 5496, we urgently request that hearings be conducted.

For the committee's considerations, we submit herewith copy of the statement of United Wall Paper Craftsmen & Workers of North America before the House Committee on Ways and Means in support of the original Simpson bill, H. R. 4294. Said statement points up the hardship experiences of the workers in the wall-paper manufacturing industry resulting from unfair competition of imports under the Trade Agreements Act and our reasons for urging adequate legislative measures for appropriate relief therefrom.

Sincerely yours,

M. C. FIRESTONE,
Secretary-Treasurer.

STATEMENT OF M. C. FIRESTONE, REPRESENTING THE UNITED
WALLPAPER CRAFTSMEN AND WORKERS OF NORTH AMERICA,
AFL, YORK, PA.

Mr. FIRESTONE. Mr. Chairman and gentlemen of the committee, my name is M. C. Firestone. My statement is on behalf of the United Wallpaper Craftsmen and Workers of North America, AFL, representing the skilled craftsmen and workers in the wallpaper-manufacturing industry and the print-cutting-manufacturing industry.

This statement is being submitted on behalf of the United Wallpaper Craftsmen and Workers of North America in connection with the current hearings now being conducted by the committee on H. R. 4294, amending the present Trade Agreements Act.

This international union urges the enactment of legislation providing adequate measures for appropriate relief from economic hardships resulting from the unfair competition of imports under the present Trade Agreements Act. We earnestly contend that the existing legislation is oppressive in that there is no adequate provision by means of which relief can be obtained by an industry such as the wallpaper-manufacturing industry. It is quite clear that current trends in the wallpaper industry in the United States, if not abated, must inevitably result in irreparable injury and oppressive economic hardships, not only to management but also to the employees in the industry.

During the past few years, this international union has continuously, but unavailingly, sought to stem the rising tide of disaster. All previous efforts to advise congressional committees and departmental agencies concerning the economic evils resulting from the impact of the current trade agreements program on this industry have been futile. As a result, representatives of management and labor in this industry have been compelled to stand by helplessly watching the meteoric rise of wallpaper imports. The employees in this industry have been and are being adversely affected by the incoming flood of wallpaper imports.

Already more than 30 percent of the industry's employees are currently laid off and have been denied any hope of reemployment within the foreseeable future. Even more, the remaining employees in the industry have become increasingly apprehensive concerning their own economic security, in view of the relentless progressive rights of wallpaper importation.

Surely it is not necessary to document the statistics of importation to prove the assertion concerning the unprecedented growth of wallpaper imports. Those figures are available to the staff members of this committee. Statistically the physical volume of finished wallpaper imports may appear on casual examination to be of small overall consequence. But the critical factor is that these imports are increasingly depriving American manufacturers of the very core of the domestic market. (This is the section of the market in which papers of high eye appeal and decorating value are distributed in substantial rollage volume.)

In 1950 it was estimated that imports had already displaced 15 percent of domestic manufacturers' delivery of comparable goods. Today that figure is in the range of 25 to 30 percent, and it still is on a sharply rising trend.

During the past 15 years the number of rolls of wallpaper imported rose 546.7 percent. During the same period domestic production decreased approximately 25 percent.

The shocking rate of increase of wallpaper imports is revealed by the realization that during the first 7 months of the 1952-53 season, all wallpaper imports increased 404.3 percent over the same period a year ago.

In a market in which nearly one-third of all of the employees have been laid off, this startling percentage rise in imports during the current season must be regarded as desperately alarming. In view of such circumstances, the voice of protest should not go unheeded and the prophecy of economic hardship should not be disregarded.

The crucial nature of the developing crisis in the wallpaper industry is best demonstrated by an analysis of previous experience. This

industry has already experienced earlier impacts of discriminatory importation policies, and an examination of such experience will dramatize the need for current remedial action.

The economic status of the employees in this industry has been raised to the present level after a long history of collective-bargaining activities which commenced on or about July 28, 1883, when the first Wallpaper Machine Printers Union was organized as a local assembly of the Knights of Labor. It has been and is the objective of the union to unite all craftsmen and workers in the industry under the union jurisdiction to advance and protect their economic interests. The establishment of satisfactory terms and conditions of employment and the promotion of the general welfare have been achieved by the concerted and collective activities carried on by the union down through the years of its organizational history. We take pride in the fact that the skill of the craftsmen in this industry is among the highest in American industry. Four years of apprenticeship training are required for machine printers and color mixers, and 5 years of such training are required as a prerequisite to certification as a print cutter. As a result of the union's far-reaching program, progressive improvements in terms and conditions of employment have been established, so that a specification of current working conditions constitutes a proud record of American industrial democracy in the wallpaper-manufacturing industry.

Mr. JENKINS. Let me ask you a question: You are making a very important statement there. Is that general? Now, you say the labor relationships have been splendid. You have been very proud of those relationships. Well, have you had any strikes that have been very destructive?

Mr. FIRESTONE. No, sir.

Mr. JENKINS. My point is this, you see. You could easily show quite a good return from those who did make these understandings, and still there might have been a very disastrous condition that prevailed among a few.

Mr. FIRESTONE. We have lost no part of the industry through labor strife.

Mr. JENKINS. That is what I wanted to bring out, to be sure.

Mr. FIRESTONE. The present program constitutes the culmination of decades of continued collective effort and activity. Nevertheless, as a consequence of the impact of the current reciprocal trade tariff policy on this industry, employees are losing their long-standing jobs, and the entire program of working conditions is endangered. The working standards which we have indefatigably sought to raise will inevitably be impoverished. This small American industry must surely succumb to the overwhelming assaults of merchandise now being increasingly imported.

Mr. JENKINS. May I ask you, there: Do you state any place in your paper here how many people are employed in your organization?

Mr. FIRESTONE. Our organization, which represents about 85 percent of the production employees in the wallpaper-manufacturing industry, at the present time has a membership of about 3,950.

Mr. JENKINS. Then those that are organized or not organized would be about 5,000 all together?

Mr. FIRESTONE. Approximately 5,000; yes.

Mr. JENKINS. All right.

Mr. FIRESTONE. This union emphasizes its acceptance of the basic purposes of the current reciprocal trade agreement program. However, it should be recognized as elementary justice, that the foreign-trade policy should be administered so that its impact will be apportioned equitably. It certainly should be consistent with a reciprocal trade-agreement program to recognize that a very small industry such as wallpaper manufacturing requires protection from disintegration, and that such protection as will insure the industry's survival will not undermine the essential purposes of the reciprocal trade-agreement program. It is, of course, an axiom to point out that a given volume of imports can be absorbed by a large American industry, and that the same amount of such imports can only result in the destruction of a small American industry through unfair competition.

Special circumstances exist in this industry at the present time which make our working standards vulnerable. A retrospective survey of our history clearly dramatizes our current peril. Prior to 1921 American print cutters were employed continuously throughout the year under working conditions which assured them economic security on the basis of current conditions. Prior to 1921 it was necessary to affix the union stamp on all rollers and blocks which were used in printing wall paper. As a result employers were not permitted to use imported print rollers or blocks. However, in 1921 the union-stamp clause was withdrawn from the contract and immediately the wallpaper manufacturers commenced purchasing foreign-made rollers and blocks imported from Germany, France, England, and Belgium.

A survey conducted in 1923 by the United States Tariff Commission revealed that print rollers produced in foreign countries had an average declared value of approximately \$9.68 per roller. With additional costs such as freight, insurance, et cetera, the landed cost without duties approximated \$11.38 per roller. At the same time the Tariff Commission found that American print rollers were manufactured in American shops at an overall average cost of \$34.73, approximately 300 percent higher than the typical foreign importation. Under such circumstances, the entire American print-cutting craft was disintegrated as American employers commenced a foreign importation purchasing program.

Between 1921 and 1930, when the 1930 Tariff Act was enacted, the American print-cutting industry almost disappeared. Union conditions were rendered nugatory. The nefarious economic practice of homework became widespread. As the American shops disappeared small home shops sprang up and former union members, previously employed on a basis of economic security, were induced to compete with one another in a tobogganing market. The economic aristocracy of the American craft was disintegrated. Highly skilled print cutters, after many years of artisanship development, found themselves competing against each other and the European market, and soon were earning \$8 to \$10 per week for 60 and 70 hours of work. Such work was being done in garages, basements, attics, bedrooms, and outlying shacks. In many instances, these highly skilled craftsmen were compelled to go on public relief rolls to supplement their starvation income.

The passage of the 1930 Tariff Act did not rehabilitate the disintegrated print cutters craft in America. The economic demoraliza-

tion of the depression made impossible the reorganization of the craft or the reinstatement of the earlier union program of economic security. Actually, the 1930 tariff, with the subsequent modifications of 1939 and 1941, have not been and are not a protection against the destructive and disastrous unfair foreign importation hereinabove described. The reconstruction of the print-cutting craft occurred only after 1937, when the union-stamp clause was reinstated in the union contract in the wallpaper manufacturing industry. Between 1937 and 1947, these highly skilled craftsmen were able to reconstitute their craft and trade, because imported rollers and blocks were prohibited in the industry under the standard form of union contract for the wallpaper manufacturing industry.

However, in 1947, the Congress of the United States enacted the Labor-Management Relations Act, under which the employers in this industry refused to retain the union-stamp clause in the standard form of union contract for the wallpaper manufacturing industry. As a result, the print cutters in this industry became subject to the fact situation which existed in 1921. Upon the elimination of the union-stamp clause, the employers have been able to purchase foreign print rollers and blocks which can be imported at a tremendously lower cost than such rollers or blocks can be manufactured under the provisions of our standard union contract.

As a result of the promotion of foreign importation under our foreign trade policy program, agents from Germany and England are promoting the sale of foreign rollers and blocks. Unless adequate tariff barriers are erected, the print cutters in this industry must again be subjected to a disastrous repetition of the disintegration of their trade and craft.

Our union demands and has a right to expect protection against impoverishment of our American standards of living, particularly when such impoverishment inevitably results from the effectuation of a governmental foreign trade policy program. As American citizens, we protest against the economic pauperization of an entire group of American craftsmen resulting from the indiscriminate and nonintelligent application of a reciprocal tariff program.

The above-described experience resulting from the importation of print rollers constitute a dire warning. The collapse of the print-roller industry resulted from the operation of economic forces which will also cause the collapse of the entire American wallpaper industry, unless adequate measures are provided by law for effective remedial treatment. As hereinabove pointed out, the current promotion of unlimited foreign importations has already created an acute layoff problem throughout this industry. The continued progressive flooding of the American market with imported wallpaper and print rollers must, of course, create cumulative disemployment. As job opportunities become increasingly circumscribed, it should be realized that consequent economic dislocation of hundreds of American workers will result.

The tragedy is greater because of the fact that no significant purpose is served by the withholding of tariff protection required in this industry. Our industry is so infinitesimal a segment of the American economy that the tariff protection which will save this industry from destruction cannot possibly impair the general reciprocal trade program. Moreover, even if the latter contention be disputed, certainly

there can be no harm in providing for adequate administrative procedure by means of which this matter can be effectively investigated and dealt with.

The proposed legislation would appear to be mandatory as an extension of the well-founded principle of procedural fair play. It is difficult to understand how anyone can withhold relief in a fact situation in which the economic necessity for such relief has been adequately established. In short, this union is not requesting special or preferred treatment. It would seem reasonable that minimum standards of fair play would dictate the need for statutory machinery under which relief can be guaranteed in those cases where a proper showing can be made.

In this little industry we have been proud of the economic security which we have established. No one can possibly adversely criticize our plea for procedural safeguards by which that economic security can be preserved. The trustees of our national welfare must surely agree that we are consistent with the American tradition in our concerted attempt to prevent the disintegration of the economic standards which we have fought so valiantly to establish.

This committee is empowered to recommend a legislative amendment under which impending economic disaster in this industry can be prevented. Surely the public policy of the United States demands affirmative recognition of the duty of Congress to enact such legislation. It cannot be denied that the adoption of the proposed amendment will provide the administrative process by means of which the employers and workers in American industry can cooperate in maintaining the integrity of their respective industries.

For the foregoing reasons, the representatives of this union urge this committee to give favorable consideration to the proposed legislative amendment to prevent unwitting economic sabotage. The employers of labor and the craftsmen and workers in this industry must be afforded an opportunity to go forward jointly in their traditional collective-bargaining programs by means of which they have sought to establish an American standard of living in this industry. If they are permitted to effectively maintain such program, they will be able to preserve and expand the employment opportunities for which the American workers have struggled and to the improvement of which they have dedicated their collective efforts.

Mr. JENKINS (presiding). Thank you. You have made a very fair and a very fine statement.

Are there any questions?

Mr. COOPER. Let me ask one question for information, if I may, please, sir.

Has the industry in whose interest you were speaking today made application to the Tariff Commission?

Mr. FIRESTONE. In the past the industry and the union jointly have made application.

Mr. COOPER. When did you make application?

Mr. FIRESTONE. We appeared at the hearings before the Committee for Reciprocity in 1950 and 1947.

Mr. COOPER. You say before the Committee for Reciprocity Information?

Mr. FIRESTONE. Yes.

Mr. COOPER. But have you made any application to the Tariff Commission?

Mr. FIRESTONE. Not to my knowledge in recent years, sir.

Mr. COOPER. Thank you.

NEW YORK, N. Y., June 16, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Committee on Finance,
House Office Building, Washington, D. C.

United Wall Paper Craftsman and Workers of North America, representing production employees in the wall paper manufacturing industry, whose jobs are being jeopardized by rising tide of competitive imports is vitally interested in pending trade agreements legislation. We urgently request that committee hearings be conducted before any action is taken on trade agreement extension bill of any kind.

UNITED WALL PAPER CRAFTSMAN AND WORKERS OF AMERICA,
M. C. FIRESTONE, Secretary.

NATIONAL COAL ASSOCIATION,
Washington, D. C., June 22, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR: Speaking for the National Coal Association, which represents approximately two-thirds of the commercial bituminous coal production of the United States, I am disappointed the Senate Finance Committee decided against holding hearings on the bill to extend the Reciprocal Trade Agreements Act. Imported residual fuel oil, whose source is principally Venezuela and which is dumped on the Atlantic seaboard both as to quantity and price, is taking domestic fuels' historic markets, principally coal. We had hoped to present our very meritorious case in person.

In lieu of a personal presentation, we are enclosing herewith a transcript of the testimony before the House Committee on Ways and Means by the several witnesses who addressed themselves in great detail to the facts of the situation. We ask this testimony be made a part of the record in accordance with the committee's invitation to submit written statements.

Because the record is lengthy, I am enclosing a summary of the principal points made by the witnesses who testified before the House committee. Please note particularly the summary of the testimony of the witnesses Ford K. Edwards and George A. Lamb, which deals principally with the economic situation, both domestic and foreign. We would, by all means, like for this summary to be printed as a part of your record.

Yours very truly,

TOM PICKETT, Executive Vice President.

SUMMARY SHOWING DAMAGE TO DOMESTIC INDUSTRY BY FOREIGN IMPORTS

The following pages contain a summary of facts and economics showing the serious damage done to the coal industry of the United States by excessive importation of residual fuel oil as testified to by witnesses representing management and labor for coal, railroad, small business and allied industries. A transcript of all the testimony appears in the printed hearings on the bill H. R. 4294 before the House Committee on Ways and Means during April and May 1953. The full transcript has been offered to the Senate Finance Committee for the record.

Residual fuel oil is a heavy industrial boiler fuel. It is not a satisfactory fuel oil for household heating purposes.

The facts show conclusively that imports of residual fuel oil increased by leaps and bounds, with a corresponding general trend of price decreases, from 1946. In 1946, 44 million barrels of residual fuel oil were imported. In 1952, 128 million barrels of residual oil were imported. The coal equivalent on a B. t. u. basis is approximately 31 million tons. In the summer of 1952, the importers of residual fuel oil reduced the price from \$2.45 to \$2.10 in one announcement. The summary of the testimony follows:

Tom Pickett, executive vice president of the National Coal Association, speaking for more than 65 percent of the commercial bituminous coal production

in the United States, detailed the figures showing the meteoric rise in residual oil imports from 1946 through 1952, stating that legislation is the only effective answer to problems facing the industries adversely affected by such excessive imports. He added there are no effective administrative remedies; that while relief could be sought through Tariff Commission procedures, none could be obtained that would solve the problem. The reasons given are:

First, Tariff Commission investigations usually require 1 year to complete, whereas it is imperative that we secure immediate remedial action.

Second, since President Truman, in making the 1952 trade concession to Venezuela, made the determination that the tariff rate in effect as of January 1, 1945, was 10½ cents, the Tariff Commission would be limited by law to recommending an amount 50 percent above that figure, at total of 15½ cents. That amount is wholly inadequate to afford the necessary protection.

Third, even if full restoration of the 1932 rate of 21 cents were possible, it would not solve our problem because the foreign oil producers and importers can absorb that amount without noticeable effect upon either the price or volume of imports.

Fourth, language in the present law makes it impossible for us to justify action by the Tariff Commission because the escape clause remedy must be predicated upon a showing that the damage results from the trade concession complained of. The damage we have suffered has not been due to a trade concession, as such, but is the result of the great volumes of imports which have been flooding the country since 1948, irrespective of whether the applicable tariff rate is 5¼ cents, 10½ cents or 21 cents.

Rolla D. Campbell, general counsel, Island Creek Coal Co., appeared on behalf of the southern coal producers, whose mines are located south of the Ohio and Kanawha Rivers. He said, "The coal industry is asking only justice. It is asking a chance to live." He emphasized the vital need for the eastern seaboard coal markets in order that the southern coal producers could exist, pointing out that the steam markets in the East required small-size coals. It is impossible for the coal producers to produce the larger-size coals which go to the householder and others if the small sizes cannot be sold. He therefore concluded that, instead of the 30-million-ton market lost to residual fuel oil, actually the impact on the coal industry was 60 million tons of lost business. He mentioned the impact on the national economy, particularly the homeowners' cost of living. When prices of steam coals are forced down as they are now (they are much below the cost of production), producers are forced to charge their other customers higher prices for the coarser sizes. But such higher prices make the coarser sizes extremely vulnerable to competition with natural gas and heating oils. Loss of steam markets also affect the byproduct coking coals on which the steel mills are essentially dependent for production both in peace and wartime economies. Many mines producing good byproduct coal in large and intermediate sizes find that the smaller sizes are not acceptable for the steel-making but are acceptable for steam production. Therefore, when foreign oil takes away coal's steam-size markets, it means a reduction in the potential tonnage of byproduct coal.

Mr. Campbell told of the phenomenal job which the coal industry did in meeting the fuel requirements of World War II, but said such acceleration would not be possible again if the present coal mines are not kept in full operative condition. In World War II, much of the supplemental production came from strip mines with low overburden and marginal mines with easily recoverable tonnages. This type of mine is now worked out and any increase in production which coal must provide to meet war or defense goals will have to come from already existing mines. Many mines now being closed because of the effects of foreign oil competition (of which there are thousands) cannot be reopened because of the heavy expense that would be required to reclaim the abandoned properties. There would be a great timelag between the call for increased coal production and the actual accomplishment since from 1 to 2 years is required to open a new mining operation.

In closing, he said the coal-producing regions of the country are themselves extremely large consuming markets which rely on manufacturers, farmers, and distributors of other American areas for the "manifold commodities and services they regularly require" which "provide larger markets for domestic suppliers than many foreign countries to which we export." He warned, "In our desire to cultivate foreign markets we should not destroy larger internal markets which are already developed and established."

Frank W. Earnest, president, Anthracite Institute, spoke for the anthracite operators. He stated that his industry had lost 2,500,000 tons of business to fuel oil competition in the past year. He indicated that practically all of the imported oil being received in this country is delivered into States which constitute 84 percent of the total market for anthracite coal, where, in addition to the 31 million tons of coal business displaced by imported residual oil, an additional 20 million tons of business was lost to residual oil refined from imported crude oil. He called attention to "the damage the unregulated flood of imported oil does and will do to the Nation's security." While this country's defense was committed to petroleum for mobile energy, by the same token solid fuels are the backbone of the Nation's requirements for stationary energy. The Paley Commission report concluded that this country ultimately must depend on coal for the greater share of its energy requirements. In the meantime the "coal industry must have sustenance in order to live—and—be ready at a future date to take on more of the Nation's energy responsibilities."

W. D. Johnson, vice president and national legislative representative, Order of Railway Conductors, supported the limitation on foreign residual fuel oil, pointing out that President Eisenhower, in his state of the Union message, recommended reciprocal trade-extension legislation only if the objective does not "ignore legitimate safeguarding of domestic industries, agriculture and labor standards." It was asserted that railroad workers lost more than \$43 million in wages last year with an aggregate wage loss of \$180 million or more since 1946 due to oil imports. The labor executive expressed concern over the loss to the Nation in taxes and the weakening of our defense potential if the United States transportation system is thus damaged by foreign oil imports.

Thomas Kennedy, vice president, United Mine Workers of America, spoke for mine labor in both the bituminous and anthracite industries. Based on his own experiences in foreign countries, he called attention to the fact that "Great Britain does not engage in trade relations on the basis of harming her export trades." Continuing, he said that American labor out of employment are not inclined to accept "tortious reasoning of so-called experts on international trade" and they expect Congress to take steps to correct this situation (referring to unregulated importation of residual fuel oil)."

He then referred to a decrease of coal miners employed in Pennsylvania bituminous-coal mines between 1947 and 1952 from 100,202 men to 76,876. In addition, 5,000 anthracite-coal miners were thrown out of work. Between January 1952 and February 1953, 9,000 more bituminous miners were out of work, with further employment anticipated unless residual oil imports are stopped.

J. M. Symes, executive vice president, the Pennsylvania Railroad, testified that coal furnished the major economic justification for such roads as the Pennsylvania, New York Central, Baltimore & Ohio, Chesapeake & Ohio, Norfolk & Western, Louisville & Nashville, and many others. Railroad revenue losses of almost \$100 million were shown to be due to excessive importation of residual fuel oil with the resultant displacement of 11,500 American railroad men. The Pennsylvania Railroad's own gross revenue was reduced \$24½ million, a figure representing two-thirds of the entire net income of the road. At least 3,000 Pennsylvania Railroad employees were deprived of employment because of coal tonnage losses due to imported residual fuel oil.

During 1952, the railroads reported 42,000 serviceable coal cars were idle. An investment of some \$250 million was largely idled by fuel oil imports.

In the event of a national emergency, the railroad executive asserted that it would be difficult to meet coal-transportation requirements if residual imports are permitted to continue at ruinous levels "because of lack of equipment, facilities, and trained employees."

Stuart T. Saunders, general counsel, Norfolk & Western Railway Co., testified that the adverse effect of unrestricted residual fuel-oil imports on coal markets would result in the "uneconomic use" of transportation facilities representing an investment of at least \$2 billion. Idle railroad facilities inevitably result in "more expensive railroad transportation for the general shipping public." Railroads cannot be used on an emergency or standby basis only.

Horace L. Walker, former general counsel, Chesapeake & Ohio Railway Co., testified that the C. & O. was the largest coal-carrying railroad in the country, and that tidewater shipments of coal have been drastically reduced due to imports of residual fuel oil. Expenditures for improvement of roadway and equipment were reported to have exceeded \$467 million since 1941. The sudden loss of business in the East due to foreign oil competition was regarded as a serious

problem to the railroads and the Nation. The loss of 3,000,000 tons of coal to the New England market was shown to mean the loss of jobs for over 1,000 employees of the C. & O. with a corresponding wage loss of \$4½ million, \$12 million in gross revenues to the railroad.

Harry See, national legislative representative, Brotherhood of Railroad Trainmen, asserted that "increasing unemployment among railroad workers in the eastern section of the country" is due, in part, to unrestricted importation of residual fuel oil. It was shown that 18,175 jobs were lost among railroad train and engine men in the eastern, Allegheny, and Pocahontas areas, from 1948 to 1952, while "indirect" unemployment amounted to 79,457 for the period. The railroad labor representative concluded that the profits of the oil-importing companies have been "achieved at the expense of the coal industry and the coal miners of America, the American railroads and their employees."

B. E. Urhelm, executive secretary, American Retail Coal Association, represented retail coal merchants marketing virtually all bituminous-coal tonnage, approximately 75 million tons, sold at retail annually in the United States. He said retail coal merchants are affected by residual fuel-oil imports through "the necessity of payment of increased fuel costs and by lack of an adequate supply of the kinds, grades, and sizes of domestic coal required for retail customers." The loss of eastern-seaboard steam markets to residual oil, the witness said, "created a situation where the low volatile producers, for lack of an adequate fine-coal market, have had to curtail mining operations" and thus has been created "shortages of prepared sizes of low volatile coal." He said the loss of these markets has required producers to increase prices of coal used by homeowners, and "This serves to increase fuel prices of millions of small consumers of our product and—this is too much to pay for the unlimited importation of a foreign product, the benefits of which accrue to so relatively few consumers and oil companies."

George J. Burger, vice president, National Federation of Independent Business, Inc., representing independent and small-business men and professional men in the "largest individual, directly supporting, membership of any business organization in the Nation," testified "69 percent of our members voted for action by Congress to limit foreign oil imports when they interfere with or damage operations of our domestic independent oilmen."

SUMMARY OF STATEMENTS OF FORD K. EDWARDS, DIRECTOR, BUREAU OF COAL ECONOMICS, NATIONAL COAL ASSOCIATION, WASHINGTON 5, D. C., AND OF GEORGE A. LAMB, MANAGER OF BUSINESS SURVEYS, PITTSBURGH CONSOLIDATION COAL CO., PITTSBURGH, PA., BEFORE THE WAYS AND MEANS COMMITTEE OF THE HOUSE OF REPRESENTATIVES¹

COAL ASKS FOR FAIR COMPETITION

The case for coal is basically very simple—the opportunity to compete on a fair basis with other fuels. It desires the opportunity to compete for and hold such markets as it can, solely on the long-recognized market factors of its economic supply costs and the services rendered (Edwards, p. 1). The international oil companies violate these most elementary trading principles by selling residual fuel oil far below the cost of crude oil and making up the losses on domestic heating oils, diesel fuel, etc. (Edwards, pp. 2, 37-38). Coal has kept itself competitive with residual fuel oil except where dumping and severe price cutting (sales far below price of crude oil) are resorted to (Edwards, pp. 3, 47-51).

Coal wants a fair competitive opportunity in the fuel market (Lamb, p. 1). The bituminous coal industry is characterized by thousands of separate companies whereas the two larger oil importing interests together have assets greater than the entire bituminous coal industry (Lamb, p. 1). Coal is a major source of energy that powers our economy. It has remained free from Government subsidy and probably has as little Government regulation as any other basic industry (Lamb, p. 2).

INJURY TO COAL AND RAILS BY FOREIGN RESIDUAL OIL

Residual fuel oil imports have increased since 1946 at a rate more than 12 times greater than the rate of growth of the United States energy market (Edwards, p. 14). Residual fuel-oil imports have hurt the coal industry severely as indi-

¹ Page references are to the respective statements.

cated by a number of studies showing the direct replacement of coal (Edwards, pp. 17-26). Since 1946 practically all the added residual supplies have gone to replace coal as the noncompetitive user, such as ship fuel, have changed very little (Edwards, p. 20). Foreign oil's applied-quota system of pacing the total growth of the United States energy market including natural gas, hydro, etc., with its residual supplies on the east coast must inevitably strangle effective coal competition in this area (Edwards, pp. 13-15).

The east coast with residual supplies from foreign sources now totaling 45-50 million tons, coal equivalent, is dependent on foreign countries for close to 70 percent of its heavy fuel oil (Edwards, p. 27). Losses to coal and the railroads from residual fuel oil are conservatively estimated at \$150 million in coal sales, annual employment for 23,000 mine employees, and \$86 million in revenues to the railroads (Edwards, p. 30). Coal production has been gravely affected by the inroads of domestic oil and gas, and the industry is in no position to stand the further uncalled for shocks of foreign oil's dumping and price-cutting practices (Edwards, pp. 4-7). The bituminous coal 1953 output may be 200 million less than the record 681 million figure of 1947, part of which is attributable to residual imports (Lamb, p. 2).

PRICE-CUTTING AND UNECONOMIC DOWNGRADING OF FOREIGN OIL

Foreign oil not only downgrades its own crude oil but forces a severe downgrading of the domestic crudes (sale of the residual below the price of the crude) (Edwards, pp. 34-37). A market for at least 100 million barrels of imported residual has been established in the United States through dumping which has largely taken place since 1948 and which is contrary to technological fuel developments in this country (Lamb, p. 8). The level of residual imports has borne no relation to fluctuations in United States demand. (For history of the demand for residual, see Lamb, pp. 2-9.)

NEITHER THE PUBLIC AS A WHOLE NOR THE MAJOR USERS OF RESIDUAL HAVE PERMANENTLY BENEFITED FROM FOREIGN RESIDUAL PRICE CUTS

Foreign oil forces a certain group of its consumers (largely the small users) to subsidize its losses from the sale of the residual fuel oil to large industries (Edwards, pp. 37-38). Consumers as a whole do not benefit from prices on residual set far below the cost of the crude as the losses must be made up (and are made up) on other petroleum products. The cut of 35 to 45 cents per barrel in residual fuel oil of 1952-53 was offset by a rise of 33 to 47 cents per barrel in the household and light commercial heating oils (Edwards, p. 39). When residual fuel oil prices on the east coast have been lower than coal they generally have been of a temporary character. Over a period of time, residual fuel oil prices have averaged higher than the price of coal (Edwards, pp. 22, 40-42).

Studies at 75 large electric plants on the east coast for 1951 showed a narrow margin to exist in the cost per million B. t. u. between coal and oil (Edwards, pp. 40-41). Year to year variations in the price of heavy fuel oil on the east coast are very large averaging 23 percent, whereas coal prices, in contrast, have been remarkably stable over the last 5 years (Edwards, pp. 3, 41, 43, 50). Coal prices have remained stable even where there is no fuel-oil competition because of the intense competition between the coal producers themselves (Edwards, pp. 3, 43).

Residual fuel-price cuts have been made to gain new customers following which the prices have advanced to near parity with coal (Lamb, p. 4).

The residual fuel-oil prices have fluctuated violently in recent years as compared to the relatively stable costs for coal (Lamb, pp. 4, 5). Cuts in residual-fuel prices have been accompanied by increases in crude oil, gasoline, and distillate fuels, and the general public unknowingly has been financing the promotion of residual imports (Lamb, pp. 8-9).

Residual imports add nothing to the American fuel supply as they displace coal as to which our reserves are ample for centuries to come. Residual may offer attractive prices to particular fuel users at certain times but the effect is to increase the prices on other petroleum products (Lamb, p. 10). Coal prices would not rise as a result of the proposed import limitations on residual for the reason that coal capacity is substantially above coal production today and such excess supply, as experience shows, restricts fuel price increases (Lamb, p. 14).

STABILITY OF HEAVY-FUEL PRICES DEPENDS ON A STRONG COAL INDUSTRY

With the east coast as a whole now dependent for some 70 percent of its residual fuel oil on foreign reserves and foreign governments, and with every pressure being exerted by foreign governments to obtain the greatest possible profits from the oil concessions, and with residual fuel oil being heavily downgraded and underpriced (to meet coal competition), the primary stabilizing force, even for those who burn oil, is that furnished by a healthy domestic coal industry (Edwards, pp. 39-43, 64-65).

THE 5 PERCENT QUOTA WILL CREATE NO SUPPLY PROBLEMS OR HARDSHIP

At least 90 to 95 percent by volume of the present consumption of residual fuel oil on the east coast can readily be reconverted to coal (Edwards, pp. 18, 44-45). The application of a 5-percent-quota system to residual imports would still leave large supplies of residual fuel available on the east coast, enough indeed to cover the needs of plants that can't easily convert some ten to twenty-fold; and this takes no account of current residual stocks, of a possible diversion to the east coast of residual now exported to Canada and countries to the south, to increased domestic production, or to transfers of residual to the east coast from other areas where the demand has been falling (Edwards, pp. 44-45).

The proposed 5-percent quota limitation on residual fuel oil runs to only 17 percent of the total domestic demand plus the United States exports of residual (1952). Thus, 83 percent of the residual market is not affected. The President's authority to modify quotas under the proposed legislation will take care of particular scarcities of residual should they appear (Lamb, pp. 12-14).

VENEZUELA'S "BOOM" AND HER DOMESTIC POLICIES

Venezuela has had great prosperity from oil; she has little or no national debt, also no government deficit in 50 years; she is spending on a lavish scale and raising her standards of living at an extraordinary rate; she is the world's second largest oil exporting country, has tremendous untapped oil reserves and her oil production has been rising vigorously (Edwards, pp. 52-60). Venezuela views the oil industry as a national enterprise and one from which she desires to obtain the "greatest possible profits." Foreign capital which develops her oil resources must take account, primarily, of her national interest (Edwards, pp. 64-65). Coal has good reason to fear that it is being strangled by the spiralling climb of Venezuela's oil boom (Edwards, p. 68). Venezuela herself relies heavily on duties and quotas in her effort to become increasingly self-sufficient and to reduce her reliance on the United States and other nations for her food and manufactured goods (Edwards, pp. 60-62).

FOREIGN TRADE

Foreign oil shields its own huge American market for the higher priced petroleum products such as home heating oils, gasoline, and diesel fuel, etc., from its own foreign imports, but wants no shielding when it comes to coal (Edwards, pp. 33-34, 66-67). The brunt of the burden of the concessions granted Venezuela in the 1952 amendments of the Reciprocal Trade Agreements falls on coal (Edwards, pp. 66-68). Venezuela should have no difficulty in selling elsewhere the residual fuel oil which would be affected by a 5-percent quota. The average annual growth of her exports to world markets could absorb the loss in revenue, if any (Edwards, pp. 69, 74); furthermore, the rising world demand for petroleum products as a whole could absorb this oil, or its refinery equivalent, in an average of 4 months' time (Edwards, pp. 70, 73). Based on the experience of recent years, Venezuela prefers to buy the majority of her goods from the United States. United States global purchases abroad provide the dollars for this three-way trading (Edwards, pp. 73, 76).

Insofar as foreign trade is concerned, the exports of American industry should be very little affected by the 5-percent quota on residual fuel oil (Edwards, pp. 74-77). The doctrine of comparative advantages favors coal as against foreign residual fuel oil (Edwards, pp. 40, 76-77). Foreign trade with Venezuela would be substantially in balance if our oil purchases from the Netherlands Antilles are included (Lamb, p. 11). Venezuela's position with respect to foreign trade would be improved by upgrading her oil (Lamb, p. 11).

SOUTH AMERICAN REFINERY PRACTICES ARE LARGELY RESPONSIBLE FOR THE DUMPING OF RESIDUAL

Venezuela and the Netherlands West Indies have been producing close to two-thirds residual fuel oil from Venezuelan crude whereas the world demands now run to less than one-third residual fuel oil. This is a condition detrimental to Venezuela's own foreign trade at the present and one that will worsen as time goes on (Edwards, pp. 71-72). Mild cracking processes could change these yields to coincide with the world demand for petroleum products (Edwards, pp. 38-39).

With the Korean outbreak, the rise in world oil demand was 74 percent for motor fuel, kerosene, and distillates, whereas Venezuela turned out 74 percent residual fuel oil, a large part of which was shipped to the United States to compete in coal markets with bituminous coal from Pennsylvania, West Virginia, and other Eastern States (Edwards, pp. 71-72). Refineries in Netherlands Antilles and Venezuela turn out excessive amounts of residual oil primarily because the equipment is not modern (Lamb, p. 9).

EASTERN SEABOARD DEPENDENCE

Enormous added energy loads have been placed on the coal industry during war periods, such loads, indeed, being proportionately greater in World War II than World War I despite the expansion of the oil and gas industry in the interim (Edwards, p. 4). With some 70 percent of its heavy fuel oil supplies coming from overseas and subject to the policies of foreign governments, the east coast is becoming extraordinarily vulnerable from a defense standpoint (Edwards, p. 27). Unlimited residual imports are destructive in that they shrink the capacity of American coal mining, the railroads and other coal carriers, a capacity which could not well be restored during emergency periods (Lamb, p. 10).

CONCLUSIONS

The practices of international oil companies violate well-recognized principles of fair competition; have lifted the east coast residual imports far beyond any sense of proportion to the growth of the energy demand in the area; and have forced an uneconomic downgrading of heavy fuel oils with sales at far below the price of crude oil.

Coal has made every effort to keep itself competitive with other fuels, but heroic efforts in this direction are nullified by a competitor who can and will sell a product at losses of 20 to 40 cents on the dollar to gain a market. The bituminous coal industry wants a fair competitive opportunity in the fuel market. Coal's only recourse is to ask for relief from these practices through a limitation of the volume of residual fuel imports (Edwards, p. 2; Lamb, pp. 1, 11-12).

POPE BALLARD & LOOS,
Washington 4, D. C. June 22, 1953.

Re H. R. 5495 extending the Trade Agreements Act.

Hon. EUGENE D. MILLIKIN,

Chairman, Senate Finance Committee,

Senate Office Building, Washington 25, D. C.

DEAR SENATOR MILLIKIN: Although the committee has decided not to hold public hearings on this bill, we understand it will receive and consider statements relative thereto submitted by June 23.

We are writing you on behalf of the citrus-fruit and tree-nut industries of the west coast composed of the following:

Sunkist Growers, Inc., Los Angeles, Calif.

California Walnut Growers Association, Los Angeles, Calif.

California Almond Growers Exchange, Sacramento, Calif.

Northwest Nut Growers, Portland, Oreg.

Oregon Filbert Commission, Portland, Oreg.

These industries are fundamentally opposed to any extension of the Trade Agreements Act without clarifying and safeguarding amendments contained in the Simpson bills, H. R. 4204 and H. R. 5490. Enclosed is copy of statement made by the undersigned on behalf of these industries before the House Ways and Means Committee in support of the safeguarding amendments contained

in H. R. 4294, and more particularly in support of sections 7 and 8 of H. R. 4294 amending section 8 (a) of the Trade Agreements Extension Act of 1951 and section 22 of the Agricultural Adjustment Act.

It is our hope that your committee will include the safeguard amendments of H. R. 4294 in any bill which your committee may report to the Senate.

Very truly yours,

JOHN BRECKINRIDGE.

STATEMENT OF JOHN BRECKINRIDGE, ATTORNEY, APPEARING ON BEHALF OF THE CITRUS FRUIT AND TREE NUT INDUSTRIES OF THE WEST COAST, BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

My name is John Breckenridge. I am an attorney with the law firm of Pope, Ballard & Loos here in Washington, D. C. I appear here today on behalf of the citrus fruit and tree nut industries of the west coast, consisting of Sunkist Growers, Inc., Los Angeles, Calif.; California Walnut Growers Association, Los Angeles, Calif.; California Almond Growers Exchange, Sacramento, Calif.; Northwest Nut Growers, Portland, Oreg.; Oregon Filbert Commission, Portland, Oreg. With the exception of the Oregon Filbert Commission, all of these organizations are farmer-owned cooperatives marketing citrus fruits, walnuts, almonds, and filberts grown in the west coast States of Arizona, California, Oregon, and Washington. The Oregon Filbert Commission is a Commission created by the Oregon Legislature to improve and develop the filbert industry and specifically to deal with the import problem.

Representatives of each of these organizations had originally intended and were scheduled to appear and testify personally before this committee in support of the Simpson bill (H. R. 4294) but subsequent developments made it impossible for them to be in Washington today. Consequently, they asked that I make a statement for them as a group.

We favor passage of the Simpson bill substantially as it is with certain strengthening modifications of sections 7 and 8 dealing with agricultural commodities and their corollary in sections 11 and 12 which are necessary to prevent foreign circumvention of any granted relief by means of subsidizing or dumping exports in the United States market.

We fully recognize the need of agriculture and industry for export markets. We ourselves have exportable surpluses, and we want to export as much as possible. However, a stable domestic market is most important, and we do not feel that we or others should expect to increase exports at the expense of excessive and unnecessary imports of competitive products produced by our fellow Americans. We feel that increased import injury to our fellow American producers will injure our domestic market more than we would gain from increased exports we might gain from the increased dollars made available abroad by injurious imports of other commodities. We do not feel that excessive imports of our commodities or others should be encouraged in order to subsidize a war rate of exports of cotton, wheat, or automotive products. Such a rate of exports we consider to be uneconomic in the peaceful or more normal times we hope for.

Since these organizations all produce and market agricultural commodities and products thereof they are particularly interested in sec-

tions 7 and 8 of the bill. These two sections deal with section 22 of the Agricultural Adjustment Act which provides for import restrictions when imports tend to interfere with a price support, marketing agreement, or other agricultural programs and section 8 (a) of the Trade Agreements Extension Act of 1951, which provides for prompt emergency action by the Tariff Commission and the President under section 22 or the escape clause with respect to perishable agricultural commodities. Both of these provisions are already in existing law and sections 7 and 8 of the Simpson bill make no substantive change therein—it makes only procedural changes.

Section 7 merely changes the procedure with respect to emergency treatment of perishable agricultural commodities by authorizing producers to file an application for investigation directly with the Tariff Commission in order to expedite the consideration and findings by the Tariff Commission.

Section 8 also makes no substantive change in the present law. It merely makes the findings of the Tariff Commission under section 22 investigations final and binding in accordance with the other provisions of the Simpson bill making the peril-point and escape-clause findings of the Commission final and binding.

In view of the ineffective manner in which section 22 and the emergency provisions for perishable agricultural commodities have been administered, and the circuitous and cumbersome procedure fixed in present law, and in view of the interminable delays accompanying any action with respect to these provisions, we feel that sections 7 and 8 in the Simpson bill do not go far enough in streamlining the procedure or in strengthening the substantive provisions to make them effective.

We feel that the substantive provisions of section 22 should be clarified and strengthened along the lines suggested to this committee today by Congressman Andresen, whose subcommittee of the House Committee on Agriculture has conducted an exhaustive study of section 22. The circuitous, time-consuming procedure in section 22 investigations is prescribed by law. It cannot be corrected administratively—it must be done by legislation.

We also feel that section 22 should be administered by the Department of Agriculture as has been proposed by Congressman Ellsworth, of Oregon, in his bill, H. R. 4204. We would urge that the provisions of Congressman Ellsworth's bill transferring the administration of section 22 from the Tariff Commission to the Department of Agriculture be incorporated in section 8 of the Simpson bill.

Section 22 should be administered by the Secretary of Agriculture because it is an integral part of any price-support program or any other agricultural program such as production quotas or marketing agreements placing quotas on the quantity of American production that can be marketed. The Secretary of Agriculture has final authority and administers these price-support programs dealing with the American supply. These programs obviously cannot be effective unless the Secretary has parallel authority to act simultaneously in connection with the import supply. Dealing with only one source of the supply in the domestic market tends to artificially affect the import portion of the supply and to create conditions defeating the very purpose of such price-support and marketing programs. In order to properly administer price supports and production and marketing quotas, we feel that the Secretary of Agriculture must have parallel

authority over both the domestic and import supply. A bill similar to the Ellsworth bill has been unanimously approved by the Senate Agriculture Committee and has been twice passed by the Senate, but on both occasions it was dropped in conference with the House. Such a bill has never been considered in the House. We hope this committee and the House will adopt it as a part of the Simpson bill.

However, Secretary of Agriculture Benson has stated before the Senate Agriculture Committee that he does not desire to administer section 22. If the committee follows the suggestion of Secretary Benson and leaves the administration of section 22 in the Tariff Commission, we feel very strongly that the committee should revise the existing procedure under section 22 so as to eliminate the necessity for a preliminary investigation in the Department of Agriculture and the necessity of having an investigation by the Tariff Commission ordered by the President, which necessarily entails review by the State Department and other Government agencies with consequent long delays. If the committee leaves the matter of whether agricultural producers are entitled to an investigation under section 22—their day in court—in the hands of the President, who cannot possibly handle all of these matters, it is, in effect, leaving the question in the hands of the State Department. That may frequently, as it has in the past, prevent interested agricultural producers even obtaining their day in court. Under the present law, it is impossible for the Tariff Commission to institute an investigation under section 22 on application of interested American producers, or even on its own motion. It must await direction of the President, which means the State Department as a practical matter.

If the Secretary of Agriculture does not feel that the Department of Agriculture should administer section 22, and this committee agrees with him, then we feel that the administration of section 22 should be placed entirely in the Tariff Commission and that the law should require that the Tariff Commission make an investigation and findings upon the application of any interested party. Section 7 of the Simpson bill provides such procedure with respect to perishable agricultural commodities and we feel that the same procedure should be followed for all agricultural commodities. Such a procedure would not give rise to numerous frivolous applications for investigation because we are confident that the Tariff Commission could and would promptly make an unfavorable report of its investigation if the Secretary of Agriculture testified or communicated to the Tariff Commission that there was no program in effect with respect to the agricultural commodity involved or that he considered the application frivolous and without any merit.

Section 7 of the Simpson bill with respect to perishable agricultural commodities provides that the Secretary of Agriculture can terminate an investigation by the Tariff Commission within 15 days of the filing of the application by certifying to the Tariff Commission that the application is frivolous and unwarranted. A similar provision could be made in the law with respect to applications for investigation dealing with nonperishable agricultural commodities. The amendment proposed by Congressman Andresen does this.

Such procedure for administration by the Tariff Commission would be consistent and parallel with the similar procedure now provided by existing law in the case of escape clause, section 336, section 337, and

other investigations. Any of these investigations can be initiated by application of any interested party or by the Tariff Commission on its own motion.

The current administration itself, through Secretary of Agriculture Benson, has urged a strengthening of section 22 and a streamlining of its procedure in order to make it effective and the relief timely when justified. In his statement before the Senate Agriculture Committee on April 9, 1953, Secretary Benson said:

LEGISLATIVE REMEDIES FOR EXCESSIVE IMPORTS ATTRACTED BY PRICE SUPPORTS

In recognition of the fact that a stimulation of imports can impose an intolerable burden on a price-support program, the Congress enacted section 22 of the Agricultural Adjustment Act. This section provides for the imposition of import quotas or import fees whenever imports of any agricultural commodity or product thereof render or tend to render ineffective or materially interfere with any price support or marketing order (and certain other) program. This is permanent legislation.

Although section 22 was originally enacted in 1935, it was very little used. It calls for investigations by the Tariff Commission after recommendation by the Secretary of Agriculture. Only 5 such investigations have been instituted in the past 17 years. *Experience has shown that these investigations are long drawn out and this procedure has proved to be wholly ineffective to meet the problem.*

Because of the failure of the executive branch to use section 22 in such a manner as to achieve the objectives of its enactment, Congress enacted section 104 of the Defense Production Act. This section applies only to certain fats and oils, butter, cheese, and other dairy products, peanuts and rice and rice products.

A strengthened section 22

We feel strongly that Congress intended section 22 to be used, and used effectively whenever necessary to protect price-support and other programs. The statutory history clearly so indicates. I am sure that some effective means of controlling imports of agricultural commodities and products is absolutely essential to the success of many of this Department's programs. If commodities which are susceptible to import competition are supported in price or if marketing is limited by marketing orders, marketing quotas, or the like, the quantity of the domestic product withdrawn from the market, in absence of such controls, will simply be replaced by imports of like competitive products from abroad. Such imports impair or destroy the effectiveness of the Department's programs and prevent American growers from deriving the benefits the programs are designed to afford them. With increasing competition appearing from abroad and with increasing surpluses developing in this country, the future success of many of our programs is largely dependent upon the existence of adequate machinery for import controls and its prompt and effective utilisation in all proper cases.

Section 22 can and should be strengthened to meet this need. The President's authority under section 22 covers all agricultural commodities, and products thereof, for which the Department of Agriculture has a program. Moreover, it is embodied in permanent legislation. The problem is not a temporary one; it will be with us as long as we have any programs that keep our domestic prices above the world level. [Emphasis supplied.]

Sections 11 and 12 of the Simpson bill we feel are absolutely essential in order to avoid foreign circumvention of any import fees that might be imposed under the provisions of section 22. These sections of the Simpson bill clarify the countervailing duty statute (sec. 303 of the Tariff Act of 1930) and the Antidumping Act of 1921 respectively. The administration has completely ignored these statutes which were designed to prevent foreign countries from circumventing our tar-

iffs through export subsidies or by dumping commodities in the United States market at prices lower than their home market value. Our experience in specific cases under these two provisions of the existing law and the manner in which the administration has ignored them is related in more detail hereinafter.

It is doubtful that one could find a more gross example of the executive branch ignoring the law or a more shocking example of the star chamber proceedings than will be found in the manner in which the Treasury Department has failed and refused to administer these two provisions of law in the past. Unless the clarifying provisions of the Simpson bill, in sections 11 and 12, are adopted, any import restrictions which might be imposed under section 22 or under the escape clause in the form of import fees or increased tariffs could and probably would be immediately circumvented by foreign countries through the granting of direct export subsidies, exchange manipulation or the mere dumping of products in the American market by an amount equal to the import fee.

For example, in the case of almonds, after a long-drawn-out procedure extending over several years the President has imposed an import fee of 5 cents per pound on imports of almonds under section 22. However, Spain has substantially nullified this action under section 22 by the use of multiple exchange rates and other currency manipulations designed to artificially encourage the export of almonds to the United States. Other countries such as Turkey and Italy have taken similar action with respect to exports of tree nuts to the United States.

These facts have been repeatedly and forcefully brought to the attention of the Treasury Department by the almond industry and by its representatives in Congress, yet the Treasury Department has consistently refused to take any action imposing either a countervailing duty or a dumping duty.

We feel that the clarification of these statutes must go hand in hand with any clarification of section 22 or other provisions in the Simpson bill which provide for relief in the form of an increased tariff when needed. Otherwise, foreign countries can quickly nullify any relief with immunity by merely granting subsidies on exports, by manipulating their currency, or by dumping in the American market to such extent as the relief obtained may result in an increase in the tariff or an import fee under section 22.

Section 12 of the Simpson bill removes the test of injury from the Antidumping Act. In the event the committee should not adopt this provision, we feel that the investigation to determine whether dumped imports are likely to cause injury to American producers should be conducted by the Tariff Commission under the same statutory rules of procedure and criteria of injury as in the case escape-clause investigations involving the question of injury to American producers. The Tariff Commission has so recommended in its analysis of the so-called customs simplification bill which was before this committee at the last session of Congress.

The necessity for some form of effective, timely and mandatory import control on agricultural commodities and products thereof, together with effective provisions to prevent foreign circumvention thereof, is illustrated by the fact that none of the existing remedies provided in law have proven timely or effective when relief is really needed. Even in the very few cases where relief has been granted

foreign countries have been able to successfully circumvent and nullify it through dumping practices or export subsidies granted through exchange manipulation.

The great purchasing power of the people of the United States acts like a magnet to pull the products of other countries to our markets even though in many cases we already have sufficient or excess supplies of the same goods. This is particularly true of agricultural products with their various price-support programs. In such situations import controls are necessary not only to protect our own markets against the demoralizing effect of a flood of low-cost imports added to an already burdensome surplus but also to channel the foreign products into other countries where shortages in such goods already exist and where they are really needed.

In addition we wish to point out why new legislation is needed on the subject and why existing remedies contained in the statutes are inadequate. This can best be done by a brief review and analysis of existing laws and their administration.

SECTION 22

Section 22 of the Agricultural Adjustment Act, as amended (7 U. S. C. 624), authorizes imposition of quotas or import fees whenever the President finds, on the basis of an investigation and report by the Tariff Commission, that any articles are being or are practically certain to be imported into the United States under such conditions and in sufficient quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken under the Marketing Agreements Act, the Soil Conservation Act, section 32 assistance or loan, purchase, or other programs. On its face this would appear to be a procedure that ought to afford effective relief. However, in practice and as administered during the 18 years since its enactment, this statutory provision has been wholly ineffective to meet the problem.

In the first place, it does not apply unless there is a Federal program in existence. There are frequently situations in which excessive imports are the sole cause of distress to a domestic agricultural commodity and there is no occasion for a domestic support or assistance program, except for the sole purpose of limiting imports. Also there are occasions, like figs, for example, when the control program is operated under the authority of a State law rather than the Federal law. In such instances, although the State program has exactly the same objectives as a Federal program would have, the commodity is not eligible to section 22 relief because the program is not operated under one of the Federal laws referred to in section 22.

Furthermore there is frequently much controversy as to whether a Federal program is in existence. For example, under section 32 (7 U. S. C. 612c), the Department of Agriculture may conduct programs for the purchase of commodities in surplus or may make benefit payments to encourage their exportation or diversion into other than normal trade channels. It is the position of the Department of Agriculture, when programs of this character are conducted from time to time over a period of years, that there is a continuing program in effect and that relief under section 22 should be accorded whenever imports become excessive. The Tariff Commission, however, appar-

ently takes the position that, unless immediate purchases on benefit payments are presently authorized and in effect, no Federal program is in existence. Thus the Government may spend substantial sums of money to purchase a surplus that has been occasioned by excessive imports and then as soon as the purchase has been completed, authority no longer exists to control imports; whereupon further excessive imports come in and require another purchase or diversion program under section 32. Such a result is absurd, of course; but that appears to be the way in which this law is being interpreted and administered.

In the second place when a commodity is under a program that the Tariff Commission considers as being in effect, relief under section 22 is accorded only after long and expensive proceedings and the relief is granted only grudgingly and reluctantly if at all. In the 18 years since the enactment of section 22 there have been only five proceedings that have progressed to the stage of a Commission instituted investigation. All other efforts to obtain relief under this section 22 have failed to get over the hurdle of preliminary investigation and the required direction by the President to the Tariff Commission to institute an investigation.

In those cases that have progressed to the investigation stage, relief has come only after long delays and usually it is inadequate. Long-staple cotton is an excellent example of the failure of this type of procedure. Although section 22 quotas have been authorized, they have been so liberal and they have been so frequently enlarged, that the domestic long-staple cotton production has been virtually destroyed. As a result this country has been faced with the necessity recently of acquiring foreign-produced long-staple cotton (an essential in war production) at exorbitant prices.

The long time required to obtain relief, even in the rare cases it has been granted, may be illustrated by the tree-nut investigation which is investigation No. 4 of the Tariff Commission under section 22. Applications for relief under section 22 were filed by some of the tree-nut groups in November 1938 and March 1940. Investigations were never instituted pursuant to those applications. Following excessive imports of various tree nuts in the postwar period, the principal growers, processors, and distributors of American tree nuts filed an application with the Secretary of Agriculture on September 10, 1948, requesting a preliminary investigation concerning the effect of imported tree nuts on the various Government programs administered by the Secretary of Agriculture, and a recommendation that the President cause the Tariff Commission to make an investigation and report as provided for in section 22. It was not until over a year later, January 1950, that the Secretary of Agriculture recommended to the President that the Tariff Commission be requested to make an investigation. The President then further delayed such request until April 13, 1950, and on the same day the Commission instituted investigation No. 4. Hearings were held on June 27-28, 1950. By that time the excessive imports which had been pouring into this country in 1948 and 1949 had so depressed prices that the market was completely demoralized. However, by the fall of 1950, when the Commission was ready to act, marketing conditions had so improved that it was unnecessary for relief to be accorded with respect to imports at that time, although such relief had been badly needed in 1948 and 1949. By the spring of 1951 it was obvious that almonds were

again in trouble by reason of large imports, but the Commission could not be induced to hold further hearings at that time and it was not until the fall of 1951 that hearings were held. Such hearings were first set for September 5 but at the request of the importers were postponed until September 12. Also at the request of importers and over the protest of the American producers, the time for filing briefs was delayed until October 5. The Commission did not issue its report until November 28, 1951. The President then issued a proclamation on December 10, 1951, establishing an import fee of 10 cents on imports of almonds in excess of a quota of 4,500,000 pounds.

All this delay occurred notwithstanding the fact that the statute directs that investigations under section 22 shall be given precedence. Domestic producers were forced to price their almonds on the basis of low world prices because no import controls were imposed at the time the major sales for the year took place and thus the primary advantage of relief under section 22 of maintaining a reasonable price to growers was not made effective even when granted—too little and too late. The almond industry is still suffering from the excessive imports of recent years.

In the third place, if a commodity is successful after prolonged agony in obtaining some form of import restriction, the State Department apparently considers it to be its prerogative to promise the foreign producers that the import control will be discontinued. On April 16, for example, the Secretary of State announced an exchange of memoranda with Italy on trade policy. The following day the Italian newspapers headlined that Washington will oppose any further restriction on imports of almonds and other commodities from Italy to the United States. There is attached a photostat copy of an article in the Italian newspaper *Il Globo* of April 17, 1952. The committee may be interested in having a translation of this article from some source outside the State Department so as to compare the Italian version of the Secretary's promises with the announcements made in English at the State Department in Washington.

Not only in connection with the Italian exchange but also in notes to Great Britain and Belgium, the State Department expressed concern at the growing number of American industries that are seeking relief from excessive imports. So here we have the strange spectacle of the Secretary of State, instead of defending an order issued by the President imposing import controls on almonds, advising the Italian Government that he is concerned about the growing demands of American producers for some reasonable regulation of imports and strongly intimating that the influence of the State Department will be opposed to the continuation of any such controls as may now exist. The fig case and many other cases could be cited.

ESCAPE CLAUSE PROCEDURE

Section 7 of the Trade Agreements Extension Act of 1951 (19 U. S. C. 1364) provides a procedure for escaping the adverse consequences of injudicious reductions in customs duties made under the so-called Reciprocal Trade Agreements program. The escape clause authorizes relief in the form of restoration of the reduced duty or imposition of quotas. Prior to the enactment of the Trade Agreements Act of 1951, approved June 16, 1951, escape clauses had been inserted

in some of the trade agreements beginning in 1943. Here again substantial delay is occasioned by the required investigation and other procedures under this clause. The statute gives the Commission a year in which to make its report, except that section 8 of the same act (19 U. S. C. 1364) authorizes emergency action with respect to certain agricultural commodities, which, however, the administration has never used.

Since the enactment of the Trade Agreements Extension Act of 1951, many applications under the escape clause have been filed. Others had been filed earlier. Only in the case of certain fur-felt hats and hatters' fur and in the case of figs has any relief been accorded. Most applications have been investigated by the Tariff Commission for a year and then rejected. Again, most of the cases where the Commission has recommended relief have been turned down by the President (garlic, watches, and briar pipes).

In referring to the length of time consumed in escape clause and section 22 proceedings, it is not intended to suggest that the Tariff Commission is responsible for all the delays. The statute requires the holding of hearings with reasonable public notice thereof; the type of procedure contemplated by the statute is necessarily time consuming. Furthermore, the Tariff Commission has had substantial additional duties imposed upon it since 1951; but there has been no increase in staff or appropriations to take care of these additional duties. In fact, considering the increases directed in salaries, the Commission's appropriation has been substantially decreased below what it was prior to the advent of the increased duties.

Here again there is the strange spectacle of the Secretary of State wielding his influence against the accomplishment of the objectives of the statute. In response to a note from Great Britain complaining against a "most disturbing increase" in the number of applications filed by American producers under the escape clause, the State Department has indicated that it shared the concern at the growing number of American industries seeking such relief. Many other countries have made like representations. In responding to them, the State Department, instead of defending the statutes of the United States and the procedure thereunder, complains of an unfortunate trend and warns against any tariff restoration. When it is considered that thousands of tariff items have been reduced in so-called reciprocal trade agreement negotiations extending over periods of a few months, it is indeed strange to suggest that loose standards are being applied in the escape-clause procedure involving public notice, hearings, investigation, and report dealing with a single tariff item over periods even longer than that in which thousands of items were similarly reduced.

ANTIDUMPING ACT

The Antidumping Act of 1921 (19 U. S. C. 160-173) authorizes the imposition of additional duties in an amount equal to the difference between the foreign market value and the purchase price or exporters sales price on goods shipped to the United States. This remedy may be invoked whenever it is believed or suspected from the invoice or other information presented, that the purchase price (or exporters sales price) is less or likely to be less than the foreign market value. The duty of making such a determination is imposed by the statute,

in the first instance, upon the appraiser or person acting as appraiser.

Of course this remedy applies only when there is actual dumping or a situation which may be expected to result in dumping. Oftentimes heavy imports will cause serious damage to a product already in surplus supply, even though there is no dumping actual or anticipated. But even in the cases where there is dumping, the relief which Congress intended to be afforded by this statute is being denied by an administrative policy which in effect repeals the statute.

It appears that the appraisers (referred to in the statute) are no longer authorized to perform any functions under the Antidumping Act. They have been directed to refer such matters to Washington. So far as can be determined, no one in Washington is exercising the functions of the appraisers and complaints of dumping or suspected dumping are buried behind an iron curtain of secrecy.

When this matter was called to the attention of Treasury Department officials, it was claimed that under Reorganization Plan 26 of 1950 the duties of the appraisers had been transferred to the Secretary of the Treasury. However it appears that under Treasury Department Order 120 of July 31, 1950 (15 F. R. 6521) all functions and duties not otherwise specifically delegated were redelegated to the persons who exercised them before the reorganization plan.

It also appears that the published regulations with respect to antidumping procedures are not being followed. Advice has been given that the regulations have been amended but that the changes could not be revealed because they are considered "restricted material." Such procedure is clearly a violation of the Administrative Procedures Act.

There is attached hereto a brief on the subject under date of April 5, 1952, which goes into further detail.

SECTION 336. EQUALIZATION OF COSTS OF PRODUCTION

Section 336 of the Tariff Act of 1930 (19 U. S. C. 1336) authorizes increases in duties to equalize differences in costs of production at home and abroad. Such increases can be made only after investigation by the Commission after public hearings and notice. Here again long delays are inevitable by reason of the type of procedure contemplated by the statute. But an even more serious obstacle to effective relief by this procedure is the difficulty of determining costs of production abroad. The statute authorizes the Commission to accept as evidence of the cost of production, when such cost is not readily ascertainable, the weighted average of the invoice prices or values for a representative period and/or the average wholesale selling price for a representative period. But notwithstanding this authority, investigations have been made which resulted in a conclusion by the Commission that there could be no finding on which to base a change in duty.

For example, in an investigation undertaken by the Commission pursuant to section 336 with respect to almonds the Commission issued a report under the date of November 10, 1949. The application for the investigation had been filed by the California Almond Growers Exchange on July 8, 1948. The investigation was instituted on September 16, 1948. A field investigation was made and a public hearing was held on December 3, 1948. In its report of 117 pages the Commission concluded that it was unable to make a finding as to almonds;

under section 336 of the Tariff Act, "owing to the fact that the available evidence on costs of production in the principal competing country (Italy) does not disclose adequate information on which to base a finding of costs of production of almonds in that country." The majority report then stated that the Commission was authorized within its discretion to use invoice prices but held:

* * * The Commission has reached the conclusion that in this instance the use of invoice prices as evidence of costs of production is subject to such serious limitations as to make these prices wholly unreliable and unacceptable for that purpose (p. 8 of report).

Two members of the Commission dissented holding that the cost data were adequate to meet the requirements of the law and to permit a finding of the difference in costs of production in the United States and in Italy. The minority commissioners recommended that "the President return this report to the Tariff Commission and that he request the Commission to reconsider the matter and report to him a definite finding of cost difference in compliance with the requirements of the statute" (p. 12 of report). Nothing has happened since that time in connection with this proceeding and no action was taken as a result of the investigation.

SECTION 337. UNFAIR PRACTICES IN IMPORT TRADE

Section 337 of the Tariff Act of 1930 (19 U. S. C. 1337) declares unlawful unfair methods of competition and unfair acts in the importation of articles into the United States when the effect or tendency is to destroy or substantially injure an industry efficiently and economically operated in the United States or to prevent the establishment of such an industry or to restrain or monopolize trade and commerce in the United States. Upon a finding of such unfair method or act, the articles so concerned are excluded from entry.

Most of the proceedings undertaken under this section have been in connection with unfair competition, such as passing off of foreign-made goods as the product of a domestic manufacturer or sold under well-known domestic brand. However the act is much broader and would permit proceedings against the same type of unfair acts as constitute dumping.

When the California Almond Growers Exchange, after failure to obtain action on an antidumping application, sought relief under section 337, the Commission declined to act on the ground that the Antidumping Act provided a more specific method of dealing with dumping and that the remedy under that act should be pursued.

A brief and petition for reconsideration on this subject are also attached. These contain a more detailed discussion of the statute, its history and the decisions thereunder.

CONCLUSION

From the foregoing review of existing remedies, it is evident that no one, or combination of them, affords the prompt and adequate relief against excessive imports that is accorded by the provisions of section 104 of the Defense Production Act, for example.

What is needed is a remedy stated in clear and unmistakable terms that cannot be ignored or misinterpreted and that is of a character

that does not require a prolonged time-consuming procedure as is now required under section 22.

For all of these reasons it is respectfully urged that section 22 and other relief sections discussed above be so amended as to assure their effectiveness and timely application when relief is needed and justified. We feel that the Simpson bill (H. R. 4294), with some clarification and strengthening of its sections 7 and 8 dealing with agricultural products, will substantially accomplish that purpose.

I would like to comment just briefly on the position the administration has taken for a "standstill" as described by Secretary Dulles, or a standpat position. However, the administration is inconsistent. It wants to repeal Section 104, and it wants a customs simplification bill which has been repeatedly described as an act designed to increase imports. If the administration wants a stand-pat position, it should be consistent and stand pat across the board.

The administration says that the Simpson bill would be very bad, but as Congressman Curtis of Missouri has brought out several times in the hearings, none of the witnesses for the Administration have been able, with the exception of Section 13, dealing with oil, lead, and zinc, to say why any one section would do any harm to the existing trade agreements program.

The study commission recommended by the President we feel, would constitute a violation of the basic principle of our government, that is, separation of legislative and executive powers. It would create a commission to recommend legislation composed of six members of Congress and 5 men appointed by the President. The Constitution specifically states that the control of foreign commerce shall be exclusively exercised by the Congress. To make a part legislative and part executive commission, to create such a commission for making such a study, we think, would be a violation of the separation of powers and would interfere with the normal functioning of this committee and the Congress on legislation affecting the control of foreign commerce. Foreign commerce is not a power designated to the President as a part of his overall control of foreign policy. The Constitution specifically withheld that for Congress as a domestic matter to be exclusively controlled by the Congress.

That completes my statement.

Mr. JENKINS (presiding). Any questions?

Mr. EBERHARTER. I would like to ask one.

Mr. JENKINS. All right, Mr. Eberharter.

Mr. EBERHARTER. Mr. Breckinridge, is Mr. Loos still a member of the law firm which you mention in this statement of yours?

Mr. BRECKINRIDGE. No, sir. He is on leave of absence, on service in the Department of Agriculture.

Mr. EBERHARTER. It is still the firm of Pope, Ballard and Loos?

Mr. BRECKINRIDGE. That is correct, sir.

Mr. EBERHARTER. You still go under that name, even though he is on leave of absence.

Mr. BRECKINRIDGE. Yes, sir.

Mr. EBERHARTER. I think that is perfectly legitimate.

Mr. LOOS is now Solicitor for the Secretary of Agriculture?

Mr. BRECKINRIDGE. Yes, sir; that is right.

Mr. EBERHARTER. And Mr. Loos, as a member of this firm, has appeared on numerous occasions before the United States Tariff Com-

mission representing the same groups that you are representing here today?

Mr. BRECKINRIDGE. In the past I believe that is true, sir.

Mr. EBERHARTER. Thank you very much.

The CHAIRMAN. Mr. Utt will inquire.

Mr. UTT. In spite of what has just gone into the record about Mr. Loos being the Solicitor now for the Department of Agriculture, your statement here represents the opinion of the various associations, trade associations, mentioned in this statement, does it not?

Mr. BRECKINRIDGE. That is correct. I am appearing as an individual for the Sunkist Growers and the others mentioned here, presenting their views.

Mr. UTT. And your considered opinion for them, on their behalf, is that while the export market is very important, the most important market in the world to preserve is the American domestic market?

Mr. BRECKINRIDGE. That is correct, sir. These organizations also want to export, and they are going to do their best to export as much as they can. But they do not feel that we should try to do that at the expense of our fellow Americans, with imports which would injure them.

Mr. UTT. And is it not possible if we should gain a greater export market it would not do us much good if we lost a relative amount of our domestic market by that process?

Mr. BRECKINRIDGE. No, sir; it wouldn't, because the domestic market is much more important; and as to the export market, as a rule, prices are usually lower than in the larger domestic market.

Mr. Chairman, I would like to ask that my full statement be in the record and that the attachments be included in the record also.

The CHAIRMAN. Without objection, it is so ordered.

We thank you for your appearance.

Mr. BRECKINRIDGE. We thank you very much for the opportunity to appear, Mr. Chairman.

(The attachment entitled "Legal Duties and Functions Under the Antidumping Act, 1921" was previously submitted and appears on p. 520. The other attachments to Mr. Breckinridge's statement referred to are as follows:)

BEFORE THE UNITED STATES TARIFF COMMISSION

A COMPLAINT UNDER OATH ALLEGING UNFAIR METHODS OF COMPETITION AND UNFAIR ACTS IN THE IMPORTATION OF ALMONDS INTO THE UNITED STATES, PARTICULARLY AGAINST ITALIAN AND SPANISH IMPORTS

APPLICATION FOR IMMEDIATE INVESTIGATION AND EXCLUSION FROM ENTRY INTO THE UNITED STATES OF IMPORTED ALMONDS

Under the provisions of section 337 of the Tariff Act of 1930

The complaint of the above-named complainant, California Growers Exchange, respectfully shows:

I. Complainant, California Almond Growers Exchange, is a cooperative organization of over 5,000 American almond growers who produce, process, and market approximately 70 percent of all almonds grown in the United States. Complainant's principal place of business is located at Sacramento, Calif.

II. The undersigned, on behalf of D. R. Bailey, general manager of the California Almond Growers Exchange, does hereby allege under oath: (A) Spanish, Italian, and other foreign exporters and importers of almonds into the United States have engaged in and are currently attempting to engage in:

1. Unfair methods of competition, and

2. Unfair acts—in the importation of almonds into the United States, and
 (B) That such unfair methods of competition and such unfair practices in import trade tend to substantially injure the American almond growers and the American almond industry, which is and has been efficiently and economically operated in the United States.

III. Briefly, the facts on which the allegations of this complaint are based are:

1. That Italy and Spain have in the recent past sold and currently threaten to sell almonds in the United States at less than their fair value and/or cost of production and make up the difference through various improper exchange transactions, through three-cornered or multiple-cornered barter transactions and through various other methods of selling almonds in the United States at less than their fair value and/or cost of production, under circumstances which constitute unfair methods of competition and unfair practices in import trade which are declared unlawful by section 337 (a) of the Tariff Act of 1930 (19 U. S. C. 1337 (a)).

2. Section 337 (c) of the Tariff Act of 1930 (19 U. S. C. 1337 (c)) provides that:

"The Tariff Commission shall make such investigation * * *" as herein requested.

3. Concerning the effect or tendency of these unfair-trade practices and unfair methods of competition in the importation of almonds into the United States to substantially injure the American almond industry, it is sufficient to state that because of the numerous recent investigations of the American almond industry and almond import trade conducted by the Tariff Commission indicating such to be the case, it is unnecessary to give a detailed statement of the almond industry facts in this complaint. However, stated briefly such unfair trade practices and unfair methods of competition tend:

(a) To injure and nullify the attainment of the objectives of the Federal marketing agreement and order program supervised and operated by the United States Secretary of Agriculture, under which he has declared 25 percent of the American almond production to be surplus and required that such surplus almonds be disposed of in noncompetitive channels.

(b) To injure and nullify the recent action of this Tariff Commission and the President in imposing a tariff quota on the importation of almonds, which tariff quota was designed to prevent injury to the Federal almond support programs conducted by the Department of Agriculture and to prevent injury to the American almond growers. The Tariff Commission has already officially found that even fair imports tend to nullify the United States Department of Agriculture programs and to injure the American almond growers.

(c) To nullify the recent section 32 diversion program of the United States Department of Agriculture whereby the Department of Agriculture is spending over two million dollars of the American taxpayers money to subsidize the diversion of surplus almonds to the production of oil and for feeding to cattle.

Recently, and at the very time this complaint is being filed with this Commission, an official delegation from Spain, under the auspices of the Spanish Government itself, is present in this country seeking ways and means to dump upon the American market 2 million pounds of Spanish almonds at prices far below fair value. The very threat of this supply of Spanish almonds, offered below fair value, overhanging the United States market—to say nothing of the additional quantities of both Spanish and Italian almonds available for export to this country—has been and is seriously disrupting the American almond market and substantially injuring the American almond industry.

Under all these circumstances it is patently obvious that even the slightest unfair trade practice or unfair method of competition (and far more is here involved) utilized in the importation of almonds into the United States will cause serious injury to the American almond industry, an efficiently and economically operated industry, and compound the injury already being caused to American almond growers, to the Government support programs and to the American taxpayers generally.

A detailed presentation of the facts and evidence in support of these allegations is contained in the attached brief presented today to the Secretary of the Treasury. This brief addressed to the Secretary of the Treasury, hereby made a part of this complaint and application, is attached as Appendix A.

IV. Pending the investigation and hearing by the Tariff Commission herein and a final determination of the facts in this case, it is requested that the Tariff Commission recommend to the President that he request the Secretary

of the Treasury to forbid entry of Spanish, Italian, and other foreign almonds into the United States until this investigation is completed, pursuant to the provisions of section 337 (f) of the Tariff Act of 1930 which reads as follows:

"Whenever the President has reason to believe that any article is offered or sought to be offered for entry into the United States in violation of this section but has not information sufficient to satisfy him thereof, the Secretary of Treasury shall, upon his request in writing, forbid entry thereof until such investigation as the President may deem necessary shall be completed; except that such articles shall be entitled to entry under bond prescribed by the Secretary of the Treasury.

Attached as exhibit No. 1 is copy of a letter to the President, dated April 3, 1952 requesting such temporary exclusion of almonds, except under bond, pending completion of this investigation.

The almond industry of the United States is faced with an extreme emergency and this complaint has of necessity been prepared under severe limitations of time. However, it is earnestly requested that the Tariff Commission order an investigation and call a public hearing immediately on the matters above set forth. Representatives of this complainant of other United States growers and packers of almonds will be prepared to present a full documentation by all evidence available to them. It is also requested that the Tariff Commission, through sources available to it, investigate and evaluate other evidence pertaining hereto in foreign countries which is not readily available to the American almond growers.

Wherefore complainant, California Almond Growers Exchange, prays that this Commission forthwith make an investigation of the matters alleged herein, pursuant to section 337 of the Tariff Act of 1930, hold public hearings thereon, issue its findings on all the evidence presented, and transmit the final findings of this Commission to the President of the United States, and prays for such other and additional relief as the Commission shall deem proper in the premises.

Respectfully submitted in behalf of D. R. Bailey, general manager, California Almond Growers Exchange.

JOHN BRECKINRIDGE,
Attorney, Munsey Building, Washington, D. C.

Karl D. Loos, Lewe B. Martin, John F. Doneland, of counsel.

WASHINGTON, D. C., April 3, 1958

BEFORE THE UNITED STATES TARIFF COMMISSION

PETITION FOR RECONSIDERATION

A COMPLAINT UNDER OATH ALLEGING UNFAIR METHODS OF COMPETITION AND UNFAIR ACTS IN THE IMPORTATION OF ALMONDS INTO THE UNITED STATES, PARTICULARLY AGAINST ITALIAN AND SPANISH IMPORTS

Reapplication for Immediate Investigation and Exclusion From Entry Into the United States of Imported Almonds

Under the provisions of section 337 of the Tariff Act of 1930

The California Almond Growers Exchange, petitioner, on April 3 filed a complaint alleging unfair methods of competition and unfair acts in the importation of almonds into the United States, particularly against Italian and Spanish imports. The complaint alleged acts within the purview of section 337 of the Tariff Act of 1930. By letter dated April 10, 1952, petitioner was notified that the complaint had been dismissed without investigation or hearing on the grounds that apparently the unfair acts alleged were covered by the Anti-Dumping Act of 1921.

Petitioner hereby requests that the Tariff Commission reconsider its decision to dismiss the complaint and grant petitioner a hearing for the purpose of proving its allegations.

Petitioner is informed and believes that the unfair acts alleged in its complaint are covered by section 337 of the Tariff Act. In support of its conclusion petitioner has attached hereto a memorandum of points and authorities.

In the event the Commission adheres to its position, petitioner requests that the Commission set forth more fully and completely the reasons on which the

Commission reached its conclusions. Specifically petitioner asks that the following questions be considered:

1. Whether the complaint failed to state facts sufficient to support its claim for relief?
2. Whether the complaint was considered frivolous in that there is no basis for bringing the complaint?
3. Whether complaint was dismissed solely because the facts indicate petitioner has a remedy under the Anti-Dumping Act of 1921?
4. Whether the complaint should be dismissed even though another less adequate remedy has actually been invoked and relief granted is found to be inadequate?

Petitioner urges that these questions be considered fully and discussed in the Commission's dismissal of this action without hearing or investigation.

Respectfully submitted.

JOHN BRECKINRIDGE,

Attorney for California Almond Growers' Exchange.

Pope, Ballard & Loos: Karl D. Loos, John Breckinridge, John F. Donelan, Dickson R. Loos, attorneys.

WASHINGTON, D. C., April 23, 1952.

MEMORANDUM IN SUPPORT OF PETITION FOR RECONSIDERATION

I. LEGISLATIVE HISTORY

Section 337 of the Tariff Act of 1930 was taken from section 316 of the act of 1922. Senate Report 37, 71st Congress, 1st session (1929) states that the only changes were to clarify the review provisions by the Court of Customs and Patent Appeals.

Going back to the Tariff Act of 1922, the congressional intention in enacting section 337 is clear beyond doubt. Senate Report 595, page 3, 67th Congress, 2d session (1922) reported on this section as follows:

"The provision relating to unfair methods of competition in importation of goods is broad enough to prevent every type and form of unfair practice and is, therefore, a more adequate protection to American industries than any antidumping statute the country has ever had."

There can be no doubt that Congress intended to write a statute broad enough to cover acts alleged in petitioner's complaint. The Senate committee report said it was designed to guard against all types of unfair trade practices. Complaint alleges that almonds from Italy and Spain have been and will be sold in the United States at less than fair value and that the difference is made up through improper exchange manipulation. The effect of the unfair trade practices are also set forth in the complaint. The committee report says that it enacted section 316 of the Tariff Act of 1922 (the same as sec. 337) in order to give more protection to domestic industries than any of the antidumping acts. This section was designed to supplement the antidumping act. It was never intended to be an exclusive remedy available only when no other exists.

Senate Report 37, 71st Congress, 1st session, reporting on the Tariff Act of 1930 further states that it eliminated a provision added by the House of Representatives empowering the President to raise the duty by 50 percent to offset violations of section 337. This provision was eliminated, the report explaining that since it was an inadequate remedy it should not be included as a means of alternative relief.

The conclusions derived from the statutory history of this section lead to an opposite result from that of the Tariff Commission. Congress intended section 337 to cover all kinds of unfair acts; it intended that this section should present a more adequate remedy than the antidumping statutes, and it was an unmistakable effort to protect domestic producers from unfair competitive practices and acts of foreign producers.

II. DECISIONS OF THE COURT

There are two leading cases which, when taken together, have gone far in delineating the scope of section 337. In *Frischer & Company v. Bakelite Corporation* (39 F. 2d 247 (1930)), the court had before it an unfair practice in the plastics industry. The Tariff Commission found on the facts that an unfair

practice within the scope of section 337 existed. There the court said: "What constitutes unfair methods of competition or unfair acts is ultimately a question of law for the court and not for the Commission." The court went on to say: "Each case of unfair competition must be determined upon its own facts. * * *" In this case the court had an example of a foreign importer palming off its goods as that of a domestic producer. That, of course, is a classic example of an unfair trade practice. The court made no attempt to limit the definition of unfair methods of competition and unfair acts. In fact, the court cited the language, on page 259, of the Senate Report 595 and commented as follows:

"It is very obvious that it was the purpose of the law to give to industries of the United States not only the benefit of the favorable laws and conditions to be found in this country, but also to protect such industries from being unfairly deprived of the advantage of the same and to permit them to grow and develop."

The other case, in re *Amfory Trading Corporation* (75 F. 2d 826 (1935)), involved a complaint alleging patent infringement by Russia in the commercial production of phosphate rock. The Tariff Commission found the acts complained of were unfair methods of competition within the meaning of section 337. The Court of Customs and Patent Appeals reversed that holding stating that, as a matter of law, a patent holder is not entitled to protection abroad and therefore the Tariff Commission's findings must be reversed. The court held that the Tariff Commission cannot find acts amount to unfair methods of competition when such have been legally declared not to be unfair. Here the basis of the complaint was patent infringement abroad; it had been held that a domestic producer is not entitled to patent protection in any country but the United States, therefore the actions complained of were not unfair. In arriving at this result the court made the following observation:

"This language (speaking of sec. 337) is broad and comprehensive. It covers a large field as do the words 'due process of law,' 'unjust discrimination,' may include acts which have never been specifically declared by the courts to be unfair."

This recognizes the flexible connection of the phraseology "unfair methods of competition" and "unfair acts in the importation of articles into the United States." This is an evolving term. Deliberate currency manipulation resulting in the sale of articles into the United States by foreign exporters at less than foreign market value is of relatively recent origin.

Congress deliberately provided language broad enough to include new devices that might be developed as well as the existing classic instances of unfair trade practice. And the language is not limited to "unfair methods of competition" which it might be contended as having a somewhat restricted and technical meaning; the language includes as well "unfair acts in the importation of articles into the United States." This term is broad enough to include anything done that has an unfair result in connection with the importation of any article.

Thus, the congressional intention in the enactment of section 337 has been recognized by the courts. These two cases both recognize that the language was intended to be broad and comprehensive; the only limitation being that such acts which have been declared not to constitute an unfair practice in prior decisions may not be considered as in violation of section 337. The court decisions emphasize that section 337 was enacted to protect domestic industry. There is nothing in any of the court opinions which indicates that the remedy under section 337 may be pursued only if there is no other remedy available. There is much to indicate in the legislative history and the court decisions that section 337 was enacted to provide a truly adequate remedy covering all cases of unfair acts in importation of goods.

The complaint alleges unfair acts in the importation of articles into the United States within the meaning of section 337. The result of the Tariff Commission's action can only mean that, on review, a court must send the case back for investigation and hearing to determine whether the acts alleged can be proved.

JOHN BRECKINRIDGE,
Attorney for California Almond Growers Exchange.

Pope Ballard & Loos: Karl D. Loos, John Breckinridge, John F. Donelan,
Dickson R. Loos.

LEGAL DUTIES AND FUNCTIONS UNDER THE ANTIDUMPING ACT, 1921

(Prepared by Pope, Ballard & Loos; Karl D. Loos, John Breckinridge, John F. Donelan, attorneys, Washington, D. C., April 5, 1952)

I. STATUTORY BACKGROUND.

During the period after World War I, American producers and the domestic markets of the United States were seriously threatened by a flood of materials from foreign origins, offered in the United States at amounts considerably below fair value. The situation was thoroughly investigated by the Congress of the United States, which acted in a forthright manner by the enactment of the Antidumping Act, 1921, now found in title 19, section 160 to 173 of the United States Code.¹

The fundamental approach taken in this law was to offset these abnormally low prices. This unfair competition by foreign exporters was met by the imposition of a special duty equal in amount to the difference between fair value as defined and the price at which such goods were coming on the American market.

The two basic provisions in the Antidumping Act, 1921 are found in sections 160 and 161. The former provision is aimed at determining whether the prohibited type of dumping is occurring. The latter provision provides for the imposition of the special dumping duty when a dumping violation actually has been discovered.

Section 160 (a) provides for a dumping investigation in the following language:

"Whenever the Secretary of the Treasury (hereinafter called the 'Secretary'), after such investigation as he deems necessary, finds that an industry in the United States is being or *is likely to be injured*, or is prevented from being established, by reason of the importation into the United States of a class or kind of foreign merchandise, and that merchandise of such class or kind *is being sold or is likely to be sold in the United States or elsewhere at less than its fair value*, then he shall make such finding public to the extent he deems necessary, together with a description of the class or kind of merchandise to which it applies in such detail as may be necessary for the guidance of the appraising officers." [Emphasis added.]

The question naturally arises as to whether the Congress provided any machinery to cover the interim from or prior to the commencement of the investigation by the Secretary of the Treasury and the issuance of his finding. The draftsmen of the law were keenly aware that considerable harm could be done during such interim if dumped merchandise were allowed to pass into the United States without restriction. In consequence, section 160 (b) provides:

"Whenever, in the case of any imported merchandise of a class or kind as to which the Secretary has not so made public a finding, the appraiser or *person acting as appraiser* has reason to believe or suspect, from the invoice or other papers or *from information presented to him*, that the purchase price is less, or that the exporter's sale price is *less or likely to be less, than the foreign market value* (or, in the absence of such value, than the cost of production) he shall forthwith, under regulations prescribed by the Secretary, notify the Secretary of such fact and withhold his appraisement report to the collector as to such merchandise until the further order of the Secretary, or until the Secretary has made public a finding as provided in subdivision (a) in regard to such merchandise." [Emphasis added.]

The Antidumping Act, 1921, then provides in section 161 for the assessment of a special dumping duty to offset the unfair competition of foreign exporters selling below fair value. The heart of section 161 is found in subsection (a), which provides:

"In the case of all imported merchandise, whether dutiable or free of duty, of a class or kind as to which the Secretary of the Treasury has made public a finding as provided in section 160 of this title, and as to which the appraiser or person acting as appraiser has made no appraisement report to the collector before such finding has been so made public, if the purchase price or the exporter's sale price is *less than the foreign market value* (or, in the absence of such value, than the cost of production) there shall be levied, collected, and paid, in addition to the duties imposed thereon by law, a *special dumping duty in an amount equal to such difference.*"

¹ All statutory references herein are to the U. S. Code unless otherwise indicated.

A reading of the Antidumping Act, 1921, leaves no doubt but that Congress enacted this legislation to solve a particular and critical problem of American producers, and in passing this statute had accomplished its end. Judge Garrett, of the United States Court of Customs and Patent Appeals, commenting on this antidumping law, has observed:

"It is evident from the history of this legislation, as same appears of record, that Congress exercised great care in drafting and considering it. This antidumping law was an innovation in customs legislation" (*United States v. Central Vermont Railway Co.* (17 C. C. P. A. (Customs) 166, 179)).

II. PETITIONS OF THE CALIFORNIA ALMOND GROWERS EXCHANGE UNDER THE ANTIDUMPING ACT

A. Spanish almonds

On March 4, 1962, the California Almond Growers Exchange submitted a petition to the United States appraiser of merchandise at New York to issue notices of suspected dumping and notices of withheld appraisement reports with respect to almonds imported from Spain.

The petition set forth in considerable detail the basis of the exchange's complaint and was supplemented by additional data submitted in writing by the exchange on March 21, 1962.

Mr. John Breckinridge, as attorney for the California Almond Growers Exchange, personally conferred in New York with Deputy United States Appraiser of Merchandise Meyerson, and discussed in further detail the evidence, indicating a flagrant situation coming squarely under the ban of the Antidumping Act, 1921.

New York is the port of entry of approximately 90 percent of the almonds received in this country from Spain. It is the domestic market which absorbs more than 60 percent of American almond production. New York is therefore the principal area of competition between foreign and domestic almonds.

The deputy United States appraiser of merchandise at New York further advised Mr. Breckinridge that, upon orders from the Bureau of Customs at Washington, United States appraisers at the various ports of this country were no longer authorized to perform any functions under the Antidumping Act. It was indicated that, to the extent these functions and duties created and imposed by the act are presently being carried out, if at all, they are being performed at the Treasury Department in Washington.

B. Italian almonds

The California Almond Growers Exchange also many, many months ago, in June of 1951, filed a similar complaint against almonds of Italian origin. This petition demonstrated quite clearly another situation in violation of the Antidumping Act, 1921.

Over 9 months have elapsed since the filing of that petition and the California Almond Growers Exchange has not so much as received an acknowledgment.

It is common knowledge that there exists and has existed an oversupply of domestic almonds in terms of the needs of the American market. Recognizing this, the Tariff Commission has imposed an additional 10-cent duty on foreign almonds. The marketing orders of the Department of Agriculture have directed that 25 percent of American almond production is surplus, to be diverted to noncompetitive channels such as oil or animal feed. As recently as March 26, 1962, the Federal Government announced its intention to subsidize over 7 million pounds of almonds to remove them from the oversupplied United States market. This additional diversion to oil or animal feed will cost this Government over \$2 million.

The Antidumping Act does not in any way affect the right of foreign exporters or American importers to bring in merchandise of foreign origin at their fair value. It is only the international unfair trade practice of "dumping" below fair value that is restricted.

III. THE FUNCTIONS AND DUTIES OF APPRAISERS UNDER THE ANTIDUMPING ACT ARE LEGALLY BINDING DESPITE EFFORTS OF THE BUREAU OF CUSTOMS TO CIRCUMVENT THE ACT

At the moment the operations of the Treasury Department in performing the duties and functions imposed by section 160 (b) of the Antidumping Act are a complete mystery.

Any explanation that the functions and duties of the appraisers or the persons acting as appraisers have been transferred to the Secretary of the Treasury

under Reorganization Plan No. 26 of 1950, merely scratches the surface. On analysis it proves incorrect.

Section 1 of Reorganization Plan No. 26 of 1950 (5 U. S. C. 1332-15) provides:

"Transfers of functions to the Secretary:

"(a) Except as otherwise provided in subsection (b) of this section, and subject to the provisions of subsection (c) of this section, there are hereby transferred to the Secretary of the Treasury all functions of all other officers of the Department of the Treasury and all functions of all agencies and employees of such Department."

Subsection (b) relates to functions of hearing examiners in the Department of the Treasury, insofar as they are affected by the Administrative Procedure Act, and functions vested in the Comptroller of the Currency. Subsection (c) relates to the status of the Coast Guard. Section 2 of Reorganization Plan No. 26 empowers the Secretary of the Treasury to delegate functions to any other officer, agency, or employee of the Department of the Treasury.

By Treasury Department Order No. 120, dated July 31, 1950, 15 Federal Register 6521, the Secretary of the Treasury redelegated such functions and duties to the persons who exercised them prior to the enactment of Reorganization Plan No. 26.

Treasury Department Order No. 120 is rather brief and states:

"By virtue of the authority vested in me by Reorganization Plan No. 26 of 1950, it is directed that officers, employees, and agencies of the Treasury Department shall continue to perform the functions they were authorized to perform immediately prior to the effective date of the reorganization plan, and authorized regulations and procedures in effect immediately prior to the effective date of the reorganization plan shall continue in effect until changed by the appropriate authority."

[SEAL]

JOHN W. S. CB,
Secretary of the Treasury.

No change thereafter, in accordance with law, has been found.

There is no person at the port of New York who is performing the functions of appraiser under the Antidumping Act. It is unlikely that the Secretary of the Treasury himself is undertaking the duties personally in New York. All efforts by Mr. Breckinridge to determine from the Bureau of Customs who is in fact carrying on these duties have been rebuffed. Indeed, Mr. Breckinridge was told by the deputy United States appraiser that the regulations under the Antidumping Act had recently been amended, but the changes could not be revealed to the public because they were classified as "restricted material."

President Truman in his May 31, 1950, message to Congress transmitting Reorganization Plan No. 26, stated it was prepared pursuant to Reorganization Act of 1949.

Nowhere in Reorganization Plan No. 26 is there any language rescinding, modifying, superseding, or abolishing the functions of appraisers as set forth in section 160 (b) and section 161 of the Antidumping Act, 1921; the functions were merely transferred to the Secretary of the Treasury. As stated, Treasury Department Order No. 120 retransferred the functions back. No net change resulted.

It can be stated categorically that the duties and functions of appraisers under the Antidumping Act are still in effect. Reorganization Act of 1949, title 5, section 133z-7 provides in subsection (a) (1):

"Any statute enacted, and any regulation or other action made, prescribed, issued, granted, or performed in respect of or by any agency or function affected by a reorganization under the provisions of sections 133z-133z-15 of this title, before the effective date of such reorganization, shall, except to the extent rescinded, modified, superseded, or made inapplicable by or under authority of law or by the abolition of a function, *have the same effect as if such reorganization had not been made*; but where any such statute, regulation, or other action has vested the function in the agency from which it is removed under the plan, such function shall, insofar as it is to be exercised after the plan becomes effective, be considered as vested in the agency under which the function is placed by the plan." [Emphasis added.]

This shows that beyond any doubt Reorganization Plan No. 26 did not abolish the duties of appraisers in appropriate cases of issuing notices of suspected dumping and of withholding appraisement reports, pursuant to the Antidumping Act.

This is entirely to be expected. It would be startling indeed if such carefully considered legislation as the Antidumping Act, 1921, were to be eviscerated and nullified by Reorganization Plan No. 26, which was in effect no more than a "housekeeping" enactment relating to a department of the executive branch of the Government.

IV. THE INVESTIGATION-FINDING PROCEEDING PROVIDED FOR IN THE ANTIDUMPING ACT CONSTITUTES RULEMAKING UNDER THE ADMINISTRATIVE PROCEDURE ACT

As was pointed out previously in this memorandum, under section 160 (a) of the Antidumping Act, whenever the Secretary of the Treasury finds upon investigation that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation into the United States of a class or kind of foreign merchandise, being sold or likely to be sold in the United States or elsewhere at less than its fair value, the Secretary must make a finding to that effect. Thereafter, special dumping duties must be imposed upon imports of the merchandise within the scope of such finding when sold below fair value.

This process is clearly within the term "rulemaking" as defined in title 5, section 1001 (c) of the Administrative Procedure Act:

"Rule" means the whole or any part of any agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy or to describe the organization, procedure, or practice requirements of any agency and includes the approval or prescription for the future of rates, wages, corporate or financial structures or reorganizations thereof, prices, facilities, appliances, services or allowances, thereof or of valuations, costs, or accounting, or practices bearing upon any of the foregoing. 'Rule-making' means agency process for the formulation, amendment, or repeal of a rule."

Under section 160 (b) the Secretary of the Treasury in making his finding as to dumping is implementing law and policy under the Antidumping Act and is most certainly engaging in rulemaking under the Administrative Procedure Act.

The Administrative Procedure Act further provides in section 1003 (d):

"PETITIONS

"(d) Every agency shall accord any interested person the right to petition for the issuance, amendment, or repeal of a rule." [Emphasis added.]

The Administrative Procedure Act became law more than 5 years before the filing of the petition and complaint of the California Almond Growers Exchange against Italian almonds. The failure of the Department of the Treasury even to acknowledge the petition and the refusal of the Bureau of Customs to permit any discussion with personnel processing the petition reveal a contemptuous disregard of the right given to the California Almond Growers Exchange by section 1003 (d) above quoted.

The Treasury Department may contend that one of the exceptions to the provisions relating to rulemaking is where a "foreign-affairs function" is involved. Let that objection be set aside once and for all. Senate Report No. 752 pertaining to the Administrative Procedure Act, issued by the 70th Congress, 1st session, at page 13 states:

"The phrase 'foreign-affairs functions,' used here and in some other provisions of the bill, is *not to be loosely interpreted* to mean any function extending beyond the borders of the United States but only those 'affairs' which so affect relations with other governments that, for example, public rulemaking provision would clearly provoke definitely undesirable international consequences." [Emphasis added.]

Here, we are concerned in the final analysis with a situation at American ports of entry; action is taken pursuant to a statute enacted by Congress to protect domestic industry.

Both complaints of the exchange—the one against Italian almonds and that against Spanish almonds are properly before the Treasury Department as a matter of law. Under the Antidumping Act and under a program of conscientious enforcement of that law, the submission of such petitions and the information contained should be welcomed by the Secretary of the Treasury and his Department in the performance of their duties, not be resisted or ignored. The California Almond Growers Exchange, producing 70 percent of the almonds grown in the United States is an interested person in connection with what is in substance a petition for a rule relating to the dumping of foreign almonds in the United States under the Antidumping Act, 1921.

V. THE AMERICAN PUBLIC IS ENTITLED, PURSUANT TO THE ADMINISTRATIVE PROCEDURE ACT, TO KNOW THE PROCEDURES UNDER THE ANTIDUMPING ACT CURRENTLY EMPLOYED BY THE TREASURY DEPARTMENT

Chapter XII of the Customs Regulations of 1937 issued by the Bureau of Customs in the past set forth the "procedure under Antidumping Act." A study of chapter XII indicates that substantial duties were imposed upon the United States appraisers. Essentially the same provisions are found in the Code of Federal Regulations, title 19, sections 14.7 to 14.17.

Nevertheless, according to Deputy United States Appraiser Meyerson at New York, appraisers are not carrying out their functions under the Antidumping Act, on specific orders from the Bureau of Customs in Washington. The contention that pursuant to Reorganization Plan No. 26 the duties and functions of the United States appraisers are vested in the Secretary of the Treasury has previously been discussed and need not be reiterated. However, this point should be borne in mind. Repeated and persistent efforts by Mr. Breckinridge in behalf of the exchange to ascertain what procedures currently govern notices of suspected dumping and withholding of appraisal reports have been turned aside by the Bureau of Customs in Washington. The published regulations are not being followed; the regulations actually in use are concealed from American producers by an arbitrary administrative officialdom. The Treasury Department has shrouded this entire subject in an "iron curtain" of secrecy. The matters set forth in the Federal Register of July 19, 1951, 16 Federal Register 6064, are no answer to this fundamental objection. In describing the duties and functions of appraisers, the Antidumping Act is not even mentioned.

This directly and substantially affects American industry. There is nothing requiring secrecy; the very opposite is true—the public interest requires adequate information.

This curtain of secrecy is in direct conflict with section 1002 of the Administrative Procedure Act which states:

"Except to the extent that there is involved (1) any function of the United States requiring secrecy in the public interest or (a) any matter relating solely to the internal management of an agency:

"(a) Every agency shall separately state and *currently* publish in the Federal Register—

(1) descriptions of its central and field organization including delegations by the agency of final authority and the established places at which, and methods whereby, the public may secure information or make submittals or requests;

(2) *statements of the general course and method by which its functions are channeled and determined*, including the nature and requirements of all formal or informal procedures available as well as forms and instructions as to the scope and contents of all papers, reports, or examinations;

(3) *substantive rules adopted as authorized by law and statements of general policy or interpretations formulated and adopted by the agency for the guidance of the public*, but not rules addressed to and served upon named persons in accordance with law. No person shall in any manner be required to resort to organization or procedure not so published." [Emphasis added.]

It is obvious that the Congress here sought to keep the American public adequately informed as to the procedures of administrative agencies. The attitude and current practices of the Treasury Department, Bureau of Customs, under the Antidumping Act make a travesty of this provision.

The present situation is an intolerable one from the point of view of American industry threatened with injurious dumping of foreign merchandise. For the quasi-paralysis of the United States appraiser at New York and appraisers at other ports removes the protection to American industry normally afforded by the Antidumping Act, 1921. The present lack of any ascertainable procedure in use at the Treasury Department under the Antidumping Act has in effect resulted in a complete circumvention of the act.

VI. IN THE DETERMINATION OF THE AMOUNT OF SPECIAL DUMPING DUTIES THE TREASURY DEPARTMENT IS OBLIGED TO ADHERE TO THE STATUTORY STANDARD

In addition to inaction on the part of the Treasury Department there is another means whereby the purposes of the Antidumping Act may be frustrated. That is the use of an incorrect method of determining the amount of special dumping duty required pursuant to section 161 of the act. The language itself

is clear. After the Secretary of the Treasury has made public a finding of dumping as provided in section 160 the appraiser or the person acting as appraiser determines the amount of the special dumping duty, namely, the difference between the purchase price or the exporter's sales price and the foreign market value.

In the instant case there is in Spain a substantial domestic market for almonds. How is foreign market value of Spanish almonds to be determined? This is covered in section 164, which provides:

"For the purposes of sections 160 to 171 of this title, the foreign market value of imported merchandise shall be the price, at the time of exportation of such merchandise to the United States, at which such or similar merchandise is sold or freely offered for sale to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade for home consumption. * * * In the ascertainment of foreign market value for the purposes of said sections *no pretended sale* or offer for sale, and no sale or offer for sale *intended to establish a fictitious market*, shall be taken into account" [Emphasis added.]

Wholesale prices in the ordinary course of trade for home consumption in the principal markets of Spain are the significant prices to be used in determining the special dumping duty, after the Secretary of the Treasury has found that dumping is taking place.

The foreign market value standard of measure must be used. The case of *J. H. Cottman & Co. v. United States* (20 C. C. P. A. (Customs) 344 (1932)) involved raw phosphate imported by J. H. Cottman & Co. from Casablanca, Morocco, at the port of Baltimore in 1927 and 1928. The merchandise had been exported by an agency of the Government of Morocco.

The Secretary of the Treasury had made a finding of dumping under the Antidumping Act. The United States appraiser had found the purchase price of the various importations of phosphate to range from \$4 to \$5 per ton and the foreign market values to range from \$7.52 to \$7.58 per ton on the date of exportation. A special dumping duty was imposed accordingly. The case reached the United States Court of Customs and Patent Appeals via the United States Customs Court. The appellate court concluded that the Customs Court below did not err and the judgment below against the importer was affirmed.

The detailed analysis by the Court of Customs and Patent Appeals as to the measure employed in assessing the special dumping duty leaves no doubt that the statutory language means what it says. The appraiser or person acting as appraiser under the Antidumping Act has very specific responsibilities which may not be supplanted by vague formulas or glittering generalities. Presiding Judge Graham in his opinion stated:

"It will be observed that several elements enter into a consideration of foreign-market value under said section 205. First, the merchandise or goods similar thereto must be *sold or freely offered for sale* to all purchasers. Second, the goods must be so sold or offered *in the ordinary course of trade*. Third, it must be so sold or offered for *home consumption*, or, in the alternative, for exportation to countries other than the United States" (p. 353).

The importer unsuccessfully sought to obtain a reversal of this decision, but the Supreme Court of the United States denied certiorari (289 U. S. 750 (1932)).

That the function of appraisement under the Antidumping Act is a very real and tangible one is also illustrated by another case, *O. J. Tower & Sons v. United States* (71 F. 2d 438 (C. C. P. A., Customs) (1934)). In this case an appraisement by the United States appraiser was rejected by the court because no valid appraisement of the goods in question, and no ascertainment of foreign market value or cost of production had in fact been made by the appraiser.

VII. THE POLICY OF THE ANTIDUMPING ACT MAY NOT BE DEFEATED BY THE USE OF UNREALISTIC, MANIPULATED RATES OF EXCHANGE IN THE CONVERSION OF FOREIGN CURRENCY IN ASSESSMENT OF SPECIAL DUMPING DUTIES

There are indications that the Treasury Department has an erroneous conception of the standard to be used in measuring the special dumping duties provided for by the Antidumping Act. As has been shown the basic standard is the foreign-market value of the foreign merchandise—the price at which such merchandise or similar merchandise is sold or freely offered for sale to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade for home consumption. In

the instant case, the country involved would be Spain, which has a sizable domestic market in almonds.

The Spanish Government has been engaging in manipulation of the exchange rate between American dollars and Spanish pesetas. The present official rate of exchange is 10.95 pesetas per dollar. This is also the rate used in local transactions in Spain involving American dollars. However, in the case of certain commodities, and specifically in the case of almonds, the Spanish Government has been utilizing special, varying so-called export rates in which the number of Spanish pesetas per dollar is greatly increased when exportation of almonds is involved.

In other words, let us say that the official rate of exchange is in effect, and dumping is found in the case of almonds from Spain. The Spanish Government then increases the rate of exchange between pesetas and dollars, by a special export rate specifically applicable to almonds. By this purely mechanical currency manipulation, having nothing to do with the foreign market value of almonds in the ordinary course of trade within Spain, the special dumping duty could be avoided, if permitted. This would be done any time the occasion demanded, and the Antidumping Act could be twisted and turned with the changes in Spain in such special almond export rate. Congress intended no such absurd result. The reality is what counts.

Bearing in mind that under 19 United States Code 164 the foreign market value, that is the market value in the markets of Spain, is the significant test. Such artificial, changeable, fictitious special export rates on almonds must be rejected. The official United States-Spanish rate of exchange must be used, if the act is to achieve its manifest purpose.

The Treasury Department would apparently rely upon the case of *Barr v. United States* (324 U. S. 83 (1945)), as a basis for utilizing such special export rates which exist entirely at the whim of the Spanish Government.

With regard to this decision it is to be noted, first, the Antidumping Act was not involved in the *Barr* case, *supra*. A transaction entirely disconnected from the Antidumping Act was being considered, an ordinary duty assessment on goods paid for in British sterling bought on the free market from a New York bank. No special rate or rates of exchange created by foreign governments to frustrate the enforcement of a United States statute was before the court.

Secondly, the Tariff Act of 1930—not the Antidumping Act, 1921—was the governing statute. Mr. Justice Douglas, writing for the majority, indicated the importance of the policy embodied in a statute in determining cases under the statute. At page 92 he indicated that when it could be shown that the policy of the statute might be defeated or impaired, a different result from the one reached would have occurred.

Mr. Justice Frankfurter wrote a vigorous dissent, in which he was joined by Mr. Justice Black. (Mr. Justice Jackson did not participate in the consideration or decision of the case.) The primary concern of the dissenting justices was that the decision might be sweepingly applied in the delicate field of international finance. They realistically pointed out the unique characteristics of " * * * multiple rates for a single currency—with their effects upon the flow of goods and upon international economic relations and the opportunities they afford for highly organized manipulation of exchange * * *" (324 U. S. 83 at 97).

A reading of the *Barr* case indicates quite clearly that it does not go beyond its own special facts. In the case of the Antidumping Act, 1921, the paramount purpose of the law is to protect American producers from dumping. This could be completely frustrated by the manipulation of currency exchange by foreign governments. Hence, to paraphrase Mr. Justice Douglas, the artificial special export rates created by fiat of the Spanish Government would defeat the policy of the act.

The manipulations of the Spanish Government also come squarely within the ban of section 164 of title 19, excluding any sale or offer for sale intended to establish a "fictitious market" in the ascertainment of foreign market value.

VIII. ARBITRARY AND CAPRICIOUS ACTION OR FAILURE TO ACT BY THE TREASURY DEPARTMENT UNDER THE ANTIDUMPING ACT SUBJECT TO JUDICIAL CONTROL

It is recognized that the methods of investigation under section 160 (a) of the Antidumping Act to a considerable degree are left to the judgment of the Secretary of the Treasury. However, as was pointed out by the Court of Customs and Patent Appeals in the case of *United States v. Central Vermont Railway Co.* (17 C. C. P. A. (Customs) 166 at 172 (1929)), in making his investigation—

"* * * The Secretary of the Treasury is mandatorily required to make public a finding upon which dumping duties may be assessed, in a certain contingency, namely, when, after investigation, he finds that an industry in the United States is likely to be injured, or is prevented from being established by reason of the importation into the United States of a class or kind of foreign merchandise, and that merchandise of such class or kind is being sold or is likely to be sold in the United States or elsewhere at less than its fair value. *If he finds such conditions to exist, he has no choice, but must promulgate the order.* He has a broad and liberal discretion in the methods he shall adopt in finding his facts; *he has no discretion after the facts are found.* In finding the fair value of imported goods, he does no more than appraisers and collectors and ports have been doing for many years." [Emphasis added.]

Clearly, to the extent that the duties of the Secretary of the Treasury under the Antidumping Act are ministerial, the Secretary's actions are subject to judicial review under the Administrative Procedure Act (5 U. S. C. 1009).

The same applies with even greater force to the functions of appraisers or persons acting as appraisers under the Antidumping Act. The duty, in appropriate cases such as the current situation relating to foreign importation of almonds of issuing notices of suspected dumping and of withholding appraisement reports on such almonds, is mandatory.

The Administrative Procedure Act came into being after more than 10 years of careful study by the Congress of the United States. Its most fundamental purpose was to curb the arbitrary exercise of power and abuse of authority by Federal administrative agencies.

No longer may these administrative agencies run roughshod. As was stated by Circuit Judge Frank of the United States Court of Appeals for the Second Circuit in a case (under the immigration laws), *Mastrapasqua v. Shaughnessy* (180 F. 2d 999, 1002 (1950)):

"Courts have no power to review administrative discretion when it is a reasonably exercised * * * *But, in appropriate circumstances, they can compel correction of an abuse of discretion or can compel an official to exercise discretion where he has obviously failed or refused to do so.* * * * " [Emphasis added.]

The failure of the Secretary of the Treasury even to acknowledge the petition filed under the Antidumping Act against the dumping of Italian almonds after the lapse of 9 months, the concealment presently existing as to the procedures being used by the Secretary of the Treasury and his Department under the act, and the intransigent refusal of representatives of the Bureau of Customs to permit representatives of the California Almond Growers Exchange even to discuss the matter with personnel charged with the handling of the case if indeed any action has been or is being taken, all combine to warrant the judicial sanction so effectively expressed by Judge Frank above.

IX. CONCLUSION

It is a disturbing situation when it strongly appears that a department of the executive branch of the Government is ignoring the statutory mandate of the Congress of the United States. It is the function of the executive branch of the Government to enforce the laws of the United States, not to ignore them. The Antidumping Act is still a law upon the statute books of the United States which must be enforced. The "dumping" of Italian and Spanish almonds must be stopped, and the sanctions of the antidumping law applied now. The injury to American producers must be checked forthwith. We have not reached the stage in this country where acts of Congress are repealed by the executive branch of our Government. Congress has been ignored long enough.

SAN DIEGO, CALIF., June 22, 1953.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.:

Simpson bill H. R. 4595 is definitely an improvement over present laws. Specially in favor of seven-man Tariff Commission. However, there is still much to be desired. Respectfully request an early public hearing on H. R. 5496.

THE CANNERY WORKERS & FISHERMEN'S UNION,
LESTER BALLINGER, Secretary-Treasurer.

SAN DIEGO, CALIF., June 12, 1953.

Senator EUGENE MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Understand contemplating passing trade agreements extension bill without any public hearing. We represent 10,000 employees that are vitally interested in such legislation. Urgently request public hearing be held before any action is taken on trade extension agreements of any kind.

CANNERY WORKS & FISHERMEN'S UNION,
 LESTER BALINGER, *Secretary-Treasurer.*

BEDFORD, MASS., June 11, 1953.

Senator E. D. MILLIKIN,
Senate Office Building, Washington, D. C.:

We strongly urge Senate Finance Committee to hold public hearing on first Simpson bill before action is taken on trade agreements bill of any kind. Future of ground fish industry dependent upon import quotas.

SEAFOOD PRODUCERS ASSOCIATION OF
 NEW BEDFORD MASS., INC.,
 JOHN F. LINEHAN.

NEW BEDFORD, MASS., June 22, 1953.

Senator EUGENE D. MILLIKIN,
Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Except for seven-man Tariff Commission H. R. 5495 is hardly adequate. Request early hearing on H. R. 5496. Continuation of present policy forbodes only disaster to our national economy. We cannot buy if we do not work.

SEAFOOD PRODUCERS ASSOCIATION,
 JOHN F. LINEHAN.

CHICAGO, ILL., June 11, 1953.

Senator EUGENE D. MILLIKIN,
Chairman, Ways and Means Committee,
Senate Office Building, Washington, D. C.:

May we respectfully urge that public hearings be held by the Senate Finance Committee prior to reporting a bill covering the extension of the Trade Agreements Act.

We believe it is highly desirable to give industry spokesmen an opportunity to express views on the alternative courses of action resulting from the fact that the first Simpson bill has been superseded by the introduction of two other bills in the House of Representatives. Thank you for your consideration.

KENNETH ANDERSEN,
Executive Vice President, Scientific Apparatus Makers Association.

WASHINGTON, D. C., June 22, 1953.

Hon. EUGENE D. MILLIKIN,
Chairman of the Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Scientific instruments are vital to national defense, and while we strongly support seven-man Commission we still do not believe H. R. 5495 provides complete enough safeguards. Therefore, we respectfully urge hearings on H. R. 5496.

KENNETH ANDERSEN,
Executive Vice President, Scientific Apparatus Makers Association.

BOSTON, MASS., June 22, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Senate Finance Committee,
 Senate Office Building, Washington, D. C.:*

The Atlantic Fishermen's Union approves of H. R. 5495, especially the section calling for a seven-man Tariff Commission. However, we feel that his bill does not go far enough and we strongly urge early hearings on H. R. 5496.

If this industry is to survive it has to be given at least a fighting chance. We cannot compete with dumping on our markets by foreign countries as happened this year.

Our men are being forced to seek jobs other than fishing because they cannot earn even \$1 per hour. With the very existence of this industry at stake we strongly feel that passage of H. R. 5495 and early hearings on H. R. 5496 are vital.

PATRICK McHUGH,
Secretary-Treasurer, Atlantic Fishermen's Union.

WASHINGTON, D. C., June 15, 1953.

SENATE FINANCE COMMITTEE,
Senate Office Building:

Urgently request you hold hearings on Simpson bill before reporting it out to the Senate.

PATRICK McHUGH,
Secretary-Treasurer, Atlantic Fisheries Union, Boston, Mass.

DENVER, COLO, June 22, 1953.

Senator EUGENE D. MILLIKIN,
Senate Finance Committee, Senate Office Building, Washington, D. C.:

Colorado sheepmen still feel H. R. 5495 not acceptable without safeguards which were included in H. R. 4294. We oppose H. R. 5495 as judgment without trial if full public hearings are not held. Administration pressure for too rapid action is admission of bad intentions for other legislation that would give us protection for the domestic wool industry. Many sheepmen are in no financial condition to await findings of another study group.

COLORADO WOOL GROWERS ASSOCIATION,
 BRETT GRAY, *Executive Secretary.*

WASHINGTON, D. C., June 22, 1953.

Mr. J. M. WELLS,
*United States Potters Association,
 Newell, W. Va.:*

Your telegram June 22 will be printed in record of statements received on H. R. 5495 and given full consideration by members of committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

NEWELL, W. VA., June 22, 1953.

HON. EUGENE D. MILLIKIN,
Senate Office Building:

We support H. R. 5495 as is, although it falls far short of providing the protection necessary to the prosperity of our industry. Hope you will oppose amendments eliminating seventh man on Tariff Commission and the peril point.

J. M. WELLS,
United States Potters Association.

WASHINGTON, D. C., June 22, 1953.

Mr. OTTO HERBES,
*Chairman, National Lead and Zinc Committee,
 The Jefferson Hotel, 1200 16th Street NW.,
 Washington, D. C.:*

Your letter June 19th will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

THE JEFFERSON HOTEL,
 Washington, D. C., June 19, 1953.

Hon. EUGENE D. MILLIKIN,
*Chairman, Senate Finance Committee,
 Room 310, Senate Office Building, Washington 25, D. C.*

DEAR SENATOR MILLIKIN: In considering H. R. 5495, the Simpson bill to extend the Trade Agreements Act for another year, we desire to direct attention of the committee to the need for constructive legislation without delay for the preservation of the zinc-lead mining industry of the United States from destruction by the dumping of low-wage imports on the markets of this country.

The problems of lead and zinc cannot be solved by H. R. 5495, which in its present form proposes to extend the Reciprocal Trade Agreements Act for another year, increase the membership of the Tariff Commission, and set up a Commission on Foreign Economic Policy.

The House Select Committee To Investigate the Problems of Small Business has held hearings recently throughout the Western United States and found that the emergency confronting the lead and zinc mines is too grave to stand further delay. Unemployment and heavy economic losses are troubling many communities and thousands of stockholders are suffering losses on their investments. Small independent companies unable to obtain financial support because of the depressed prices of lead and zinc are being forced out of existence. Some are merely holding on at a loss awaiting the outcome of legislative proposals.

We would appreciate some assurance from the committee that consideration will be given to relieve this deplorable predicament of the mining industry either through the legislation now before it, or by such proper means as the committee may advise. Delay until a Commission on Foreign Economic Policy completes its studies 9 months or a year from now will weaken a basic industry which is essential to national security and wipe out smaller segments of the industry.

We cannot believe that it is the policy of Congress to liquidate small business in this country.

"Escape clause" affords no relief

Government officials acknowledge the predicament of the mining industry and advise the mines to seek relief through existing channels. But no relief of consequence is available. The maximum benefit that could be obtained by the most favorable outcome of "escape clause" action before the Tariff Commission would be an increase in the duty on zinc of 1.4 cents a pound. Foreign zinc is being offered at delivered prices of approximately 10 cents a pound, duty paid. An increase of 1.4 cents would bring this figure up to 11.4 cents. The domestic price is 11 cents, a drop of some 43½ percent from the ceiling price of 19½ cents in effect little more than a year ago. It is evident that an increase of four-tenths of a cent offers no particular relief.

When Government policies seem inconsistent or harmful the people have no other recourse than to turn to Congress for relief.

The problems of the zinc-lead industry may be summed up as follows:

1. The zinc-lead mining industry in the United States is demoralized by the flood of imports from countries receiving dollar aid. Mines have shut down or curtailed operations in the Tri-State mining district of Missouri, Kansas, and Oklahoma, and in Utah, Idaho, Washington, Colorado, Wisconsin, Tennessee, Arkansas, and elsewhere.
2. Substantial tonnages of zinc can be mined in some 19 States to furnish the industries of the United States approximately 700,000 tons of metal a year under normal conditions. An additional 250,000 to 300,000 tons are

needed to supplement our domestic production. Imports are being dumped on our markets at the rate of 668,000 tons for the year.

If we need an additional 250,000 tons of zinc and 668,000 tons are imported and offered at prices below the cost of domestic production, the consequences can be only disaster for an industry essential to national defense and security.

The case of lead is much the same.

3. The zinc-lead industry in the British Empire and Latin America is similarly demoralized.

4. The situation has been brought about by devaluation of the pound and other currencies, American aid programs, and overstimulation of foreign production by high prices when United States mines were restricted by means of price controls.

John R. Govett, chairman of Consolidated Zinc Corp., Ltd., commented on the situation in his annual report published in London recently. Consolidated Zinc Corp. controls very large zinc-lead mines in Australia which are among the lowest-cost producers in the world. He said: "So we have this situation: namely, that in 1951 our respective Governments (United Kingdom and United States of America) were clamoring for supplies and giving every inducement for new production, while in 1952 some of the old-established mines of the United States could no longer operate economically and their own reserves may be lost indefinitely." This comment from London emphasizes that bad policy has put us in the fix we are in. The fault does not lie with the zinc-lead industry of the United States. Constructive steps should be taken by Congress to relieve the situation.

5. Because of the dumping of these metal stocks on our markets at less than the cost of production, unemployment and heavy economic losses are troubling many communities, and thousands of stockholders are suffering losses on their investments.

Emergency prevails

Small independent companies unable to obtain financial support because of the depressed prices of zinc and lead are being forced out of existence. Some of the better mines are passing into the hands of large corporations that are able to hold on at a loss until foreign imports have virtually eliminated competition by pricing much of the domestic industry into bankruptcy.

The House Select Committee To Investigate the Problems of Small Business held hearings recently and found a grave emergency to prevail.

6. Administration officials acknowledge the predicament of the mining industry but offer no assistance toward a solution of the problem.

The President has directed a study of the imports of oats and has proposed import quotas on cheese but has given no indication of any consideration for the protection of a basic industry essential to the Nation's welfare and defense.

7. A national committee representing every lead-zinc mining district in the United States from New York, New Jersey, and Virginia in the East to Washington and California in the West, in conference at Denver early this year, concluded that constructive legislation is needed without delay for the preservation of the lead and zinc mining industry. Every lead-zinc mining district and all people who believe it to be in the interest of national defense and security to develop and maintain sources of lead and zinc within the United States and to prevent the discontinuance of mine operations which could not be resumed readily when urgently required are supporting the legislative program recommended at Denver. This program contemplates a sliding-scale stabilization tax on imports of lead and zinc to be applied only when prices drop below a reasonable level.

8. The proposed tax is not a high-tariff measure but a tax to prevent dumping foreign metals on our markets at prices that are destroying the domestic industry.

Imports to supplement production

It is recognized that imports are needed to supplement domestic production. For this reason, no taxes apply when the domestic market price is sufficient to permit the more efficient mines in this country to survive. At such levels the proposed import tax is removed or becomes in effect a "vanishing tariff."

9. The legislatures of many States have petitioned Congress and the President to support the zinc-lead antidumping proposal, including such States as Colorado, Utah, Idaho, Nevada, and Wisconsin.

The proposal is strongly supported by the United Steelworkers of America, CIO, which organization believes in reciprocal trade agreements, but not in the destruction of American industry by the dumping of imports. The United Mine

Workers and various A. F. of L. and other labor organizations are supporting the measure.

Large corporations can move to foreign fields and receive United States Government assistance in their efforts to produce profitably when metal prices drop too low to permit profitable operation under our wage and living standards. But where does that leave workers and their families and the smaller independent companies and their stockholders?

Much more can be added in support of the need for constructive steps to be taken by your committee to assist in retrieving the ground being lost by zinc and lead mining in the United States and on the importance of a healthy mining industry to the defense and security of our country.

However, we know from experience that members of the committee are well informed on the problems of mining and its place in the national economy. Workers and members of the industry are looking to you to take constructive action to help correct the situation which is causing our troubles.

Sincerely yours,

OTTO HERRES,

Chairman, National Lead and Zinc Committee.

WASHINGTON, D. C., June 23, 1953.

Mr. JOHN J. RIGGLE,

*Secretary, National Council of Farmer Cooperatives,
Washington, D. C.*

Your statement June 22d will be printed in record of statements received on H. R. 5495 and given full consideration by Members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,

Chairman, Senate Finance Committee.

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D. C., June 22, 1953.

HON. EUGENE MILLIKIN,

*Chairman, Finance Committee,
United States Senate, Washington, D. C.*

DEAR SENATOR MILLIKIN: We are submitting the enclosed statement on extension of the Trade Agreements Act, and respectfully request that it be filed in the record of the Finance Committee proceedings on the H. R. 5495.

Sincerely yours,

JOHN J. RIGGLE, *Secretary.*

STATEMENT OF NATIONAL COUNCIL OF FARMER COOPERATIVES ON H. R. 5495 A BILL
TO EXTEND THE TRADE AGREEMENTS ACT

The press, mail, and air waves are full of proposals to review and revise our foreign economic policy. Many of these proposals take the form of our discontinuing direct aid and adopting British-sponsored proposals of "trade, not aid." Representatives of foreign governments again are assuming leadership in attempting to orient our foreign economic policy to fit their outmoded economies.

"Trade, not aid" means whatever angle the particular group espousing this concept chooses to emphasize. The statements of policy of some of our domestic international trade groups fall into the continental rut, and interpret it to mean import of increased quantities of raw materials, including agricultural products, in order to furnish more dollar exchange for American export of an increased volume of our finished manufactured products, mostly from the mass production consumer goods industries. Increase of foreign investments is interpreted in terms of accelerated development of foreign raw materials resources, then to be brought here for processing by American industry, for redistribution as finished manufactured products to foreign as well as domestic markets. Expansion of foreign markets for our mass production goods is contemplated because, for many of these products, the cream has been skimmed off the domestic market except for replacement sales.

This is a Victorian concept of international trade, which defeated itself in World Wars I and II, but an attempt is being made to foist it upon a relatively new political entity such as ours as yet inexperienced in the fall of empires.

Areas in widely different stages of economic development, and purchasing power cannot trade freely with equitable economic results to each. Trade between highly developed, prosperous areas will flourish to the benefit of each without nursing or restrictions. Trade artificially stimulated between highly developed economic areas and primary-producing areas will drain the latter of their purchasing power long before their own production and consumption needs are satisfied. During periods of relatively restricted trade highly developed economic areas become relatively richer in goods and foreign exchange and raw materials producing areas become relatively poorer. An economic relationship erected on such an unbalance of production will wreck itself sooner or later on the economic and political strains thereby created. Check the world economic empires which have cracked up on the principle of an advanced industrialized area exploiting other areas producing primary products. The "dollar shortage" of an individual, a domestic area, or an international area, is a measure of the difference between purchasing power, or value of its production, and its needs for outside goods and services, plus amounts held back for bank reserves, and for government financing in many instances. As a matter of fact, dollars are in demand to clear balances between many countries, where the transactions are not directly concerned with American trade; and to build bank balances and Government reserves; so that many dollars paid out for American imports are not made available to purchase American exports because they are held out for these other purposes.

The purchasing power of countries predominantly producing primary products for export has been declining for almost 2 years, along with the general worldwide decline of commodity prices in that period. The same is true of the purchasing power of domestic producers of raw materials, including agricultural products. As do prudent individuals and domestic economic areas when income declines, foreign countries face restriction of purchases in order to direct their available income to purchase food, fuel, clothing, defense, and other primary necessities of life. These restrictions take the form of import quotas, exchange regulation and manipulation, currency inflation, import fees, and so forth.

Fifty-five percent of the people gainfully employed in the free world are engaged in producing raw materials later used for processing into food, clothing, fuel, shelter, and finished manufactured goods. In the United States, a highly industrialized area, the producers of primary products are about 20 percent of the employed. In Europe, with obsolescent industry and agriculture in many areas, the figure is about 50 percent employed in producing primary products. But in Africa, many areas of Latin America, and non-Communist Asia, the figure is 66 percent so employed in primary production.

The patterns of capital creation and investment, productivity, income, wage levels, technical knowledge, and standards of living in these different economic areas of the world closely parallel the ratio of employment as primary producers to employment in industry. Under-developed areas thus define themselves as lacking the well-integrated economic balance between production of raw materials, their manufacturing and processing, and their rapid distribution through organized trade channels for widespread consumption. A well-developed economy will automatically have a large middle class of citizens with well distributed income and purchasing power.

Thus the areas of the world in an advanced state of economic development such as ours are characterized by a high production-consumption level. This involves a high capital investment per employee, high production per man, high wages and income levels, and a high savings ratio for creation, renewal, and expansion of capital through savings, and, of course, a relatively high purchasing power per individual. By high production alone we have validated our national currency at inflated levels. These economic levels are sustained in the United States by national policy in the field of high wages, low interest rates, savings and investment protection, and price incentives, including price supports for farm products.

It is quite evident that the active purchasing power thus generated in the highly developed economic areas pulls materials and products from the under-developed, low purchasing power area. This intake of raw materials cannot be balanced alone by a reverse flow of finished goods sufficient to develop an equally high level of production and consumption there. Actually, too many materials suitable for foods and fabrics needed in less well balanced economies are drawn by the magnet of our high prices away from people in those areas which have a lean diet and a low standard of living, to our people who have a

fat diet and a high standard of living, in spite of the fact that the former areas need them more than we do.

This is particularly true in our trade in agricultural products. Our supported prices attract many farm products which we do not need from countries which need them unless we maintain means of diverting products excessive to our needs away from our satiated markets.

Ultimately, purchasing power in underdeveloped areas can be built up through the use of additional production capital and know-how to gain a higher output per individual and a wider diversity of products. Capital must be supplied to underdeveloped or primary producing areas from outside because the margins of production necessary for savings do not normally exist internally. An exception is when a crisis temporarily forces commodity prices up ahead of the general rise in the price cycle. In many underdeveloped countries the trend to socialization and nationalization is fostered and encouraged by the absence of risk capital in private hands, thereby forcing a resort to governmental financing and control of production and distribution.

The flow of outside funds for capital investment into an area will relieve the dollar shortage, and if directed into purchases of production goods, increases the production and consumption potentials of the workers. The effects of industrialization on trade where capital and know-how are supplied are more rapid than we think. The increasing trade between Canada and the United States is cited as a prime example of this fact. In Latin America manufacturing is up 300 percent over 1929 volume. They are our second best foreign-trade customers, and they are demanding more internal economic development. The principles involved may also be observed in many of our own formerly underdeveloped areas in this country, such as the gulf coast, the Ohio Valley, and the Rocky Mountain area, where industry, utilizing natural resources, manpower, and power potentials, has brought about a local purchasing power revolution.

Outside-capital investment has been woefully short of needs in underdeveloped countries because of their currency-exchange restrictions, violation of contracts, hampering taxes, threats of expropriation of property, unsettled labor conditions, and unfavorable political climate.

Outside capital and the know-how necessary to assist economic development will be made available to other areas only if our foreign economic policy promotes a favorable climate through firm treaties of commerce, navigation, and friendship, country by country, according to the needs of each on a quid pro quo basis. Such treaties will direct and protect outside investments in correcting the fundamental problem of lack of productivity and purchasing power which are the real basis of the present restricted trade.

This is the weakness of our trade-agreement policy as it now exists, under which we continue to haggle with other areas over restrictions and sanctions which are the continuing symptoms of uneconomic differences in production and purchasing power. Without a comprehensive foreign economic policy aimed at fundamental causes, the prospect is for a continuing international and domestic running dogfight on trade regulations, attempts at exploitation of domestic primary producers, and primary producing countries, growing international political strain and strife, and ultimate resort to costly military measures. Many Old World economies of the distant and recent past have been broken by the cost of military measures necessary to protect their exploitation of primary producing colonies and affiliates.

Until the foreign economic policy of the United States asserts leadership with a trade-agreement policy which places firm emphasis on treaties of friendship, commerce, and navigation with other countries to provide a favorable political and economic climate under which private outside capital and know-how can aid them in developing a balanced economy, we are not going to arrive at mutually satisfactory economic or political relations in the international field. Until other countries reach the higher economic level where they can relax their restrictions, we cannot relax protection to our own domestic economy. Under the existing trade-agreement policy we already have gone way beyond a majority of the countries with which we trade in relaxing trade restrictions without solving either their economic problems or our own.

TRADE AGREEMENT ACT REVISIONS

Pending the revision of our trade treaties to encompass private foreign investment and economic development abroad, we believe the existing Trade Agreements Act should be extended for 1 year only. The National Council has joined

with other groups in asking that the President and the Congress set up a joint commission to study all the angles of the international economic problems of which unbalanced trade is an outward manifestation of the existing maladjustment. The level in other countries of production, mechanization, transportation, labor utilization, wages, prices, income, vocational skills, natural and power resources, private financing and credit, Government financial stability, convertibility of the currency, trade regulations and other factors involved in the sound economic and political climate necessary for production and trade on an equitable basis, should be thoroughly explored in their relation to trade restrictions. Our foreign economic policy should then be oriented and implemented by a comprehensive trade agreement authority which is aimed at rectifying the broad problems which are at the bottom of our international economic difficulties.

Until such time, we believe the Trade Agreements Act should be amended and administered so that our trade policies are based on practical considerations and economic principles. Sound domestic economic policies are basic to the best international politics, and the soundness of our United States economy, cast in the role of world economic leadership, should be maintained as the hard core of a future prospering international economy. It should not be bargained away for temporary considerations which cannot stand up because of unsound foundations in areas with which we should and must deal.

Second, we believe trade agreements should be ratified by Congress which is responsible in our scheme of government for regulating commerce and raising revenue. If Congress delegates authority such as to the Tariff Commission, the decisions of the latter should not be modified or vetoed by the executive department except during a declared state of war or national emergency, and then with the concurrence of the Congress.

Third, tariff and import adjustments on individual items should be delegated to the Tariff Commission, which should be strengthened in its authority to act, with its personnel and staff made adequate, and its decisions on tariffs and quotas made final for foreign trade negotiation purposes.

Fourth, the peril point principle on proposed import adjustments should be retained and Tariff Commission findings made final and effective.

Fifth, the escape-clause procedure should be speeded up and the Tariff Commission findings made final and effective.

Sixth, trade-agreement provisions of treaties should be truly reciprocal as between nations which are partners thereto, and should include measures to obviate evasions and violations. The negotiation of a trade agreement with a nation having only minor commercial interest in an item of trade and its application across the board to other areas having major commercial interest therein, without equitable concessions from the latter, is out of keeping with any sound approach to foreign or any other kind of trade.

Seventh, section 22 of the Agricultural Adjustment Act should be amended to stay the import of any commodity which impedes or threatens to impede Federal or State price support or marketing programs, pending a determination by the Tariff Commission of the issue raised. In this situation the recommendation of the Secretary of Agriculture, when approved by the Tariff Commission, on matters affecting the immediate impact of imports on agricultural products, covered by domestic support programs, should be final. Where American production or marketing is limited by acreage or marketing limitations imposed by law, appropriate quantitative limitations should be placed on competitor imports if we are going to maintain a full production economy in the United States, unless appropriate tariff adjustments can be made by administrative action.

Eighth, pending the revision of section 22 to make it effective or until such time as an effective foreign economic policy corrects the economic inequalities which currently make a balanced foreign trade impossible, the principles of section 104 of Defense Production Act should be made applicable to all agricultural products subject to competition of foreign products priced under the American market.

Ninth, finally, if the United States participates in the General Agreement on Tariffs and Trade, it should be on a conference basis. Trade treaties should be negotiated bilaterally on a quid pro quo basis, and the workable features of the provisional agreement on tariffs and trade, where directly applicable, should be incorporated in each treaty if by common consent of the countries concerned.

In the above aspects we subscribe to the principles of a 1-year extension of the Trade Agreements Act.

WASHINGTON, D. C., June 23, 1953.

Mr. TOM BROWN,
President, Houston World Trade Association, Houston, Tex.:

Your telegram June 22 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

HOUSTON, TEX., June 22, 1953.

HON. EUGENE MILLIKIN,
*Chairman, Senate Finance Committee,
Congress of the United States, Washington, D. C.:*

The Houston World Trade Association reaffirms its historic support of the reciprocal-trade-agreements program and urges that, in accordance with the specific request of President Eisenhower, the present legislation should be extended without change for a period of 1 year while the administration reviews and appraises our entire foreign economic policy.

HOUSTON WORLD TRADE ASSOCIATION,
TOM BROWN, *President.*

WASHINGTON, D. C., June 23, 1953.

Mr. JOHN C. FLANAGAN,
President, Houston Chamber of Commerce, Houston, Tex.:

Your telegram June 23 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

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HOUSTON CHAMBER OF COMMERCE,
JOHN C. FLANAGAN, *President.*

WASHINGTON, D. C., June 23, 1953.

Mr. MORRIS S. ROSENTHAL,
*Chairman, Research and Planning Committee,
National Council of American Importers, Inc., New York, N. Y.:*

Your statement of June 22 as well as statement submitted by Mr. Radcliffe on June 16 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.,
New York, N. Y., June 22, 1953.

HON. EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.

MY DEAR SENATOR MILLIKIN: As you know from my testimony 2 years ago on behalf of the National Council of American Importers, Inc., there were amendments to the Trade Agreements Act which we strongly felt would make the act

difficult of sound administration. They are included in the present act, the extension of which is now being considered by the Senate Committee on Finance. Inasmuch as an entire review of our foreign economic policy is contemplated by the proposed new Commission, we shall withhold comment at this time on the particular features of the present act which we think are unwise.

There is, however, one newly introduced change in the act as passed by the House of Representatives which we hope will be eliminated by the Senate and afterward in conference. That is section 201 which would increase the membership of the Tariff Commission from 6 to 7.

Since its inception, the Tariff Commission has been a bipartisan body which was created to make necessary analytical studies and economic surveys on which decisions could be made by the President within the limits of the authority conferred upon him by the Congress. Congress itself, regardless of the party in control, relies upon the Commission for factual reports. The Tariff Commission was never intended to be a policymaking body, and it was never intended to be a political agency, the majority of which would represent the political party in power in the Congress or in the Executive. To change the traditional non-political complexion of the Commission would, in our judgment, be fatal to the work of the Commission in making objective economic studies and recommendations to the President based upon these studies.

This has nothing to do with tariff policy—it has nothing to do with the principles of protection or of liberalized trade. It has to do solely with the proposed change in the character of the Tariff Commission as it has been constituted from the time of its inception to an organization which would take on a political tinge by virtue of an increase in the number of Commissioners. We think that this will make sound administration of the trade-agreements program impossible, and, therefore, hope that this section of the bill proposing to pack the Commission will be eliminated by your committee.

During the debate in the Committee of the Whole House on June 15, two main arguments were presented in favor of increasing the number of Commissioners. One was that the Commission has now become a quasi-judicial body by reason of its obligations to make determinations as to peril points and in connection with escape-clause investigations. This is not true because a quasi-judicial body would be authorized to take into consideration all factors affecting a given case, but the Commission must instead follow the rigid criteria established by sections 3 and 7 of the act. In fact, the procedure followed by the Commission in handling escape-clause investigations is the same as that employed for years in handling cost-of-production investigations under section 336 of the Tariff Act. The other argument was that the Commission should be enlarged to avoid split 3-to-3 decisions. The fact is that there have been no split decisions in connection with any escape-clause case since section 7 was enacted.

We should also like to recommend that the appropriation for the Tariff Commission be increased to allow the employment of added members of the staff, so that the studies under the escape-clause provisions of the act, and other investigations as well, may be made and concluded more quickly than is now possible. Shifting controls of certain imported fats and oils from section 104 of the Defense Production Act to section 22 of the Agricultural Adjustment Act, and the shortening of the time limit for escape-clause investigations to 9 months will place an additional burden upon the small number of people that the Tariff Commission is now authorized to employ. We know that this is a matter for official determination by the Committees on Appropriations of both Houses. But we do hope that the Committee on Finance will make recommendations to the Committee on Appropriations of the Senate so that the Tariff Commission can be adequately staffed.

We would be grateful for your consideration of these points, and respectfully request that this letter be made a part of the record of your committee on H. R. 5495.

Sincerely yours,

NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.,
By MORRIS J. ROSENTHAL,
Chairman, Research and Planning Committee.

MANUFACTURING CHEMISTS' ASSOCIATION, INC.,
Washington 5, D. C., June 23, 1953.

Re H. R. 5495, Trade Agreements Extension Act of 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: We understand that your committee has decided to act on H. R. 5495, a bill 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, without holding public hearings but with the suggestion that any party in interest that wishes to do so should file written testimony on the subject bill with your committee before noon, Tuesday, June 23, 1953.

The Manufacturing Chemists' Association, Inc., and the Chemical Alliance, Inc., of Washington, D. C., wish to comply with your invitation and herewith submit to you, with 1 copy for each member of your Committee on Finance, a written statement presented by Fred G. Singer, chairman of our international trade and tariff committee, on behalf of the 2 organizations.

The combined memberships of these two groups represent manufacturers of all types of chemicals. Well over half of these firms employ less than 500 employees each. The output of the combined memberships represents in excess of 90 percent of the tonnage of chemicals produced in the United States.

By January 1953, it is estimated that the highly competitive domestic chemical industry employed 769,000 persons at a high level of compensation and employee benefits. In 1952, corporate sales of the chemical and allied products industry grossed nearly \$18,275 million, on which the corporations paid nearly \$2 billion in taxes. The chemical industry provides materials to every other major industry, which in turn provide goods for the national defense and for the fundamental human needs of our civilian population in such broad fields as health, food, clothing, shelter, transportation, and communication.

All of the sections of H. R. 5495, except that covering the creation of a 17-member Commission to study foreign economic policy, were included in the original Simpson bill (H. R. 4294), on which the House Committee on Ways and Means held hearings which resulted in the dividing of H. R. 4294 into two bills designated as H. R. 5495 and H. R. 5496. The first of these two bills, which was approved by the House, is the one which forms the subject of your present consideration.

Rather than repeat what we have already said in our testimony before the House Committee on Ways and Means, we believe it would be preferable to file with this statement a copy of the testimony presented by Fred G. Singer to the House committee on H. R. 4294 for consideration by yourself and the members of your Senate committee.

We call your attention to page 3, second full paragraph, which covers our position in relation to what is now section 101 (Extension of Authority) and section 310 (Powers of the Commission) in H. R. 5495. The last sentence in the paragraph of our testimony referred to above shows our concern that all segments of our economy interested in the various aspects of our foreign economic policy be given the opportunity of a fair hearing before the new special-study Commission. We note that in section 310 of H. R. 5495 this Commission will have the power to hold hearings but that nowhere in the bill does Congress express the intent that the Commission be required to hold public hearings. We believe this is an unintentional oversight, and we should like to request your committee to consider the possibility of amending section 309 (Duties of the Commission) of H. R. 5495, page 8, by inserting the following words on line 7 between the words "examine" and "study": "after holding public hearings, to * * *" so that line 7 would read: "objectives, to examine after holding public hearings, to study, and report on the subject * * *."

We also wish to call your attention to page 6, second and last paragraphs, which reflect our approval of what is now section 102 (Time for Certain Reports by Tariff Commission) and section 201 (Membership and Terms of Office of the United States Tariff Commission). The increase in time from 6 months to 9 months in section 102 meets with our approval.

There is one thing, the absence of which in H. R. 5495 gives us concern, although we understand it is carried over in H. R. 5496, which is still being studied by the House Committee on Ways and Means. The chemical industry is deeply interested in the improved definitions of criteria to be considered by the United States Tariff Commission in "peril point," "escape clause," unfair competition,

and cost of production investigations. Among these directives is one which requires the United States Tariff Commission to consider, as a criteria, "impairment of the national security." We believe that this evident improvement should have been included in H. R. 5495, and we hereby urge you and your committee to consider the inclusion of such a direction in H. R. 5495.

Respectfully submitted.

FRED G. SINGER,

Chairman, International Trade and Tariff Committee.

STATEMENT OF FRED G. SINGER, MANUFACTURING CHEMISTS ASSOCIATION, INC., ACCOMPANIED BY MAURICE F. CRASS, JR., SECRETARY, MANUFACTURING CHEMISTS ASSOCIATION, INC., WASHINGTON, D. C., BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. SINGER. May I be allowed to have the secretary of the association sit next to me?

The CHAIRMAN. I would like to have him give his name, if he will, and his connection with the industry or the association which you represent.

Mr. CRASS. My name is M. F. Crass, and I am secretary of the Manufacturing Chemists Association.

Mr. SINGER. Mr. Chairman and members of the committee, my name is Fred G. Singer. I am chairman of the International Trade and Tariff Committee of the Manufacturing Chemists' Association. I am here today to represent that association and the Chemical Alliance, Inc. The combined memberships of these two groups represent manufacturers of all types of chemicals, including heavy chemicals, such as acids, alkalies, and their salts; organic chemicals, such as intermediates and dyes; plastics; gases such as chlorine; synthetic fibers; pesticides; and literally thousands of other chemical compounds. Well over half of these firms employ less than 500 employees each. The output of the combined memberships of these 2 groups represent in excess of 90 percent of the tonnage of chemicals produced in the United States.

The chemical industry today is as much a part of national defense as are the military services. Not only in war or national emergency, but in peace also, our great Nation could not exist without a complete chemical industry to serve the needs of the military and of our civilian industries. Quite literally, the chemical industry is the basic industry on which all other industries depend—steel, petroleum, aluminum, and all the rest.

I am sure that I need not repeat at length the history of the chemical industry nor the importance to the Nation of its existence. In 1914 we had no organic chemical industry worthy of the name. In 1916 the necessity for it was recognized. In 1922 and in 1930 tariff acts encouraged the industry's rapid expansion. When World War II appeared, the situation was completely reversed from what it had been in World War I. By 1941 we had many plants scattered across the entire country. We had thousands of trained chemists, chemical engineers, highly skilled operators, foremen, and administrators who were able quickly to gear their production to the manufacture of chemicals vital to the war effort. Without this tremendous reservoir of talent and trained personnel, we could not have built plants for synthetic rubber, aviation gasoline, explosives, sulfa drugs, antibiotics, and, above all, atomic energy, to mention only a few of the developments. I am sure that you gentlemen understand much better

than I the necessity of maintaining these facilities and the continued training of people here in the United States during these trying days.

And yet the chemical industry continues to be an industry which could be seriously affected by foreign competition. France, Italy, Switzerland, and the United Kingdom are large producers of chemicals. Germany is the country of origin of the organic chemical industry. The Czech chemical industry is very highly developed. Labor costs in Germany and the United Kingdom and in France are substantially lower than our own. Other elements of manufacturing cost are likewise lower in all of these countries than in the United States.

It is often claimed that these disadvantages are completely offset by manufacturing technique in the United States. In the case of the chemical industry, this is not true. The basic techniques of the industry are common knowledge in all producing countries. Many of them originated in Europe.

In passing, it should be noted that the chemical industry is regarded as a key industry and vital to national defense in each of the producing countries of Western Europe. The United Kingdom has a licensing system and uses it to exclude chemicals of foreign manufacture except those required to meet domestic requirements and not produced domestically. France employs a quota system in conjunction with credit control. Western Germany, and, indeed, all of the Western European countries, restricts the availability of exchange.

For these reasons, the chemical industry of the United States has of necessity always had a deep interest in the question of tariff, in all of its various phases. It is for these particular reasons that we have an interest in the Simpson bill, H. R. 4294. The President has asked, and I hope will receive, a 1-year extension of the authority under the Trade Agreements Act, pending completion of a comprehensive study of the United States overall foreign economic policies. In his message to Congress on April 7, he stated that it was his intention that the executive branch shall consult with the Congress in developing recommendations based upon the studies that will be made. We wish to emphasize upon your committee that this study is of such importance to American citizens to justify a special study by the executive branch and by Congress. Congress could thereby assure that any group of citizens interested in any of the aspects of trade with foreign countries may be given a fair hearing.

The CHAIRMAN. I should not interrupt, but are you aware that the Army officials have conducted a most exhaustive research of the economic conditions of European countries?

Mr. SINGER. No, sir.

The CHAIRMAN. They have. I have seen it. It is a very large book like the budget report.

Mr. SINGER. Is that available to the public?

The CHAIRMAN. It is not as far as I know, but I have seen that report. It is a very exhaustive study.

Mr. SINGER. I believe all those various studies should be brought together.

The CHAIRMAN. Thank you.

Mr. SINGER. The basic Trade Agreements Act of 1934 provided in its section 2 (c) that the delegated authority of the President to enter into foreign trade agreements terminated on the expiration of 3 years from the date of enactment of the act, June 12, 1934. This delegation

of power by Congress was intended to be of relatively short duration to accomplish the purposes of the act and pull out of an emergency. For reasons which varied on each occasion, Congress extended the authority of the President for different periods of time, thereby making it possible for him to enter into new trade agreements. It has been clear, through the practice of nearly 20 years, that Congress has consistently had the intention of considering the occasion of these terminations of the President's authority as the opportunity to examine the operation and administration of the Trade Agreements Act inserted as paragraph 350 into the Tariff Act of 1930, as amended. The occasion has over the years been used to clarify or strengthen the wording of the act to make the intent of Congress understandable to the executive branch, the United States Tariff Commission, and the public.

If any misunderstandings have arisen between any of these groups, this is the time to bring them out into the open and examine them. We consider that is what Congressman Simpson has done. We wish to thank this committee for giving us this opportunity of presenting our comments on H. R. 4294. We intend to be as brief as reasonably possible and concentrate on those particular subjects on which our industry has strong opinions.

Reading from the bill as printed, we shall first comment on those propositions which we consider constructive and which we favor:

Section 2: In view of the 1-year study of foreign economic policy, promised by the President, we agree with the 1-year extension of the President's authority, under the Trade Agreements Act, as extended and amended, beginning June 12, 1953:

Section 3; section 4, page 3, lines 4 through 6; section 5, page 3, lines 24 and 25, and page 4, lines 1 and 2; section 6 a-3, page 4, lines 13 through 16; 6-c, page 5, lines 11 through 13.

The amendments proposed in these sections and subsections are an attempt to describe more accurately the intent of Congress as to the meaning of the words in the present law reading "serious injury to the domestic industry producing like or directly competitive articles." The amendment would change this wording to "unemployment of or injury to American workers, miners, farmers, or producers, producing like or competitive articles, or impairment of the national security." We believe this new wording is a decided improvement over the existing wording, but we consider that the lack of any qualifying word before the words "unemployment of or injury to" opens the door to frivolous applications for investigations, which would not only paralyze the operations of the United States Tariff Commission but might also have an unhappy national and international effect. We feel that the will of Congress could be expressed in more simple language which could be properly interpreted by the Tariff Commission. We should like to suggest: "serious injury to the domestic industry, or any segment thereof, producing like or competitive articles, or impairment of national security." If this suggestion were accepted, it would require the use of consistent language, such as, "serious injury or threat of serious injury, or impairment of the national security" in section 6 (b).

In addition, we approve the following sections and subsections:

Section 6 (a) (1), which would shorten the period within which the Tariff Commission is to complete its report and recommendations to the President from 1 year to 6 months. We believe this would be in the best interest of all parties concerned.

Section 6 (d) 1, page 6, lines 11 through 18: We think the change in wording is constructive. It would require the Tariff Commission to consider as evidence of injury the same criteria as in the present law.

Section 9 (a): This amendment reinstates the provision of paragraph 336 of the Tariff Act of 1930, as amended—Cost of Production Investigations—in full effect, whether the item is subject or not to a trade agreement.

Section 11 amendments to section 303 of the Tariff Act of 1930, as amended—countervailing duties—whereby the use of special or multiple rates of currency exchange in relation to the United States dollar, or any other such financial manipulations for the purpose of circumventing the United States rate of duty, should be treated as a form of subsidy and expose the practice to appeals for countervailing duties.

Section 12: This amendment to subsection (a) of section 201 of the Anti-Dumping Act of 1921 would eliminate the discretionary power of the Secretary of the Treasury and call on him to make a finding, when the customs appraiser has reason to believe or suspect an act of dumping and notifies the Secretary of such fact.

Section 14: This would increase the number of Commissioners in the United States Tariff Commission from 6 to 7 and would increase the tenure of office of a Commissioner from 6 to 7 years.

We object to the following proposed amendments:

Section 4; section 6 (e), page 6, lines 24 and 25, and page 7, lines 1 through 4; section 8; section 9 (b), and section 10 (a), (c), (e) (f), and (g).

These sections and subsections carry through the bill the theme that the factfindings of the United States Tariff Commission and its recommendations be made binding on the President, and by inference on the Congress, in peril point, escape clause, agricultural commodity, unfair competition, and cost of production investigations. We consider such an increase in the Tariff Commission's power unreasonable and unwarranted. The Tariff Commission is set up specifically as a factfinding body consisting of a group of experts especially trained in that field of work. That is the great value of the Tariff Commission to the Congress, the President, and the public. In our opinion, it is essential to keep the Tariff Commission strictly on that basis and to establish clearly that the findings and recommendations of the Commission are final as to fact. But we recognize that action to be taken cannot be determined by facts alone and probably should be tempered by overall considerations, which in this case are national or public policies.

The cases in point only rise when the President feels that he has public policy reasons for wishing to disagree or ignore the recommendations of the Tariff Commission. We feel that the President, as Chief Executive, has the responsibility of making his policy reasons known to the branch of the Government which is responsible under article 1, section 8 of our Constitution, "to lay and collect Taxes, Duties, Imposts and Excises" and "to regulate Commerce with Foreign Nations, etc." Not one of the members of our associations can pretend that he is a parliamentarian capable of drawing up the text of legislation, but we should be deeply interested in any legislation which could be drawn up and introduced, which would provide for

arbitration of differences of opinion between the President and the Tariff Commission and which would, with the assurance of reasonable promptness, establish the extent to which the recommendations of the Tariff Commission need not be complied with in the case of the particular article in question.

Section 6 (c), page 6, from the last two words on line 2 through the first word on line 7. This sentence would exempt the Tariff Commission, with respect to any recommendation in escape clause cases for an increase in rate of duty, from the plus 50 percent limitation placed on the President in his trade negotiations with foreign governments. The powers of the Tariff Commission in such cases seem to be clearly established in previous wording in this section of the bill—page 5, lines 14 through 24, and page 6, line 1 to the period on line 2. In our opinion, this is sufficient because the wording proposed above is too broad and seems unreasonable.

We do not wish to express any opinion on sections 7 and 13 because these cover subjects which are not a part of our activities. We have, however, one comment to make regarding paragraph 13, page 16, subparagraph 6: Articles dutiable under paragraph 391 of the Tariff Act of 1930—Lead Ores and Concentrates.

We know that the committee has set aside special days for hearings on section 13, but we beg permission to present this plea now as it hardly would justify a special appearance on another date.

On behalf of those of our members who import pyrite flotation concentrates for the manufacture of sulfuric acid, we recommend the addition of the following words, immediately following the first proviso in paragraph 391 of the Tariff Act of 1930, as amended, covering "Lead-bearing ores, flue dust and matter of all kinds," reading:

Providing further, That the duty provided for in this paragraph shall not be applied to the lead contained in pyrites, concentrates, or any other article, containing not more than 1½ percent of lead.

This request seems reasonable and the proposal is not inconsistent with certain provisions in paragraph (g) of section 8.48 of the Customs Regulations of 1943, which requires the collector customs to deduct 1½ percent from the lead content of any dutiable import made under a contract providing for a 1½-percent lead allowance.

The free importation of lead in items containing not more than 1½ percent of lead will have no adverse effect on the lead industry in our country, because such small quantities are not economically recoverable.

The reason for this request is that the Bureau of Customs has recently ruled that, under paragraph 391, a duty is payable on infinitesimally small quantities of lead contained in pyrite-flotation concentrates imported for the purpose of recovering the sulfur content thereof in the manufacture of sulfuric acid. The amendment proposed would clarify what is believed to be the original intent of the Tariff Act of 1930 and relieve importers of an undue burden, both of the duty on a material which is not recoverable, and of the inordinate expenses of sampling and analysis, which frequently exceed the amount of duty assessed under paragraph 391.

This concludes my statement, Mr. Chairman.

The CHAIRMAN. I notice here on page 7 of your statement, Mr. Singer, you said that—

the cases in point would only arise when the President feels that he has public-policy reasons for wishing to disagree or ignore the recommendations of the Tariff Commission. We feel that the President, as Chief Executive, has the responsibility of making his policy reasons known to the branch of the Government which is responsible under article 1, section 8 of our Constitution.

I am very much concerned with regard to the powers of Congress. I believe in the separation of the powers, and I think you do. It is our function to legislate, and it is very definitely placed in the beginning of the Constitution that all legislation shall be the function of the Congress.

I am wondering just how far the executive branch has gone in usurping certain functions that should be performed by us, and having bills written in the executive department of the Government. I am expressing my own views. I am not speaking for other members of the committee, but I am very jealous of the prerogatives of the committee under the Constitution that all legislation with regard to revenue shall originate in this committee.

With regard to the question of how the President should feel with respect to public policy, would you say that he should be influenced with respect to a foreign country as a matter of diplomacy or foreign policy so that he should take into consideration the effect it might have on some election in some other country. Do you feel it should go that far?

Mr. SINGER. Mr. Chairman, we feel very definitely that we have signed a treaty known as the United Nations Charter. That is the law of the country under our Constitution until legislation changes that, and in that charter we have committed ourselves to harmonize our economic policies with those of the members of the United Nations.

Now, I think that our past administration has had a tendency to go further than the meaning of the word "harmonize" and has tried to merge various economies together into a cocktail—I cannot find another word—which is rather untasty because the ingredients do not mix readily. But in harmonizing our economic development, the goals of which should not change, we might have to consider the effect of the timing of our developments on countries, particularly countries that we consider as friendly and free nations. I believe that we have to temper some of our ambitions of which we are very proud to fit into the general picture so as not to upset the very delicate economic balance that exists among the free nations of the world.

The CHAIRMAN. In other words, it is your belief that the United Nations Charter can supersede our Constitution by its treaties?

Mr. SINGER. That is a good question, Mr. Chairman. Our Constitution today seems to make that possible. A treaty is no more permanent legislation than any other. It can be upset by further legislation. But there has to be legislation. Until then, under our present writing of the Constitution, a treaty does become the law of the land and supersedes the contradictory laws.

The CHAIRMAN. So you feel that a treaty that is consummated by the United Nations supersedes the supreme law of the land under our Constitution; is that right?

Mr. SINGER. Not simply because it is passed by the United Nations, but when the Senate ratifies something, then it becomes the law of the land under our Constitution.

The CHAIRMAN. The Senate having ratified the United Nations Treaty, you feel that now supersedes the supreme law as written in our Constitution?

Mr. SINGER. I am afraid so, sir.

The CHAIRMAN. I guess we are all afraid of it. However, the Constitution is the basic law of our glorious country and anything inconsistent with our Constitution cannot have validity as a law.

Mr. SINGER. I do not want to go too far on that.

The CHAIRMAN. I have always considered these trade agreements that have been ratified by the Senate have been treaties.

Mr. SINGER. Yes.

The CHAIRMAN. You and I cannot settle that question by arguing it here. I just wanted to get your views on that point.

Mr. SINGER. Yes, sir.

The CHAIRMAN. I question the wisdom of adversely affecting the economy of our country, we will say, by executive action in the domestic affairs of foreign countries. We write the laws right here, and I do not think that was the intention.

Mr. SINGER. I agree with you, sir.

The CHAIRMAN. Thank you.

Mr. KEAN. I have one question.

The CHAIRMAN. Mr. Kean will inquire.

Mr. KEAN. Of course, what happens in foreign countries may very adversely affect our internal condition.

Mr. SINGER. Yes, sir.

Mr. KEAN. And that is what you mean that the President should consider?

Mr. SINGER. It works both ways, sir, if that is what you mean.

Mr. KEAN. It is not merely the economy of the foreign country, but the whole attitude of the foreign country toward us, the Iron Curtain countries and everything else is important in maintaining our economy.

Mr. SINGER. Yes, sir.

Mr. KEAN. If for any reason one of the foreign countries was thrown into the arms of one of the Iron Curtain nations, it would affect our economy very badly, and that is not one of the studies that the Tariff Commission can make.

Mr. SINGER. No, sir.

The CHAIRMAN. Mr. Simpson will inquire.

Mr. SIMPSON. Of course, if the law were mandatory and the President was required to follow the recommendations of the Tariff Commission, the President can always say to the Congress, "I ask for a change. I do not want to be forced to do this," and give his reasons to Congress and get legislation at that time.

I gather, though, from your statement, Mr. Singer, that you are not altogether assured that this should not be mandatory on the President.

Mr. SINGER. That is right.

Mr. SIMPSON. You are not altogether sure, because you go on and suggest that maybe we should draw up a law which would force arbitration between the President's position and the findings of the Tariff Commission. You use the word "arbitration," which means forced on the President, which, if it could be used at all, which I do not admit, would be only on the basis of the congressional action.

Therefore, what you must envisage in that statement is an arbitrator who would be the Congress, and that is exactly what the bill does.

Mr. SINGER. I may have misunderstood the bill, sir, to the point that I did not realize that if something was binding on the President and said he shall proclaim it, that he could not do it and turn to Congress.

Mr. SIMPSON. The President of course can always request Congress for legislation.

Mr. SINGER. What we are interested in, sir, is that the decision in these matters be made by Congress. We think it belongs there, and that Congress is entitled and has the duty to inform the President, the Chief Executive, just how far it seems reasonable to not follow a recommendation based exclusively on facts.

Mr. SIMPSON. Then are you suggesting that the arbitrator be the Congress when there is a difference between the President's position and the position of the Tariff Commission?

Mr. SINGER. That the arbitration—

Mr. SIMPSON. You stated here that legislation might be drawn up and introduced that would provide for arbitration of differences of opinion between the President and the Tariff Commission, and which would, with the assurance of reasonable promptness, establish the extent to which the Tariff Commission recommendations need not be complied with in the case of a particular article in question.

Mr. SINGER. That to us means Congress.

Mr. SIMPSON. Then you are suggesting that Congress arbitrate any difference between the President and the Tariff Commission.

Mr. SINGER. I think that is the way we should understand the Constitution, sir.

Mr. SIMPSON. In cases where the President agrees with the finding of the Tariff Commission, do you want Congress to do anything there or just accept the findings of the Tariff Commission?

Mr. SINGER. The Tariff Commission is a creature of the Congress, and there is no reason in that case to bring in Congress.

Mr. SIMPSON. Then why should not the findings of the Tariff Commission be final in every respect?

Mr. SINGER. Because the Tariff Commission is solely a fact-finding body and was so constituted in 1916.

Mr. SIMPSON. That is right.

Mr. SINGER. It is a group of experts who are doing a wonderful job in that field of work.

Mr. SIMPSON. That is right. Now, having made a finding at the request of Congress or under the congressional authority, you then say it is perfectly all right, and their recommendation is final unless the President says otherwise.

Mr. SINGER. Yes, sir.

Mr. SIMPSON. Then you are willing to arbitrate that difference by having Congress arbitrate it?

Mr. SINGER. Yes, sir.

Mr. SIMPSON. Now, another question: Suppose you were in the watch manufacturing business, and you went through all the rigamarole that you are required to do under the law to prove your case, and you do prove it, and the Tariff Commission makes its finding and the President sets it aside. If you applied that to your great industry, what would you do? Would you sit back and let your industry die?

Mr. SINGER. No, sir, because that would be a case of disagreement between the President and the Tariff Commission. We would like to refer the matter back to Congress and place our case in the hands of Congress.

Mr. SIMPSON. You would, then, if I understand, make the findings of the Tariff Commission final and binding on the President only in those instance where the President agrees?

Mr. SINGER. Where he has no reason to disagree.

Mr. SIMPSON. And where he does disagree, you would like to have an arbitration group set up to force a settlement between the President's position and that Tariff Commission's position?

Mr. SINGER. That is correct, sir. If the peril point investigations were made and completely settled before entering into negotiations, there would be very few cases of appeal to escape clauses.

Mr. SIMPSON. That is all I have.

The CHAIRMAN. Any other questions?

Mr. MILLS. Mr. Chairman.

The CHAIRMAN. Mr. Mills will inquire.

Mr. MILLS. Mr. Singer, as I understand from your statement and your answers to questions propounded by members of the committee, you are here advocating the so-called Simpson bill because of the principle involved, rather than because of any particular injury or harm that has occurred so far to the National Chemists Association and the members thereof, is that right?

Mr. SINGER. That is correct, sir. We have been invited and given the occasion of making comment on this bill.

Mr. MILLS. I understand that.

Mr. SINGER. There are a number of signals in the chemical industry that seem to show that the concessions that were made only as recently as Torquay, when the major concessions regarding the chemical industry have been made, have hardly had time to be tested yet. There are a few signals that some items which are manufactured by the members of our group in the pharmaceuticals or even in the general chemicals have actually had to be stopped. The chemical industry has no intention of running around like a scared chicken as soon as anything seems to indicate a difficulty of competition from abroad. We want to study the subject quietly. We want to have the occasion when there is a segment of the industry, rather than the whole industry hurt, to be able to present the case before the bodies organized by Congress.

Mr. MILLS. You answered my question, but you give rise to another.

Mr. SINGER. I am sorry, sir.

Mr. MILLS. You mentioned signals that appeared since Torquay. What are some of these signals that alarm you?

Mr. SINGER. I am afraid, sir, I am not prepared to answer that question at this moment, but I will be glad to file a statement for the record.

Mr. MILLS. Would you for the purpose of the record give me some indication of what you mean when you say signals that are appearing?

Mr. SINGER. I will try to get some definite cases of particular products and try to give you the story and file it for the record. There are not enough for us to be very upset at the moment.

Mr. MILLS. If the situation would continue on as it now exists, you would not be too concerned? In other words, is it the fear of what may happen that bothers you more, or is it the principle involved?

Mr. SINGER. We have seen it before, sir. We are not dreaming of having nightmares. We have been hurt before in the history of the Chemical industry.

Mr. MILLS. Under the reciprocal trade agreement program?

Mr. SINGER. As recently in the rayon staple as 1949. Very definitely some of the plants were closed down for 6 months which did not help the people that were working in the areas.

Mr. MILLS. You are talking about your rayon plants?

Mr. SINGER. That is still chemicals.

Mr. MILLS. And some of the nylon plants. But that was not just confined to those businesses, was it? At that time were your businesses the only ones that were closed down?

Mr. SINGER. More heavily than some others.

Mr. MILLS. No other businesses felt the same situation at that time? Of course they did.

Mr. SINGER. I do not know, sir. I have not studied the question.

Mr. MILLS. We had reached the point at that time, had we not, when we had practically produced all that the normal channels of trade would consume? We had stocks on hand, did we not, of practically everything? We were all concerned at that point about our situation.

Mr. SINGER. I think there was a bad zone there which was relieved by the war situation.

Mr. MILLS. My point is this: In 1949 you would not attribute the shutdown of plants here in the United States to imports of nylon and rayon, and items of that sort from abroad?

Mr. SINGER. I do not think we could include nylon, but the rayon staple definitely.

Mr. MILLS. You mean the rayon plants closed down in 1949 as a result of imports from abroad?

Mr. SINGER. Of staple, yes.

Mr. MILLS. Of staple rayon?

Mr. SINGER. Of staple only.

Mr. MILLS. I understand. Will you answer my question? Was that the sole reason or not?

Mr. SINGER. That is what swamped the market.

Mr. MILLS. What swamped the market?

Mr. SINGER. There were imports—

Mr. MILLS. I am seeking information.

Mr. SINGER. I would like to give you the facts more precisely.

Mr. MILLS. Will you answer my question? Let me answer the question. Will you give me some information? I am not prepared to discuss it on a factual basis, because I do not have the facts before me, but I want the facts. If you have been hurt, I want to know it. If you will put it in the record, we will not discuss it, because the members are anxious to go, and I am, and I know you are. Please put it in the record and show just what came in the staple rayon that bothered you in 1949, how much came in, and what effect it had on the markets. I want to know the facts.

Mr. SINGER. I will be very glad to do it, sir.

Mr. MILLS. I know you can get it for the record, if you will.

Mr. SINGER. Yes.

(The information is as follows:)

SUPPLEMENTARY MATERIAL SUBMITTED BY FRED G. SINGER ON BEHALF OF THE
MANUFACTURING CHEMISTS' ASSOCIATION

In reply to a question from the Honorable Wilbur D. Mills of Arkansas, I made the statement that the major United States concessions in the chemical schedule had been made at Torquay, effective in 1951, that it was still too early to draw definite conclusions as to the effect of these concessions on the American Chemical Industry, but that there existed some shadows on the horizon, which the industry wished to examine quietly before drawing conclusions. I was asked by the chairman of the committee to submit supplementary material amplifying for the record the thoughts which brought me to make the latter part of that statement. I was also asked to give some details to clarify my further remark that, in 1949, as a result of imports, the American producers of viscose rayon staple fiber had to stand the brunt of corrective measures when the market turned from a hard market to a soft market.

(a) As the result of information received from members of the Manufacturing Chemists' Association, I wish to submit four examples to illustrate the basis for my first statement:

1. Phthalic anhydride
2. Sodium perborate
3. Epsom salts
4. Medicinal alkaloids

1. *Phthalic anhydride*.—Paragraph 27, Tariff Act of 1930 as amended. Duty reduced at Geneva effective 1948 from 7 cents per pound, plus 40 percent to 3½ cents per pound, plus 20 percent.

Phthalic anhydride is a basic coal-tar intermediate produced in tonnage quantities and essential in the manufacture of vat dyes, alkyd resins for paint and many other industrial applications, the least of which is a long list of plasticizers important to every phase of plastics manufacture. In addition, dimethylphthalate was used by the Army and Navy in the Pacific Theater in very large quantities during World War II as an insect repellent. There can be no production by known methods without an ample supply of phthalic anhydride. The bulk of the phthalic anhydride manufactured in the United States is made from naphthalene, an ingredient found naturally in coal-tar. Domestic naphthalene supplies have never been in excess of domestic requirements and it is usually necessary to supplement domestic production with imports, around 50 million pounds annually. The rebuilding of the Organic Chemical Industry in Europe included large units for the manufacture of phthalic anhydride. During 1952 and 1953, the price of phthalic anhydride in Europe was 11 cents to 13 cents a pound, against a domestic price of 22 cents per pound.

Domestic production of phthalic anhydride averages about 250 million pounds annually and requires 350 million pounds of naphthalene for its manufacture. In 1951 there were 9 domestic makers of phthalic anhydride, indicating the highly competitive domestic nature of the product. The domestic production of naphthalene in 1951 totaled 358 million pounds for all purposes. During World War II, the shortage of naphthalene and, consequently, of phthalic anhydride was so acute as to compel the Government to maintain strict allocation of these intermediates so that the very large military demands could be satisfied.

If the domestic price of naphthalene declines to a point where it is unprofitable to isolate it, the distiller of coal-tar leaves it, as an ingredient, in the creosote oil. The quantity of naphthalene for the manufacture of phthalic anhydride can be made available just so long as the market price justifies its recovery. Naphthalene for industrial processes (paragraph 1651 of the Tariff Act), is on the free list. Domestic naphthalene sells for 6¾ cents per pound and the comparable grade in Europe sells for 3½ cents per pound. The combination of modern phthalic anhydride units, many of them built with ECA funds, the availability of low-cost naphthalene (particularly from Czechoslovakia), and chemical plant labor at hourly rates approximately one-fourth of those paid in the United States, accounts for the availability of phthalic anhydride in European markets at prices approximately 50 percent of domestic prices.

European manufacturers have already taken the step of converting naphthalene to phthalic anhydride. The next step is to convert the phthalic anhydride to a series of more advanced products, such as alkyd resins, intermediates for vat dyes, or the vat dyes themselves and plasticizers. They are well qualified to take this step. They manufacture all of these products in Europe in substantial

quantities—it would merely require an increase in manufacturing capacity to make available sufficient quantities of any of these to supply the American market.

If foreign manufacturers, including the Japanese, should elect to start cracking the domestic market for coal-tar chemicals, the first move might well be to drive the domestic producers of phthalic anhydride out of business. Substantial quantities are already being imported currently from Europe and Japan.

The manufacturer of phthalic anhydride is a highly complex and hazardous engineering achievement. It requires special equipment and operative "know-how", which would be quickly lost if the units were compelled to shut down. If a manufacturer of phthalic anhydride were compelled to shut down his manufacturing units because of foreign competition, his personnel would be dispersed and quickly lose the technique required to operate this complex chemical process. None of the domestic manufacturers could justify maintaining idle units for an indeterminate period, where he has a substantial investment, with no return to the owners. He would also be reluctant and unwilling to reestablish the manufacture of this intermediate until such time as the danger or threat had been removed. If this shutdown were to last over a long period, the unit would deteriorate to a point where it would be very expensive to rehabilitate, both in equipment and personnel.

This outline merely illustrates the effect on the domestic industry by the loss of control to foreign producers of the manufacture of one key intermediate and its effect on national security. This could happen with equally disastrous results if the subject under discussion were aniline, chlorobenzene, nitrobenzene, phenol, or any of the basic intermediates essential to the manufacture of coal tar products, pharmaceuticals, plastics, rubber chemicals, explosives, insecticides, fungicides, or chemicals for petroleum.

2. *Sodium perborate*.—Imports are classified in paragraph 5 of the Tariff Act and are presently dutiable at 12½ percent ad valorem. This rate was reduced at Torquay from 25 percent ad valorem effective from June 6, 1951.

A considerable effort has been expended upon the development of a United States market for domestic sodium perborate in household bleaching compounds, leading to its acceptance. Now that the market is established, foreign manufacturers have stepped into the supply picture to a considerable degree. They have attained competitive importance by low-priced offerings, some recently as low as 5 cents per pound below the domestic material price of 19.8 cents per pound. From filling 4 percent of the United States consumption in 1950, imports have steadily risen, satisfying 16 percent in 1951 and 27 percent in 1952. It is anticipated, as things now stand, that imports may take in as much as 57 percent of the market for 1953.

3. *Epsom salts (magnesium sulfate)*.—Paragraph 49, Tariff Act of 1930, as amended. Duty reduced the full 50 percent at Torquay, effective 1951 from ¾ cent per pound to ⅓ cent per pound.

Imports

	Quantity	Value
	<i>Pounds</i>	
1950.....	3,923,298	\$45,233
1951.....	5,093,909	59,373
1952.....	9,184,569	113,783

Importations of epsom salts come into this country at the major eastern and gulf ports. The member, who gives us this example, writes that 70 percent of his epsom-salt business is close to these ports and that he is not able to compete pricewise in these areas. Here is a tabulation of his delivered costs per pound of U. S. P. quality to five major ports:

Boston, Mass.....	\$3.215
Tampa, Fla.....	3.925
New York, N. Y.....	3.205
Baltimore, Md.....	3.205
Gulfport, Miss.....	3.3575

Against this, here is the tabulation showing delivered costs per pound of the foreign product at these same ports, including duty:

Boston, Mass.....	\$2.61
Tampa, Fla.....	3.22
New York, N. Y.....	2.30
Baltimore, Md.....	2.50
Gulfport, Miss.....	2.45

As a result of this competition from abroad, our member's production of epsom salts shows the following trend:

	<i>Pounds</i>
1950.....	85,750,000
1951.....	75,977,870
1952.....	67,667,559

The member reports that 1953 sales are below that of the comparative period of 1952. This has resulted in the discharge of employees in that department. In addition to this direct effect on one of his plants, the cost of producing related products, such as calcium chloride, has been increased. The epsom-sale price is close to the break-even point and he cannot absorb freight charges or reduce the price. If this business continues to fall off, his calcium-chloride price will be reduced to a break-even point and he may be forced to discontinue the production of both epsom salts and calcium chloride.

4. *Medicinal alkaloids*.—Formerly classified under paragraph 5 of the Tariff Act of 1930 at 25 percent ad valorem duty and reclassified on January 6, 1948, under paragraph 34 with a rate of duty which had been reduced effective January 1, 1948, at Geneva from 10 to 5 percent ad valorem.

Prior to and especially during World War II, a segment of the chemical industry produced a full line of important medicinal chemicals, commonly known as alkaloids. These drugs were supplied in substantial quantities for use by the armed services, as well as for civilian medical practice.

These drugs included emetine, atropine, hyoscyne, hyoscyamine, pilocarpine, colchicine, digitoxin, saponin, asparagin, and acomitine, some of which are of crucial and vital importance in certain disease conditions.

Owing largely to the combination of a tariff concession and a highly controversial reclassification of these drugs by the Customs Bureau, thereby reducing the duty from 25 percent ad valorem down to the negligible figure of 5 percent ad valorem, the production of these alkaloids has almost entirely ceased and many of the production staff heretofore devoted to that work have been dismissed and compelled to seek employment elsewhere.

The result is that the American medical needs for these essential drug products have to be supplied almost completely from foreign sources, upon which this country would now be largely dependent if an emergency arose.

Furthermore, the European manufacturers of these drugs are not only largely supplying the requirements of the United States but also markets throughout the rest of the world, which heretofore, at least in part, were supplied from this country.

(b) The Manufacturing Chemists' Association does not include in its membership the producers of that segment of the chemical industry which manufacture synthetic textile fibers. For that reason, in answering the second question asked by the Honorable Wilbur D. Mills, I prefer to quote two paragraphs from the brief submitted on May 16, 1950, by the Rayon Yarn Producers Group to the chairman of the Committee for Reciprocity Information. As background data, I would like to call attention to the fact that the postwar boom in the activity of the textile industry lasted through the year 1948, which was a year of high level domestic production and imports. Domestic production of viscose rayon staple fiber was at more than 260 million pounds and imports at 38.7 million pounds. This activity broke in 1949 and the market became soft. I now quote:

"Domestic production in 1949 dropped to 195 million pounds. The market was saturated. The mills were stocked with imported staple. The imported staple was sold on firm orders and the mills had to take it in. Domestic staple was not so sold. As a result, imported staple was used before the domestic production, causing a curtailment in the industry here of approximately 50 percent of production which lasted for several months.

"The imported staple replaced domestic staple during the period of curtailment of production and contributed to the loss of employment and wages during the period of curtailment. This is a specific example of injury to the domestic industry which was forced to curtail production in 1949."

BOYD & HOLBROOK,
New York, N. Y., June 22, 1953.

(Simpson bill, H. R. 5495.)

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: This is in reply to your telegrams of June 13 and June 18 regarding my possible submission of a written statement on behalf of the Hatters' Fur Cutters' Association of the United States of America, for which I am counsel.

The domestic hatters' fur industry is deeply interested in trade-agreements legislation, and appropriately so, since its product has in the past been published for consideration in connection with four different trade-agreement negotiations, and duty reductions on hatters' fur were actually effected under two agreements. On the other hand, following the recommendations of the Tariff Commission, the President in January 1952 partially restored the duty reductions under previous trade agreements, and our association has, therefore, been prepared to make a report regarding the effect of the President's order in this domestic industry.

It does not appear to our association, however, that such a report would bear particularly upon your committee's consideration of the present Simpson bill, H. R. 5495, and we have, therefore, decided to submit no statement at this time, but to be in readiness to make a report either to such temporary examining commission as may be established or to the Tariff Commission or perhaps to your committee at another time that it may be considering legislation of a more permanent nature on the subject.

I am sending a copy of this to Mr. Serge Benson, with whom I previously had an opportunity to mention this viewpoint.

On behalf of our association, I wish to thank you for advising us of the program of your committee on the Simpson bill.

Very truly yours,

JOHN K. HOLBROOK.

WASHINGTON, D. C., June 23, 1953.

MR. WILLIAM S. SWINGLE,
President, National Foreign Trade Council, Inc.,
111 Broadway, New York, N. Y.:

Your letter June 22 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

NATIONAL FOREIGN TRADE COUNCIL, INC.,
New York 6, N. Y., June 22, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SIR: The National Foreign Trade Council, Inc., which comprises in its membership manufacturers, merchants, exporters and importers, rail, sea, and air transportation interests, bankers, insurance underwriters, and others interested in the promotion and extension of the Nation's foreign commerce, desires to place itself on record with your committee as being opposed to those provisions of H. R. 5495 which would reconstitute the United States Tariff Commission as a seven-man organization.

We believe that the Tariff Commission should be continued as presently constituted as a bipartisan fact-finding body, without the assumption of policy-making or executive functions.

We request that this position be brought to the attention of members of the committee and be made a part of the record.

Respectfully yours,

WILLIAM S. SWINGLE, *President.*

DANBURY, CONN., June 22, 1953.

Senator EUGENE MILLIKIN,
Chairman of the Senate Finance Committee,
Senate Office Building:

Very sorry to learn your committee does not see fit to hold hearing on H. R. 5495 in the event H. R. 5495 is reported favorably suggest you support seven-man Commission and also that H. R. 5495 does not go far enough and we request early hearing on H. R. 5496. This most important to all American labor industries, agriculture. Such hasty actions can have disastrous economic results.

FRANK H. LEE CO.,
 FRANK H. LEE.

WASHINGTON, D. C., June 23, 1953.

Mr. D. J. WARD,
Government Relations Counsel,
Association of Food Distributors, Inc.,
Union Trust Building, Washington, D. C.:

Your letter June 22 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

WASHINGTON 5, D. C., June 22, 1953.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR SENATOR MILLIKIN: The Joint Import Council of the Association of Food Distributors, Inc., wishes to express its opposition to the provision of H. R. 5495 which calls for an increase in the membership of the Tariff Commission.

During House debate on this measure, the proponents of the bill made it very clear that the purpose of packing the Commission was to provide added protection for certain domestic industries which have heretofore failed to convince the Tariff Commission that higher rates of duty or quotas should be placed on competing imported products.

This feature of the bill is totally inconsistent with the policy declarations of the President and the administration, and it casts doubt on the real purpose of another provision of the bill providing for a bipartisan Commission to study foreign economic policy and to report its findings prior to the next extension of the Trade Agreements Act.

We do not oppose this study, but while it is under way, this administration has a definite responsibility to revive rather than to stifle foreign trade. The packing of the Tariff Commission on a purely political basis with a protectionist majority would inevitably result in increasing the problem while it is under study.

During the course of debate in the House on this measure, much was said about the need for protecting certain domestic industries. The fact that in affording such protection the general welfare and the national economy as a whole would be adversely affected was completely ignored.

The President has said "a long-term consistent program should be produced directing all of our economic power toward reviving free world economies and trade as a whole, instead of restricting our concern to emergency relief and isolated piecemeal action". Certainly it must be recognized that a program such as called for by the President cannot be accomplished if the basic legislation under which it is undertaken provides in itself an indication of policy contrary to the original concept.

Import trade is a source of income within the United States. The share of the consumer's dollar which goes to the foreign manufacturer is insignificant when compared to the share which goes to the American economy through the process of distribution. Balancing of trade at a high level is a vital issue involving all free nations of the world. It is the essential requisite for economic stability throughout the world and the only solid foundation on which to build a lasting peace.

We, therefore, respectfully urge that the Senate Finance Committee strike from the bill, H. R. 5495, the provision for increasing the membership of the Tariff Commission.

Sincerely yours,

D. J. WARD,
Government Relations Counsel,
Association of Food Distributors, Inc.

WASHINGTON, D. C., June 23, 1953.

Mr. JOHN G. LERCH,
Lamb & Lerch, New York, N. Y.:

Your statement June 22d will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

LAMB & LERCH,
New York 4, N. Y., June 22, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR: I am advised that you do not intend to have hearings on the Trade Agreements Act. At the time of the hearings on this bill before the Ways and Means Committee of the House, I appeared and filed the enclosed brief.

When this bill is before your committee, will you kindly consider my brief in this connection.

With kind regards, I am,
Sincerely,

JOHN G. LERCH.

STATEMENT OF JOHN J. LERCH, OF LAMB & LERCH, ATTORNEYS, NEW YORK, N. Y., BEFORE THE HOUSE WAYS AND MEANS COMMITTEE

Mr. LERCH. My name is John J. Lerch. I am an attorney specializing in customs law in New York City. I am representing 12 different industries which are tabulated on the first page of the printed memorandum that I submitted to the committee. I will not take the time of the committee to read this memorandum, but I ask that it be printed as part of my testimony.

The CHAIRMAN. Without objection it is so ordered.
(The material referred to follows:)

Re H. R. 4204, a bill introduced by Mr. Simpson to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended.

CHAIRMAN, WAYS AND MEANS COMMITTEE,
House of Representatives, Washington, D. C.

SIR: I am representing at this hearing the industries listed below:

American Glassware Association, 19 West 44th Street, New York City.
The Candle Manufacturers Association, 19 West 44th Street, New York City.
Collapsible Tube Manufacturers Association, 19 West 44th Street, New York City.

The Industrial Wire Cloth Institute, 74 Trinity Place, New York City.
National Building Granite Quarries Association, Inc., 114 East 40th Street, New York City.

Rubber Footwear Division, the Rubber Manufacturers Association, Inc., 444 Madison Avenue, New York City.

Toy Manufacturers of the U. S. A., Inc., 200 Fifth Avenue, New York City.
Twisted Jute Packing & Oakum Institute, 19 West 44th Street, New York City.

United States Potters Association, East Liverpool, Ohio.

Velveteen Industry, Howard Richmond, chairman, tariff committee, 1071 Avenue of the Americas, New York City.

I appeared here in 1934 in opposition to the enactment of the Trade Agreements Act, principally on the ground of its unconstitutionality. I have appeared at each succeeding renewal of the act urging that the trade agreement policy be allowed to expire or to be so revised as to bring it within the provisions of our Constitution. By reason of the suspension of any remedy by which the constitutionality of the Trade Agreements Act could be tested, its constitutionality has not been adjudicated.

My views on this subject have been explained from time to time in briefs and at the hearings before this committee. They are a matter of record and I will not repeat them. However, the status of this act and the trade agreement policy, in my judgment, is as unconstitutional today as on the day of its inception.

From past experience and from what I can gather of the present attitude of the administration and of the Congress, the Trade Agreements Act of 1934 will be extended. It is, therefore, our purpose to cooperate with this committee to secure an extension under terms which would make workable the so-called remedies which were held out by the last Congress to industry, agriculture and labor in the extension act of 1951. The peril-point provision and the escape clause were supposed to have provided safeguards and remedies where the imports of foreign-made merchandise threatened to or actually caused a loss or curtailment of industry or labor. Two years of the administration of these provisions has proved them to be thoroughly ineffective.

Twenty-six petitions under the escape clause provision of the act of 1951 have been filed with the United States Tariff Commission. Twelve have for one reason or another been rejected or denied by the Commission, and there are still nine pending unacted upon. Five have been forwarded to the President with favorable recommendation and two have been rejected by the President. Recapitulating, only 2 of the 26 petitions filed have met with favorable results. As we analyze the administration of the Trade Agreements Act over the last 2 years, we have concluded that its ineffectiveness stems partly from the obscure language used in the act of 1951 and partly from the uncertainty of the conditions under which the United States Tariff Commission and the President were to operate, but principally from the discretionary powers vested both in the United States Tariff Commission and the President.

We hold no brief for the provisions of H. R. 4294 that attempt to provide remedial legislation for specific industries, since we feel that that is a matter of policy that should be decided by the Congress apart from the trade-agreement policy. We do, however, endorse that part of this bill which has to do with clarifying and making effective the remedies which the Congress in 1951 attempted to extend to us.

UNDER WHAT CONDITIONS SHOULD THE TRADE AGREEMENT POLICY BE EXTENDED?

The President in his message to Congress and in bills which have been introduced in the House, we understand, asked for an extension of the Trade Agreements Act of 1951 for 1 year to permit him to make an investigation or survey of the facts surrounding the trade-agreement policy.

From what we have said above, it will be seen that it is our view that the remedies sought to be provided in the act of 1951 have been ineffective and have supplied no facts upon which an intelligent survey could be based. We feel that in the provisions of H. R. 4294, which attempt to amend the act so as to make these remedies effective before the expiration of the year's extension, the President's investigating body would have facts upon which to base intelligent conclusions as to the effectiveness of these remedies.

H. R. 4294 provides for a study by the United States Tariff Commission, consisting of 7 men instead of 6, to prevent stalemates, and for factual findings of the effect of imports upon domestic industry, agriculture, and labor with a recommendation of changes which will place imports upon a competitive rather than a ruinous basis.

It provides that the recommendations of the newly constituted United States Tariff Commission shall be proclaimed by the President within a stated period, thereby removing the discretion of the President to veto the action of the Commission. It also by changes in the definitions of "injury" and "industry" removes much of the discretion now placed in the Tariff Commission.

H. R. 4294 also provides a safeguard heretofore overlooked. In its definition of the elements to be considered under the escape clause, it includes a threat to national security. We have had Buy American provisions in Federal statutes, but for the first time we now provide for a threat against national security by a flood of strategic imported material.

Since the adoption of the so-called Flexible Tariff Act in 1922, section 336 of the Tariff Act of 1930, the criterion for the assessment of duties on imported merchandise has been theoretically a rate which would exactly equalize the cost of production in the principal country of exportation and the cost of production of competitive American-made merchandise in the United States. The operation of this provision was suspended with the enactment and the extension of the Trade Agreements Act of 1934. Concessions in trade agreements have been made without regard to the standard set forth in section 336. Many of these concessions have brought the rate of duty to far below the cost of production in the United States for competitive merchandise, and, in some instances, have resulted in the imported merchandise completely displacing the American industry. This without recourse on the part of the domestic industry. By the provisions of the bill under consideration, subsequent investigations under escape-clause applications should provide important data upon which a determination could be based to scrap or improve the present policy.

TRADE VERSUS AID

Through years of studied propaganda, American aid to foreign countries, furnishing industrial know-how and mechanical equipment, there are many in industrial circles as well as governmental circles who have come to believe that the economic stability of the United States is dependent upon increased imports of competitive articles and an expanded export market for American products in order that the so-called dollar gap may be closed. We feel that the psychology of this argument is based largely upon wishful thinking. From the standpoint of everyday facts which are common knowledge to our general public, wages in the United States have vastly increased, in some instances trebled, since the Tariff Act of 1930 was written. On the other hand, a very large percentage of the 1930 tariff rates have been cut at least 50 percent; in some instances by as much as 75 percent. Wages abroad have not kept pace proportionally with those in the United States. We therefore, find ourselves in most cases competing with an industry abroad, as efficient as ours mechanically, but paying only one-quarter or down to one-tenth as much for labor as we must pay in the United States for labor expended on the same article.

A reading of the above facts should convince any thoughtful citizen that in order to maintain our present economy and our high standard of living, we must have higher protection to prevent the displacement of American labor and industry, and as the disparity between wages abroad and here increases we will have less and less exports of competitive goods.

Since practically all of the truly raw material imported into the United States is free of duty, the only field for extension of imports is in competitive articles. Because of the low cost of its manufacture abroad, the importation of every competitive article into the United States displaces at least one American-made article, and in many instances as many as half a dozen foreign-made articles can be imported before the cost of a single American-made article is exceeded.

It is axiomatic that the labor and capital that would have been involved in the manufacture of displaced articles are dissipated and must seek other employment. Where will American labor go with its highly specialized skill and find reasonable employment? How long can this continue and our standard of living be maintained?

EXPORT TRADE

It is said that we can take up the slack in displaced employment by increased exports. Assuming this to be true, are we balancing the dollar gap? Under this reasoning, if we increase exports and increase imports we run into a stalemate, for the ratio will remain relatively the same and the gap is not closed.

With American costs constantly increasing and with foreign costs remaining relatively constant, it would seem idiotic to contemplate landing American merchandise in foreign countries in competition with their domestic-made merchandise. The constant shrinkage of our export markets and the immediate increase of imports by the United States because of greatly reduced tariffs, would more logically force one to conclude that our exports will shrink or

disappear while imports will increase to the detriment of our labor and capital investment.

In the interests of orderly procedure, we request the enactment into law of those provisions of H. R. 4294, which will make effective the remedies Congress, in 1951, attempted to extend to us.

Respectfully,

LAMB & LERCH,
Attorneys, 25 Broadway, New York City.
By JOHN G. LERCH.

Dated April 1953.

Mr. LERCH. I feel that there is no necessity for me to go into the detail of this bill. I listened to Mr. Anthony this morning and his detailed analysis of the bill, and I agree with all that he said with the exception of the one provision which gives to the President the discretionary power to overrule the findings of the Tariff Commission, which the Simpson bill deprives him of.

I appeared here in 1934 when this act was first proposed in opposition to the bill, largely on the ground that it was unconstitutional. I have repeated that at every renewal or extension of this Trade Agreements Act. I am of the same opinion now. It is just as unconstitutional as it ever was, but I know we are going to have an extension of it, and my position is, let's have an extension for a year as the President asked in order that he may make some sort of investigation of the policy; but let's give him a bill that will elicit some facts upon which he can make an intelligent conclusion.

For the last 2 years the operation of the escape clause and the peril points which were given us in 1951 by the last Congress has been absolutely ineffective, largely because of the obscure wording of the definition of "injury." There had to be serious injury to an industry. The way that has been administered, you had to be dead and buried as an industry before you were seriously injured.

In other words, if an industry made 5 or 6 products, 1 of which was run out of the market by imports, so long as they were making money on the other 4 the industry was not injured. The Tariff Act does not take into consideration the industries. It is a duty on products, and it is the product that is to be protected, not an industry as such.

There are several other features that I could name, but my point is that the rather obscure language or language of doubtful meaning in the old bill, in the 1951 bill, has resulted in its being completely ineffective. Any investigation that would grow out of the facts as they now stand, the President could write his own conclusion now for all the good it will do. Let's define this thing in the way that this bill does—the Simpson bill—so as to instruct the Tariff Commission as to how to act on an intelligent definition and on what products to act and make an intelligent finding.

By next year, if this bill is adopted, you will have facts upon which a study could be made and an intelligent conclusion arrived at, and we would know whether it was any good or whether it wasn't any good and could act accordingly.

I didn't finish that. I am against the referring of the bill back to Congress as the Tariff League championed this morning. I think that discretionary power should be taken away from the President, and at least it would remove that one element of the unconstitutionality of this bill. To that extent you would not be delegating to the executive branch such as is now existing in reappraisal cases where the

importer files an appeal for reappraisalment and he has the right to appeal to the Court of Customs and Patent Appeals on questions of law only.

I would suggest that if jurisdiction to review the Tariff Commission is placed in this bill, it should be limited to questions of law only and not a review of the fact-finding body on the facts themselves.

The CHAIRMAN. It would be about the same procedure as the higher courts. They pass upon questions of law. The facts have been found. If there is any evidence to sustain the facts, of course the court will so decide.

Mr. LERCH. That is right, but not sitting as a jury to weigh the facts.

The CHAIRMAN. No. That is it exactly.

Mr. LERCH. I was just looking at the last chapter of this Trade Versus Aid. One of the arguments which is given for the policy of this bill, the trade agreements, is the very popular phrase "Trade versus aid." I have commented on that in this memorandum of mine, and I cannot see how any intelligent man can say that opening the door wide to imports and the putting out of employment our labor and our capital here will balance the dollar gap, which is the reason assigned for this policy. I don't see that it can help, but if we are going to have it, again I repeat, we ought to have it well defined and on a factual basis such as the Simpson bill attempts to accomplish.

Mr. JENKINS. In that connection, that is a very alluring phrase, "Trade, not aid," but the most startling example in the whole country is the attitude of the Fords. Here are the Ford people, all American, distinctively American, American product, American everything. Here comes young Ford and he is welcoming everything in from all countries of the world, throwing the doors wide open.

You have been here many years and you have studied all sides of this proposition. What do you think of that?

Mr. LERCH. Of course, it is much like I have heard some of my clients say: "I am for free trade for everybody else except me." The automobile people, the typewriter people, the calculating machine people, washing machines, all of those that are operating with patents owned by American interest, do not need a tariff. They are protected by their patents. You cannot bring any of those things in here that infringe the patent, without a license.

For instance, you allow a resident returning from abroad to bring back \$500 worth of stuff, but he can bring only 1 bottle of perfume, and he can bring only 1 bottle of Canadian Club, too. That is because of the copyright or the name. He is stopped right at the border, and it is taken away from him. It does not matter whether they have duty or not. That goes for all of the copyright and patented articles.

So why wouldn't Mr. Ford want free trade to bring more dollars over there to buy his machines?

Mr. JENKINS. Let's work that out a little further. You say he has patents. Of course he does not have a patent on every portion of his car, but he does on the carburetors and combinations and all those things. As I understand it, you mean he has patents recorded in other countries and pays for it and gets his protection in that way.

Mr. LERCH. There is a practice that if you own a patent and you register it with the Bureau of Customs, they will furnish you with the information of importations that infringe that patent, and you can proceed against the importer. On copyrights it works right at

the border. If you file a certified copy of a copyright with the Customs, they will not permit anything to come in that violates that copyright. It is stopped right there.

Mr. JENKINS. Then Ford does not need this bill we are talking about passing here. He does not need that protection?

Mr. LERCH. No; he does not.

Mr. JENKINS. Let me ask you about this. He has a lot of things in his machine that are not patented. For instance, the steel, just the general word "steel." He has a lot of steel in his car. The steel people probably want protection, don't they, and they don't have a patent on steel.

Mr. LERCH. Most assuredly.

Mr. JENKINS. Suppose then Ford should say, "Let steel come in, too. Let it all come in free." Would that increase the price of his car?

Mr. LERCH. I wonder about that. Steel is coming in here cheaper than we can make it, I am told, and he might want that to come in free, too, to put in his car.

Mr. JENKINS. Maybe so, if that is the case. What are the facts about steel coming in?

Mr. LERCH. I understand the rate of duty on steel, channels, bars, and what have you—I do not mean fabricated steel, but steel building material—is not protected beyond, let us say, 200 miles inland, where the freight would run the cost up so that they could not ship further inland than about 200 miles. But along the coast the present rate is not protective.

Mr. JENKINS. That is all, Mr. Chairman.

The CHAIRMAN. You may proceed, Mr. Lerch.

Mr. LERCH. I think that about concludes my statement.

Mr. JENKINS. I have further questions while we have him here. I thought you were going to proceed.

I want to develop that constitutionality question. We had it up this morning, and I am not quite clear what views these business people have with reference to the power of the Congress to do anything in these cases. I maintain that the Congress can control importations, and it can do a lot of things, but the President cannot do it. I maintain, however, if we should pass a law and provide that certain commodities should come in under certain restrictions and have a Commission like the Federal Tariff Commission adjudicate those facts, then we can give to the President as the Executive of the Government the right to do certain things, to pass on the findings of the Commission and then to issue an order to raise or cut the tariff duty within a certain limitation.

In other words, we can pass a law that permits exercise of discretion within limits and leave that to somebody to decide about the leeway. We can leave that to the President. He cannot go any further than our bounds that we lay down in the law.

Mr. LERCH. Under our Constitution, the Congress can place an absolute embargo on any material or products they see fit, and they can place a partial embargo or any form of restriction they want to. But they cannot pass that power on to the President legally.

Section 336, which is known as the flexible tariff provision, has been litigated, and it went to the Supreme Court and was there held to be constitutional, because the turning point of that case was that Congress has named the Tariff Commission as a fact-finding body to act

as an agent for Congress within certain limits, within a yardstick. It is that yardstick which saved the constitutionality of section 336. You do not have any such yardstick in this act. It is absolutely discretionary with the Secretary of State and the President to do as they please in reducing these duties.

Mr. JENKINS. The President cannot go beyond certain figures. He cannot go up higher and he cannot go down lower than certain figures, but he can use judgment within those limits. It would seem to me that that would be constitutional, that the Congress could within reason delegate power. The Congress would have the power to put a policeman there to watch all these things, and to let so much in or to refuse to let it in, or it could go to work and appoint a commission and let that commission find certain facts and say to the President, "You can do within those facts." I should think that would be constitutional.

Mr. LERCH. It was held to be constitutional if you operate within a certain yardstick.

Mr. JENKINS. That is what I say.

Mr. LERCH. If you provide that yardstick.

Mr. JENKINS. We want a commission to operate within the yardstick, to define the peril points, to find what it takes, when it will become destructive to an industry, and so on. They are supposed to be smart people. They have a long tenure of office. They are not amenable to anybody but the facts. They have full power to act. Whatever they decide within a certain yardstick, the President can be the Executive. We cannot give the power to them. I do not think we could give the power to the Commission.

Mr. MASON. Would the gentleman yield there?

But in this we give the power to the President to ignore entirely the facts and the findings of the Tariff Commission and he has the authority to say, regardless of the facts that the Tariff Commission has brought out, "I am not going to do it."

Mr. LERCH. Yes. He is exercising that power when he says he will not do it. I agree with Mr. Mason that he should not have that power. It is a delegation of your rights.

Mr. JENKINS. I have thought this out clearly in my own mind, that the Congress can say that it will set up a commission and that it will give that commission authority. We will not give them authority to act, but to study and find. Then we give the Executive the power to execute. I do not know whether we could make him do it or not. That would be something different.

That is something he would have to do under the Constitution or he would be impeachable. We can pass laws that are within our power, and if we put the duty on him to enforce the law, supposing he just would not enforce the law, we could impeach him.

Mr. LERCH. On the constitutionality of this bill, when I appeared here in the 1951 extension of this bill, I put in the record—and it is printed as part of my testimony at that time—a speech made in the House of Representatives on March 24, 1934, by the Honorable James M. Beck, former Solicitor General of the United States. I just call attention to it. It is a matter of record, and there is no reason to reprint it.

The CHAIRMAN. Would you like to have the reference?

Mr. JENKINS. How long is the speech?

Mr. LERCH. About 12½ pages. It was put in in 1951.

The CHAIRMAN. If there is no objection, we will insert it in the record.

(The material referred to follows:)

SHOULD THE POWER TO TAX BE VESTED IN THE PRESIDENT

(Speech of Hon. James M. Beck, of Pennsylvania, in the House of Representatives, March 24, 1934)

Mr. BECK. Mr. Chairman, the consent just given me to revise and extend my remarks will relieve me of the necessity of making, as I had hoped to do, an argument at some length and in some detail as to whether there is any constitutional power in the Congress to transfer its taxing power to the President. I had indulged the hope that I would have that opportunity, but for several reasons, including permission to extend, I shall not at this late hour Saturday afternoon thus impose upon my indulgent colleagues. In the first place, the time now allotted to me for such an argument is too short, and I would be like the old farmer in New York State who entered his farm nag in the Saratoga races. When his horse came in last he was asked to explain his poor showing. He replied that "the course was too long and the time was too short." [Laughter.]

That is true of the length and breadth of a subject as great as the fundamental question of taxation, and it is also peculiarly applicable to the time allotted to me.

In the second place, the gentleman from Massachusetts [Mr. Treadway], although not a lawyer, has made such an admirable argument against the constitutionality of this measure that I am afraid that if I attempted to argue along the same lines I would simply be repeating that which he said with greater deliberation, and presumably, therefore, with greater precision.

But the third reason is the consciousness that has been borne upon me ever since my service in the House of Representatives as to the futility of any argument as to the constitutional powers of Congress or as to the sanctity of the Constitution itself, so far as voting is concerned. I do not doubt that many Members of this House do take what is an academic and sentimental interest in the Constitution as it came from the master architects of our Government, but, as far as affecting a single vote is concerned, I have yet to discover that any effort of mine or any effort of any other Member of the House has ever changed a vote in respect to a question, where the doubt was purely that of constitutional power.

In this connection I am reminded of the facility with which changes of opinion can take place in matters of constitutional powers, although they concern the oath that we all take when we come into this House to defend and protect the Constitution of the United States.

Today an extraordinary change has taken place on the Democratic side of the aisle, to which already the gentleman from California [Mr. Evans] has made extended and most effective reference. I refer to it again because it brings to my mind an experience—I will not say of some bitterness, because it is more amusing than otherwise. In 1929 a far more defensible proposition was under consideration of this House to vest such a power in the President upon advice of the Tariff Commission, a legislative auxiliary of Congress in the function of imposing taxes. When that proposition was made in 1929, I recall the vigorous attack that was made by the entire Democratic side of that Congress against this lesser and more defensible proposition, which it regarded as subversive of our institutions. I was so impressed with the arguments then made by the distinguished chairman of the Committee on Ways and Means [Mr. Doughton] and by the gentleman from Alabama [Mr. Bankhead], who closed the debate, and by our former colleague, Mr. Crisp of Georgia, and by the Democratic floor leader, Mr. Garner, that I concluded that the Democratic view was right, and, somewhat, to the consternation of my Republican colleagues and possibly to the surprise of my constituency, I made a speech on May 22, 1929, in which I supported the Democratic view. Now I am left alone, like a deserted and forlorn bride on the church steps. [Laughter.] I stand today, where I stood then, in defense of the constitutional prerogatives of Congress. The Democratic Party has deserted me. Why did they then strain at a gnat, now to swallow a camel? You will remember Lady Teazle said to her would-be seducer, "It may be well to leave honor out of the question." So in this matter the Democratic Members of this House must leave consistency out of the question. [Laughter.] I appreciate we cannot always be consistent for we are all in the swift current of events which

may be likened to the River Mississippi in a period of a spring freshet, where the muddy stream is overflowing the boundaries of the river and pours on to some unknown destination in muddy swirls and eddies.

I quite appreciate, therefore, that under the tremendous impact of this economic depression it may be no impeachment either of the sincerity or patriotism of the Democratic Members of the House that they are today taking a precisely opposite position to the one which they took in the preceding Congress, when a far more defensible proposition was under consideration. However, they could be at least more modest in advocating today what they attacked in 1929 and less enthusiastic in surrendering the prerogatives of Congress. Of course, it only goes to prove that the age of miracles has not passed [laughter]; because, while it was a miracle when Paul went to Damascus and was stricken with a strange light and forthwith he, the persecutor of the brethren, became their foremost apostle, is not the collective conversion of the Democratic side of this House, which we are now witnessing, a greater miracle?

There is another reason why I have done the House the great kindness of not making the argument as to constitutionality that I had in mind, but am contenting myself with some more general observations. We are living in strange times, when one can no longer with any confidence make predictions as to what the Supreme Court will do. I am confident that the Supreme Court, if it adhered to its decisions of many years, could not find any justification in the Constitution for the complete and absolute transfer of the taxing power upon imports from the Congress, where the Constitution placed it, to the Executive; but I say we are living in extraordinary times, when not merely Congress and the Executive are floating down this swollen and seemingly irresistible stream of events, to which I referred, but even the Supreme Court seems to be finding difficulty in resisting the fearful current of a world catastrophe.

Until a month ago it had been the settled rule of that Court, recognized in many decisions—a perfect beadroll of authority—that there was a clear distinction between a natural monopoly that was impressed with a public use, and the ordinary avocations of men. As to the former it was within the legislative power, notwithstanding the fourteenth amendment, to regulate the rates that could be charged by these natural monopolies; but as to the latter, as to the larger number of men who deal in the necessities of life, like milk, bread, coal, wheat, or cotton, the Court had for a half century consistently held that there was no power, in view of the prohibition of the fourteenth amendment, in a State, to determine at what price an individual could sell his product.

When a month ago the Supreme Court of the United States, in the so-called New York Milk Case, calmly discarded its decisions of 50 years, and did not even pay to those decisions the ceremonious respect of a funeral oration, it laid down the principle that not only in respect of natural monopolies, but in respect of all the products of human labor the State has a power to determine the price at which a man shall sell. I regard that decision as astounding and disconcerting as any decision since the Dred Scott decision. The latter abrogated a political settlement of over 30 years; the former discarded decisions of a half century, and virtually expunged the fourteenth amendment from the Constitution for most practical or conceivable purposes. Therefore I would not risk the little reputation I may have in this House as a prophet by denying the possibility that this great Court might not, as a concession to the times, accept this law, if it should arise in a litigated case.

Does our responsibility end with the assumption that the Supreme Court might, especially if it were called upon to decide the constitutionality of this law under the present abnormal conditions, sustain the law? Does our responsibility then end?

There are two great fields of constitutional law. In one of them the Congress has primary responsibility, but the Supreme Court has the ultimate and final decision. Those are the constitutional questions that are said to be justiciable; and therefore, when such a question comes before the Court in a litigated case, the Court can only compare the statute with the Constitution, if the statute conflicts therewith, declare it invalid.

But the one thing that we often ignore, not only in this House but in all public discussions, is that outside of the field of purely juridical constitutional law there is a vast field of governmental action, in which the most important constitutional questions can be raised, and in this field of power the Congress has not only the primary but is the ultimate and exclusive authority, and the Supreme Court is incompetent to act. I refer to the field of what are called political or nonjusticiable questions. For example, it is undoubtedly true that when Congress

was given the power to make appropriations to enable the Executive to function, that the constitutional duty was put upon the Congress to pass the appropriations; but if Congress refused to do so, the question would be nonjusticiable, because fulfillment of that duty rests in the conscience of the Congress and could not possibly be the subject of a judicial decision. The only appeal is to the people.

Assume that the Supreme Court would accept an absolute delegation of the taxing power to the Executive to be exercised by the President in the form of a treaty without the consent of the Senate—and in ordinary times it never would—yet it does not alter the fact that upon the Members of this House is the responsibility, under our solemn oath of office, to determine in the light of the Constitution and according to the basic principles of English-speaking liberty, of which the Constitution is but one expression, whether we are prepared to turn our backs upon 500 years of struggles for liberty by the English-speaking race and vest an absolute power of taxation in respect to imports in the Executive. This question was the origin of the British Parliament, well and properly known as the Mother of Parliaments. Parliament came into existence because the English people were not content that the Crown could impose any tax without the consent of the representatives of the people. And that struggle has gone on from the time of the Plantagenets down to King George V, because in the last crisis in English history, involving the attempt of the House of Lords to reject a budget that had been passed by the House of Commons, Prime Minister Asquith advised the King that if necessary the King must appoint enough peers to give a liberal majority in the House of Lords to sustain the right of the House of Commons to impose taxes; and, ultimately, as you know, the crisis was solved without such an extraordinary act on the part of the King; and it was solved by the reaffirmation of the principle that a money bill must be the subject of action by the House of Commons and could not be transferred or vested in any other body.

Go back to our own Revolution, which made us a Nation. We did not object to regulations of commerce by Great Britain. We did object to the attempt to tax us by legislative assemblies in which we had no representatives; and it was for that principle that we fought seven long years; for that the agonies of Valley Forge were endured, and the crowning triumph of Yorktown was gained. Yet, now, in a moment of hysteria, for that is what it is, in an economic crisis—undoubtedly grave, but not so grave as the crisis of which the Constitution was born—not so grave as other crises in American history in which the industries of this country were far more prostrated, we are prepared to abandon a basic rule of taxation and also a fundamental principle of our Constitution that no treaty, that shall bind the faith and credit of the United States to a course of action with another government, shall be valid unless it have the concurrence of two-thirds of the Senate.

We are thus confronted with the possibility of a double violation of the Constitution.

Please remember that there is no question about the President's power to negotiate all the trade treaties he wants, because his power of negotiation is as surely vested in him as is the power that Congress exercises to impose taxes, but when he negotiates, and he can negotiate with any nation for reciprocal exchange of imports and of duties upon imports, he must return it to the Senate for its approval, and if it involves changes in taxation it must be returned to the House, because the power to originate any tax is the ancient privilege of the House of Representatives and the final power to impose the tax, whether in accord with a trade agreement or not, is the greatest of all prerogatives of Congress itself. Therefore, there is no objection to the President, if he feels he can improve our economic situation, to making a tariff treaty with Germany, with France, or any other nation, but we do object to the President's having the final authority without submitting it to the Congress of the United States and to that body of the Congress which has the peculiar right to say when we shall commit ourselves to binding agreements with other governments in matters of legislative policy.

I know there are many trade agreements that do not require either the action of the Senate or the action of the Congress, because they are of a peculiarly executive character. And there is the line of distinction. You may have an agreement that if such-and-such country will provide certain facilities for the entrance of our vessels we will do the same thing in our ports of entry, or any other method of commercial comity between nations, but when an act essentially legislative is involved—and the highest of all legislative powers is the power to impose a tax—you cannot destroy the right of the Senate to concur and the

right of the Congress to impose the tax stipulated by calling it a trade agreement, because this would be merely juggling words and would not answer the quite obvious intention of the Constitution.

There is no room in the American system for one-man power, and this was decided at a time when we had a leader who could, if anyone, have claimed one-man power, although he never did—that man of incomparable virtue, probity, and sagacity, the first President of the United States—but it was not proposed to give any such power to the President of the United States, even though he were George Washington. Therefore all legislative power was vested in a Congress by the Constitution.

The executive power was vested in a President, and the Executive was to be limited in his negotiations and conduct of foreign relations by the provision that not merely a majority of the Senate but two-thirds of the Senate must concur before the freedom and independence of this country was compromised, because every treaty in a measure compromises the independent action of a country. I do not mean that this ought not to be so. I simply say if I agree with another man I will do a thing, as a man of honor, I have limited my own independence of action by the obligation of my promise, and so a nation limits its independence when it agrees in a treaty that it will take a certain course of action. Therefore the framers of the Constitution were not willing, unless two-thirds of the Senate concurred, that there should be any commitment of this country to a future course of action with any nation. They made no exception in the matter of taxes. The commitment was just as applicable as to what duties should be imposed with reference to taxes as upon any other subject.

Mr. WOODRUFF. Will the gentleman yield?

Mr. BECK. Yes; certainly.

Mr. WOODRUFF. I think before the gentleman takes his seat he should explain to the House the difference between a so-called trade agreement between nations and a treaty between nations, because after all, any agreement between nations seems to me to be a treaty. If there is a difference, I hope the gentleman will give the House the benefit of his views on the question.

Mr. BECK. I have tried to do so in what I have already said by stating that whether the treaty or the trade agreement is one that must go to the Senate depends upon whether it relates to matter that the Constitution has committed to the executive branch of the Government; but when it refers to matter that requires action of a legislative character, it does not matter how you label it. Our State Department is the organ of our foreign affairs and can make many agreements with foreign countries of an executive character that do not require the concurrence of the Senate, but when you come to examine them, you find they are all parts of the executive function in seeing that the laws are faithfully administered in the conduct of our relations with foreign countries.

Let us stand by the Government of the fathers and trust to the composite patriotism and intelligence of the Congress of the United States. It may err, it often does. It may be inefficient, it often is inefficient; but its wisdom is better than the wisdom of any one man and we will find it out sooner or later. [Applause.]

Mr. DOUGHTON. The gentleman is learned in the Constitution, able and adroit in debate, but it appears to me that the gentleman strains the point by using the term with respect to this bill "imposing taxes." What is there in this bill that authorizes the President to impose any new taxes? He may raise or lower the present tax, as he can under section 336 of the present law, but he cannot impose any tax, and the gentleman has used that term more than once.

Mr. BECK. I used it because, if you will look through form to substance, that is the effect. When the Congress says that the tax shall be 3 cents a pound on sugar and then gives to the President, whether under the old Tariff Commission or without the Tariff Commission, as this law provides, the power either to increase that to 4½ cents a pound or to decrease it to 1½ cents a pound, then this has happened: Congress has only nominated a tax, the President has ultimately determined its real amount, and if he increases the tax to 4½ cents per pound, he has imposed a tax to the extent of 1½ cents a pound.

Mr. DOUGHTON. I know the distinguished gentleman can differentiate between increasing or lowering a tax and imposing a tax. I know the gentleman can distinguish between the two propositions. We all understand what is meant by increasing or decreasing a tax, but the gentleman used the words "imposing a tax" and used them more than once, and I maintain that in this bill there is no power given to the President to impose a tax.

Mr. BECK. If the President does not impose a tax after he has made his agreement with foreign nations, who does?

These changes in our form of Government, whereby the Executive Office is immensely expanded and the powers of Congress, as the great council of the Republic, are sensibly diminished, give me great concern. They are the results of a subtle change in our Government, which has been in progress in the last 50 years and which has been immeasurably accelerated in the last 12 months.

In 1887, 3 years after I was admitted to the historic bar of Philadelphia, that city held a great celebration, and with its characteristic hospitality was the host of the Nation. It was the centennial celebration of the adoption of the Constitution of the United States.

For a whole week Philadelphia was en fete.

September 17, 1887, is an imperishable memory with me. On that day many thousands gathered in front of Independence Hall to celebrate the exact hundredth anniversary of that day in Philadelphia when the weary members of the Convention, having exhausted the possibilities of compromise, reluctantly signed their names to the great document and submitted it to the people for their decision.

President Cleveland, ex-President Hayes, and all the members of the Supreme Court were present, together with many Members of the United States Senate and House of Representatives, and other able dignitaries, prelates, educators, and publicists from all parts of the country. President Cleveland delivered a memorable address, and then Mr. Justice Miller, of the Supreme Court, delivered the formal oration.

I have recently glanced through the two ponderous volumes edited by Hampton L. Carson, of the proceedings of that notable celebration, which lasted for the greater part of a week. That which greatly impressed me was the fact that there was then nothing but the most unbounded optimism, not merely as to the surpassing merit of the Constitution, which seemed to them a flawless masterpiece, but also as to its assured permanence. Mr. Gladstone's oft-quoted tribute on that occasion was the verdict of all there present, and all seemingly felt that the troubles of the Constitution had now been happily adjusted, that the pendulum that had at first swung to a rigid construction and later to a liberal construction, had now reached the point of stabilization, and that in the future there was nothing for the Constitution except smooth seas and cloudless skies.

Dr. Oliver Wendell Holmes wrote a poem whose refrain was—

"While the stars in heaven shall burn,
While the ocean tides return,
Ever shall the circling sun
Find the Many still are One."

And this proud, but somewhat magalloquent boast was echoed in a new national hymn, written by F. Marion Crawford, whose refrain, chanted by a thousand voices, of which I was one, was—

"Thy sun is risen, and shall not set
Upon thy day divine!
Ages of unborn ages yet,
America, are thine!"

Few there present ever dreamed that the power of taxation—the most potentially destructive of all powers—would one day be vested to a large extent in the Executive.

Two minor notes alone were then sounded. At the banquet given to the Supreme Court of the United States by the bar of Philadelphia, the chief justice of Pennsylvania, addressing himself to the Chief Justice of the United States, appealed to the latter to preserve, by judicial decision, the boundary which the Constitution had prescribed between the powers of the Federal Government and those of the States. He said:

"Mr. Chief Justice, you and your distinguished colleagues, with whose company we are honored today, have it in your power to do very much toward preserving intact the line of distinction between the Federal and State courts as marked out and defined by our fathers. You are the conservative element of the Government. The lofty tableland upon which you stand is far above the atmosphere engendered by politics. The waves of popular clamor break harmlessly at your feet. The Supreme Court of the United States is the central sun of our judicial system. Your permanent position and conservative surroundings eminently fit you to preserve the nice distinctions of the Constitution. There

has never been, and I trust there never will be, a serious conflict between the Federal and the State courts. It can best be prevented in the future by preserving the line that has always existed between them, and by rendering unto Caesar the things only which belong to Caesar."

In this appeal to Chief Justice Waite, the chief justice of Pennsylvania was evidently under the illusion that the Supreme Court of the United States could effectually preserve the Constitution of the United States in a nation which was essentially democratic in spirit.

I think the two great illusions of American history are the rooted ideas that the Constitution with its nicely prescribed boundaries of power could long limit the vagaries of democracy, and that the Supreme Court could effectively keep the American people within these prescribed boundaries of power. Nearly 2,000 years ago Aristotle had taught us that if a constitution conflicts with the ethos or genius of the people, it is the constitution that is broken in the conflict, and no better illustration can be given of this truth of the great Greek philosopher than the fate of the eighteenth amendment.

It is not less an illusion to suppose that the nine justices of the Supreme Court can enforce the Constitution. In this period of rapid change, one can say of this august tribunal, in the words of Omar Khayyam:

"Lift not thy hands to it for help—for it
Rolls impotently on as thou or I."

The reason for this is obvious. The Supreme Court cannot even interpret the Constitution unless there comes before it a litigated case, and many unconstitutional laws are passed by Congress which never give rise to a litigated case.

In the second place, there are many questions of interpretation which involve questions of a political or nonjusticiable character.

In the third place, the powers of the Federal Government are given for specific purposes and cannot, theoretically, be used for any other purpose; but if Congress uses such a power to accomplish an end that is within the reserved powers of the States, how can the Supreme Court determine the motives which prompted the legislation? That Court has not yet finally answered that question.

Apart from these three main considerations, the Supreme Court is not, and never was, a wholly independent body. It does not remain proudly in its seat of justice, as did the old senators of Rome, when the Goths and Vandals invaded the Imperial City. The Court is a very human institution; and while it is not true, as Mr. Dooley suggested, that it "follows the election returns," yet it cannot be indifferent to the deep currents of social changes, nor can it even be wholly deaf to the rumblings of popular discontent.

Undoubtedly the Court has done much to preserve the Federal Government from attempts of the States to invade the Federal sphere of power, but it has been largely ineffective in defending the States from the encroachments of the Federal Government. The proof of what I say, which may seem to many of you heretical, is the fact that while Congress, from the beginning, has passed thousands of laws for which it had no perceptible grant of power, the Supreme Court has only invalidated about 50 Federal statutes in all its history.

Recurring again to the constitutional celebration of 1887, at a dinner given by the learned societies of Philadelphia to the distinguished guests of the city, a more pointed speech was made by Charles Francis Adams, of Massachusetts. He, alone, pointedly warned those assembled that the centripetal influences of a mechanical civilization were fast destroying the constitutional equilibrium of our dual Government, and he added:

"From the very beginning there have been two views of the Constitution—the liberal view and the strict view. In the first Cabinet of Washington, Hamilton represented one side of the great debate, which has gone on from that day to this, and Jefferson the other. Both parties to this debate have, I submit, been for a part of the time right; both have been for a part of the time wrong. The unexpected occurred—steam and electricity have in these days converted each thoughtful Hamiltonian into a believer in the construction theories of Jefferson: while, nonetheless, events have at the same time conclusively shown that in his own day Jefferson was wrong and Hamilton was right. * * * It is from the other side of the circle that danger is now to be anticipated; everything today centralizes itself; gravitation is the law. The centripetal force, unaided by government, working only through scientific sinews and nerves of steel and steam and lightning—this centripetal force is daily overcoming all centrifugal action. The ultimate result can by thoughtful men no longer be ignored. Jefferson is right, and Hamilton is wrong.

As we look back upon that celebration in a cloudy vista of 47 years, it is clear that only Charles Francis Adams showed any clear foresight as to the future. This is not said by way of reflection, for the greatest political thinker of the nineteenth century, Prince Bismarck, once said that the wisest statesman could not see 5 years in advance, and on another occasion he said that no statesman can ever tell what cards fate holds in its hands.

This is strikingly shown by the celebration to which I am referring. Its indiscriminating optimism showed no appreciation of the fact that the Constitution in 1887 was about to enter into a phase of development which would convert within a half century our federation of States into a unitary socialistic State.

The ancient boundaries of power were soon to be obliterated and the basic ideals of the framers of the Constitution were, less than a half century later, to be flouted as obsolete. In its practical operations government is more concerned with trade and industry than with any other phase of life, and it is noteworthy that when the centennial celebration took place in 1887, Congress for a century had never attempted to exercise affirmatively any power over interstate commerce by regulating statutes. The operations of the commerce clause were restrictive upon State legislation and purely negative.

The number of cases which arose under the commerce clause up to 1860 were only 20. Thirty years later there were 148, and since then the number has been so multiplied that most constitutional cases today arise either under the commerce clause or under the fifth or fourteenth amendments.

The beginning of the new era was the creation of the Interstate Commerce Commission on February 4, 1887. There were not wanting those who clearly foresaw the bureaucratic Frankenstein that Congress was about to create. For example Senator Morgan, of Alabama, said:

"I admit all that has been said about the wrongs and injustice that people have suffered through the overbearing insolence and oppression of the railroad companies. Their greed is destructive to the people and the governments from whom they derive their powers; but in finding a remedy for this evil I neither wish to find for the people a new master, remote from them and their influence, in the Congress of the United States, nor to place in the hands of that master a power over their trade and traffic more dangerous than the power of the railroad companies."

A few years after the creation of the Interstate Commerce Commission came the Department of Agriculture, and 3 years later came the passage of the Sherman antitrust law, and these three laws were only the prelude to a continuing policy of bureaucratic regulation under which the Federal Government assumed control over the farm and factory and even the life of the individual.

The mighty changes in our constitutional system which have taken place in the last half century have been effected principally in three ways.

The first has been the perversion of Federal powers to destroy the reserved rights of the States. This has been largely accomplished through the taxing power and the power over commerce.

The second and more destructive method has been the abuse of the power of appropriation, and this has proved the most vulnerable tendon of our Achilles.

From the beginning the Government, the Congress, from time to time, made appropriations for purposes that were not within the Federal field of power, but in most instances they were justified as purely philanthropic and humanitarian gifts. In the last half century our Federal bureaucracy has grown by leaps and bounds because Congress has realized that in appropriating money for non-Federal purposes they could assume an incidental right to supervise the uses of the money, and thus the Federal Government immensely expanded its operations. For example, the Department of Agriculture can have no constitutional justification except insofar as interstate or foreign conveyance of agricultural commodities are concerned, but this stupendous Department, which now spends far more money each year than the whole Federal Government spent in 1887, supervises the conditions of the farm and the methods of production to such an extent that even the intimate personal life of the farmer is sought to be influenced by its Bureau of Home Economics.

In recent years a third and more alarming doctrine has been introduced as a justification for Federal usurpation, and that is the doctrine of emergency. It was long ago said by Justice Field, in his dissenting opinion in the *Legal Tender* cases:

"What was in 1862 called the 'medicine of the Constitution' has now become its daily bread. So it always happens that whenever a wrong principle of conduct, political or personal, is adopted on the plea of necessity, it will be after-

wards followed on a plea of convenience. * * * From the decision of the Court I see only evil likely to follow."

What he said seems especially applicable to the present doctrine of emergency. This doctrine was once characterized by the Supreme Court in the case of *Ex parte Milligan* as easily the most pernicious of constitutional heresies, but it now threatens to be so firmly embedded in our form of government that unless this Nation returns to the beaten tracks of the fathers, which at the moment seems improbable, it is within the power of the President, not merely to declare an emergency, but to create one, and having done so, to overturn our form of government by claiming for the Federal Government all power deemed by the President to be essential to end the emergency. This is not a prophecy; it is a present fact.

It may yet prove to be the beginning of the end of our form of constitutional government, and this has come within 47 years after the American people in 1887 celebrated the adoption of the great compact with such generous acclaim and unbounded optimism, and largely in the space of a short 12 months. If so, we no longer have except in form a written Constitution, and we now realize the pointed warning that Chief Justice Fuller gave in his great dissenting opinion in the *Lottery* case, "It is with governments as with religions, the form often survives the substance of the faith."

What now is beginning to concern the thoughtful American is the future of that Constitution. Freely conceding that it never was and never could be rigid and inelastic, is it to grow in wisdom or perish in folly? Are we today rising to greater heights of constitutionalism, or are we descending into the Avernus of destruction from which escape to the upper air is so difficult?

We are passing through an economic crisis of exceptional gravity. It is not the worst economic crisis that our Republic has experienced. Indeed, the economic crisis which prevailed at the time the Constitution was formulated was far graver than the present one, for at that time the credit of the American Commonwealth had fallen so low that men derisively papered their houses with the worthless continental currency, and the bonds of the infant Republic sold at 4 cents on the dollar. And yet these nation builders formulated the most conservative form of government in the world.

It is not the gravity of the crisis which should give us concern as to the future of the Constitution but rather the present spirit of too many Americans.

The Constitution was based upon an individualistic state of society, and it has required considerable adaptation to make it work for what is now a collectivistic state. To this I assign the fact, which seems to me indubitable, that the Constitution for the last 50 years has been in process of slow demolition. Here an arch has fallen, there a pillar, and now it is the foundations themselves that are fast sinking, and if the present process of destruction proceeds, it is not unlikely that within the life of the present generation the whole structure will fall into cureless ruin.

What is more significant is that the process of demolition is proceeding with accelerating speed. At first it was so sporadic and insidious that it was hardly noticed. A decade might elapse before another arch would fall, but as we view the momentous changes in the Constitution in the last 12 months, due to practical administration, judicial interpretation, and abdication by Congress of its powers and duties, the thoughtful man is beginning to appreciate that our form of government is not unlike the present ruins of the Coliseum, and the best that one can hope is that "while stands the Coliseum"—the Constitution—even in its ruins, Rome—by which I mean the Union—will stand.

It is a proof of Washington's extraordinary sagacity that in his Farewell Address he predicted that our form of government would not be overthrown from without but "undermined" from within; and if we divest our minds of illusions and face grim realities it can hardly be questioned that the Constitution in many of its basic features has been "undermined." The warning of Charles Francis Adams has been fully justified by events.

I have no doubt that if the Constitution were submitted tomorrow to the American people for readoption or rejection that the American people, by an overwhelming majority, would readopt it. But this would not be because of any knowledge of its text or its fundamental philosophy, but only because of respect for a historic landmark and a subconscious belief in the average man that it is the Constitution that in some way holds together a people who inhabit a vast continent and number over 120,000,000. To them the Constitution is the organic expression of the Union. The Union means the unity of the American people; and the Union, it being the oldest name of the American Commonwealth, is very

dear to all Americans. They realize that the Constitution means a political and economic unity for one of the most powerful races that the world has ever known and that as such it confers upon him as an American citizen a powerful prestige and immeasurable benefits, such as no other nation at the present time can afford its citizens.

While, therefore, the Constitution would be readopted by an overwhelming vote as an entirety, and to a certain extent as an abstraction, yet this is not inconsistent with the fact that when the Constitution is attacked in detail by measures which are foreign to its nature and destructive of its purposes, the American people can only see the ponderables of the question and are quite satisfied that the Constitution in detail should be "undermined," to use Washington's phrase, if it means an immediate advantage to the people.

Washington was so concerned as to the possibility of this spirit of pragmatism that he predicted, in a letter written to his friend and comrade in arms, Lafayette, shortly after the formation of the Constitution, that it would last—"So long as here shall remain any virtue in the body of the people."

He then continued:

"I would not be misunderstood, my dear Marquis, to speak of consequences, which may be produced in the revolution of ages by corruption of morals, profligacy of manners, or listlessness in the preservation of the natural and inalienable rights of mankind, nor of the successful usurpations that may be established at such an unpropitious juncture upon the ruins of liberty, however providently guarded and secured, as these are contingencies against which no human prudence can effectually provide."

Notwithstanding his eloquent reference to the rising sun, Franklin had the same gripping fear when he urged the members of the Convention to sign the Constitution. He said:

"There is no form of government but what may be a blessing to the people if well administered, and I believe, further, that this Constitution is likely to be well administered for a course of years, and can only end in despotism, as other forms have done before it, when the people shall become so corrupted as to need despotic government, being incapable of any other."

I draw your especial attention to the words of Washington, already quoted, when he warned that the destruction of the Constitution would result from "listlessness in the preservation of the natural and inalienable rights of mankind," for he was there distinguishing between the ponderables of the problem, in whose pragmatic advantages the people chiefly feel concerned, and those great imponderables of liberty which are not for one age, but for all time, and without which no nation can be truly free, whatever its nominal form of government is. He emphasized this in his poignantly pathetic Farewell Address when he said:

"Toward the preservation of your Government and the permanency of your present happy state, it is requisite not only that you steadily discountenance irregular oppositions to its acknowledged authority, but also that you resist with care the spirit of innovation upon its principles, however specious the pretexts. One method of assault may be to effect, in the forms of the Constitution, alteration which will impair the energy of the system, and thus to undermine what cannot be directly overthrown."

Washington and Franklin were only thus expressing the opinions of all the master builders of 1787—that no constitution is self-executing and none can preserve itself no matter what its governmental machinery may be. They recognized better than we do that in the last analysis the preservation of the Constitution would depend upon the will of the American people, and that it was futile to expect that the people would defend what they had created unless the average citizen was inspired by what Grote will call "constitutional morality," which means a knowledge of the Constitution, a loyal acceptance of its spirit, and a militant purpose to defend it from destruction. If this be wanting, and there has been little evidence in recent months that the American people have this spirit of constitutional morality, then the preservation of the Constitution is an impossible task, for slowly its basic principles will yield to the spirit of opportunism.

The American people once had this spirit of constitutional morality in a very high degree. It was this spirit that led them to fight for seven weary years to vindicate a principle of taxation, although the nature of the tax was only a "tupenny" duty on a pound of tea. To them the amount of the tax or its economic effect was unimportant. It was the great imponderable as to whether the taxing power could be exercised by a Parliament 3,000 miles away and in which the American people had no representation. The sufferings of Valley Forge were

endured for a sacred principle. When the Constitution was submitted to the people, it was debated throughout the Union at every crossroads and in every farmhouse; and the questions that were discussed were not the pragmatic advantages of the proposed new form of government, but rather the question whether the liberties of the individual were adequately protected.

I have recently had occasion to read William Wirt's *Life of Patrick Henry*, and I read such portions of Henry's argument against the Constitution as were made in the Virginia Convention, and I was immensely impressed, not only with the force of his eloquence but with his vision as to what would be evolved by construction from the naked text of the Constitution.

While the American people accepted the Constitution with great hesitation, yet, when its advantages became manifest in the rise of a new nation in the firmament of history, the people began to believe passionately in the Constitution; and from 1789 to 1861 the debates on constitutional questions were the greatest that ever took place in America, and were equal to the greatest debates that ever took place on a form of government in the annals of history.

Here again in these debates the pragmatic advantages of any proposed legislation were wholly subordinated to the question whether a proposed measure was within the grant of power, and while there speedily developed the two schools of thought as to the construction of the document, one advocating strictness and the other liberality, yet both believed in their Constitution, and without respect to economic advantages, they fought for the underlying principles of government that seemed to them at stake. When James Monroe attacked the constitutionality of internal improvements he was not thinking whether Virginia would get a road at the expense of the Federal Treasury, but whether the Constitution had granted any such power of appropriation.

It was the tenaciousness adherence to the Constitution which led in the early days of the Republic to the great crisis, which nearly disrupted the Union. The greatest debate in our history, and I am inclined to think in the annals of the English-speaking race, was the debate a century ago on Senator Foote's resolution, innocent in itself, but which developed the whole question as to what the rights of the States were if the Federal Government deliberately and indubitably usurped a power that was not granted to it. If Webster's reply to Hayne was the greatest forensic effort in our history, the speech of Hayne, of South Carolina, was not unworthy of the reply, for these were only two of the gladiators, for there were many arguments of remarkable power and eloquence made a century ago on both sides of the question, which are only now forgotten because they were overshadowed by Webster's masterful effort.

After the Civil War an entirely new spirit came to the American people. It was as though our written Constitution had become an unwritten one. Thenceforth, except on rare occasions, there was little more than lip service paid to the Constitution, although in that Civil War hundreds of thousands had died to preserve it. Acts that were flagrantly unconstitutional were passed on the theory that Congress had no responsibility, as the final decision rested with the Supreme Court. This quite ignored the fact that the question might never arise in the Supreme Court and that if it did the Supreme Court, necessarily influenced in a democracy by the will of the people, would hesitate a long time before disregarding the fiat of Congress. In this spirit the boundaries of Federal power were pushed forward with amazing speed and those of the States correspondingly contracted. Undoubtedly this was due in large part to the impact of a mechanical civilization and it may have been inevitable, but it put upon the Supreme Court the impossible strain, when a case did arise, of trying to reconcile the will of Congress, which no longer takes into account its limited powers under the Constitution, with the provisions of that document.

With a subtlety worthy of medieval scholasticism and reminding me, as I recently had occasion to say in this House, of Swift's *Tale of a Tub*, the Court proceeded to reconcile the acts of Congress with an extraordinarily latitudinarian interpretation of the Constitution.

The probable passage of the legislation now proposed and under discussion shows how insidiously our Constitution can be changed and its basic principles overthrown.

The Constitution was formed under the traditions of the English revolution of 1689. That meant the supremacy of the people in Parliament, and it was fundamental in that theory of government that the executive should never have a power to impose a tax, but that such levies upon the wealth of the people should only be authorized by the composite judgment of their representatives in Parliament. In defense of that principle Hampden risked his life, Charles the

First lost his head, and James the Second his crown. For that principle our forebears in England had struggled from the dawn of constitutional liberty and they had maintained from the times of the Plantagenet kings to the present day that any tax measure must originate in the will of the people.

Therefore, our Constitution provided that the House of Representatives should originate all tax bills and that Congress alone should impose taxes. No more sacred duty was imposed upon it, for it was never intended that any levy should be made upon the American people unless by the consent of their Representatives in Congress. Congress has already surrendered its taxing power for, in the present emergency statute, the Secretary of Agriculture was given absolute power to impose taxes upon the processors of agricultural commodities in his discretion. And what is worse, it gave him the power to turn over the proceeds of the levy to one class in the community.

To this end the Secretary can even impose a tariff duty upon imports whenever he thinks it necessary to protect the processors, whose cost of production is necessarily raised by the processing tax. You will thus see that the complete power of taxation in the manner indicated has been vested in the head of a department to do whatever he pleases. Now it is proposed to vest in the President the power of taxation on imports. Thus we have a perversion not merely of the Constitution but of a basic principle of Anglo-Saxon liberty, for which the American people and their forebears have fought for over 500 years, and which they thought they had written into the Constitution in a manner that could not be defeated.

I could give many other examples of this slow undermining of our Government, either by laws upon which the Supreme Court never has occasion to pass, or by laws which, when passed, are sustained by the Supreme Court in deference to the will of Congress.

Possibly my pessimism is due to my advancing years, for the shadows of life are fast lengthening with me and I cannot hope to see the future development of the Constitution, as I have witnessed it in the last half century.

We are fundamentally a democracy and while a constitution can retard the spirit of innovation, it can never wholly defeat it. It can be a rudder or a chart, but never an anchor.

Today many Americans seemingly favor a central government of unlimited powers. Whether such a government would insure the perpetuity of the Union is a serious question. The founders of the Republic believed that no central government of unlimited powers could be successful, and in this they were fully justified by the consistent experience of history. A unitary and homogeneous state, like England or France, may be able to distribute the blessing of government without creating sectional or class antagonism, but if the federated British Commonwealth of Nations were to make such an attempt as that of the processing tax, and the wealth of Canada were drained to support the farmers of Australia, the Empire would dissolve overnight. The fear of a like fate dominated the thoughts of the great Convention of 1787. They recognized that there was an inevitable conflict of economic interests between the different sections of America, and that the only way to prevent a dissolution of the Union by reason of such conflict was to confine the Federal Government to a very limited sphere of power.

Even as so limited, our Nation was twice brought to the verge of destruction by a clash of economic interests, and it has only been preserved by the wedding influences of steam and electricity and general and ever-increasing prosperity.

Today, however, the Federal Government, asserting unlimited power and concentrating it in the President, is attempting to redistribute property to draining the wealth of the industrial States for the benefit of the agricultural States. The present depression may make the industrial States conscious of this continuous drain on their resources, and the ever-smoldering fire of sectionalism may again break out into a destructive blaze. Should the Union disintegrate, some future Gibbon will say that its downfall began when the Nation disregarded the wise limitations of the Constitution on Federal power, and began to assert the unlimited power of a unitary state.

I am loath to end my speech upon so pessimistic a note. Who can say what is in the womb of the future? In this hour of acute anxiety we can well recall the noble words of Franklin, uttered when the great crisis of the Convention arose and when its success seemed impossible. He said:

"I have lived, sir, a long time, and the longer I live the more convincing proofs I see of this truth: That God governs in the affairs of men. And if a sparrow cannot fall to the ground without His notice, it is probably that an empire can rise without His aid? We have been assured, sir, in the sacred

writings, that 'Except the Lord build the house, they labor in vain that build it.' I firmly believe this, and I also believe that without His concurring aid we shall succeed in this political building no better than the builders of Babel. We shall be divided by our little partial local interests, our projects will be confounded, and we ourselves shall become a reproach and a byword down to future ages. And what is worse, mankind may hereafter from this unfortunate instance despair of establishing governments by human wisdom and leave it to chance, war, and conquest."

Will this be the fate of America? I am by no means hopeless. All human progress in government is marked by alternate periods of integration and disintegration. When the integration proceeds too far, the pendulum swings back and reaches the other extreme of disintegration only to swing back when the distribution of power has gone too far.

Moreover, there is one great fact of which the proponents of the New Deal are seemingly ignorant. It is the native individualism of the American. The old pioneer spirit has not wholly lost its force, even in a mechanical civilization.

The fate of the eighteenth amendment clearly proved that, and I today see signs of a distinct reaction in the hearts of the people against this attempt to make one man, even though he be President, the master of the destinies of the American people.

No one man, whoever he may be, is fit to play such a role. Dictators have never long lasted. In a homogeneous nation a dictatorship may last for a time, for the problem is not so complex as with a heterogeneous nation of conflicting interests. The present dictators in Italy may last as long as Mussolini lives, for he is a man of extraordinary ability and may rank high in history as one of the greatest sons of Italy—that fertile mother of great men—but when Mussolini dies, what will then happen in the struggle to seize the scepter that will then fall from his hands. As for the dictatorship in Germany, it is doomed to failure long before Hitler shall live his allotted span of life, for that narrow fanatic is not a Mussolini.

Where, however, a people is heterogenous and occupies, as our Nation does, a vast territorial domain ranging from the sub-Arctics to the Tropics, and with all the conflicting economic interests that differences in climate necessarily bring about, then a dictator cannot long last, for he cannot so dispense governmental favors as to placate all sections, classes, and interests.

Moreover, the old love of liberty is not dead in America. It may for a moment be moribund because of the prostrating effect upon the human spirit of a prolonged depression but sooner or later—and I believe at no distant day—the American people will turn back to the beaten paths of the fathers and will again be animated by the spirit of liberty, which influenced Washington and Franklin, Hamilton, and Jefferson.

The American Constitution did not believe in one-man power, and for a very obvious reason that is inherent in human nature. A President, whoever he may be, cannot wholly arise above the conditions of his birth and of his environment. He carries with him into his high office all the influence of his early surroundings. It was for this reason that the framers of the Constitution refused to concentrate power in one man. It vested all legislative power in a Congress, which would represent the composite will of the entire people, and they never intended that the representatives of the people should abdicate their responsible office and transfer the legislative power to the President. Undoubtedly Congress, like all parliamentary institutions, is by reason of its being thus representative of the whole people, often inefficient, for all legislation must thereby be a matter of slow compromise, but if we must choose between the security of liberty and the supposed efficiency of one-man power, the genius of our institutions prefers the former.

I remember a passage from Victor Hugo's masterpiece where, in a political club, an orator in glowing terms described the genius of Napoleon, but when he ended his eloquent tribute to the achievement of one of the greatest of the children of men by asking what could be better, a fellow member answered him in three words. They were "To be free."

The American people are not yet so demoralized that they prefer so-called efficiency to their liberty. Unless I gravely mistake the present state of the public mind, they are already in revolt against the great betrayal of our form of government which we have witnessed in the last 12 months.

"The shallows murmur, but the deep is dumb."

The little coterie of socialistic visionaries, called the brain trust, and who apparently influence the President, are the shallows which are now very vocal.

But the American people represent the unfathomable deep, which though silent at the moment will yet become articulate. They are already becoming so, and I venture now to predict that when the American people again go to the polls to select a President they will, by an overwhelming majority, composed of the good men of all parties, sweep away this attempt to vest the mighty power of the American people in one man. If I did not think this, I would despair of the Republic. [Applause.]

Mr. COOPER. On the question of the constitutionality of the Trade Agreements Act, have you ever complimented me by reading the speech that I made in the House on the legal phases of the [Trade Agreements Act?

Mr. LERCH. I would love to read it. I have not read it, I am frank to admit.

Mr. COOPER. I spoke at some length on the legal phases of the trade agreements program back in the beginning, and to my satisfaction, at least, I tried to cover the legal points involved.

Mr. LERCH. Could I have a reference? I will look it up.

Mr. COOPER. I do not have it here offhand. I do not remember now. It is in the record.

Mr. MASON. What year, Jere?

Mr. COOPER. I do not recall that. I think it was the first act.

The CHAIRMAN. It must have been 1934 or 1935.

Mr. Mason will inquire.

Mr. MASON. You are a witness after my own heart because I agree with you. I have voted against the extension of the reciprocal trade agreements every time it has come up for the last 16 years because I have considered it unconstitutional for us to delegate to the President the powers that the Constitution has placed in our hands, and the responsibility. I want to ask you about this trade versus aid business, "Trade versus aid." What does it mean? It means if we go in for this trade we sacrifice all these industries that have been injured by these imports and we benefit a few of our industries like Ford and General Motors. That is what trade means. What does aid mean? Aid means that all the taxpayers of America shall be assessed to hand out this aid which we have been doing. Which is the better, to spread the load on all the taxpayers with aid or to put the whole load on these poor fellows who are being pushed out of business and give some more benefit to the big fellows? My question answers itself, does it not? That is my attitude.

Mr. LERCH. I was just going to say, to any intelligent man a statement such as you have made should answer the thing.

Mr. MASON. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Knox will inquire.

Mr. KNOX. Mr. Lerch, an early statement made by you today was to the fact that the present act should be extended for one more year. I have not been so informed that it will be. My opinion is that this committee is holding hearings on the Simpson bill to gather factual information as to what they will recommend to Congress. Unless the committee has made some commitment that I do not know of, this is the first time that I have heard that the present act would be extended for 1 year, disregarding what factual information we shall receive under these hearings. Why did you make that statement or where did you get the information?

Mr. LERCH. I think if we could refer back to that you would find that I said that it was my information, my impression, that it would

be extended for 1 year and that being my thought, let us give him a good one rather than the act of 1951 per se. It was my opinion, inasmuch as the President has asked for but one more year's extension and the proposal of the committee bill, the Simpson bill, being for 1 year, that that would be the time.

Mr. KNOX. I do not wish to disagree with the President. However, I do feel that the Congress of the United States has a duty and an obligation to perform, and that is to gather the factual information so that they may approach the question with all of the information that is necessary to legislation in the best interests of the people. I am wondering if the President has had an opportunity to hear all of the testimony that has been given up to date and will be given from here on in until this committee decides that it is going to dispense with further hearings on the measure.

Mr. LERCH. May I answer that?

Mr. KNOX. Yes.

Mr. LERCH. My request and my hope is that you will do that, and when you find all these facts you will forget all about this bill and let it expire. That would please my clients and me very greatly.

Mr. KNOX. That is all.

The CHAIRMAN. Are there further questions?

WASHINGTON, D. C., June 23, 1953.

Mr. O. R. STRACKBEIN,
Chairman, National Labor-Management Council on Foreign Trade Policy,
815 15th Street NW., Washington, D. C.:

Your statement before Ways and Means Committee will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

WASHINGTON, D. C., June 23, 1953.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.:

Would appreciate your accepting my testimony before House Ways and Means Committee on H. R. 4294 as a part of the record on H. R. 5495, now before your committee.

O. R. STRACKBEIN,
815 15th Street NW.

STATEMENT OF O. R. STRACKBEIN, CHAIRMAN, THE NATIONAL LABOR-MANAGEMENT COUNCIL ON FOREIGN TRADE POLICY, AND CHAIRMAN, NATIONWIDE COMMITTEE OF INDUSTRY, AGRICULTURE, AND LABOR ON IMPORT-EXPORT POLICY BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. STRACKBEIN. My name is O. R. Strackbein. In my appearance before you, I am speaking in behalf of the Nation-wide Committee of Industry, Agriculture, and Labor on Import-Export Policy, but I am also appearing in my capacity as chairman of the National Labor-Management Council on Foreign Trade Policy.

This new committee, that is, the nationwide committee just mentioned, is spokesman in matters of foreign trade policy for a wide range of industries, branches of agriculture and labor organizations that are confronted with damaging import competition and threatened with worse to come.

I offer for the record a list of the organizations that attended the meeting of March 5, 1953, which gave rise to the nationwide committee.

Added to that list is an additional small list of organizations that attended a meeting this past Saturday, and which were not at the previous meeting.

The CHAIRMAN. Without objection, those names will be inserted in the record.

(The names referred to are as follows:)

LIST OF ORGANIZATIONS REPRESENTED AT MEETING ON TARIFFS AND TRADE,
WASHINGTON, D. C., MARCH 5, 1953

Almond Growers Exchange, California
 Band Instrument Manufacturers, Domestic, Tariff Committee
 Bicycle Institute of America, Inc.
 Book Manufacturers' Institute, Inc.
 Bookbinders, International Brotherhood of, AFL
 Camillus Cutlery Co.
 Cattlemen's Association, American National
 Chemical Manufacturers' Association, Synthetic Organic
 Chemical Workers' Union, International, AFL
 Chemists' Association, Inc., Manufacturing
 Cherry Growers and Industries Foundation
 Maraschino Cherry and Glace Fruit Association
 New York Cherry Growers Association, Inc.
 New York State Canners and Freezers Association
 China Association, Inc., The Vitrified
 Coal Association, National
 Cordage Institute
 Cotton Manufacturers Institute, American
 Dairy Industry Committee:
 National Cheese Institute
 American Butter Institute
 National Creameries Association
 Milk Industry Foundation
 Etc.
 Diamond Match Co., The
 Fig Institute, California
 Fish Cannery Workers and Fishermen's Union, Pacific Coast, AFL
 Fisheries Association, Massachusetts
 Fishermen's Union, Atlantic, AFL
 Fishery Products Division, National Canners' Association
 Fishing Vessel Owners' Association, Inc., of Seattle
 Florida Fruit & Vegetable Association
 Glass Workers' Union of North America, American Flint, AFL
 Glassware Association, American
 Glove Manufacturers, Inc., National Association of Leather
 Grain Cooperatives, National Federation of
 Handwear Association, American Knit
 Harley-Davidson Motor Co. (motorcycles)
 Hat Institute, Inc., The
 Wool Hat Manufacturers Association
 Hatters' Fur Outters Association of the U. S. A.
 Straw Hat Group
 Hatters, Cap, and Millinery Workers' International Union, United, AFL
 Hot House Vegetable Growers, National Association of
 Kimberly Clark Corp. (paper)

Lace Manufacturers Association, Inc., American
 Meat Packers Association, National Independent
 Meat Packers Association, Inc., Western States
 Milk Producers Federation, National
 Mine Workers of America, United
 Mushroom Institute, The
 Nut Growers Association, Northwest
 Oakville Co. Division, Scovill Manufacturing Co. (metal products)
 Paper & Pulp Association, American
 Pen & Pencil Association, Fountain
 Petroleum Association of America, Independent
 Photo-Engravers' Union of North America, International, AFL
 Pin, Clip & Fastener Association
 Potters Association, United States
 Regens Lighter Corp. (cigarette lighters)
 Renderers Association, National
 Reynolds Metals Co. (Aluminum)
 Risdon Manufacturing Co., The (metal and wire goods)
 Scientific Apparatus Makers Association
 Seafarers' International Union of North America, AFL
 Seafood Producers' Association of New Bedford, Inc.
 Shenango Pottery Co.
 Sunkist Growers (citrus)
 Tuna Research Foundation
 Vegetable Products, Inc., Basic
 Walnut Growers Association, California
 Wine Institute, The
 Wood screw industry—United States Wood Screw Bureau
 Wool Growers Association, National
 Wool Growers, Pacific
 American Mining Congress
 American Tunaboat Association
 Anthracite Institute
 Clock Manufacturers Association of America, Inc.
 National Small Businessmen's Association
 Optical Manufacturers Association
 Southern Coal Association
 United Textile Workers of America, AFL
 United Wall Paper Craftsmen and Workers of North America, AFL

Mr. JENKINS. How long is that list? I would like to know who attended the meeting.

Mr. STRACKBEIN. I could very easily read the list.

Mr. JENKINS. I do not want to take much time. How many are there?

Mr. STRACKBEIN. I would say about 75.

Mr. JENKINS. Just insert them in the record. That is all right.

Mr. STRACKBEIN. Nearly all these groups have had years of experience in this field and therefore speak from direct knowledge of the subject as distinguished from a mere theoretical, idealistic, or doctrinaire contact with the import problem.

Contrary to widespread characterizations of these groups as representing only a "tiny" segment of the economy or as being merely marginal, uneconomic, and fringe industries, they include industries and branches of agriculture that are basic to our national economy and national security and employ directly 4 to 5 million people.

It is true that they are not numbered among the large mass-production industries. Nevertheless, some of the industries or branches of agriculture in this group are large in the aggregate because of their wide dispersal and numerous producing units. And the various groups combined have roots in all parts of this country and in every State of the Union.

Not to be numbered among the huge mass-production industries is not synonymous with being inefficient or marginal or uneconomic as some distorted thinking would have us believe. It is a libel on the tens of millions of people whose livelihood depends directly or indirectly upon these economic pursuits to characterize them in such a depreciatory manner.

The tariff history of this country in the past 19 years has been one of progressive tariff reduction in a world that has not been economically in a normal state since 1939.

The average duty collected on our dutiable imports has been cut drastically. The average rate during the 1931-35 period was 50.02 percent. In 1952 this average had declined to 12 percent, a reduction of over 75 percent. About a third of this decline came from increased prices of articles on which we levy a specific as distinguished from an ad valorem duty. A number of other countries have increased their specific rates in order to compensate for the rise in prices. We have not done so. On the contrary, in making tariff reductions we have cut specific rates no less than ad valorem rates.

If we spread the total duty collected over our total imports we find that in 1952, the average burden on our inflowing trade was only 5 percent. This is lower than the burden imposed by any of the other leading trading nations. Japan is not included because her postwar trade laws are not yet fully settled. In 1952, 58 percent of our imports were entirely free of duty. Many other countries impose various non-tariff restrictions that impede the flow of trade more effectively than the tariff itself. We need mention only exchange control, import licenses, quotas, bilateral trading arrangements and embargoes. The United States, on the other hand, has made relatively little use of these various devices.

I wish to insert a table at the end of my statement, Mr. Chairman, showing the average rates of duties collected by other countries, in comparison with the United States.

The CHAIRMAN. Without objection, it is so ordered.

Mr. STRACKBEIN. Because of the abnormality of the war and postwar years not only in the flow of international trade but in the internal economies of the principal trading nations; and, since most of the tariff reductions that have been made since 1934 were made during the war and postwar period, it is natural that a question should arise about the soundness of such reductions once the war-torn countries had regained their feet and were ready to compete again for the markets of the world.

The desirability of a change in direction of our tariff policy is increased by the further fact that our wholesale tariff reductions were made without adequate study and preparation. The method of cutting our duties in international conferences could best be described as the meat-ax approach. The tariff on thousands of items was reduced in single international parleys lasting only a few months. This meant hasty and reckless action.

The degree of recklessness of these tariff-slashing forays may be appreciated when we compare the procedure followed in the international conferences with the procedure followed by the Tariff Commission under the escape clause. Whereas thousands of items came under the knife at one time in the conferences, applications under the escape clause are confined to one item or possibly a few closely related items

at one time. In 10 years only some 40 such applications have been filed.

Whereas the international conferences dealing with thousands of items only ran for 5 or 6 months, the Tariff Commission ordinarily devotes approximately a year to each application. It makes a preliminary investigation, then holds a public hearing and follows this, if necessary, by field studies of its own. To date, only three cases have resulted in a restoration or partial restoration of duty. At that rate it would require several thousand years to restore all the original rates. No one, of course, has such a goal in mind, but the pace may be appreciated in its strong contrast to the headlong attack characteristic of our tariff-reduction conferences.

Until a year or two ago the Department of State chose to regard the relatively small number of applications made to the Tariff Commission under the escape clause up to that time as evidence that little injury had been inflicted upon American industry and labor by the trade-agreements program. Few applications meant few injuries, they said.

That period, namely, from 1943—the year in which the first escape clause was inserted in a trade agreement—to 1949, however, coincided with the prolonged sellers' market in this country, and not much injury was to be expected from imports. Domestic demand was strong enough until the summer of 1949 to absorb both domestic output and imports at high prices. There were, of course, some exceptions. However, when the recession of 1949–50 set in, domestic producers and labor became alarmed. Then, in 1950, the expanded defense spending lifted the pressure, but the domestic producer and labor had had a preview of what may be expected from a leveling off or a decline in defense spending.

Under the statutory escape clause, carried in the Trade Agreements Extension Act of 1951, the number of applications made to the Tariff Commission rose rapidly. To date 25 such applications have been filed; i. e., in less than 2 years' time. Let us see what happened.

No sooner had the number of such applications taken a sharp upward turn than the Department of State began publicly to deplore recourse to the escape clause. This reflected a strange attitude indeed, considering (1) that that Department readily admitted that mistakes might be made in reducing the tariff under the method followed, and often referred to insertion of an escape clause into the trade agreements as evidence of the wholly reasonable attitude of the Department, and (2) that if a low number of applications up to 1951 reflected relative absence of injury, as the Department contended, an increase in such applications should, by the same measure, have been interpreted as an indication of a rising trend in the injury suffered from imports. The State Department, however, chose not to follow the logic of the case.

We may summarize the situation as follows:

1. The tariff was cut deeply without the benefit of adequate data to determine how far it might safely be cut. Calculated risks were taken.
2. Duties were reduced in wholesale fashion during a period when the effects of the reductions could not be tested adequately.
3. The escape clause was introduced professedly to provide a means of correcting errors committed in the wholesale tariff-reduction process.

4. Relief under that clause has been the exception rather than the rule; and the operation of the clause has been slow and cautious in very sharp contrast with the swift space of the tariff-reduction procedure.

5. The relatively infrequent recourse to the escape clause during the first 8 years of its existence was interpreted as evidence that our industry had suffered only slight injury.

6. When the number of applications rose sharply in 1951 and 1952 alarm was expressed over the effect produced upon European countries. The "calculated risks" were forgotten. The fair words about a remedy against error were thrown to the wind. Injury, it began to be explained, must be expected, and, in any event, the general good of the country must be given greater weight than the interests of small, "local, selfish groups." Finally, the mask came off and rechanneling of capital and relocation and retraining of employees in disrupted industries was openly advocated. The shell game had been exposed.

Such has been the evolution of the trade-agreements program. More extreme steps were attempted going far beyond the authorization contained in the trade-agreements law. The charter for an International Trade Organization was the principal proposal but forward. While the charter made little congressional headway, having died in the House Committee on Foreign Affairs in 1950, unmourned and deserted, the objectives sought in it have been incorporated in less extensive form in the General Agreement on Tariffs and Trade, known as GATT. This organization lingers as an illegitimate waif in the fogs of international relations, hoping to gain legitimacy by a process on a par with the ethics of squatters' rights. It has never been exposed to Congress for ratification.

Throughout this evolution, power over the regulation of our commerce, lodged by the Constitution in Congress and not in the executive branch, passed increasingly into the hands of the Executive, until the Tariff Commission, an agency of Congress, was reduced to the level of a statistical service bureau. The dominancy of the Executive was shaken by the Trade Agreements Extension Act of 1951 but not dislodged.

Thus have the legitimate claims of American industry, agriculture, and labor to a reasonable, workable, and honest remedy against injury from unfair import competition been evaded, foredoomed, and overridden by administrative disregard of the congressional policy.

We believe, therefore, that the time has come for a legislative redress of the balance, through a reassertion of its proper authority by Congress over the regulation of our foreign commerce. This does not mean the rewriting of the tariff by Congress. It does not mean a return either to the logrolling of the past or to the Hawley-Sinoot rates of 1930. It does mean reassertion by the Congress of its authority over foreign trade and duty making, and the rescue of the Tariff Commission from the blight of domination by the executive power. That agency, it should be emphasized, is a body created by Congress to do the work of Congress, not that of the Executive.

H. R. 4294, if enacted, would go far toward the reestablishment of the legislative branch in its constitutional field of controlling the function of setting duty rates and regulating foreign commerce. It

would make final the findings of the Tariff Commission both under the peril-point procedure and under the escape clause.

Three other agencies of the Government now establish rates; namely, the Interstate Commerce Commission, the Federal Power Commission, and the Federal Communications Commission. They themselves set final rates—subject, of course, to court review—rather than shifting the burden to the White House. They are creatures of Congress established to carry out congressional powers under the Constitution. The Tariff Commission was created for the same purpose and its findings should be on the same level with that of the other congressional agencies.

The bipartisanship of the Tariff Commission was established when tariff making was regarded as lending itself to a scientific process, based upon an impartial system of fact and cost finding. Our tariff was to be determined, within limits set by Congress, by the difference in costs of production here and abroad. Cost studies were to arrive at mathematical conclusions. Bipartisanship of the Commission was intended as a guaranty that the procedures followed were fair and the results factual and unbiased.

From 1922 to 1930 and from 1930 to 1934, when the trade-agreements law was first passed, the work of the Commission revolved principally around the cost-of-production formula. Bipartisanship of the Commission was suited to such a procedure. It was a matter of preserving the integrity of facts and statistics. Once collected and put together the results spoke for themselves. The extent of the indicated change in duty was a mathematical fact. It could not be changed by partisanship.

After 1934 the cost of production approach went into the discard with respect to all items that became subjects of a trade agreement. This meant, in time, virtually all of them.

Today the principal tariff-adjusting functions of the Tariff Commission lies in administration of the escape clause. No longer is a mathematical formula employed. The findings revolve about a question of whether serious injury or a threat of injury exists. The guidelines are not mathematical. Conclusions from gathered facts, produced principally through the medium of public hearings, are derived from an exercise of judgment. Two commissioners, holding to diverse political and economic philosophies, very frequently arrive at a different judgment from the same set of facts. Of the 16 cases acted upon by the Commission under the statutory escape clause, 11 cases have been rejected. In 6 of these 11 cases the decision was strictly on party lines.

Too often such bipartisanship allied under the escape-clause procedure would merely result in a stalemate that could not be resolved if a full complement of commissioners participated in the decisions. In other words, a commission established to do the work of Congress under specified limitations, finds itself unable to function positively and effectively. The bipartisanship that was provided and designed for and suited to a different type of operation is unsuited to administration of the escape clause.

For these reasons the evenly divided bipartisanship of the Tariff Commission should be abandoned, and the Commission enabled to function positively. The three other agencies mentioned above are

composed of an odd rather than an even number of members. The Tariff Commission should follow these examples. H. R. 4294 provides for a commission of 7 members, not more than 4 of whom shall be from 1 political party. We support this provision.

The Simpson bill, H. R. 4294, clarifies the definition of injury both by specifying whose injury is to be considered, namely, the "American workers, miners, farmers, or producers," and by eliminating the unspecified "other factors" of the existing law. The concept of injury, if this bill is passed, could not be confined to financial loss of the owners of industry, important as such injury may be. Injury to workers, whether deprived of employment or subjected to layoffs, reduced workweek or a reduction in wages, is raised to the same level as curtailment of profits or incurring of actual financial losses.

Instances may be found where the financial position of an industry is protected by the very process of laying off employees and curtailing the workweek. The workers may thus suffer injury before financial losses by the industry are incurred. Nor would it be essential that the entire industry be injured before a remedy could be had. Workers in one part or segment of an industry do not work in another segment. They may suffer injury while the other parts of the industry may enjoy profitable returns for reasons not of general application.

The bill retains the criteria of injury found in the present law. Special emphasis should be placed on the criterion which provides that a decline in the share of the domestic market enjoyed by domestic producers is to be regarded as evidence of injury. We feel that the majority members of the Tariff Commission have failed to heed this provision in their recommendations. The former President, Mr. Truman, denounced this provision as "dangerous." We think that it is highly urgent that this provision be retained as a necessary safeguard to meet particular conditions that would otherwise lie beyond the reach of a remedy.

The establishment of "quantitative limitations" to imports, to the extent and for such time as may be necessary to prevent or remedy injury, as provided in H. R. 4294, merely represents a change in the wording by which the establishment of import quotas was authorized in the 1951 act.

I have prepared a separate statement on import quotas and ask to have it inserted in the record at the end of my present statement.

The CHAIRMAN. Without objection, it is so ordered.

Mr. STRACKBEIN. I request, however, that I may read certain parts of it to the committee at present.

Import quotas can be employed as an instrument—

The CHAIRMAN. Pardon me, Mr. Strackbein. Do we have that before us?

Mr. STRACKBEIN. I do not believe you do. I want to read certain excerpts.

The CHAIRMAN. All right. Then, if you will speak up so that all may hear, that will be fine.

Mr. STRACKBEIN. Import quotas can be applied as an instrument for the liberalization of trade and in that respect may serve a highly useful purpose. They may be imposed, for example, not for cutting back the volume of imports but for the purpose of removing from imports their most damaging competitive effects. These effects,

described below, are the most feared by domestic producers and are the most disruptive of domestic production, employment, and trade. By freeing trade from this fear, quotas may produce conditions that are relatively favorable to imports and their continuation at high levels.

The import quotas, if properly designed and administered, will serve its most useful purpose as precisely the time when competitive imports ordinarily, in the absence of quotas, do their heaviest damage. Tariffs are neither as effective as quotas under such circumstances unless they are very high, nor do they offer the degree of flexibility that may be achieved with quotas.

To be specific, there are times, as in a seller's market, when imports of particular products can do little or no damage in our market for the simple reason that the market demand for these products is strong enough to absorb all the domestic supply plus imports at good prices. However, when production plus imports catch up with demand and the seller's market gives way to a buyer's market, imports may inflict a great amount of damage.

When prices have reached their highest level and stocks or inventories begin to grow because of declining demand, thus reflecting sales resistance or slowness of consumers to buy, the market becomes highly sensitive and producers begin to exercise caution. The same is true of those who buy the output of producers. A sudden fear of being caught with warehouses full of high-cost stock seizes the producer while the buyer does not wish to load up retail shelves with high-cost inventory. A widespread atmosphere of apprehensiveness is thus created.

When imports enter such a field with a competitive cost advantage the dangers of a market break are intensified. The condition is aggravated under such circumstances by the natural efforts of domestic wholesale buyers, who have a chance of buying from domestic producers or from importers, to buy at the lowest prices. With the weight of growing inventories worrying the producers, the buyers are in the saddle. They are not slow to inform domestic producers that their prices are too high and that imported goods may be had at lower prices.

The domestic producers, seeing themselves thus hemmed in, take the first step to protect themselves against heavy losses from a high-cost inventory. They shorten the workweek or lay off employees or do both, hoping (1) to prevent a price cut by relieving pressure from excessive inventory, or (2) to contain the decline if a price reduction cannot be avoided, and (3) to work off their inventory by cutting back production, thus reducing their inventory loss and reaching an adjustment at a new level.

Such an "inventory adjustment" may succeed in arresting the deflationary run. In that event no greater damage may be done to the economy than is connoted by the term "recession." As soon as it becomes evident that the downward trend has been arrested and that prices have steadied, producers will recall their workers or, if they have merely shortened the workweek, they will begin again to operate at full time.

If domestic producers have control of the situation the probability of thus arresting the deflationary movement is greatly enhanced. If, on the other hand, control is out of their hands, as it will be if im-

ports continue to flow in at an unreduced rate, or if imports take up the reduction in output caused by domestic cutbacks, there will be no way of halting the downward trend and it will soon develop into the well-known spiral that leads relentlessly to a full-blown depression.

It is obvious that import quotas can be of inestimable help in efforts to contain the deflationary forces. Quotas will introduce an element of certainty into a field where uncertainty has become enthroned and works its havoc with tyrannical ruthlessness. The use of quotas will enable domestic producers to take into account the effects of a known volume of imports in planning their own production schedules. Furthermore, if the quotas are properly designed, imports will be called upon to participate proportionately in the decline in consumption by being cut back in keeping with such a decline. Thus instead of nullifying the efforts of domestic producers to cope with the deflationary forces, by curtailing output, imports will bear their share of the responsibility in reaching an adjustment.

Obviously import quotas must be designed with this purpose in view if they are to fulfill this function. With appropriate flexibility that will permit participation in an expanding market as well as in a shrinking one, such quotas will perform the double function of sharing prosperity in a seller's market and neutralizing imports as a deflationary force in a buyer's market.

Involved in this design of quotas is a formula that will reserve to imports a stated percentage of the market. Ordinarily imports during a previous representative period would be used as a basis for calculating the share of the market that would be set aside for imports.

I have offered the entire statement for the record.

The CHAIRMAN. That has been received.

Mr. STRACKBEIN. It goes without saying that legislation that affects our foreign trade is not lawmaking in a vacuum. Other countries are interested in and concerned over our tariff adjustments and trade-agreement policies.

We should therefore ponder any proposed legislation in this light and should consider it within the frame of the world situation. In doing so it seems desirable to answer the implications of the "trade, not aid" slogan and the assumptions underlying the free-trade proposals. This will lead us directly into the problem of the dollar gap.

Much has been written and spoken on this subject. A common conclusion reached is that because of the unbalanced condition of trade, which sees us selling more than other countries can pay for, we should simply prepare to buy abroad in sufficiently greater volume to overcome the gap between our exports and imports. In other words, we should lower our tariff yet further, repeal the buy American act and simplify our customs procedures.

Since the present testimony is confined to H. R. 4294, we do not wish to express an opinion on the merits of the other two proposals, relating to the Buy American law and the customs administration.

The demand for additional tariff reductions by the United States rests almost wholly on the condition of unbalanced trade as reflected by the dollar gap. While formerly free trade was put forward as a means of pacifying the world this claim is no longer pushed with much vigor. This is only natural since the period of the world's greatest upheaval in military history has occurred during the period of extensive tariff reduction carried out under the trade-agreements

program. Evidently pacification of the world awaits something other than a movement toward free trade.

Examination of the dollar gap will soon dispel any mystery that may still cling to that term.

Our exports were stimulated far beyond normal levels by war and postwar demands from overseas for our equipment, materials and supplies. The situation may be described as follows:

1. Other leading export nations were incapacitated in varying degrees or completely shut off from their accustomed export markets. We undertook not only to supply our allies and after the war also our former enemies but to fill the vacuum that had developed in the outlying markets. This effort put a severe strain on our production facilities and called for their expansion. A great part of our price inflation was thus brought about.

2. As the war-stricken countries progressed toward economic recovery under the Marshall plan, they needed less of our goods and began to seek recapture of their forsaken overseas markets. There they found us entrenched. We, of course, had not pushed the war-beleaguered nations out of their markets. They simply dropped out as trade casualties of the war. Nevertheless we did not become established in various markets far beyond our prewar penetrations. Our position was, however, not a normal attainment of peacetime trade.

3. Our large export interests do not now wish to retreat from these markets. Our ex-allies and ex-enemies have, therefore, been moved to say, in effect, that if we do not return these markets to their prewar suppliers in keeping with prewar trade patterns, we should open yet wider our own domestic market as a substitute sales outlet for the dollar-short countries. Thus they become natural allies of our exporters.

4. This combination of United States export interests and foreign exporters have waged a far-flung and intensive campaign to press the United States Government into a yielding disposition. Free or freer trade, they expound, would be better for all the people of the United States and for all the free world than would continuation of the existing so-called high American trade barriers.

In order to give a yet deeper coloration of philanthropy and humanitarianism to their plea, as contrasted with the so-called rank selfishness of our protected producers, they say that only a tiny, insignificant segment of the American economy would be injured by outright free trade. The displaced employees could be transported to more productive centers such as Detroit and Pittsburg for retraining and a happy life in the steel mills and on the moving production lines. The uprooted capital could be shifted with equally pleasant results and with equal facility.

5. They are abetted in all this by most of our metropolitan newspapers. Newsprint was twice bound on the free list in trade agreements with Canada and Finland, early in the trade-agreements program. Imports of newsprint paper in 1951 amounted to \$513 million, and woodpulp to \$260 million.

Thus the newspapers are parties in interest but enjoy the advantage of declaiming from the precincts of a privileged sanctuary. Their editorial writers, cartoonists, columnists, and rewrite men fall dutifully into line and besides putting forward in full measure what is said or written in support of freer trade, very effectively scuttle nearly

everything that is said or written in opposition. Needless to say, they will not print what is said in this statement; or, if they do, the deskman will so efficiently wield his blue pencil on reporters' copy that only a garbled or discrediting version will see the light of day.

Not only are the free-trade or freer-trade proposals which call for further tariff reductions by the United States full of rank fallacies; they hide a veritable pitfall.

1. To assume that our imports should balance our exports no matter how much our exports have been stimulated by strictly noncommercial considerations, is to suggest that our import trade should also desert normal commercial considerations and yield to the demands of international political considerations. To do this would be to destroy private international trade; and perhaps that has been one of the objectives of some of the free-trade promoters.

2. We have already vastly increased our imports: 5.5-fold since 1938 in dollar value and over 50 percent in physical volume. This expansion has resulted principally from our war-born prosperity. Our domestic purchasing power was able to absorb both domestic production and a high volume of imports at high prices. Should the era of full employment pass, thus reducing purchasing power and the national income, our imports would also decline, as they have always done, after first contributing heavily to the deflationary pressure.

The notion that we can guarantee a larger market for imports in this country than the present level, is totally false, unless our domestic purchasing power should expand yet farther. A forced increase in imports, such as would be necessary to balance exports, almost certainly would generate deflationary competitive forces that soon would produce an economic earthquake.

3. It is contrary to the national interest, in the world as we have known it and still know it, to create a greater dependence of our economy upon export markets than now exists. Already we find our agricultural products suffering from a decline in exports. Yet this decline goes hand in hand with record imports by this country and with foreign economic and military aid. If foreign markets can exhibit no greater reliability than they now show, under the most favorable circumstances, who could wisely counsel a greater dependence upon exports? Yet the "trade not aid" philosophy rests upon precisely such a concept.

4. Fear is expressed that this country is becoming a have-not nation. Therefore we should lower the barriers so that we can buy more abroad.

That was the subject of an official public report.

Yet the fact is that what bothers the world is not our inability to buy and pay for what we need, but just the opposite. Clearly what is called for is a deemphasis of exports in the domain of national policy. We are headed in the wrong direction in placing too much emphasis on exports. By doing so we make it more difficult for other countries, that are really dependent on exports, to reestablish multilateral trade and at the same time put pressure on our domestic industries to accept ever increasing foreign competition on a basis that can only put a damper on expansion, new capital investment and market development.

5. The notion that we can outproduce the remainder of the world is a dangerous outcropping of national pride. Not only is our

industry not composed wholly of mass-production enterprises, but it would be a great misfortune if it were. Millions of people work in smaller diversified industries, in agricultural, fishing, and mining pursuits that are not and perhaps can never be brought under the mass-production process. Therefore their unit costs of production necessarily remain higher and this fact places them at a disadvantage in foreign competition.

It would be a national calamity to give credence to the unaccountably false estimate made in the Daniel Bell report with respect to the number of employees that would be displaced by the system of freer trade which the report proposes. Twenty-five percent of our work force, at least, is employed in industries and branches of agriculture that are vulnerable to import competition.

6. We may, indeed, find soon that the import-dependent nations may regain their accustomed prewar markets in spite of our 14-year entrenchment. They, in fact, made great progress through 1951. Unless the peace of the world is further disrupted, they may resume their progress and push us back to prewar positions; if so, they will not need more of the American market; and if we grant them more out of hand we may awaken to find ourselves beset competitively at home whilst the bonanza markets abroad have vanished.

I wish to offer, Mr. Chairman, a table which shows the extent to which the leading export nations succeeded or failed in recapturing the prewar share of various world markets, from 1947 to 1951.

The CHAIRMAN. Without objection, it is so ordered.

Mr. STRACKBEIN. In any event, since we do not yet know how far we are already exposed as a result of tariff reductions already made, it would be unwise and even foolhardy to expose ourselves to a yet greater degree before the returns are in, so to speak.

7. The dollar gap has been described as stubborn, and so it is. However, the economic disruption caused by the war and postwar developments have been of such a magnitude that no recovery of a balance need be expected in a short period. Yet, whereas the excess of our exports in 1947 over imports amounted to \$8.6 billion it had in 1950 declined to \$1.4 billion. The dollar gap, in other words, was on its way out. With the Korean outbreak the unbalanced condition was prolonged. We added military shipments to economic aid and as a result our exports were again stimulated artificially.

However, that such stimulation should create a requirement that our imports should expand proportionately when there has been no like artificial stimulation of them, does obviously not follow; and it is difficult to follow the logic of those who reason that it does. Our exports would not be as high as they are if they were not artificially stimulated. Our imports are not being subjected to such stimulation. They therefore would be expected to remain more normal and that is what they have been doing. The doctors of "trade not aid" would now administer synthetic medicines to boost our imports and they would soon indeed have a patient on their hands.

Much is made of the decline in East-West trade in recent years, and particularly since the Korean outbreak. In a recent speech by the Assistant Secretary of State for Congressional Relations, Mr. Thurston B. Morton, he stated that until World War II nearly one-third of western Europe's commerce was conducted with Russia, Poland, Hungary, Bulgaria, Rumania, and Czechoslovakia.

The following table shows the percent of total exports that went from various western European countries to the Iron Curtain countries named above, as well as the percent of imports derived from them:

	Percent of total exports to Iron Curtain		Percent of total imports to Iron Curtain	
	1938 †	1952	1938 †	1952
Germany.....	12.7	1.24	13.3	1.44
United Kingdom.....	3.5	0.54	4.6	2.35
France.....	4.5	0.92	3.7	1.16
Netherlands.....	5.8	1.06	6.8	2.00
Benelux.....	5.0	2.27	5.1	1.19

† 1938 for all countries, except Germany. German figures are for 1936.

Sources: Foreign Commerce Yearbook, 1939, 1951 (MS); Accounts Relating to Trade and Navigation of the United Kingdom, 1938, 1952; Tableau General du Commerce, 1938; Statistique Mensuelle du Commerce Extérieur, 1952; Yearbook of International Trade Statistics, 1951, United Nations; Der Aussenhandel der Bundesrepublik, December 1952; Jaarstatistiek van den In-Vit-En Doorvoer, 1938; etc.

This table shows that before World War II only one western European country maintained substantial trade relations with the iron-curtain countries, namely, Germany; and both exports and imports to and from the iron-curtain countries were less than 15 percent of the total German trade. In the case of the United Kingdom the trade was less than 5 percent of the total. France, the Netherlands and Benelux carried on a trade in the neighborhood of 5 percent of their total with the iron-curtain countries.

Where did Mr. Morton obtain his figure of one-third?

Similarly false notions exist with respect to the trade between the United Kingdom and China. This trade is not large, nor was it large before World War II.

In 1938 only 0.93 percent of total exports from the United Kingdom went to China, or \$21.3 million. In 1952 these exports had declined to 0.18 percent of total outgoing shipments or to \$12.7 million. Shipments to Hong Kong, however, rose from \$19.2 million in 1938 to \$79.6 million in 1952.

Again, in 1938 only 0.55 percent of British imports came from China. In 1952 this had declined to 0.12 percent. Imports from Hong Kong were very small both in 1938 and 1952.

The total trade of Western Europe has in any case increased appreciably in physical volume since 1938 or 1939, more than sufficient to offset the decline in trade with the iron-curtain countries. According to the Daniel Bell report the volume of European exports is now from 50 percent to 70 percent higher than before the war.

Japan is in a class by herself. China, Formosa, and Korea accounted for 42.2 percent of her imports in 1938 and only 3.98 percent in 1951. In 1938 as high as 61 percent of Japanese exports went to these three areas; in 1951; only 5.2 percent.

We believe that H. R. 4294 should be passed in essentially its present form. Section 8, relating to section 22 of the Agricultural Adjustment Act, should be strengthened in view of the apparent nonrenewal of section 104 of the Defense Production Act. However, I offer no specific language at this time to carry out this recommendation.

H. R. 4294 would go far to remove the unsatisfactory character of the escape clause under its current administration. It is a moderate bill in the light of the congressional responsibility in this field.

Proposals for another study of our tariff and foreign trade position have been made and steps have already been taken to launch such a study. Considering the results of the 2 studies that have already been made in the past 2 or 3 years, it is clearly desirable that another study be launched. However, we wish to offer two reservations:

1. H. R. 4294 should be enacted to cover the 1-year interim. In view of the very extensive concessions already made by the United States under the trade agreements program, unmatched in net liberalization of trade by any other country—concessions that have exposed us dangerously, we feel that enactment of the bill would go far to overcome the growing fear of virtual defenselessness of our industry, agriculture and labor against the fast-developing import competition that may in the meantime upset our whole economy.

2. The predominance of the congressional power rather than the executive in direction of the study should be made unmistakable and definite. The field belongs to Congress.

As a final word I think that it is desirable to pose a warning. Our foreign trade policy of the past 14 years, having flourished under the most favorable circumstances, like grasshoppers in the summer sun, bears in it the seeds of a disaster as great as the China policy, if not greater. While our attention was principally directed elsewhere the China policy sprouted and grew and flourished. By the time that we awoke it was too late for effective action and we were left in the unenviable position of hurling accusations and seeking a scapegoat. A little prudent precaution at this time in our foreign trade policy may forestall disaster on the domestic front.

(The material offered for the record by Mr. Strackbain is as follows:)

THE IMPORT QUOTA—SUITABLE INSTRUMENT FOR A LIBERAL TRADE POLICY

(By O. R. Strackbain, Chairman, the National Labor-Management Council on Foreign Trade Policy)

Import quotas as a protective device for domestic producers have been employed extensively by various trading nations during the past 3 decades. Recourse to quotas became intensified abroad during the depression of the early thirties. The purpose, however, was not always nor wholly the protection of domestic industry. In many cases the quota was used as a means of protecting the national currency by discouraging unnecessary imports.

The United States, on her part, has utilized import quotas quite sparingly. She has adopted several absolute quotas in pursuance of particular statutes, such as the Sugar Act, section 22 of the Agricultural Adjustment Act, and section 104 of the Defense Production Act. In addition she has negotiated a number of "tariff quotas" under the trade-agreements program. This type of quota is, however, not a true quota but represents a limited tariff concession. It simply permits a given quantity of an article to be imported at a reduced rate while any imports beyond that figure must continue to pay the unreduced rate. Such a quota may or may not be protective, depending upon the level of the unreduced rate. If that rate is not protective, the imposition of a quota at a lower rate obviously confers no protective function.

Import quotas may, of course, be used as highly restrictive devices against imports and if utilized in that fashion may be a more effective barrier to trade than the ordinary tariff. Because import quotas were used in a highly restrictive manner by other countries against imports from us our Department of State unwisely condemned quotas as such and sought their complete elimination. Quotas were and are often combined with other nontariff restrictions, such as

import licenses, exchange controls, bilateral trade agreements, and tariff concessions. In the aggregate these devices represent formidable barriers to trade and are generally used to control and direct foreign trade.

On the other hand, quotas can be employed as an instrument for the liberalization of trade, and in that respect may serve a highly useful purpose. They may be imposed, for example, not for cutting back the volume of imports but for the purpose of removing from imports their most damaging competitive effects. These effects, described below, are the most feared by domestic producers and are the most disruptive of domestic production, employment, and trade. By freeing trade from this fear, quotas may produce conditions that are relatively favorable to imports and their continuation at high levels.

Under the most-favored-nation clause a given tariff rate is applicable to all countries entitled to most-favored-nation treatment. Under the United States acceptance of the unconditional form of the clause this means at the present time virtually all countries except those under Communist control. In other words, if the tariff on cigarette lighters is 25 percent this rate will apply regardless of country of origin, with the exceptions noted.

The fact is that not all countries stand on an equal competitive level. A tariff rate, such as 25 percent, for example, that would be adequate against the goods shipped to us from countries in which the standard of living approaches ours would in many cases be too low to give similar protection against the same goods coming from lower-standard countries. If, on the other hand, the rate were raised to meet the competition from the latter source, in this instance, say to 50 percent, it might be excessive with respect to goods imported from the higher standard countries. Import quotas are free from this weakness. They could, moreover, be designed to assure to the higher-standard countries a fair share of our importation of given articles, whereas under a given tariff rate they might be at a competitive disadvantage in our market. The tariff need not be increased and in some instances might be lowered or even eliminated when import quotas are adopted. Foreign producers would then enjoy a margin which they could utilize to improve the living standards within their own country.

The import quota, if properly designed and administered, will serve its most useful purpose at precisely the time when competitive imports ordinarily in the absence of quotas, do their heaviest damage. Tariffs are neither as effective as quotas under such circumstances unless they are very high, nor do they offer the degree of flexibility that may be achieved with quotas.

To be specific, there are times, as in a seller's market, when imports of particular products can do little or no damage in our market for the simple reason that the market demand for these products is strong enough to absorb all the domestic supply plus imports at good prices. However, when production plus imports catch up with demand and the seller's market gives way to a buyer's market, imports may inflict a great amount of damage.

When prices have reached their highest level and stocks or inventories begin to grow because of declining demand, thus reflecting sales resistance or slowness of consumers to buy, the market becomes highly sensitive and producers begin to exercise caution. The same is true of those who buy the output of producers. A sudden fear of being caught with warehouses full of high-cost stock seizes the producer while the buyer does not wish to load up retail shelves with high-cost inventory. A widespread atmosphere of apprehensiveness is thus created.

When imports enter such a field with a competitive cost-advantage the dangers of a market break are intensified. The condition is aggravated under such circumstances by the natural efforts of domestic wholesale buyers, who have a chance of buying from domestic producers or from importers, to buy at the lowest prices. With the weight of growing inventories worrying the producers, the buyers are in the saddle. They are not slow to inform domestic producers that their prices are too high and that imported goods may be had at lower prices.

The domestic producers, seeing themselves thus hemmed in, take the first step to protect themselves against heavy losses from a high-cost inventory. They shorten the workweek or lay off employees or do both, hoping (1) to prevent a price cut by relieving pressure from excessive inventory, or (2) to contain the decline if a price reduction cannot be avoided, and (3) to work off their inventory by cutting back production, thus reducing their inventory loss and reaching an adjustment at a new level.

Such an "inventory adjustment" may succeed in arresting the deflationary run. In that event no greater damage may be done to the economy than is connoted by the term "recession." As soon as it becomes evident that the downward trend has been arrested and that prices have steadied, producers will recall their

workers or, if they have merely shortened the workweek, they will begin again to operate at full time.

If domestic producers have control of the situation the probability of thus arresting the deflationary movement is greatly enhanced. If, on the other hand, control is out of their hands, as it will be if imports continue to flow in at an unreduced rate, or if imports take up the reduction in output caused by domestic cutbacks, there will be no way of halting the downward trend and it will soon develop into the well-known spiral that leads relentlessly to a full-blown depression.

It is obvious that import quotas can be of inestimable help in efforts to contain the deflationary forces. Quotas will introduce an element of certainty into a field where uncertainty has become enthroned and works its havoc with tyrannical ruthlessness. The use of quotas will enable domestic producers to take into account the effects of a known volume of imports in planning their own production schedules. Furthermore, if the quotas are properly designed, imports will be called upon to participate proportionately in the decline in consumption by being cut back in keeping with such a decline. Thus, instead of nullifying the efforts of domestic producers to cope with the deflationary forces, by curtailing output, imports will bear their share of the responsibility in reaching an adjustment.

Obviously import quotas must be designed with this purpose in view if they are to fulfill this function. With appropriate flexibility that will permit participation in an expanding market as well as in a shrinking one, such quotas will perform the double function of sharing prosperity in a seller's market and neutralizing imports as a deflationary force in a buyer's market.

Involved in this design of quotas is a formula that will reserve to imports a stated percentage of the market. Ordinarily imports during a previous representative period would be used as a basis for calculating the share of the market that would be set aside for imports. An example will clarify the formula.

Assuming this share to be 15 percent, and assuming further that average domestic consumption during the representative period has been 1 million units per year, then if consumption during the current year were estimated to remain at 1 million units, a 150,000-unit share (i. e., 15 percent) would be set aside for supply by imports. Should domestic consumption increase to 1,500,000 units, imports would be entitled to 225,000 units (i. e., 15 percent of the higher figure). If, on the contrary, consumption should decline to 500,000 units, imports would be held to 75,000 units (i. e., 15 percent of the reduced figure).

In cutting the import cloth to fit the market the latter would be protected without imposing unfair restrictions on imports. Protection of domestic producers would come from several sources: (1) The volume of imports would be limited even if established at liberal levels, (2) certainty would replace uncertainty in assessing imports as a market factor and domestic production could thus be planned with greater confidence, (3) pressure on prices from imports would be eased since the foreign exporter could not sell more in our market by cutting his prices, and (4) plant improvements could be made, more efficient production equipment and methods installed by domestic producers, secure in the knowledge that low-priced imports would not disrupt the market and thus convert capital outlays into white elephants.

Protection for the consumer would in all ordinary circumstances be provided through the flexible provision which would permit imports to expand in proportion to the expansion of the market. However, a further element of flexibility should be introduced so that emergency market conditions might be met.

Domestic production may under certain circumstances fail to maintain its normal level of output. This may happen particularly in the supply of farm products or in the fisheries. Such a failure would ordinarily be reflected in contraseasonal declining inventories and rising prices. In order to protect the consumer against gouging and profiteering, import quotas should be designed for reopening and reexamination under stated conditions of such falling inventory levels and price increases. An additional volume of imports could then be authorized over a stated period of time until the market deficiency was corrected.

Further flexibility should also be introduced for greater protection of domestic producers who are caught in the tolls of a deflationary trend that does not respond to the ordinary "inventory adjustments" referred to above. Should domestic inventories continue to rise contraseasonally even though prices have fallen, thus indicating a grave maladjustment of supply and demand, it would be desirable to cut back imports in proportion to the curtailment of domestic production. In order to make quotas sufficiently flexible to meet serious economic

developments it would be desirable to divide annual quotas into quarterly or even monthly periods. Seasonality in domestic production and in imports could thus be taken into account. Natural seasonal rises and declines in inventories could then be ignored.

It is important under these circumstances to distinguish between "apparent consumption" which consists of domestic production plus imports, without regard to inventory trends, and actual consumption, which may be lower than apparent consumption when stocks are piling up. This can only be done, however, when reliable inventory reports are available. "Apparent consumption" would not reflect rising inventories at the very time when the development of surpluses becomes crucial to market stability. Actual consumption would reveal the true trend of consumer buying and would make possible the adoption of preventive measures before deflationary forces gain uncontrollable momentum.

The superiority of the import quota over the tariff as a preventive of market demoralization is easily recognized when the slowness of tariff adjustment is taken into account. In addition to this slowness in responding to emergency conditions, tariff rates are not readily tailored to produce desired effects. The competitive levels at which imports from different countries strike the domestic market, together with the difference in the capacity of domestic producers to meet price competition from abroad, make tariff rates uncertain in their effects.

The very fact that quota controls were available would of itself introduce a stabilizing market influence. While it is not necessarily the magnitude of import volume that inflicts competitive damage, since a volume equal to less than 5 percent of the market may disrupt it under sensitive circumstances, the availability of a holding device would minimize the characteristic disastrous reactions of markets ridden by fear. When the volume of competitive foreign goods available for shipment to this market at a price advantage is not known or if the volume is known to be high, or to be growing, while the domestic supply is already adequate to market demand, the threat of market disruption and injury contained in such prospective competition soon materializes as actual injury whether imports increase in fact or not—unless, of course, a workable defensive mechanism is at hand.

The flexible import quota would provide such a mechanism whereas a tariff rate would not do so unless it were high enough to be known to be distinctly restrictive. In that event the tariff would unnecessarily restrict imports. A quota could accomplish the function of overcoming fear by introducing certainty without dealing too harshly with import volume. It would substitute containment and certainty for the blighting effect produced by the anxiety that goes with a tariff rate not high enough to allay fear, on the one hand, or the highly restrictive effect on imports of a tariff that is obviously high enough to overcome the economic perils of anxiety, on the other.

Import quotas are sometimes condemned for throwing trade into a straitjacket; and it is entirely true that they lend themselves to this end. However, the straitjacketing of trade may be accomplished without quotas, and this undesirable effect of quotas may be avoided by the introduction of appropriate flexibility. It goes without saying that under certain circumstances and certain conditions of trade, tariffs are preferable to import quotas. This fact does not, however, rob quotas of their distinct advantages under circumstances such as those described above.

For example, it is alleged that existing trade patterns become frozen when import quotas are employed. Of course, to repeat, quotas can and are used in a rigid manner; but they need not be. To avoid this rigidity a certain percentage of a quota may be reserved for flexibility in source of supply (i. e., country of origin) if certain countries would have all the competitive advantages in the absence of such reservations and thus make it difficult for others to break into our market. The very act of setting aside a portion of the domestic market, as suggested above, would insure an opportunity for expanding imports should our market itself expand. Furthermore, if evidence should accumulate at any time indicating the desirability of increasing the percentage share of the domestic market to be offered to imports, public hearings could be called to determine the merits of such a course of action.

The administration of quotas may be more complex than the administration of the tariff. However, where the product is homogeneous and readily counted or weighed or measured, quota administration is simplified. Moreover, if the tariff itself could safely be relinquished when quotas are established, double administration would be avoided. Any product that is suitable to the application of a specific or a compound duty would lend itself to quota control. Many such

duties already exist in our tariff schedules. That other items would lend themselves to such treatment goes without saying. Even items that are heterogeneous in physical characteristics or highly varied in composition find a common denominator in dollar value and could thus be made subject to quota control.

In view of the superiority of the import quota over the tariff in many ascertainable instances, this method of regulating imports should not be surrendered merely because some countries have apparently abused the quota by using it as a highly restrictive instrument. Many instrumentalities that are in common use and performing a highly useful function could be and often are abused. That does not mean that their use should be outlawed.

World import trade—Percent of total imports derived from various selected sources

Importing country	From—	Percent in 1937	Percent in 1938	Percent in 1947	Percent in 1948	Percent in 1949	Percent in 1950	Percent in 1951
Belgium-Luxembourg.....	United States.....	8.5	10.8	26.5	17.9	18.1	18.7	16.1
	France.....	12.3	14.8	11.3	8.8	9.9	11.3	10.5
	Germany.....	11.4	11.3	2.7	5.8	6.9	8.3	8.0
	United Kingdom.....	8.8	7.9	9.8	9.7	8.8	9.6	8.3
	Netherlands.....	8.2	9.0	5.9	8.2	9.2	10.0	10.8
Czechoslovakia.....	Belgium Congo.....	8.2	8.4	7.3	7.4	7.5	7.5	7.9
	United States.....	8.8	10.2	10.2	4.8	(¹)	(¹)	(¹)
	Germany.....	17.3	18.9	1.0	2.3	(¹)	(¹)	(¹)
	France.....	5.3	4.6	3.5	2.5	(¹)	(¹)	(¹)
	United Kingdom.....	6.3	5.4	11.7	10.1	(¹)	(¹)	(¹)
Denmark.....	U. S. S. R.....	1.1	1.2	6.7	16.6	(¹)	(¹)	(¹)
	United States.....	5.2	7.9	19.6	14.3	16.2	9.2	16.1
	Germany.....	24.2	24.5	3.5	3.8	3.3	10.5	14.4
	United Kingdom.....	38.1	34.6	21.7	26.0	31.3	31.7	25.7
	Belgium-Luxembourg.....	2.6	7.9	8.0	6.9	8.2	1.8	4.6
Finland.....	Sweden.....	6.1	6.6	6.9	6.6	6.9	8.0	8.4
	France.....	1.1	1.2	3.3	3.2	4.7	8.5	5.7
	United States.....	9.3	10.4	22.7	10.3	7.3	.....	6.0
	Germany.....	16.4	18.1	3.0	3.9	2.6	.....	10.7
	Sweden.....	10.7	11.2	4.7	4.7	6.3	.....	5.0
France.....	United Kingdom.....	19.0	18.4	14.1	20.1	18.2	.....	14.2
	U. S. S. R.....	1.8	1.4	8.4	10.5	8.5	.....	6.1
	France.....	2.8	2.8	3.2	3.5	3.3	.....	5.9
	Denmark.....	3.8	3.6	6.0	7.6	5.4	.....	5.1
	Poland.....	2.5	3.0	5.1	7.1	4.9	.....	6.6
Germany.....	United States.....	9.5	11.5	26.4	16.6	17.8	12.3	11.3
	United Kingdom.....	8.0	7.0	3.2	8.0	3.5	3.7	3.5
	Germany.....	7.7	6.8	3.9	5.4	7.4	6.5	6.2
	Belgium-Luxembourg.....	7.2	6.9	5.2	3.7	3.4	4.6	4.7
	France Overseas.....	24.4	27.1	25.4	29.0	20.2	22.4	19.9
Italy.....	Italy.....	1.3	1.3	.7	1.7	.8	3.5	3.0
	United States.....	5.2	7.4	(¹)	54.4	34.7	15.2	18.5
	United Kingdom.....	5.6	5.2	(¹)	4.0	2.3	4.3	3.4
	Italy.....	4.0	4.5	(¹)	2.0	4.1	4.3	3.7
	France.....	2.8	2.6	(¹)	1.2	2.1	6.1	5.4
Greece.....	U. S. S. R.....	1.2	.9	(¹)	.1	.1	.1	.....
	Netherlands.....	3.9	3.6	.....	4.1	5.0	15.8	6.9
	Argentina.....	5.4	4.0	.....	2.4	2.0	2.4	2.8
	Sweden.....	4.2	4.8	.....	2.2	3.8	5.6	5.4
	Denmark.....	.....	.....	.....	1.7	2.1	4.3	2.9
Netherlands.....	United States.....	4.3	7.2	30.0	47.2	41.4	32.5	30.3
	Germany.....	27.2	28.8	1.5	4.6	3.8	8.0	4.0
	United Kingdom.....	11.0	13.0	9.6	7.5	9.1	12.4	9.8
	France.....	1.8	1.5	1.4	1.6	4.7	3.5	4.4
	Italy.....	2.9	3.4	5.0	4.5	4.1	6.2	9.2
Italy.....	Belgium.....	1.2	1.0	5.3	2.0	4.5	4.6	5.9
	United States.....	11.0	11.9	42.8	35.9	24.5	23.4	24.3
	Germany.....	18.6	25.8	1.2	2.1	4.4	8.2	7.2
	Argentina.....	7.6	2.4	5.1	12.0	5.0	5.3	5.0
	France.....	3.5	2.3	1.1	1.1	3.0	4.6	4.8
Norway.....	Switzerland.....	3.0	3.3	8.6	2.8	2.9	3.5	2.3
	United Kingdom.....	4.0	6.5	2.1	3.7	3.8	5.6	3.6
	United States.....	8.8	10.8	28.1	17.5	16.6	11.6	10.8
	Germany.....	21.1	21.8	2.3	5.4	6.8	12.7	12.4
	Belgium-Luxembourg.....	11.6	11.5	12.3	14.9	14.1	18.5	18.1
Norway.....	United Kingdom.....	8.3	8.1	9.6	9.4	11.0	9.9	8.2
	Indonesia.....	8.1	7.2	4.6	6.8	7.8	6.6	7.7
	France.....	3.9	4.6	4.6	4.8	6.8	4.8	4.2
	United States.....	8.5	10.0	24.9	13.4	13.5	12.2	12.5
	Germany.....	16.9	18.4	1.9	2.5	3.5	4.8	7.5
Norway.....	United Kingdom.....	18.3	16.2	19.3	18.4	21.3	22.1	22.9
	Sweden.....	10.7	11.5	8.4	13.3	14.0	14.4	12.1
	U. S. S. R.....	1.2	1.6	1.4	3.6	2.6	1.5	1.1

¹ Not available.

² Less than.

World import trade—Percent of total imports derived from various selected sources—Continued

Importing country	From—	Percent in 1937	Percent in 1938	Percent in 1947	Percent in 1948	Percent in 1949	Percent in 1950	Percent in 1951
Sweden.....	United States.....	13.8	16.2	31.4	14.1	9.6	8.8	9.4
	Germany.....	20.6	21.8	2.1	3.0	7.3	11.5	14.3
	United Kingdom.....	13.4	12.2	8.5	17.2	17.2	20.0	16.2
	Norway.....	3.3	3.5	3.0	3.1	3.9	3.0	3.2
	Belgium-Luxembourg.....	5.0	4.1	5.8	6.9	6.4	3.9	5.8
Switzerland.....	Netherlands.....	3.5	3.9	3.3	5.1	4.9	4.5	4.7
	United States.....	7.0	7.8	21.4	19.1	20.2	13.8	16.0
	Germany.....	22.3	23.2	2.8	6.5	8.8	11.0	15.4
	France.....	13.6	14.3	9.5	7.8	9.3	11.3	11.4
	Belgium-Luxembourg.....	4.2	4.3	8.9	8.0	6.0	5.2	7.2
Turkey.....	United Kingdom.....	6.2	5.9	6.7	7.1	7.3	8.1	6.7
	Italy.....	6.5	7.3	6.7	6.0	6.6	7.1	6.7
	United States.....	15.1	10.5	33.3	23.2	20.2	24.5	12.0
	Germany.....	42.1	47.0	3.1	7	3.9	17.6	23.0
	United Kingdom.....	6.2	11.2	12.6	24.3	17.2	10.4	16.9
U. S. S. R.....	Italy.....	5.3	4.8	13.0	9.0	5.0	4.7	7.0
	Czechoslovakia.....	2.6	3.9	4.9	5.4	7.7	4.7	2.5
	United States.....	18.2	28.5	(1)	.....	.....	.....	.....
	United Kingdom.....	14.3	16.9	(1)	.....	.....	.....	.....
	Germany.....	14.9	4.7	(1)	.....	.....	.....	.....
United Kingdom.....	China.....	5.8	7.7	(1)	.....	.....	.....	.....
	Iran.....	6.7	4.5	(1)	.....	.....	.....	.....
	United States.....	11.1	12.8	16.6	8.9	9.7	8.1	9.7
	Canada.....	8.6	8.6	13.0	10.4	9.8	6.9	6.6
	Australia.....	7.0	7.8	5.4	8.1	9.4	8.4	6.4
	Argentina.....	5.8	4.2	7.3	5.9	3.3	3.4	2.2
	India-Pakistan.....	5.7	5.4	5.3	5.1	4.9	4.7	4.9
	New Zealand.....	4.9	5.1	5.0	5.2	5.3	5.1	4.2
	Denmark.....	3.5	4.1	1.5	2.0	3.4	3.9	2.9
	France.....	2.5	2.5	1.7	2.2	3.3	4.2	3.4
Canada.....	United States.....	60.6	62.7	74.9	68.5	70.7	67.1	68.8
	United Kingdom.....	18.2	17.6	7.2	11.4	11.2	12.7	10.3
	United States.....	16.1	17.4	45.4	36.9	14.9	16.3	22.6
Argentina.....	United Kingdom.....	20.7	20.1	8.3	12.5	15.6	11.8	7.8
	Germany.....	10.7	10.3	(1)	.2	.2	2.2	8.0
	Italy.....	4.7	6.1	5.1	8.9	16.0	7.2	.....
	Brazil.....	5.1	8.1	8.2	8.2	7.7	9.5	.....
	Belgium.....	7.2	6.1	3.3	5.9	4.3	1.0	3.5
	France.....	4.2	4.7	3.0	2.1	10.0	14.4	10.0
	United States.....	23.1	24.2	61.3	51.8	42.5	34.5	41.8
	Germany.....	23.9	25.0	.....	.1	.5	1.8	5.6
	Argentina.....	13.9	11.8	6.4	7.1	10.5	10.0	6.2
	United Kingdom.....	12.1	10.4	6.8	10.1	12.9	12.3	8.5
Brazil.....	Dutch West Indies.....	2.8	3.2	4.3	6.4	7.1	8.1	4.8
	Japan.....	1.6	1.3	.....	2.1	2.1	.1	1.0
	United States.....	.....	27.8	43.7	42.5	54.2	47.8	56.1
	Germany.....	.....	25.8	.....	6.6	.2	2.0	5.2
	United Kingdom.....	.....	10.1	5.2	.6	7.9	11.5	7.2
Chile.....	Peru.....	.....	5.8	13.2	13.2	10.7	7.2	4.6
	Argentina.....	.....	4.4	10.6	9.6	4.4	5.4	7.8
	Brazil.....	.....	4.9	4.5	4.5	4.3	4.5	2.0
	United States.....	.....	49.9	71.2	69.7	71.0	68.4	.....
	Germany.....	.....	17.4	2.1	.1	.9	4.8	.....
Columbia.....	United Kingdom.....	.....	11.1	3.9	5.6	5.4	4.6	.....
	France.....	.....	3.4	1.6	1.5	1.8	1.8	.....
	Canada.....	.....	.....	2.9	2.7	3.2	3.8	.....
	United States.....	.....	70.9	86.7	79.6	83.2	79.1	83.2
	Germany.....	.....	4.4	2.1	(1)	.2	.5	.9
Cuba.....	United Kingdom.....	.....	4.2	1.4	1.6	1.4	1.6	3.2
	Canada.....	.....	.8	.9	1.7	2.5	3.0	3.0
	Spain.....	.....	1.5	1.5	1.3	1.5	1.2	.....
	United States.....	.....	39.6	34.6	71.1	72.7	76.4	64.8
	Germany.....	.....	24.1	24.1	2.1	2.1	.6	5.0
Ecuador.....	United Kingdom.....	.....	10.1	7.7	6.8	6.3	5.6	5.9
	Japan.....	.....	3.2	7.4	2.1	2.1	2.1	7.1
	Belgium.....	.....	.....	.8	3.8	3.9	7.4	6.2
	United States.....	.....	62.2	57.7	88.4	86.7	83.3	84.4
	Germany.....	.....	16.1	18.9	2.1	2.1	.4	1.4
Mexico.....	United Kingdom.....	.....	4.6	4.1	2.0	2.9	1.9	2.3
	France.....	.....	3.3	4.0	.8	.4	.5	1.2
	United States.....	.....	34.3	58.3	54.2	63.0	52.7	56.3
	Germany.....	.....	20.3	2.1	.1	.1	.8	2.6
	United Kingdom.....	.....	10.1	6.6	6.9	9.3	16.5	12.0
Peru.....	Argentina.....	.....	6.1	13.4	17.6	4.7	3.7	3.6
	France.....	.....	2.3	.6	.5	1.0	1.8	2.1

1 One-fourth of this based on estimates.

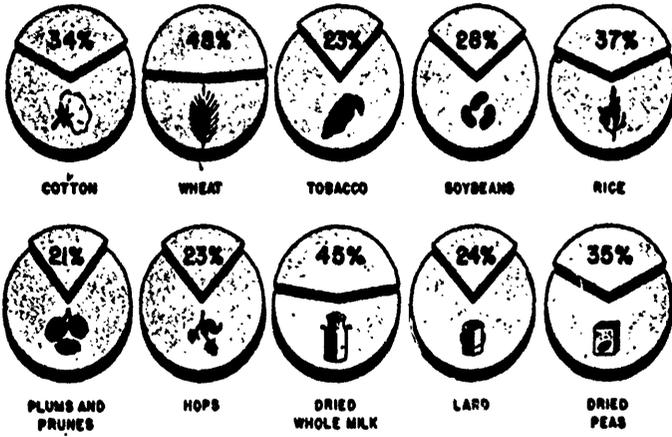
2 January through August.

World import trade—Percent of total imports derived from various selected sources—Continued

Importing country	From—	Percent in 1937	Percent in 1938	Percent in 1947	Percent in 1948	Percent in 1949	Percent in 1950	Percent in 1951
Venezuela.....	United States.....		56.4	74.1	77.8	73.6	68.1	67.4
	Germany.....		12.0	2.1	.2	1.3	3.0	4.4
	Belgium.....		7.3	1.1	1.5	1.6	1.6	2.2
	United Kingdom.....		7.0	5.7	6.5	7.9	7.2	6.3
	France.....		3.0	1.3	1.3	2.2	1.9	2.6
China.....	Netherlands.....		5.2	.7	.8	(1)	1.3	1.7
	United States.....	19.8	17.0	51.4	45.4	34.9	13.4	
	Japan.....	15.7	23.5	1.5	1.1	2.9	11.0	
	Germany.....	15.3	12.6	2.1	2.1	2.1	2.1	
	United Kingdom.....	11.7	7.9	7.8	8.2	2.5	1.9	
	Indonesia.....	8.4	5.1	.4	2.0			
	India.....	1.3	1.8	5.4	10.9	1.5	.9	
	U. S. S. R.....	.1	.6	.4	.8			
India ^a	Australia.....	1.7	3.1	1.9	1.4	.5	.4	
	Hong Kong.....	2.0	2.8	2.1	1.8	32.7	49.0	
	United States.....	7.4	6.4	30.3	20.1	15.7	20.5	23.5
	United Kingdom.....	29.9	30.5	30.2	29.4	27.1	21.7	16.7
	Burma.....	14.9	16.0	2.8	3.6	2.5	3.3	2.7
	Germany.....	8.8	8.5	2.1	.4	1.0	1.8	3.0
	Japan.....	12.8	10.1	2.1	1.2	4.1	1.8	2.6
Indonesia.....	Pakistan.....				16.0	11.1	7.5	11.4
	United States.....	10.2	12.6	38.4	22.4	25.3	20.0	20.0
	Japan.....	25.4	18.0	7.8	16.6	7.1	10.3	19.3
	Netherlands.....	19.1	22.2	14.5	19.3	21.4	17.4	11.3
	United Kingdom.....	8.3	8.0	7.9	8.4	10.3	7.4	6.1
	Malaya.....	8.2	8.5	6.6	2.7	2.6	4.7	5.2
	Germany and Austria.....	8.8	10.3	1.1	.2	1.7	3.0	5.4
	Australia.....	2.5	2.8	2.3	2.8	.4	.8	1.3
	India.....			2.0	1.3	1.4	1.2	3.7
	Burma.....			2.2	2.1	3.1	5.4	3.7
Japan.....	United States.....	26.8	24.3	91.9	64.7	64.2	44.0	32.7
	Korea.....	11.8	18.5	.5	.7	.4	1.7	
	China, Kwantung, Manchuria.....	15.5	25.6	1.0	3.6	2.4	4.1	3.7
	India.....	9.5	4.6	1.9	4.1	1.5	1.8	3.0
	Formosa.....	8.3	10.8	(1)	(1)	2.6	3.9	2.6
	United Kingdom.....	2.2	1.7	1.8	.8	.6	.7	1.5
	Australia.....			.1	1.2	2.6	7.9	6.7
	Mexico.....				.9	.6	1.6	4.8
	Canada.....							
	United States.....	2.3	3.1	10.1	11.7	6.2	3.1	4.6
Malaya.....	Indonesia.....	32.4	27.0	19.2	19.7	17.0	26.7	30.1
	United Kingdom.....	15.6	18.7	19.3	19.0	20.8	17.5	16.6
	Thailand.....	13.6	15.7	8.5	7.2	10.4	11.0	8.1
	Japan.....	6.0	2.3	.5	.7	2.2	3.2	5.2
	Burma.....	4.2	4.6	2.3	5.2	4.8	1.4	1.7
	China.....	4.1	4.4	8.9	6.0	4.3	3.3	3.2
	India.....				2.0	3.4	6.5	4.3
	United States.....	58.4	68.5	86.3	82.9	80.9	73.4	71.5
	Japan.....	14.8	9.6	.2	.4	2.8	4.2	7.0
	China.....	3.0	2.3	2.8	4.0	1.8	1.0	2.1
United Kingdom.....	2.4	2.0	.6	.9	.9	1.5	1.4	
Thailand.....	Indonesia.....	2.1	2.2	.5	2.6	2.8	4.6	2.3
	United States.....	5.1	4.7	22.6	10.4	15.7	14.8	30.4
Australia.....	Malaya.....	27.3	25.7	17.8	32.6	17.2	14.0	19.2
	Japan.....	19.9	14.9	2.1	2.3	8.3	25.9	26.1
	United Kingdom.....	12.1	11.8	7.3	6.8		11.4	19.6
	Hong Kong.....	7.5	9.7	30.6	24.8	17.3	10.2	
	China.....	3.2	4.1	4.2	8.6	4.4		
	United States.....	15.9	14.6	19.0	19.7	10.0	9.7	8.1
	United Kingdom.....	41.4	40.4	35.6	38.9	50.4	51.8	44.8
New Zealand.....	Canada.....	7.2	7.7	8.2	4.7	2.9	2.5	2.1
	India.....	2.8	2.9	8.3	7.9	6.2	5.1	5.1
	New Zealand.....			1.8	1.3	1.0	.9	.6
	United States.....	12.4	12.4	18.1	10.8	9.6	7.3	9.4
	United Kingdom.....	49.6	47.9	42.8	52.3	55.1	60.1	54.1
Union of South Africa.....	Australia.....	11.7	12.9	11.6	11.1	12.8	12.1	10.2
	Canada.....	8.1	8.8	9.0	3.4	3.9	2.3	2.7
	United States.....	20.6	19.2	35.8	35.7	27.0	15.3	19.6
	United Kingdom.....	42.0	43.2	29.0	31.3	39.6	39.7	35.3
	Canada.....	3.5	3.5	6.1	5.5	5.5	4.0	3.7

^a These are fiscal years: 1937-38; 1938-39; 1947-48; 1948-49, etc.

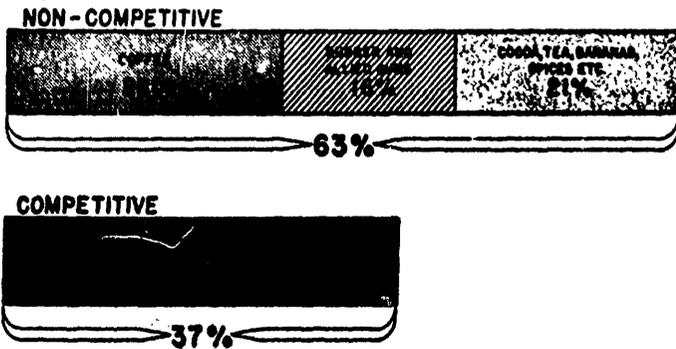
LARGE PART OF FARM PRODUCTION IS EXPORTED
1951



COMMODITIES EXPORTED IN EXCESS OF
80 MILLION DOLLARS
1951



MOST OF U.S. FARM IMPORTS ARE NON-COMPETITIVE
1951



Percentage of import duties collected on total imports on basis of value

[All calculations based on national currencies]

Country	Calendar year 1948 or fiscal year 1948-49	Calendar year 1949 or fiscal year 1949-50	Calendar year 1950 or fiscal year 1950-51
Europe:			
United Kingdom.....	39.6	35.6	34.6
If tobacco duty omitted.....		8.8	11.1
France.....	8.0	10.8	11.2
Italy.....	8.0	9.4	11.0
Switzerland.....	9.9	11.8	12.0
Portugal.....	10.0	11.2	13.6
Turkey.....	14.8	16.1	15.0
Austria.....	2.0	3.2	2.4
Belgium.....	3.6	4.1	4.1
Denmark.....	3.2	3.1	2.4
Netherlands.....	5.0	6.0	5.7
Norway.....	4.0	4.2	3.6
Germany.....	3.8	4.7	6.2
Sweden.....	4.6	5.4	5.8
Asia:			
India.....	23.2	22.2	25.7
Burma.....	16.2	30.3	34.7
Ceylon.....	33.1	32.4	34.3
Iran.....	34.9	18.1	19.9
Iraq.....	15.7	19.0	
Pakistan.....	23.4	29.6	54.8
South America:			
Argentina.....	7.5	6.9	8.7
Brazil.....	7.8	11.5	8.0
Chile.....	197.0	249.5	221.8
Colombia.....	10.4	8.9	10.3
Peru.....	17.2	11.9	6.8
Venezuela.....	11.7	13.5	16.8
Egypt.....	26.2	26.7	20.5
Australia.....	18.8	18.7	17.1
Canada.....	8.4	8.4	10.2
Mexico.....	18.6	22.5	
Costa Rica.....	9.7	16.0	10.0
Guatemala.....	18.1	19.4	
Haiti.....	34.7	51.1	42.7
Panama.....	13.6	14.9	15.3
United States.....	5.3	6.3	6.9

† 1951: 5.5 percent.

The CHAIRMAN. Does that conclude your testimony, Mr. Strackbein?

Mr. STRACKBEIN. It does, Mr. Chairman.

The CHAIRMAN. You presented a very thorough study of the situation.

I want to ask two questions. The Ways and Means Committee has been greatly concerned about taxation. I am wondering how much of a bearing some of the recent adjustment in taxation in our competing countries will affect us. Our Federal, State, and local taxes are now consuming almost 30 percent of the national income of the United States.

We find our individual income-tax rates ranging from a minimum of 22.2 percent to a maximum of 92 percent.

We now have a top corporate rate of 52 percent. And when the excess-profits-tax rate of 30 percent is added to the total of the corporate rate, we have a top corporate rate of 82 percent.

Now, right north of us is a country with which, of course, we are very friendly. But we have our problems, and they have theirs. Canada has been reducing her taxes. The lowest income-tax rate in Canada is 17 percent, and the highest rate is 80 percent. The Canadians have no excess-profits tax at all. The top corporate rate in Canada for 1954 will be 47 percent, with a 20-percent rate on the

first \$20,000. And they have an exemption of \$1,000 for single men, \$2,000 for married people. They have removed many of their sales taxes and other taxes.

In view of that picture, would you say that was leading them to a point where they would have a distinct tax advantage in competing with us?

Mr. STRACKBEIN. Well, Mr. Chairman, I am not a student of taxation, and I don't know the effect of tax reduction on prices. I would say that if these reductions in taxes do enable those countries to reduce their costs, whereas we, by contrast, are not able to do so, then obviously they would gain an additional competitive advantage over us.

The CHAIRMAN. I think your answer is a very fair answer to my question. Here is another phase of this taxation question that I think concerns this committee, and I think it has some pertinency.

According to all the statistics that I have been able to find, if we are going to have free enterprise succeed in this country, we have to provide jobs for approximately 600,000 to 800,000 persons coming into the labor force each year. And most of those jobs, under a free-enterprise system, can only be developed with venture capital, either from what the corporations earned or from the savings of the people. They cannot save very much with the tax rates which exist now. I have forgotten the figures of the proposal to bring in refugees here in large numbers, to add to that.

Now, it cost in 1945 about \$5,000 to give a person a job. There had to be that much of an investment in plant, machinery, and so forth, to give them that job. That has risen now to about \$11,000 on the average. And in some cases, such as in the oil industry, it takes about \$30,000 investment in plant and machinery to give a man a job. That is done largely with venture capital.

Now, the question is, with these lower tax rates from abroad, and competition coming in, are people going to feel like venturing their hard-earned money, money that they have saved, in order to take up this slack of 600,000 or 800,000 new workers plus maybe a million refugees or whatever the number is they may bring in?

I know that there is a certain school of thought that believes that you can let a foreign industry come in here and take over our payroll. Our country lives on payrolls. You can go through communities all through our States—Pennsylvania, New York, New England—a little village with a fine central school, swimming pool, tennis courts, nice homes, gardens, everything that typifies American life at its best in the small community. But it is not the farming area alone that is supporting that community. Thousands of citizens, hundreds of thousands of them, through the country depend on payrolls.

A certain school of thought says, "Let the foreign people come in, and let these people go into something else." Well, we haven't yet arrived at the point where we can do that. And, if we let a foreign industry take over our payroll, that payroll is spent in that foreign country. It is not the profits that supports a community.

I do not want to give a lecture on this, but I do want to have this thing worked out. Because Great Britain has individual income taxes lowered now, and the excess-profits tax will be terminated as of Jan-

uary 1, 1954, she has a much more liberal depreciation allowance than we have.

To indicate how important the British believe tax reduction to be, I scribbled off a few statements last night. I quote from a speech of Mr. Butler, Chancellor of the Exchequer, delivered in the House of Commons on April 15, 1953. In commenting on the tax-reduction program presented in his budget, Mr. Butler said:

The question now is: Can we, and should we, stop at this? Will the change alone give our industries sufficient stimulus to get production rising, and rising fast enough to overtake the decline of last year and go on to the new high levels we need? All the evidence suggests that we ought, if we can, to do more. Even with the steps we have taken, we are not likely to bring out the full production of which we are capable. In fact, if we do no more, there is a real danger of a lull, a sort of ebb tide, in the economy. We must get out of the slack water, lighten the ship, and give her way.

He means seaway.

In other words, if we want vision, enterprise, and an expanding future, we must, if we can, throw off some of our burdens.

That is the approach they are making.

France, another country that competes with us, has lowered her tax rates income, corporate, all down the line. Italy is another one that imports. There is a proposition up before the Tariff Commission now on tobacco pipes. There are people who advocate letting our domestic pipe industry collapse and the people employed in it find employment in other fields. That pipe industry is over 100 years old. It is not easy for those people to adjust themselves to some new line of work. We put a couple of billion dollars in Italy, and yet she is reducing her taxes and wants to get into our market.

I am one of those who firmly believe, whether I am right or not, that because of the fact that we sell in that market from 7 to 8 percent of everything that we produce in this country it is clear that that is a market we cannot afford to surrender, what with a minimum of 600,000 to 800,000 new workers annually added to our labor force, including, we will say, 500,000 students coming out of our schools. We cannot afford to leave them idle or permit them to go on the relief rolls.

When we talk about fighting communism, you take that number of unemployed, especially the students in our schools and colleges who have prepared themselves to go into the free-enterprise system in this country, and let them remain idle and go on relief and see how much communism you are going to develop out of that.

I am only giving this little statement here, because during the hearings I would like to have some of these questions answered. And this committee voted 21 to 4 to begin reducing taxes before we run into a depression. It had better not be stalled off much longer, or we will see the clouds rolling up along the horizon. We will see the signals out and the cyclone cellars being opened.

These other countries have had the vision and the sense to do what we ought to do, reduce taxes.

Are there questions on this side?

Mr. Jenkins will inquire.

Mr. JENKINS. If it is appropriate, I want to commend and congratulate my chairman on the very fine dissertation he has given us on taxes; all of which is very pertinent at this time.

Now, Mr. Strackbein, I want to compliment you, as the chairman has, on the very fine presentation you have made. I followed you line by line and word by word; and I, of course, agree with you that, philosophically at least, you have given us a very good statement of your views.

I want to ask you this: I know you as an expert in the details of this matter before us that we call the trade-agreements program. Are you going to be available if we need you or want you later for questioning?

Mr. STRACKBEIN. Yes, sir; I will hold myself available.

Mr. JENKINS. In reference to some of these details?

Mr. STRACKBEIN. Yes.

Mr. JENKINS. Now, then, I am very much impressed with what you say on the bottom of page 2. As we know, for the last 40 or 50 years we have had in this country, and before that, a problem that we call tariff for revenue. It seems like that is passing out now, because, according to your figures here, the whole tariff on all imports has been only about 5 percent of the dollar volume.

Mr. STRACKBEIN. Yes; the collections in 1952 were approximately \$575 million, from import duties.

Mr. JENKINS. Yes. Now, then, I am not going to ask you any more questions than this.

Mr. STRACKBEIN. And that is somewhat less than 1 percent of our total tax collections, I might add.

Mr. JENKINS. This catchy phrase, "Trade, not aid"—according to these figures, we have given them not only all our trade but we have also about given them all our aid. We have aided until we have traded ourselves out. And it does look to me as though it is time for us to halt and look after our own business before we get too far extended.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Boggs?

Mr. BOGGS. Mr. Chairman, I would like to ask a few questions.

Mr. Witness, I notice in the beginning of your statement you say:

My appearance before you is in my capacity both as chairman of the newly formed Nationwide Committee of Industry, Agriculture, and Labor. * * *

Now, what segment of industry do you speak for?

Mr. STRACKBEIN. Such segments, Mr. Boggs, as are represented by the organizations that appeared at the meeting and that have become or are becoming members or agree with the statement of principles and declaration of policy that we made. I have inserted into the record a list of these organizations. I would be glad to read them to you if you want to hear them.

Mr. BOGGS. You do not speak for the United States Chamber of Commerce, do you?

Mr. STRACKBEIN. No; the United States Chamber of Commerce was not at our meetings.

Mr. BOGGS. Do you speak for the National Manufacturers Association?

Mr. STRACKBEIN. I do not.

Mr. BOGGS. You also refer to agriculture. What segments of agriculture do you speak for?

Mr. STRACKBEIN. At this meeting, going down the list and picking out the agricultural producers, were the California Almond Growers Exchange, the American National Cattlemen's Association, the Cali-

ifornia Fig Institute, the Florida Fruit & Vegetable Association, the National Federation of Grain Cooperatives, the National Association of Hot House Vegetable Growers, the National Independent Meat Packers Association, the Western States Meat Packers Association.

Now, the National Milk Producers Federation was there, but I do not want to say that I speak for them.

The Mushroom Institute, the Northwest Nut Growers Association, the Sun-Kist Growers, the Basic Vegetable Products, Inc., the California Walnut Growers Association, the Wine Institute, the National Wool Growers Association, the Pacific Wool Growers.

That is all I find in the line of agriculture.

Mr. BOGGS. Do you speak for the Farm Bureau Federation?

Mr. STRACKBEIN. No.

Mr. BOGGS. Do you speak for the National Grange?

Mr. STRACKBEIN. No.

Mr. BOGGS. Now, I notice you also mention labor. Do you speak for the American Federation of Labor?

Mr. STRACKBEIN. The American Federation of Labor speaks for itself. I speak for some of the unions that are affiliated with the American Federation of Labor.

Mr. BOGGS. But you do not speak for the American Federation of Labor?

Mr. STRACKBEIN. I do not purport to speak for the American Federation of Labor.

Mr. BOGGS. Do you purport to speak for the CIO?

Mr. STRACKBEIN. No.

Mr. BOGGS. Do you purport to speak for any other nationally organized labor groups?

Mr. STRACKBEIN. The United Mine Workers are a member of this nationwide committee.

Mr. BOGGS. Now, what is the Foreign Oil Policy Committee?

Mr. STRACKBEIN. That is a question that I think would best be answered by the National Coal Association and the Independent Petroleum Associations who are interested in that matter.

Mr. BOGGS. Are you a member of that organization?

Mr. STRACKBEIN. I am a member of it, a member of the executive committee.

Mr. BOGGS. Well, do you speak for the Foreign Oil Policy Committee?

Mr. STRACKBEIN. I do not speak for it. I am a member of it.

Mr. BOGGS. But you are not representing them here today?

Mr. STRACKBEIN. The United Mine Workers—I think you will find someone representing the United Mine Workers on that list. I believe you will. That is my impression, anyhow. I do speak for them in this particular field of tariffs and trade. And also the National Coal Association.

Mr. BOGGS. I do not want to interrupt you, but I do not quite understand your answer. You say you do not speak for the Foreign Oil Policy Committee, but that the United Mine Workers will speak for—

Mr. STRACKBEIN. No; this Oil Policy Committee will speak for itself. I am not authorized to speak for them. The National Coal Association is a member of this nationwide committee. So are the United Mine Workers.

Mr. BOGGS. Well, you are a member of the executive committee of the Foreign Oil Policy Committee. What is the Foreign Oil Policy Committee?

Mr. STRACKBEIN. It is a committee that has been established to consider the problems, and to try to find a remedy, caused by the heavy importation of residual fuel oils.

Mr. BOGGS. And who is it made up of?

Mr. STRACKBEIN. I don't have with me a list of members, but it is made up of the coal industry, and I think of the independent oil producers, not the large oil producers, not the big companies, but the independent oil producers, and the United Mine Workers, and perhaps some related industries that are affected by the conditions in the coal-mining industry and in the independent petroleum industry. Now, I don't have the names. I think that they will testify. I think that you will have an opportunity of gaining from them the list of their membership. I don't think they have anything to hide.

Mr. BOGGS. Now, if my memory serves me correctly, you have testified before the committee on previous occasions with respect to the Trade Agreements Act.

Mr. STRACKBEIN. I have; yes.

Mr. BOGGS. It seems to me that you testified in 1949; did you not?

Mr. STRACKBEIN. If that was one of the years in which the extension of Trade Agreements Act came up, I would say "Yes."

Mr. BOGGS. Have you testified each year that it has come up?

Mr. STRACKBEIN. I have; that is, since 1948, or 1947.

Mr. BOGGS. Have you ever testified in favor of the Trade Agreements Act?

Mr. STRACKBEIN. I have never testified against it.

Mr. BOGGS. Well, maybe I should rephrase my question. Have you ever testified for a straight extension of the Trade Agreements Act as written at that particular time?

Mr. STRACKBEIN. I have never thought that the Trade Agreements Act as it had been written was perfect. I have always felt that it needed modification and amendment. So I have on every occasion, so far as I know when I have testified, made suggestions which I thought would improve the act.

Mr. BOGGS. Are you familiar with the speech that Assistant Secretary of State Morton made in New Orleans last week?

Mr. STRACKBEIN. I certainly am familiar with it.

Mr. BOGGS. Do you agree with the expressions contained in that address?

Mr. STRACKBEIN. I disagree almost totally with that speech.

Mr. BOGGS. Would you say that Mr. Morton spoke for the administration?

Mr. STRACKBEIN. That I would like to know, and shall launch some inquiries to find out.

Mr. BOGGS. You say you have launched some inquiries to find out?

Mr. STRACKBEIN. I intend to. I would be very much surprised if Mr. Morton's speech actually reflected the policy of the administration in this field. I say that in view of the President's message to Congress on the state of the Union, his inaugural address, and the statements that he has made to the press.

Mr. BOGGS. Well, now, I would just like to read a paragraph or two from his speech. He said, on page 6 of the copy which I have:

President Eisenhower, recognizing the dangers, and aware of the need for trade to strengthen the economic foundations of the free world, has recommended to Congress the extension for 1 year of the present Reciprocal Trade Agreements Act as an interim measure.

Do you think that he was speaking without authority when he said that?

Mr. STRACKBEIN. No; I think Mr. Morton is making a statement of fact, that the President has asked a 1-year extension of the present so-called reciprocal trade agreements law. I think Mr. Morton is making a statement of fact. The President did ask for such an extension. But that, Mr. Congressman, is not the whole of Mr. Morton's speech. Because he is right in this one paragraph does not make him right in the many other paragraphs.

Mr. BOGGS. He says on page 7:

You are probably all aware that hearings will begin on April 22—

Of course, that was before we put the hearings off until today—

before the House Ways and Means Committee to decide which of the crossroads the United States shall take in its trade policies. The hearings will be held on a bill which could tear the vitals out of the present Reciprocal Trade Agreements Act.

Is that the bill that you are testifying in favor of?

Mr. STRACKBEIN. I don't recognize it by his description, but I assume he is talking about the same bill. Would you mind reading the next sentence?

Mr. BOGGS. Now, mind you, I am reading from Mr. Morton's speech, that of the Assistant Secretary of State.

Mr. STRACKBEIN. This is not a quotation of the President. This is Mr. Morton's own language you are reading now.

Mr. BOGGS. Yes; it is not the President's language. I thought I made that clear.

Mr. STRACKBEIN. I am sorry. I didn't get the distinction.

Mr. BOGGS. But he purports to speak for the President.

Mr. STRACKBEIN. Does he? in this?

Mr. BOGGS. Well, I couldn't imagine him not speaking for him. He is the Assistant Secretary of State. Of course, we don't have anybody here from the State Department. If there were somebody here, I could ask them.

Now, he goes on to say:

Adoption of such a bill would create consternation among countries of the free world and would lend credence to the Communist theme that the United States wants to sell but it does not want to buy.

Mr. STRACKBEIN. Now, Mr. Boggs, the reason that question that—Mr. Morton in that paragraph was speaking for the President—is that that last sentence that you have just read represents no variation from the same type of speech that has been made by the Department of State representatives for the last 18 years.

Mr. BOGGS. Well, I would not think it would. He is asking for a continuation of a policy. It could not represent any variation.

Mr. STRACKBEIN. May I ask you a question? May I address a question to you?

Mr. BOGGS. Well, it is a bit unusual; but go ahead.

Mr. STRACKBEIN. Well, then, may I make an observation?

Mr. BOGGS. Sure.

Mr. STRACKBEIN. That the State Department of the past 18 years, and specifically in 1951, was not in agreement with and was strongly opposed to the present Trade Agreements Act. So if the President advocates the extension of the present act in its present form, he is not conforming to the old State Department policy, because they opposed it.

Mr. BOGGS. Then are you saying that Mr. Morton conforms to the old State Department policy?

Mr. STRACKBEIN. I say this statement here, this paragraph that you just read, is in such close conformity with, and the President's position is so different from, the previous State Department policy, that I do not believe that this paragraph represents the President's point of view.

Mr. BOGGS. Well, now, I want to be certain that I have established this speech properly. I hold in my hand an official press release of the Department of State. It says:

DEPARTMENT OF STATE

For the press.

Caution:

Future release—

and so forth. It goes on and tells the time of release—

Speech by the Honorable Thruston B. Morton, Assistant Secretary of State for Congressional Relations, before the Eighth Mississippi Valley World Trade Conference, Jung Hotel, New Orleans, La., Friday April 17, 1953, 1 p. m. central standard time.

Mr. STRACKBEIN. Yes.

Mr. BOGGS. Now, it is inconceivable to me that the Assistant Secretary of State of the United States would make a speech, released officially by the Department of State of the United States, if he was not authorized to make the speech.

Mr. STRACKBEIN. I assume that he was authorized.

Mr. BOGGS. There are several other questions that were raised in my mind by this speech. Mr. Morton said, at page 6:

In the postwar period, from 1946 to 1952, the accumulated dollar deficit of the United States with the rest of the world amounted to approximately \$34 billion. It was covered by aid from the United States, and the use of gold and dollar reserves. With the reduction of foreign aid, which has made possible a large part of the United States shipments abroad of agricultural and manufactured products, exports will drop sharply unless we increase our imports and permit other countries to earn the dollars needed to maintain their purchases of American products.

Do you agree with that statement?

Mr. STRACKBEIN. I have pointed out that exports of agricultural products have already dropped sharply, even while our aid is continuing. Now, there may very well be further declines in our exports of agricultural commodities, as other countries bring back their agricultural lands into full production and begin to ship to the world markets again in greater force, the markets which they held before the war but which fell into our lap, so to speak, during and immediately after the war.

Mr. BOGGS. Then you disagree with the statement made by the Assistant Secretary of State?

Mr. STRACKBEIN. I do not disagree with it. I said the drop in exportation is already starting, even hand in hand with the heaviest import volume that we have ever enjoyed in history, and even under the economic aid that we have extended abroad and the military aid which we have extended abroad. Even under those circumstances, our exports are declining; our exports of agricultural products in particular are declining, and declining rather alarmingly.

Mr. BOGGS. Well, do you think that we can reverse that trend? For instance, in cotton and tobacco and in wheat? In the case of cotton, almost a third of our crop was exported, and maybe more. In the case of tobacco, it is either that much or more. This year it has been announced that, beginning in the crop of 1954, quotas will have to be imposed upon at least the production of cotton and wheat.

Do you think that we are going to improve our market for the export of agricultural commodities if we start imposing import restrictions on products from other countries?

Mr. STRACKBEIN. I believe that if we established import quotas, flexible import quotas, of the type that I have recommended, the injury which ordinarily comes from imports can be largely neutralized.

Now, when you say "trade barriers" or "trade restrictions," I assume that you mean import quotas as well as tariffs.

Mr. BOGGS. I do.

Mr. STRACKBEIN. I believe that import restrictions in the form of quotas can be put on without injuring import trade, if the quotas are properly designed.

Mr. BOGGS. You would then advocate, though, that we continue to appropriate funds to the foreign buyers, so that they would have money enough to buy our cotton and wheat and tobacco? How would they buy it otherwise?

Mr. STRACKBEIN. Our imports in 1952 amounted to \$10,500,000,000. Now, that is a fair piece of change for them to use with which to buy our products.

Mr. BOGGS. How much did our exports amount to?

Mr. STRACKBEIN. Our normal peacetime exports did not amount to but very, very little more than our normal imports. In addition to that, we sent abroad military equipment and foreign aid.

Mr. BOGGS. Now, wait. Excuse me for interrupting. You gave me an import figure of \$10 billion. Now, when I ask you on exports, you start hedging and qualifying and saying, "our normal." What makes you think our imports were normal?

Mr. STRACKBEIN. There is every reason to make that distinction. That was a considerable part of my statement. It dealt with that distinction between our abnormally stimulated exports, on the one hand, and the much more normal imports, on the other. With the national income that we have, and with the full employment that we have had, during the war and since the war, you would have expected our imports to rise. They did rise. You would not have expected our exports to go as high as they did, except for the fact of our supplying the war-damaged countries. That is what I call the abnormal stimulation of our exports. Those exports, a considerable part of them, were not normal peacetime exports. They did not represent normal international trade.

Now, the point that I am making, to try to force our imports to balance those abnormal exports, is to inject an artificial factor into our

trade which will destroy, if we insist upon forcing such a balance, our private international trade.

Mr. Boggs. Well, I am certain that I am not going to convince you, and you will not convince me, but there are 1 or 2 other questions I want to ask you.

No. 1 is: Why; in your statement, did you go out of your way to criticize the press of the United States?

Mr. STRACKBEIN. I think it is a well-known fact that most of the metropolitan press, as I have said, has given very, very little space to what for want of a better term I would say is the side of this question which I represent. And they have been giving a great deal of space, and they have been giving an increasing amount of space, to the other side, for many years, and particularly in the last few months.

Mr. Boggs. Well, are you saying that the press is biased on this subject?

Mr. STRACKBEIN. I have not said that.

Mr. Boggs. Well, I believe you said more than that.

On what page of your statement did you refer to the blue penciling, and so forth? As a matter of fact, you went a lot stronger than that.

Mr. STRACKBEIN. I hope I did.

Mr. BOGGS. You said the newspapers are parties in interest.

Mr. STRACKBEIN. Yes; I said that. And I will repeat it.

Mr. BOGGS. I want to get this straight in my own mind. You are saying that because the newspapers import newsprint they will not present the other side of this picture.

Mr. STRACKBEIN. I say that the newspapers are a party in interest, the same as any other group or organization in this country that is affected by this trade-agreements program. And therefore they are in no different position, when they make a public statement on this question, than anyone else who has taken sides in it. They are a party in interest, in the fact that they rely heavily upon imported newsprint, which was bound on the free list in one of the very early trade agreements.

Now, as you know, Mr. Congressman, there is a newsprint industry in the United States in the States of Alabama and Texas. I don't know how large it has grown. It supplies something, I believe, like 10 or 15 percent of the newsprint consumed. That is subject to verification. I do not stand on those figures.

Assume that a duty of 20 percent were placed on newsprint. At the importation of \$500 million a year, this would mean \$100 million collected in duties.

The newspapers are in no different position from the cotton growers. The cotton growers have an absolute quota on the only cotton that competes with American-produced cotton, namely, long-staple cotton. They have not a flexible quota but an absolute quota.

And you mentioned the wheat farmers. The wheat farmers have an absolute quota on the import of wheat. There is an absolute quota on the import of wheat flour.

Mr. Boggs. Well, we have gotten away from the question.

Mr. STRACKBEIN. The point that I make, however, is that the newspaper-publishing industry, particularly the large metropolitan papers, have a stake in this program and, therefore, are no different from

anyone else in making up their minds whether they are for or against a particular legislative proposal.

Mr. BOGGS. Well, I think that is a fantastic blanket indictment of the press of the country, and I am glad that I do not subscribe to it.

It seemed to me that when you were here last, in 1949—and I do not have a transcript of the testimony in front of me, but that is the way it seemed to me—you were very strong for a bipartisan commission. It seemed to me that you told this committee that by having a bipartisan commission the decisions to be reached would be objective. Today you come in and ask for the creation of a partisan Tariff Commission. Now, what accounts for your reversal?

Mr. STRACKBEIN. Well, about 15 or 16 cases which have been passed on by the Tariff Commission since that time, since the time that the escape clause was put into the law, have convinced me that my previous judgment about the equally divided bipartisanship of the Tariff Commission was not suited as an instrument to this type of action, the escape clause.

Mr. BOGGS. Do you mean by that, No. 1, you would have a partisan Tariff Commission?

Mr. STRACKBEIN. I would have the Tariff Commission made up exactly as the Interstate Commerce Commission, the Federal Power Commission, and the Federal Communications Commission, where in each case they have an odd number of members. The Tariff Commission is the only commission that has an equal number of members. And I explain in my statement why it was set up in that fashion in the first place.

Mr. BOGGS. Well, in the first place, I think that your comparison of the Tariff Commission to the Interstate Commerce Commission and the other boards and agencies in the Government is not a valid one.

The Tariff Commission deals in the field of foreign policy.

Mr. STRACKBEIN. The Tariff Commission deals in the field of foreign policy?

Mr. BOGGS. Why certainly it does.

Mr. STRACKBEIN. The Tariff Commission is an agency of Congress, and Congress, under the Constitution, regulates our foreign commerce.

Mr. BOGGS. Well, you have made my point.

Mr. STRACKBEIN. Foreign policy is a very much broader thing. Foreign affairs is very much broader than foreign trade.

Mr. BOGGS. Let us make it "foreign economic policy." You do not deny for one moment, do you, that there is a question of relationship with other nations involved in the settlement of tariffs?

Mr. STRACKBEIN. No; I so stated in my statement, that we are not legislating in a vacuum.

Mr. BOGGS. Now you have advocated the creation of a partisan Tariff Commission. Is that right?

Mr. STRACKBEIN. I am advocating a Tariff Commission of 7 members, not more than 4 of whom should come from 1 party.

Mr. BOGGS. Now I want to ask you another question. When you say "partisans" in this connection, do you mean political partisans or economic partisans? Do you mean a partisan like Secretary Morton, or a partisan like my good friend, Dan Reed?

Mr. STRACKBEIN. I refer, naturally, to the two major political parties in the United States.

Mr. BOGGS. But you do not specify the type of economic philosophy that the particular partisan might have?

Mr. STRACKBEIN. No. That cannot be done beforehand. And it should not be in the law.

Mr. BOGGS. So that you would not object to the appointment of a man like Mr. Morton to the Tariff Commission if we created it?

Mr. STRACKBEIN. I would want to look over the credentials of any candidate or anyone about to be appointed to the Tariff Commission, regardless of his party affiliation.

Mr. BOGGS. But you would not object to him on the basis of the speech that he made in New Orleans, for instance?

Mr. STRACKBEIN. If that speech reflected his point of view, instead of perhaps representing a speech that was handed to him, I would say that I would not favor his sitting on the Tariff Commission, regardless of his party affiliation.

Mr. BOGGS. You mean you would not object to him if he just read the speech, if somebody handed it to him?

Mr. STRACKBEIN. I did not say that. I said if what he said in that speech does represent his outlook or his position on this.

Mr. BOGGS. Do you doubt that it represents it? He made the speech.

Mr. STRACKBEIN. He made the speech, indeed.

Mr. BOGGS. Well, are you saying he did not mean it?

Mr. STRACKBEIN. It is entirely possible that Mr. Morton made a speech, as many other public officials do, written by someone else, as everyone knows. Now, in the State Department there are some hold-overs from the previous administration who are still appearing before committees of Congress and otherwise making speeches.

Mr. BOGGS. Well, Mr. Morton sat here in Congress with us, and he was a distinguished Member of the Congress, and on behalf of Mr. Morton I resent the implications that you make.

Mr. Chairman, I do not have any further questions.

The CHAIRMAN. Mr. Kean will inquire.

Mr. KEAN. On page 12 or 13 of this presentation, you acknowledge that there is a problem in the dollar gap.

Mr. STRACKBEIN. Oh, yes.

Mr. KEAN. And, as I understand it, what you are advocating and thinking is possible is that, instead of increasing our imports to correct this thing, we can reduce our exports.

Mr. STRACKBEIN. No, Mr. Kean; I take this position——

Mr. KEAN. That is the way I read it. And I read it over twice, too.

Mr. STRACKBEIN. No. No; I say: Don't throw the weight of the whole Government policy behind the stimulation of exports. They have already been abnormally stimulated as a result of the war and the conditions developed in the war.

Mr. KEAN. Well, then you would reduce it.

Mr. STRACKBEIN. No; I would say: Let nature take its course. I would not take steps specifically to reduce exports. Of course not.

Mr. KEAN. But you think, if you let nature take its course, the exports would be reduced.

Mr. STRACKBEIN. I believe that if the other exporting nations, such as England, Germany, Japan, are given an opportunity to regain

their prewar share of the markets of the world that they held, naturally it will put a squeeze on our exports. Those markets fell in our lap, so to speak, during and after the war, when England, Japan, Germany, Italy, France, and so forth, were engaged militarily and could not export. We had to export. In fact, the demand for our products was so heavy that we had to put on export controls, so that our exports would be equitably distributed.

Now, as these other countries are recovering, making their economic recovery, and as their factories are being rebuilt and their farms rehabilitated, if they go out to export as they did before the war, they find that in many instances we are entrenched in the markets that they used to supply.

Now, I have supplied a table which shows the extent to which we supplied these foreign markets in 1947 compared with 1938.

Let's say that before the war we supplied 15 percent—this is a purely hypothetical figure—of the total imports of Argentina. Then during the war and after the war, instead of 15 percent, we went up to 50 percent, and supplied 50 percent of the whole Argentine market. Now, after 1947, the European countries began again to seek recapture of their prewar market, as was to be expected. Now, by 1951, our share, which had gone up to 50 percent, had come back to about 30 or 35 percent, but was not yet back to the prewar 15 percent.

I say that, in the natural course of events, obviously it will require several years for these export-dependent countries, such as Japan and Germany, to regain their prewar share of the market. And your dollar-gap problem is solved. You have a reestablishment of multi-lateral trade.

Mr. KEAN. How many American workers are employed in the export business?

Mr. STRACKBEIN. Well, various figures have been, of course, published on that.

Mr. KEAN. What is it? Around 5 million?

Mr. STRACKBEIN. Oh, I don't think that 5 million people would be required to produce \$15 billion worth of goods.

Mr. KEAN. No; that does sound large.

Mr. STRACKBEIN. It sounds totally out of line.

Mr. KEAN. You do not know how many, though?

Mr. STRACKBEIN. No; but I could obtain an estimate if you desire it.

Mr. KEAN. Because, if we reduced our export business, those people would be thrown out of work.

Mr. STRACKBEIN. If we reduced our exports, there would be a proportionate displacement, undoubtedly, of workers employed in those export industries.

Mr. KEAN. So, what you are recommending is that we do not displace anybody in the businesses that might be affected by imports, but that we do displace the people that would be affected by exports?

Mr. STRACKBEIN. I am not saying, Mr. Congressman, that we should reduce our exports.

Mr. KEAN. But you are saying that we should not encourage them?

Mr. STRACKBEIN. We should not encourage our exports at the expense of our producers for the domestic market. The Government should stand neutral between the two groups.

Mr. KEAN. I think that that is a sound thing; that the Government should be neutral as far as possible. But, however, ever since

1919, with the exception of a year or two, when some of our people were foolishly buying a lot of foreign bonds, our exports have been financed by our taxpayers. First, there was the money after World War I, supposedly lent to European countries. Then there was a little period when we were buying foreign-government bonds. Then came the purchase of gold. Then came lend-lease. Then came the Marshall plan. Then came "mutual aid." It seems to me that the taxpayers of this country have been financing our export trade.

Now, I want to get this off the necks of the taxpayers of the United States, and it seems to me that perhaps if we could gradually have a little more imports it would help protect the taxpayers of the United States, because everybody is a taxpayer.

Mr. STRACKBEIN. Mr. Kean, as we import more, we must distinguish what these imports consist of.

Mr. KEAN. Right.

Mr. STRACKBEIN. Now, we can import more coffee and bananas and tea.

Mr. KEAN. That is the ideal that you are talking about.

Mr. STRACKBEIN. Now, there are other products that we can import without directly causing unemployment in this country. But there is a sector of our economy where increased imports will have a direct impact on our own domestic producers. And that is where I say we should exercise caution. We have reduced our duties. We reduced them at a time when we cannot even tell the effects of these reductions. Now, before we go on in that same direction, we had better first find out how far we have already gone and how far we have already exposed ourselves. It may be that we will find that we have already gone too far, as in some instances we have, in my estimation.

Mr. KEAN. What you say about exercising caution and what you have just said in all of your last paragraph, except maybe the last sentence, I agree with thoroughly. We must exercise caution. We cannot put these businesses which are employing a great many people, in which capital has been invested, which have been protected by the tariff, out of business; and we shouldn't.

Mr. STRACKBEIN. May I add just this one further thing? The extension of this bill in its present form might mean further trade agreements in the next year. I don't know just what is contemplated. But what we are concerned about is that the present escape clause, particularly as it has been administered, has not given us the type of remedy that we have got to have in order to preserve our position. If it does turn out, when we go into a buyer's market, that our tariffs have been cut too deeply on a wide front, we can be overwhelmed.

Now, by saying "overwhelmed," I don't mean that necessarily a great flood of imports will come in. But when even a small percentage strikes a highly sensitive market, it can start a deflationary force that will be exceedingly difficult to stop. That is what we are talking about, and that is the burden of my statement here.

WASHINGTON, D. C., June 23, 1953.

Mrs. JOHN G. LEE,
President, League of Women Voters,
Washington, D. C.:

Your statement June will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

LEAGUE OF WOMEN VOTERS OF THE UNITED STATES,
Washington 6, D. C., June 23, 1953.

The Honorable EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR SENATOR MILLIKIN: The enclosed is a statement of the League of Women Voters of the United States on the reciprocal trade agreements program. We would appreciate it if you, as chairman of the Senate Committee on Finance, would insert this into the record of the hearings.

Sincerely yours,

Mrs. JOHN G. LEE, President.

STATEMENT TO THE SENATE FINANCE COMMITTEE BY MRS. JOHN G. LEE, PRESIDENT
LEAGUE OF WOMEN VOTERS OF THE UNITED STATES IN SUPPORT OF THE RECIPROCAL
TRADE AGREEMENTS ACT

The league appreciates this opportunity to present to the Senate Finance Committee its views on international trade and on the bill, H. R. 5496, now before you which would extend the Trade Agreements Act for 1 year and would increase the Tariff Commission from 6 to 7 members.

The league's interest in international trade dates back to the 1920's. The league first supported the Trade Agreements Act in 1936, and at its last convention in April 1952, delegates from local leagues throughout the country reiterated their support for a United States trade policy that would expand world trade and increase United States imports.

Briefly, the league's position at present, is as follows:

1. We would like to see the Trade Agreements Act in its present form extended for 1 year while a commission is allowed time to study the whole of United States foreign economic policy.

2. The league would like to see the administration and the Congress adopt a trade policy that would be more effective than is the present Trade Agreements Act in promoting world trade and especially in encouraging United States imports.

3. The league is opposed to the escape-clause and peril-point amendments in the present act and would like to see them modified. Perhaps the Commission studying our foreign economic policy will recommend such modifications.

4. The league questions the wisdom of increasing the size of the Tariff Commission.

I would like to explain the league's position a little more fully on each of these points:

1. The league is fully aware that the new administration needs more than a few months to formulate policies in the many fields of foreign relations as well as in areas of domestic policy. To us it seems desirable that a commission composed of representatives of the Congress, the executive branch of the Government, and private citizens make a study of our policies on trade, foreign aid, and other international economic obligations and see that these policies are consistent with each other and consistent with the long-range foreign policy objectives of the United States. The league hopes the Commission will report in time to have its recommendations studied by interested citizens throughout the country as well as by Members of Congress and the executive branch. We believe the time limit set in the Senate bill is preferable to that of the House bill.

At the same time the league would like to caution that there is a danger in waiting a year before the United States formulates a new trade policy. All free nations are looking to the United States and are waiting to see what our international trade policy will be. Many of these countries will not take steps to liberalize their own policies until they see that the United States is willing to increase imports. The result may be a continued decline of American exports.

Another possible result is that if other countries cannot be assured of a United States policy that will encourage imports they will look to the Soviet Union for the commodities they need to keep their economy healthy.

2. The present Trade Agreements Act is not adequate to meet the situation in world trade that is confronting the United States. The present act assumes that world trade is in balance and that we cannot offer a trade concession unless other nations offer trade concessions in return. What is needed by the United States is a policy that will help correct the serious disequilibrium of trade existing in the world today which is reflected in the large dollar gap. If this condition continues to exist and our foreign-aid program is reduced, the United States economy and the economies of all free nations will suffer. The United States is the greatest creditor nation in the world today, and if we do not take the leadership in reducing our barriers to trade, other nations will not reduce theirs.

3. In 1951, Congress added the escape-clause and peril-point amendments to the Trade Agreements Act. The league questions whether it is possible to set a peril point; that is, a point below which a domestic industry will suffer injury because of imports. Moreover, the league objects to the principle that at no time should imports injure a domestic industry. We believe that imports furnish competition and that competition is generally healthy to the American economy. If we have laws in this country against monopoly which impairs competition, then we should not at the same time have laws which assist domestic industries to obtain a monopoly of the American market.

The league objects to the present provisions of the escape-clause amendment because they also assume that domestic industries must be protected from import competition. We do think that national security must be considered in terms of protecting some industries which are vital to our defense. But we do not think one industry should be protected at the expense of the public interest and at the expense of endangering our foreign policy objectives of a peaceful and economically healthy world. We believe the escape-clause amendment creates the impression abroad that at any time the market in the United States may be cutoff or seriously curtailed. The league would like to see a tariff policy that represented greater stability.

4. The league would like to see the Tariff Commission remain a fact-finding nonpolitical body. If the number of members on the Tariff Commission is increased from 6 to 7, we fear that partisan considerations will enter into and may come to dominate the findings of the Commission. The league believes that if the Tariff Commission's nature is changed, the public might lose confidence in its studies.

The league emphasizes the importance of the fact-finding nature of the Commission because of its limited terms of reference. The Tariff Commission is not required to consider the national interest; it is not required to consider foreign policy objectives; it is not required to consider national security; it is not required to consider the consumer; it is not required to consider the effect of a tariff increase on the level of United States exports. It is asked to consider only whether a particular industry has been hurt; or might be hurt in the future because of imports. We believe that the President must be free to view a recommendation by the Tariff Commission in light of the larger factors enumerated above.

In conclusion, let me say that members of the League of Women Voters will continue to work in our communities to arouse interest in and greater understanding among all citizens of the importance of world trade. Finally, we believe that a United States policy of expansion of world trade is one of the very best ways to work toward increased living standards and toward international cooperation to solve our common problem.

WASHINGTON, D. C., June 23, 1953.

Mr. ROLAND L. KRAMER,

Secretary, Foreign Traders Association of Philadelphia, Inc.,

Philadelphia, Pa.:

Your telegram June 22 will be printed in record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,

Chairman, Senate Finance Committee.

FOREIGN TRADERS ASSOCIATION OF PHILADELPHIA, INC.,
Philadelphia, Pa., June 22, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.

MY DEAR SENATOR MILLIKIN: We understand that, while there will be no public hearing by the Senate Finance Committee on H. R. 5495, briefs will be accepted. Enclosed is a copy of a night letter which we sent to the Representatives from this area, when the subject was being considered by the House, and are now sending to you so that you may know our position in this matter.

Sincerely,

ROLAND L. KRAMER, *Secretary.*

Our members still disapprove H. R. 4294. We approve H. R. 5495 but vigorously oppose provision increasing membership of Tariff Commission. This fact-finding body has been free of politics for 37 years. Increasing membership to seven will make it political, which is a distinctly backward step in tariff administration.

ROLAND L. KRAMER,
Secretary, Foreign Traders Association of Philadelphia, Inc.

COOPERATIVE WOOL GROWERS OF SOUTH DAKOTA AND MINNESOTA,
Minneapolis, Minn., June 22, 1953.

Senator EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: Many thanks for your telegram advising us that your committee has extended until June 23 the period to submit written statements of various views on H. R. 5495.

This problem of world trade has many ramifications, most of which you have studied for many years; so, it is rather hard for a common layman like myself to point out many factors with which you are not already acquainted.

To me, however, this is a cold-blooded proposition. Seldom do we read or hear about many types of duties invoked by nearly every country in the world even though they are parties to our Trade Agreements Act. It seems that some study should be made of this situation to determine whether reciprocal trade is being given both ways or whether our country, as in the case of our foreign-aid program, is continually giving more and, therefore, expected to give more in the future.

We cannot destroy our domestic industry which is needed for the national welfare of our Nation. Wool is a perfect example, with several countries exporting to us large quantities of either raw or semiprocessed products under a system of currency manipulation, subsidies, and grants such as we have never seen before. Our entire trade problem in wool and probably in other commodities is gradually becoming one in which we attempt to compete as private producers against foreign governments and not the individual producers residing there.

Last but not least, it seems sheer folly that in the case of wool we, as producers, are being given a price-support program only to find that our entire market is taken away from us through imports of foreign wool, either raw or processed, at prices well below the support price. Either the importations or the price-support program is wrong.

In my humble opinion, H. R. 5495 simply extends this unsatisfactory and eventually unworkable program. It is for that reason our organization and the writer feels some safeguards must be included in H. R. 5495 if we are to survive. This is the only statement we have to make, and your kind consideration of our viewpoints will be very much appreciated.

Sincerely,

CARL J. NADASDY, *General Manager.*

MINNEAPOLIS, MINN., June 12, 1953.

Senator EUGENE MILLIKIN,
United States Senate:

In behalf of the more than 2,000 individual woolproducers comprising our organization, we wish to express unalterable opposition to H. R. 5495 unless it contains provisions to protect agriculture against the dumping of foreign products

at prices below parity or price-support levels as has been done in the case of wool through foreign government subsidies and currency manipulations. We will appreciate your keeping this in mind when voting on this vital legislation.

CARL NADASDY,
General Manager, Cooperative Woolgrowers of South Dakota and Minnesota.

SAN FRANCISCO, CALIF., June 17, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Senate Finance Committee,
 Senate Office Building, Washington, D. C.:*

Wine Institute, representing principal winegrowers of the United States, respectfully urges that Senate Finance Committee hold public hearing before acting upon H. R. 5495 to extend Reciprocal Trade Agreements Act.

H. A. CADDOW,
General Manager, Wine Institute.

SAN FRANCISCO, CALIF., June 21, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Committee on Finance,
 Senate Office Building, Washington, D. C.*

DEAR SENATOR MILLIKIN: Your courtesy in affording an opportunity for presentation of views on H. R. 5495 is appreciated.

The undersigned appeared before the Committee on Ways and Means on May 1, 1953, in support of the procedural provisions of H. R. 4294 (the original Simpson bill) on behalf of 16 winegrower associations representing about 95 percent of the entire United States production. That statement is part of the printed record on H. R. 4294, but for ready reference a copy is herewith attached. Our statement here will not repeat the data and arguments there given, but will be directed to this particular bill.

We have no objection to H. R. 5495, so far as it goes. But it contains not one single provision designed to cure, or even ameliorate, the plainly defective provisions of present law with regard to any case involving injury to American industry.

Under the present law, the Tariff Commission is required to consider whether or not imports are injuring, or may injure, American industry; and H. R. 5495 continues this provision. But there it stops. Any findings of injury and corrective recommendations made by the Commission are transmitted to the President, but from that point on the Congress has provided no standard of conduct or statutory guide whatsoever for administrative disposition of the case.

The proceedings before the Commission may thus be reversed for any reason, e. g., because of a different conception of what constitutes injury than that set by statute for the Commission or because of political reasons effectively advanced through diplomatic channels on behalf of foreign exporters. In other words, after the case has left the Tariff Commission, it moves to a new forum where there are no prescribed rules, and to which American industry has no statutory access to analyze or rebut arguments there offered to persuade a change in, or complete disregard of, injury findings made by the Commission pursuant to the statute.

We respectfully suggest to the committee that the present statute, and the bill H. R. 5495, fail to recognize the basic principles of fair play now generally provided for in all phases of administrative law, and also the sound principles usually regarded as desirable in laying out a program for the administration of a delegated function of the Congress. We also respectfully suggest that the most sympathetic attitude on the part of administrative officials is no proper substitute for a defective statute.

In the passage of this legislation through the Congress, and the comments made in the press, we have noticed a tendency to fight today's tariff battles with yesterday's arguments.

This country is no longer a high-tariff nation; less than half our imports are dutiable, and the dutiable goods are paying only 12 percent on their value. The general round of tariff reductions since the war, at Geneva, Annecy, and Torquay, have changed the problem. Today's real tariff problem is to what extent the Congress is going to provide a fair standard of conduct and a fair

procedure to handle cases of injury to American industry so that all parties will feel that they have had their day in court.

Further, today's economy is different. In the past, many sections of the country were individually devoted to a single manufacture, or to a single crop or mineral, and tariff arguments easily broke along geographical lines. Today, the interstices in the earlier economy are filling up as the population increases; there is a diffusion of economic effort no longer geographically identifiable. The parade of witnesses before the Committee on Ways and Means in support of H. R. 4294 were representative of a tremendous number of industries all over the country, not individually of great size, but in the aggregate representing one-quarter to one-third of the Nation's economy. They did not ask for an embargo on foreign goods, but rather only for a fair statutory standard and a fair procedure under which the fact of injury to this portion of the American economy could be ascertained on its merits and reasonable relief be afforded.

In the public press, and in the so-called Bell report, great stress has been laid on the excess of exports over imports, dollarwise, as making necessary increased imports even at the expense of injury to American industry. This morning's New York Times (Sunday, June 21, 1953, sec. 3, p. 1, column 1) states that, as arms exports have slowed down, exports and imports are, and are expected to be, practically in balance. This was predicted by a number of the witnesses before the Committee on Ways and Means.

In conclusion, we respectfully urge this committee to report an amendment to H. R. 5495 which would have the effect of providing a fair standard and a fair procedure for determination on the merits of any question of injury to American industry. Any question of expansion of our export trade on a sound economic basis can and should be made the subject of thorough future study. But the immediate problem of fair standards and procedures with respect to domestic injury should not, we submit, be any further delayed.

Respectfully submitted.

WINE INSTITUTE,
EDWARD W. WOOTTON,

Manager, Wine Institute, Washington Office, 900 National Press Building, Washington, D. C.

STATEMENT OF EDWARD W. WOOTTON, MANAGER, WASHINGTON OFFICE, THE WINE INSTITUTE, SAN FRANCISCO, CALIF., BEFORE THE HOUSE WAYS AND MEANS COMMITTEE

Mr. WOOTTON. My name is Edward W. Wootton. I am manager of the Washington office of the Wine Institute, 900 National Press Building, Washington, D. C. Wine Institute is the trade association for the California wine and brandy industry, with principal offices at 717 Market Street, San Francisco.

This statement in support of H. R. 4294 is authorized not only by the California wine industry but also by principal wine associations in other parts of the United States, including: Associated Vintners of the Middle West; North Carolina Association for Wine Control; Wine Association of Pennsylvania; Council Bluff Grape Growers Association; New Jersey Wine Association; Finger Lakes Wine Growers Association; Maryland Institute of Wine and Spirit Distributors; Bottle Fermented Champagne Producers, Inc.; Vermouth Institute, Inc.; American Wine Association; Ohio Grape Growers Institute; National Wine Association; Texas Wine Association; Wine Distributors of Northern California; and the Ohio Grape Growers and Vintners Association.

I have letters here from those associations and some have asked that they be included in the record.

The CHAIRMAN. Without objection, it is so ordered.

(The letters referred to follow:)

AMERICAN WINE ASSOCIATION,
New York 17, N. Y., April 28, 1953.

Re Bill H. R. 4294.

EDWARD W. WOOTTON, Esq.,
American Wine Association,
National Press Building Washington, D. C.

DEAR SIR: Please be advised that the American Wine Association endorses the above-captioned bill.

You are authorized on its behalf to represent the association at any hearings to be held in this connection. You are further authorized to register our endorsement of this bill.

Yours truly,

AMERICAN WINE ASSOCIATION
By: HENRY J. BUCHMAN,
General Counsel

CHICAGO, ILL., April 24, 1953.

EDWARD W. WOOTTON,
Wine Institute,
National Press Building, Washington, D. C.:

You hereby have our authorization to speak for our organization before Ways and Means Committee re H. R. 4294, Simpson bill tightening tariff escape clause and peril-point procedures.

ABRAHAM FINKELSTEIN,
President, Associated Vintners of the Middle West.
ALLEN H. SCHULTZ,
General Counsel.

BOTTLED FERMENTED CHAMPAGNE PRODUCERS, INC.,
Washington 6, D. C., April 24, 1953.

Mr. EDWARD W. WOOTTON,
Wine Institute,
900 National Press Building, Washington, D. C.

DEAR MR. WOOTTON: As you are aware the Bottle Fermented Champagne Producers, Inc. is very much interested in at least maintaining the escape clause of the present tariff law and any other possible protection for the industry. Since you plan to appear at the hearings this will be your authorization to speak in our behalf. For me to appear would, of course, be repetition; the efficacy of which I doubt.

Sincerely yours,

FRANK M. LUDWICK,
Executive Vice President.

COUNCIL BLUFFS, IOWA, April 24, 1953.

EDWARD W. WOOTTON,
Wine Institute,
National Press Building, Washington, D. C.:

We authorize Edward W. Wootton to speak on our behalf in regard H. R. 4294, Simpson bill.

COUNCIL BLUFFS GRAPE GROWERS ASSOCIATION.
A. F. MARTIN.

NAPLES, N. Y., April 24, 1953.

EDWARD WOOTTON,
Wine Institute, 900 National Press Building,
Washington, D. C.:

Retel please act for our association for any protection afforded by pending legislation.

N. H. PAUL,
President, Finger Lakes Wine Growers Association.

MARYLAND INSTITUTE OF WINE AND SPIRIT DISTRIBUTORS, INC.,
Baltimore 2, Md. April 24, 1953.

Mr. EDWARD W. WOOTTON,
Wine Institute, National Press Building, Washington, D. C.

DEAR MR. WOOTTON: This will authorize you to include our institute in your presentation before the committee with regard to H. R. 4294.

With kind personal regards, I remain

Very truly yours,

I. WILLIAM SCHIMMEL, *Executive Secretary.*
BROOKLYN, N. Y., April 27, 1953.

EDWARD W. WOOTTON,
900 National Press Building, Washington, D. C.:

Retel on behalf of the National Wine Association authorize you to state for the record that we are in favor of the H. R. 4294 Simpson bill and authorize you to speak on our behalf, and to file any briefs, arguments, etc., for the bill in our name.

MEYER H. ROBINSON,
President, National Wine Association.

JERSEY CITY, N. J., April 24, 1953.

EDWARD W. WOOTTON,
900 National Press Building, Washington, D. C.:

New Jersey Vintners Association authorizes you to voice our vigorous support of H. R. 4294, Simpson bill, tightening tariff escape clause. Testimony given on pages 842-847, volume 10, of official transcript for reciprocity information, etc., panel C agriculture hearing of June 20, 1950, before Committee for Reciprocity Information, still holds true today.

WM. J. GHIGLIONE,
President, New Jersey Vintners Association.

VERMOUTH INSTITUTE, INC.,
New York 17, N. Y., April 28, 1953.

Re bill H. R. 4294.

EDWARD W. WOOTTON, Esq.,
American Wine Association, National Press Building,
Washington, D. C.

DEAR SIR: The Vermont Institute vigorously endorses House bill 4294.

Please register our endorsement of this bill. You are further authorized to appear on behalf of Vermont Institute before any congressional committee considering this bill and express our views.

Very truly yours,

VERMOUTH INSTITUTE, INC.,
By ABRAHAM BUCHMAN, *Counsel.*

SANDUSKY, OHIO, April 29, 1953.

Mr. EDWARD WOOTTON,
Wine Institute, 900 National Press Building,
Washington, D. C.:

The Ohio Grape Growers and Vintners Association wholeheartedly supports H. R. 4294, Simpson bill, in order to afford the necessary protection to an American industry already beset with many grave and serious problems as evidenced by the fact that the wine industry is 1 of 8 classed as a depressed industry by the Secretary of Treasury under income-tax regulations and has been for several years. It is imperative that you voice the approval of the Ohio grape farmer and vintner for H. R. 4294 and that this telegram or a copy of the same be presented to the Ways and Means Committee at the hearing and made a matter of record thereof.

M. F. YENNEY,
Secretary, Ohio Grape Growers and Vintners Association.

AVON LAKE, OHIO, April 29, 1953.

EDWARD W. WOOTTON,
Care of Wine Institute, Washington, D. C.:

Are authorizing you to speak in our behalf supporting bill 4294. Will file no statement.

OHIO GRAPE GROWERS INSTITUTE,
A. G. HINE,
NORTH CAROLINA ASSOCIATION FOR WINE CONTROL,
Raleigh, N. C., April 25, 1953.

Mr. EDWARD W. WOOTTON,
Wine Institute, National Press Building,
Washington, D. C.

DEAR MR. WOOTTON: Many members of this association have already expressed their feelings regarding H. R. 4294 to their Senators and Congressmen from North Carolina.

It is our thought that our industry as well as other small industries should lend their full support to this bill. Therefore, we respectfully ask that you express our views before the House Ways and Means Committee, as we are most anxious to protect the grape industry in North Carolina as well as the entire United States.

Very truly yours,

NORTH CAROLINA ASSOCIATION FOR WINE CONTROL,
W. CAPERS WHITE, Director.

TEXAS WINE ASSOCIATION,
Austin, Tex., April 24, 1953.

Mr. EDWARD W. WOOTTON,
Wine Institute, 900 National Press Building,
Washington, D. C.

DEAR MR. WOOTTON: I understand that hearings will be held next week on H. R. 4294, which I believe is the Simpson bill regulating tariffs.

It will be impossible for me to be in Washington for the hearings, and we will appreciate it very much if you will testify and speak in our behalf. We are convinced that the tariff escape clause should be tightened in order that our grape growers may get some relief from ruinous foreign competition.

The ever-increasing imports of cheap foreign wines constitute a definite threat to a large segment of our people who are engaged in farming. A considerable amount of the wine coming into this country from other lands is produced with the cheapest of labor and under economic conditions which permit it to be sold far below the bare cost of American production. We do not want to lower the standards of living for the American farmer, but we certainly want to raise them.

Very truly yours,

MIKE BRENNAN,
Secretary-Treasurer, Texas Wine Association.

WINE ASSOCIATION OF PENNSYLVANIA,
Philadelphia, Pa., April 27, 1953.

Mr. EDWARD W. WOOTTON,
Wine Institute, 900 National Press Building,
Washington, D. C.

DEAR MR. WOOTTON: In answer to your wire, please be advised that we have written to the Honorable Richard M. Simpson, the Honorable Herman P. Eberharter, and Senators Edward Martin and James H. Duff requesting that they support H. R. 4294.

We hope that these letters will be helpful and we are prepared to lend you any other support that you may require in this behalf.

The association further wishes to state that you can tell the Ways and Means Committee that we are in favor of this legislation when you testify before it.

Very truly yours,

WINE ASSOCIATION OF PENNSYLVANIA,
HAROLD S. LADEN, Executive Secretary.

[Telegram]

SAN FRANCISCO, CALIF., April 28, 1953.

EDWARD W. WOOTTON,
900 National Press Building, Washington, D. C.:

Our organization, Wine Distributors of Northern California, went on record April 22, 1953, as wholeheartedly endorsing Simpson bill (H. R. 4294) and authorizing Edward W. Wootton to speak and act in our behalf in the presentation of said endorsement to proper congressional committee.

DANTE BAGNANI, *Secretary.*

Mr. WOOTTON. Mr. Chairman, we should like to divide this statement into three parts. First, we should like to explain the position the United States winegrowers have in the national economy, and the relationship of their products to foreign wines. Second, we should like to discuss the present escape-clause and peril-point provisions of the Trade Agreements Act, why we think they are deficient, and why we are in favor of the amendments in this regard proposed in H. R. 4294. Third, we should like to discuss some of the new trade concepts that have been advanced recently insofar as they affect United States winegrowers.

Because the United States is a very large country, both geographically and in population, many people still do not realize that it is also a substantial producer of wines.

Commercial winemaking in this country started about 125 years ago, both in the East and West, and has grown continually as the country has grown. According to the comparative international figures available for the year 1939, the United States was by then the fourth-largest country in the world crushing grapes for wines and brandies, as large or larger than any of the other wine countries, except the three leading countries—France, Italy, and Spain.

We have about 675,000 acres of grapes in various parts of the country, both European vinifera varieties and native American labrusca and muscadine varieties. Nearly half of our annual grape crop goes to wine, and there are many fruits and berries, such as apples and blackberries, which also find a substantial outlet in the wine field.

At the present time, about 1½ million tons of fruit are crushed each year by 667 bonded wineries in 27 States, including Alabama, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Iowa, Kentucky, Missouri, Louisiana, Maryland, Massachusetts, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Virginia, Washington, and Wisconsin. Our wines are either bottled at the winery for shipment as case goods into the various marketing areas, or else they are shipped in bulk to local bottlers within those marketing areas. In this country wine does not move to the consumer in bulk, but is bottled and labeled with the name of the responsible winery or bottler, and all such wines must conform to strict minimum standards laid down in Federal and State laws.

It is estimated that total vineyard and winery employment, including seasonal labor, is 158,000 people with a total payroll of about \$265 million; that the value of United States vineyards is about \$325 million; and that the value of United States wineries, including plant, equipment, inventory, and real property, is about \$250 million. Thus the United States is obviously a very substantial wine-producing country.

No European wine-producing country would expect large quantities of foreign wines to be brought into its own markets. In those countries, it is customary and natural for the most part to drink the local product, and the same is true in this country.

But many foreign winemakers, looking at their own per capita consumption of from 10 to 30 gallons per year and looking at the United States per capita consumption of about 1 gallon per year, think the United States is a wide-open market for their exports. These foreign winemakers fail to realize that the United States wine market has certain natural limitations upon it that make the situation here quite different from their own marketing conditions at home. These natural limitations include the following very important distinguishing factors:

(1) There are many sections of this country where no fruit is grown and where consequently there is no local tradition of making and using wine. To people born or brought up in these areas, wine is a new product and a somewhat puzzling one. Increase of wine consumption with this very substantial element of the population has proven a long, slow process and it will continue to be so. The California wine industry has spent approximately a million dollars a year since 1938 on educational advertising, publicity, and promotion to explain wine to people who are not familiar with it. This promotion has been of a general educational nature and has been of equal benefit to wineries in other parts of the United States and also to foreign winemakers in creating here an understanding of wine.

(2) There has always been, historically, an element in the population that, for one reason or another, prefers not to consume alcoholic beverages in any form whatsoever.

(3) There is a substantial element in the population that uses only homemade wine. This practice grew up on a large scale during prohibition and still persists to a surprising extent. It is estimated that the annual consumption of homemade table wines remains well over 20 million gallons, which is about two-thirds of the annual production of commercially made table wines.

(4) Another factor, frequently overlooked, is that in many places in Europe wine is practically the sole source of fruit in the diet. In this country, fresh fruits are widely available due to refrigerated fast transportation, and there is an enormous quantity and variety of canned and frozen fruits and fruit juices. In this country, wine is not the sole source of fruit in the diet but merely one of several sources.

Thus, the United States wine market cannot be compared directly with European wine markets and European wine consumption. There is no natural market here for large quantities of European wines. But there is a very definite market here for European wines of the better grades. All wine producing countries have their finer wines which are a smaller part of their total production. Many of these wines are unique, and they have their place in any wine market in the world, including the markets of the United States.

These better grade wines are the wines upon which the reputation of the import trade in this country has been built up, and the United States wine industry has never objected to their importation. What the United States wine industry has objected to, however, is the large scale importation of the ordinary everyday wines from foreign coun-

tries. In this country we pay from \$8 to \$9 a day for vineyard and winery labor. The French apparently do not pay more than \$2.50 a day, and in Spain, Portugal, and Italy, much less. Vineyard and winery labor is the major portion of the production cost of grapes and wine. The ordinary everyday wines of practically any foreign wine-producing country can undersell our wines in our own markets at any time they please without any trouble at all.

We have always tried to make plain and clear the distinction in our minds between the better grade imports on the one hand and the large volume ordinary imports on the other. We have repeatedly asked before administration committees that tariff reductions be selective, in the sense that the tariff concession should be so framed as to grant preference only to the better grade wines. Various devices can be used to do this, either split tariffs based on value, or quota arrangements, or combinations of these methods. These suggestions have been ignored.

The tariff reductions negotiated, and for the most part now at the minimum allowed by law, have been entirely unselective. As a consequence, there has appeared in our markets in the last few years an increasing quantity of lower value wines which would not normally have been exported to this country. Frequently these wines are imported by persons who were never previously in the import business. The prices at which these wines retail are much less than the same kind of wine produced in this country. Already, producers of our better grade wines are losing their eastern seaboard markets. This situation is not just our own imagination but is noticeable also to foreign wine producers who have been regularly shipping to this country in the past. In April 1950 a member of a well-known foreign firm that has long been exporting substantial quantities of better grade wines to this country gave an interview to the New York Herald Tribune from which I should like to quote, omitting the name of the country involved. The press report stated that this gentleman said:

In recent years considerable quantities of extremely poor quality * * * wine have been exported, principally to the United States, to the detriment of all * * * wine exports. Shippers of these inferior wines are not the old line * * * houses who have built up their reputation through quality over the last century or so, but generally exporters hungry for dollar exchange.

These inferior wines, with fancy labels and offered in many quarters as "fine * * * wines," not only have slowed the recovery of the market in this country for quality * * * wines, but are doing the entire * * * wine industry serious harm.

At the present time we are making the necessary surveys to permit us to present an escape clause action before the Tariff Commission, on behalf of our better grade wine producers. When we go before the Tariff Commission, we hope that the statutory procedures will be such as to permit the case to be decided upon its merits, as to whether or not there has been damage, and without any intervening or extraneous considerations. We also hope that the statute will be such that any relief that seems necessary can be granted in a manner that is not only fair to us but fair to the regular established import trade.

In this next part of the statement, we should like to discuss the present escape clause and peril point provisions from the point of view of sound administration of a delegated power of Congress.

We believe the present act is defective, and we believe that H. R. 4294 corrects these defects in a manner that is fair not only to Ameri-

can industry but also to foreign imports. In this part of the discussion we should like to assume it is already the established policy of Congress that there should be reasonable protection of established American industry against excessive or unusual imports of competitive articles.

In this phase of the matter before the committee, we should like to suggest that the matter be considered from the point of view of sound administrative law. Tariff is a legislative function of the Congress. It is perfectly right and proper for the Congress to delegate the details of legislative matters to an administrative agency. But it is also quite clear that no such delegation of legislative authority has ever worked, or ever will work, unless it is accompanied by a clear-cut statutory standard to guide the administrative officials in their performance of the delegated function.

When the Trade Agreements Act was originally enacted, it contained no statutory standards for guidance. The general idea of the original act was to authorize the State Department to go out and see what concessions they could obtain from foreign countries for the admission of our goods, and in return to offer some diminution of the statutory tariff rates contained in the Smoot-Hawley Act of 1930. During the 1930's, such action as was taken under the Trade Agreements Act by the State Department did secure some foreign concessions; we had plenty to bargain with and it is doubtful whether the concessions we made at that time were generally disturbing to American industry as a whole. However, after the end of the war, a new round of trade-agreement negotiations began, and wholesale reductions were made by this Government at Geneva and Torquay.

By this time the economic situation had changed to a large degree. We were selling a large quantity of goods to European countries, both for rehabilitation of their domestic economies and for mutual defense. With no statutory standard to guide them, our Government officials had to make up their own minds as to their own standards of operation.

Then Congress took matters back into its own hands but only partially. It wrote into the Trade Agreements Act the concept of injury to domestic industry as a check on the unrestricted negotiations that were being conducted.

But Congress did this only partially. The concept of injury was a concept laid down only to guide the Tariff Commission in the proceedings before it on peril point and escape clause. Section 7 (c) of the act provided, and still provides, that the findings of the Tariff Commission under the injury standard in escape-clause actions may be disregarded by Presidential action.

Section 4 (a) of the act makes the same provision in peril-point questions prior to negotiations. The only requirements at the Presidential level are that a statement of reasons be filed with the Congress. It should be clear that the Presidential action under the present statute is not at all an appellate action with regard to the findings of the Tariff Commission. The Tariff Commission action is taken under a statutory guide, but the action of the President as provided for in the statute has no statutory guide whatsoever. In other words, the Presidential action is not an appellate action with regard to the previous findings of the Tariff Commission, but is a completely new action in itself.

Remembering that the original negotiations are conducted through the State Department, and that the final decision on escape-clause action is in the State Department and not in the Tariff Commission; and remembering that the State Department is also conducting difficult and delicate negotiations on foreign policy matters that have nothing to do with trade as such; and remembering that there is no statutory standard whatsoever with regard to domestic injury through which Congress has told the State Department how it should arrive at decisions with regard to actual trade problems—it seems perfectly clear to us that the present statute is, as a practical matter, meaningless.

In other words, the present statute purports, on the one hand, to tell domestic industry that it is entitled to protection against damage, and yet on the other hand this purported protection is rendered a nullity.

Our statement is not intended in any way as a reflection upon the State Department, but we would like to suggest that when a statute is so written that the administrative officials are completely on their own, it is humanly impossible for them not to give consideration to matters which, from the point of view of their primary and most important job, are more compelling.

H. R. 4294 goes directly to the heart of this difficulty. It proposes that the question of domestic injury be left as a question of fact to the determination of the Tariff Commission, and that, once the question of fact has been arrived at, it be followed without disturbance and without reversal for any reason, no matter how potent, not germane to the specific question of injury.

When the Congress wrote the current injury provisions into the Trade Agreements Act we had assumed that the question of domestic injury was intended by Congress to be a definite part of the administration of the Trade Agreements Act. Due to the loophole that we have discussed, enabling the State Department to make decisions on a basis quite different from that of domestic injury, we think the statute is defective for the purpose of accomplishing the results intended. The attention of the committee is called to the recent Garlic case, in which, after the case left the Tariff Commission, decision was made that there was no injury to domestic industry on the ground that the California garlic growers could grow some other crop. We know nothing about the merits, but any reasoning like this, if extended on a widespread scale, would obviously completely nullify the injury provisions of the statute.

For the foregoing reasons, we therefore support the main and collateral provisions of H. R. 4294 insofar as they relate to domestic injury. These provisions include sections 3 through 12 of the bill, and also section 14. With regard to section 14 (changing the membership of the committee from 6 to 7), we should like to point out that the Tariff Commission, under the present law, and under the proposed bill, is performing semijudicial functions (as distinguished from its original purely investigatory functions) and that the lodging of such functions in an odd number, instead of an even number of members is established practice, both in the courts and in Federal and State semijudicial administrative agencies. This practice minimizes split decisions which are never satisfactory, either to the winning or

losing party, because such decisions turn on burden of proof and not on the merits.

Lastly, on the question of policy.

It seems to us that there are actually 2 major policy questions before this committee and not 1, and that these 2 policy questions can and should be kept separate. The first is the extremely complex question of how to handle shipments of United States goods abroad and how they should be paid for. The second question is the relatively simple one of setting up an adequate and fair procedure for determination of injury to domestic industry, when, as, and if such injury should occur.

As to the first question, we do not have sufficient experience to discuss it adequately, but must rely on the sound judgment of the Congress and the executive branch. We do have some questions in our mind, however, as to whether the recent publicity drive for immediate export expansion, with the accompanying suggestion that all tariffs be eliminated, and that substantial segments of domestic industry be eliminated also, is altogether sound. We had for years an export trade that involved shipping articles abroad that were wanted there and at price levels that were agreeable to our customers.

Since the war, however, we have shipped a great many goods and materials that would not normally have been shipped; but this was done under emergency conditions and for reasons of national security. It is an entirely different proposition, it seems to us, to strive to continue this process and even expand it under conditions that may be economically unsound both from our point of view and the point of view of the countries to which our goods are shipped.

We would like to suggest that inquiry be made into whether it is necessary for us to ship abroad exactly the same type of article we sell in the United States and at the same price that article commands in our own markets; and also whether foreign countries shipping goods to us necessarily have to ship to us the same type of article that is adequately produced here, so as to compete with the domestic article purely on a price basis rather than on some distinctive characteristic; and whether an intelligently handled selective tariff system isn't the best means to accomplish results on a mutually satisfactory basis, rather than to wipe out all tariffs indiscriminately and, perhaps, with them, segments of industry important to the American economy.

As we said, we have to rely on the sound judgment of Congress and the executive branch on such matters. But we would like to point out that this is really a long-term problem that has plagued us ever since World War I and it is unlikely that a sound solution to it is going to be developed in just 1 year or even several years.

In the meantime, the committee has before it a relatively simple bill which is basically merely a procedural device. All this bill does is to prevent material damage to important segments of the American economy while a sound solution is being found for the long-term problem. It is a procedural device so basically fair to everybody concerned that it is difficult to see how reasonable people can object to it, and in this category we would like to include the foreign businessman, for it is the very least that he would ask from his own Government to protect him against mistakes or errors in judgment in working out the long-term foreign-trade problem.

A flexible and selective tariff system based on a test of actual damage to domestic industry and determined impartially on the merits in each case is certainly not the "high protectionist" system that has been set up as a strawman to be knocked down by those who are currently advocating a sudden and indiscriminate expansion of our foreign shipments and an immediate and indiscriminate importation of foreign goods.

The public pressures behind this move for overnight expansion are very great. We believe we are quite properly fearful of the results upon the domestic economy unless at least some precautionary measures are observed.

H. R. 4294 is, in our opinion, a wholly reasonable precautionary measure and entirely fair to all parties.

We respectfully urge the committee to separate the long-term problem from the immediate problem and to favorably report this bill before it is too late.

The CHAIRMAN. Thank you very much for your contribution and for the information you have given the committee.

Mr. SIMPSON. It is a very good statement.

The CHAIRMAN. Yes; it is.

NATIONAL OIL JOBBERS COUNCIL,
Washington 6, D. C., June 22, 1953.

HON. EUGENE D. MILLIKIN,
*Chairman, Committee on Finance,
United States Senate, Washington, D. C.*

DEAR SENATOR MILLIKIN: I am advised that your committee is in the process of giving consideration to extending the existing reciprocal trade laws of the United States.

As general counsel of the National Oil Jobbers Council, I am authorized to advise you that this organization, representing 12,000 independent jobbers and distributors of petroleum products, is in complete accord with the stated views of resident Eisenhower to extend existing reciprocal trade laws without any change.

The writer, together with a number of jobbers, appeared before the House Ways and Means Committee during the hearings on H. R. 4294, commonly referred to as the Simpson bill. A copy of my statement to the committee, together with copies of the statements made by Clint Elliott, on behalf of the Arkansas Independent Oil Marketers Association, Inc., and J. P. Gwaltney, on behalf of the North Carolina Oil Jobbers Association, are attached hereto. It is requested that these statements be called to the attention of your committee and, further, that they be incorporated in the record of your hearings and deliberations on H. R. 5495 or any other bill or proposal dealing with extending our reciprocal trade laws.

While H. R. 5495 makes no mention, directly or indirectly, of imports of crude oil or petroleum products, it is quite possible that this issue may be considered by your committee and, if so, our views with reference to these commodities may be of interest to your committee.

We particularly object to title II of H. R. 5495 wherein it seeks to increase the number of members of the Tariff Commission from 6 to 7. Our objections do not lie to the numerical increase, but are directed, primarily, to the partisan aspects of the provision—a numerical majority of one party over another party. Our objections would be the same whether the party in power were Democrats or Republicans.

We feel that party affiliation should not be a prerequisite to a seat on the Tariff Commission, and we further feel that it would be more to the best interest of this country if appointees were selected because of (1) background knowledge, (2) reasoned judgment, (3) general business experience, and (4) an ability to accept a given set of facts and accept the merits thereof in the light of the law and the policies as set forth by Congress toward the end of arriving at logical rather than biased conclusions.

Frankly, we don't care whether there are 7 or 77 men on the Tariff Commission so long as all of those men meet the foregoing yardstick of qualifications and if, by coincidence, they are Republicans, Democrats, or Dixiecrats, it would be of no concern—so long as their party affiliation was coincidental.

Surely, the President has done nothing thus far to merit a vote of censure by way of packing a Tariff Commission to insure that biased recommendations are submitted to him for consideration. Let's give the man a chance under our existing laws; then, if he fails, we can provide ample safeguards until we can replace him with someone better qualified for the job.

We recommend that existing reciprocal trade laws be continued for a minimum period of 1 year without any change.

It is requested that this letter, with the attached statements, be incorporated in the record of your proceedings.

Sincerely yours,

OTIS H. ELLIS, *General Counsel.*

STATEMENT OF OTIS H. ELLIS, GENERAL COUNSEL, NATIONAL OIL JOBBERS' COUNCIL, WASHINGTON, D. C., BEFORE THE HOUSE WAYS AND MEANS COMMITTEE

Mr. ELLIS. Thank you, sir.

Mr. Chairman, 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.

Before proceeding with the main portion of my presentation, I would like to state for the record that I am also retained as legal adviser and consultant by the Ministry of Mines and Hydrocarbons of the United States of Venezuela. I would like to make it clearly understood that I am not appearing in my capacity as counsel to this ministry, and further that any statements, opinions or conclusions which I make are in no manner to be construed as reflecting the attitude or position of that ministry or, for that matter, any other branch of the Venezuelan Government. I make this statement for the reason that this representation is generally known in the petroleum industry, and may be known to some members of this committee, and I want to be sure that there is no misunderstanding as to whom I represent here today.

I would like to interpolate here and say, Mr. Chairman, that this statement is a little formidable in length, but we cut six jobber witnesses, added a little to mine, so although it may appear formidable, I think we are saving the committee time.

The CHAIRMAN. Very well.

Mr. ELLIS. The National Oil Jobbers Council is composed of 25 State associations of independent jobbers and distributors of an independent jobber or distributor of petroleum products and, for that reason, it might be well to define this operation. An oil jobber is a marketer of petroleum products primarily engaged in wholesale distribution, although some jobbers also engage in the operation of filling stations and substantially all of them engage in the retail distribution of household fuel oils. The term "jobber and distributor" is used synonymously in industry nomenclature. The word "independent" as it applies to a jobber means that he owns his own business and is not affiliated with, a subsidiary of, or in any manner financially controlled or dominated by a major, integrated oil company. Independent jobbers and dealers, or peddlers, distribute ap-

proximately 70 percent of the household burning oils consumed in this Nation. Jobbers and commission agents deliver to the service stations of this country approximately 40 percent of their total gasoline supplies. The percentage of distribution of residual oil nationwide is unavailable; however, it is definitely known that well over 50 percent of the residual oil imported into this country is marketed by independent jobbers. 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 of interest to the outcome of any legislation which would affect the price or supply of petroleum products.

The National Oil Jobbers Council particularly opposes that portion of the so-called Simpson bill, H. R. 4294, which would either easily permit or specifically require imposition of restrictions on imports of crude oil or petroleum products. While we oppose this bill, we commend its author for introducing it and this committee for granting elaborate hearings thereon. We feel that by incorporating the provisions which reflect an indication of change in our reciprocal trade policy, that you have alerted our business economy to the fact that consideration was being given to such change, thereby giving advance notice in order that they could come in and present their views before, and not after, the fact.

In our judgment the principal issues for determination by this committee are as follows:

First, should we continue to have laws and policies providing for reciprocal trade agreements; secondly, whether or not our existing reciprocal trade laws are adequate for current needs; and thirdly, whether or not the amendments proposed by the Simpson bill are proper and necessary. As to the first issue, we definitely feel that it is imperative for our Nation to have laws and policies that will promote reciprocity in international trade. As to the second issue, we are of the opinion that existing laws are adequate for our current needs insofar as oil imports are concerned.

We have no opinion as to their adequacy as to other commodities. From the testimony we have heard before this committee, it appears that administration of the laws, not the laws, is the chief cause of complaint. I have already stated our position as to the third issue, and following are the reasons why we oppose certain provisions of the Simpson bill:

1. The oil imports quota provisions of section 13 would create immediate shortages of supply of residual oil, thus depriving consumers of alternative choices of fuels and force a number of them to purchase new fuel facilities which use higher-cost fuels.

2. The same quota provisions would, in our opinion, lead to ultimate shortages of crude oil both for peacetime use and especially for use in time of national emergency.

3. Reduction of residual oils pursuant to the quota recommended would drive a number of independent distributors on the eastern seaboard to the brink of bankruptcy.

4. 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.

5. Enactment of some of these amendments, coupled with application of their provisions, will or can result in this Nation breaching two reciprocal trade agreements covering oil imports—the General Agreement on Tariffs and Trade, and the trade agreement between this Nation and the United States of Venezuela.

6. A number of the proposed amendments would create inconsistencies of position, mechanical difficulties, procedural conflicts, and other practical problems which would in effect leave us with a policy of reciprocal trade in name only.

I will now discuss some of these reasons, leaving the remainder for discussion by other jobber witnesses.

Direct effects on the independent jobber: The success or failure of a jobber—or, for that matter, any independent marketer of petroleum products—depends primarily on two factors. First, an adequate and consistent supply of petroleum products and, second, an ability to purchase and sell these products under such conditions as to provide a reasonable margin of profit. Any circumstance or economic pressure which adversely affects either of these factors is tempering with the jobber's vitals.

If import quotas are imposed on residual oil, the jobber's supply will be drastically curtailed since the domestic industry cannot, after giving due regard to good conservation practices, supply the deficiency. There are many jobbers up and down the eastern seaboard who deal primarily in residual oil and a good portion of their supply is imported either by themselves or by others from whom they purchase. Millions of dollars have been expended in the purchase of storage and transport facilities especially designed for residual oil. These facilities are not readily susceptible to conversion for the handling of either coal or natural gas. I will not dwell on the effect of curtailment of residual imports on jobbers, since there are a number of jobbers directly affected who will appear before this committee to speak for themselves and give firsthand information as to what these quota provisions will mean.

The next question is, how would the quota provisions affect the thousands of jobbers throughout the country who do not handle residual oil? It is our belief that curtailment of imports of crude and residual will immediately result in higher residual prices and ultimately will lead to higher prices for crude oil. This latter will, in turn, lead to higher prices for other petroleum products and particularly household burning oil. When the price of any petroleum product goes up without a commensurate increase in the jobber's margin of profit, it means that he must procure more capital to carry the added cost of his inventory and credit sales. The jobber is already at the breaking point for capital requirements, due to excessive taxes and the greatly increased costs of doing business.

If I might interpolate at this point, I received a call this morning that directed that I give a message to the chairman of the committee. The chairman of the National Oil Jobbers Council called this morning and said, "Will you please tell Mr. Reed not to get so involved in the reciprocal trade bill that he won't keep pushing that H. R. 1."

He has not been able to expand facilities in proportion to expanding markets of petroleum products, and as a result, finds himself standing still while marketing growth marches on. An increase in the cost of burning-oil products also poses another problem for the jobber—

that is the problem of competition with natural gas in those areas where natural gas is available.

While I do not contend that all of these economic pressures will happen the morning after these quotas are put into effect, I do contend that they will be ultimate and not too far distant. The jobber has a vivid recollection of the year 1948 when this Nation could not possibly meet the demand out of its own crude reserves and, had it not been for imported oils, the situation would have been critical. The jobber knows that such a situation could arise again and if, in the meantime, we have alienated these foreign sources of supply, he will be faced with shortage.

These are the things the jobber fears most when people begin to tamper with supply or set in motion artificial factors which will affect the price of the products he sells.

It could be added that the consumer of petroleum products, in one sense faces the same problems that the jobber faces—that is adequate, consistent supply at reasonable prices.

What about the consumer? I will leave the position of the consumer for discussion by consumers themselves, or the jobber distributors who deal with them on a daily basis. There is one thought, however, that I would like to leave with this committee: and that is this, that I feel that we should think twice before we deprive a consumer of a choice of fuels, and particularly when we leave him only one source of fuel, and that at a higher price. Passage of this bill could well be the beginning of end use control of fuels.

I have gone to the trouble to ascertain what the members of this committee use as fuels for their homes. I find that 6 members use fuel oil; 8 members, natural gas; 3 live in apartments with the heating fuel unknown; 1 lives in an apartment heated with gas; 1 lives in an apartment heated with fuel oil; 1 lives in an apartment heated with coal; 1 uses coal for his townhouse and fuel oil for the summer home; 1 lives with parents whose home is heated with fuel oil; and as to the remaining 3, I was unable to find what kind of fuel was used.

I suspect that you gentlemen who use fuel oil or natural gas do so for the same reason that I do—it is available at a reasonable price, it is clean and efficient, it lends itself to automatic operation, thus eliminating the dirty, grimy task of stoking a furnace and, in my case, it provides me with a playroom for my children in an area which would otherwise be a coal bin. Surely, the industrial users of residual oil—regardless of its source—are entitled to the same right of election.

Legal and contractual implications: While we believe that enactment of this proposed legislation would create hardships for jobbers and consumers, we also feel that it would create international difficulties which might be of even greater importance. I refer to the proposition that these amendment might require this Nation to violate the sacred obligations of its international contracts.

First, let us consider whether or not the provisions which would seek to specifically impose import quotas on crude petroleum and products, if enacted into law and put into effect, would be in violation of the terms and provisions of the two trade agreements which grant or bind concessions on imports of crude oil and products. To legally invoke quotas on oil imports would require following the criteria and procedures prescribed in the escape clause of one, or possibly both of these agreements. The right to invoke the escape clause is in

substances predicted on the criteria of causing or threatening serious injury, and such a finding or showing must exist before it can be legally invoked. Since these provisions in the Simpson bill do not, as a matter of law, presuppose such a finding, application of oil quotas thereunder would constitute a breach of contract.

Even if the Congress determined that the criteria established in the escape clauses of the respective agreements had been met, an attempt to invoke such clauses by way of legislation would be a breach of contract since a means is not provided to comply with the procedural requirements. It should be pointed out that the criteria in the escape clause provisions of both of these contracts substantially comply with the peril-point provisions in existing law and, as a matter of fact, such criteria was placed in the Venezuelan agreement pursuant to the mandates of the Trade Agreements Extension Act passed by the Congress 2 years ago.

Now, let us look at the proposed amendments to the general provisions as are contained in sections 3 through 12 of the Simpson bill. Sections 3 and 6 of this bill change the peril point standard from causing or threatening "serious injury to the domestic industry" to causing or threatening "unemployment or injury."

Obviously, the amending wordage considerably relaxes the criteria of "serious injury" which is contained in the escape clauses of the two agreements dealing with oil imports. In the event the Tariff Commission made a finding under the amended peril-point criteria which fell short of meeting the standards of the criteria in the contracts, and the President was forced to take action as provided in section 6 (c) of the Simpson bill, then such action would also amount to a breach of these contracts. For example, let us say that the coal industry, or any segment thereof, petitioned the Tariff Commission for an investigation to ascertain whether or not increased imports of residual oil were causing unemployment of or injury to American coal miners. Let us assume that in conformity with the procedures prescribed, the Tariff Commission found that, due to increased oil imports, 10,000 miners were unemployed thus causing injury, but it also found that such unemployment did not constitute serious injury or threat of serious injury to the coal industry.

It can readily be seen that on this hypothetical statement of facts the criteria of the escape clauses of the two agreements dealing with oil has not been met. Yet, despite this fact, the Tariff Commission would have to declare such modifications as were necessary to relieve the injury, and the President, in turn, would be forced to take action which would breach these two international trade agreements, thereby leaving our Nation subject to damages in a court of international law. This is but one of many examples of where, under the proposed amendments, instances might arise whereby the President would be forced to breach our existing international contracts.

The amending language could also pose another legal complication, in that it changes the language from "producing like or directly competitive products" to "producing like or competitive articles." It will be noted the word "directly," which is used in the escape clauses of the two agreements, is dropped in the amending language.

Outside of this complication, there is the problem of defining "competitive." Would the amended language mean that the peach growers,

faced with a bumper crop of peaches, could obtain import restrictions on bananas on the premise that it was a competitive article? I seriously doubt whether an international court, trying an action for breach of an international trade agreement, would hold that bananas and peaches were directly competitive articles or products. Admittedly, this is an exaggerated example but I have used the exaggeration to point up the difficulties that may be encountered over dropping this word "directly."

It will be noted that I have not argued whether our existing international contracts dealing with oil imports, are good or bad. The point is, whether good or bad, they are contracts between this Government and other governments and the provisions thereof cannot be unilaterally changed without assuming the risk of facing actions for breach of contract, as well as other adverse effects that might flow from such actions. If these contracts are considered bad, then both of them should be modified or amended and, if any party thereto does not see fit to agree to a proposed amendment, then the other party is provided with a means of terminating the agreement with honor and in accordance with the provisions of the agreement.

Practical problems posed: Now let us view some of the practical, procedural and mechanical problems posed by the Simpson bill in the light of the two existing trade agreements referred to. I should point out that while my references deal in general with the effect on oil imports, in most instances the same objections would apply to any commodity covered by a trade agreement having the standard form escape clause.

Section 6 (c) of the Simpson bill requires that the President, within 30 days take such action as is found necessary by the Commission to prevent or remedy the unemployment or injury found to exist. Assuming that the Commission's findings met the escape-clause criteria of the affected trade agreement, let us then look to see whether or not the 30 days allowed would be adequate to comply with the procedural provisions of the escape clause. The procedures prescribed in the GATT and Venezuelan trade agreements require that before action under the escape clause can be taken, the contracting party desiring to take such action shall give notice to the other party, in writing, "as far in advance as may be practicable," and further, shall afford an opportunity for consultation in respect to the proposed action.

I seriously doubt if the time limit of 30 days would be ample to conform to this provision in most, if not all, cases. There is, of course, no exception. In critical circumstances, where delay would cause damage which would be difficult to repair, then the action may be taken without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

It might also be pointed out that under the provisions of the Simpson bill the President cannot enter into any agreement with reference to any commodity except as approved by the Tariff Commission, and he must also impose modifications, et cetera, in accordance with the dictates of this same Commission. This as a practical matter, means that insofar as trade agreements are concerned, the President is reduced to a negotiating rubber stamp with little or no authority whatsoever.

Your attention is further directed to section 6 (d) of the Simpson bill which makes considerable change in the language of the existing act in that, as amended, it in substance states that the Tariff Commission "shall consider as evidence of injury the existence or likely

occurrence of a downward trend of production, employment, prices, profits, or wages among the American workers, miners, farmers, or producers concerned," as well as several other factors. In the existing language, the Tariff Commission is bound to consider such factors but is not bound to consider the existence of such factors as conclusive evidence of injury. I would interpret the amending language to mean that the existence of any one of these factors due to imports would be considered as conclusive evidence of injury or, at best, would be considered as prima facie evidence of injury. Since the bill is silent as to what degree of injury is necessary before any action can be taken, we must assume that any degree of injury is adequate criteria and further that any degree of a downward trend of production, unemployment, prices, et cetera, would be adequate evidence to sustain a finding of injury.

Now, as a practical matter, what does all of this mean? In my judgment, it means that any complaining industry would meet the necessary statutory requisites requiring modification of the concession on the imported commodity by showing that it was suffering a slight, downward trend of production, unemployment, prices, profits, et cetera, due to imports. If my conclusions as to the meaning of this language and its implications are correct, the net effect would be that so long as there was a complainant who could provide these figments of evidence, no products could come into this country other than those products which we do not have, or the difference between the amount of those products that we have and the total demand for such products, and even this latter would be subject to challenge. In brief, we would have a policy of reciprocal trade under the language of the law which meant nothing. I will not attempt to argue whether we should have a policy of reciprocal trade or not, but it would appear that it would be better to have no reciprocal trade law than to have a reciprocal trade law that meant nothing.

There appears to us to be some inconsistency of position in the criteria and procedures to be established and the specific quota provisions. The existing law, as amended by the general amendments of this bill, would provide criteria and procedure whereby industries could seek and obtain relief through the Tariff Commission. Despite these relaxed procedures, the bill would, by legislation, deprive the Tariff Commission of its function and, by legislative mandate, would impose quotas on crude oil and its products without resort to these procedures.

While there are other legal and practical problems posed by these amendments, I will not burden the committee further with discussion, but will be glad to supply the committee with a more elaborate brief if it is considered that same would be helpful to your deliberations.

The proponents of oil quotas: The principal proponents of this legislation, insofar as it would affect oil imports, are the coal industry, both labor and producer, and an association of independent producers commonly referred to as IPAA. In addition there are, of course, a few oil-burning, coal-hauling railroads and their related labor. I have found that it is often as important to examine those supporting legislation, and their reasons for such support, as it is to examine the wordage of the legislation itself.

The coal group and IPAA, like many other industries which have appeared before your committee, have maintained in substance that

they were dying on the vine and stated the cause of such demise was attributable to excessive imports. Let us look for a moment at the history of these two groups for the purpose of ascertaining whether their alleged injuries, if any, are attributable to other causes. Let us also determine whether or not these groups can be relied upon to provide a consistent supply of fuel for this Nation if we alienate in any part our sources of imported supply. It might also be well in the case of one of them to determine whether their history as prophets warrants acceptance of their current prophecies.

First, the coal industry. Since others will dwell, and for that matter, Mr. Chairman, have dwelt on the subject of whether or not imports of residual oil have contributed to the present plight of this industry I would like to go back behind the scenes a little further. In July of 1929 Mr. George W. Lewis, legislative agent of the United Mine Workers of America, filed a brief with the Senate Committee on Finance. This brief, which was made a part of that committee's record of hearings on the Tariff Act of 1929, recommended an excise tax on fuel-oil imports. Mr. Lewis, at that time, stated in substance that to permit the continued free entry of millions of barrels of foreign oil would simply mean the wrecking of the great coal industry. What provoked that statement? The answer probably is to be found in a presentation by Mr. H. L. Gandy, representing the National Coal Association in these same hearings. Mr. Gandy pointed out that in 1927 imports amounted to 29,500,000 barrels; and in 1928, to the enormous total of 58,899,000 barrels. He failed to tell the committee that the cause of the increase could be attributable to the great coal strike in 1927. That year industrial users of coal were caused great and undue hardship because they didn't have an adequate supply of bituminous coal—they had begun to look for a new form of fuel that could be supplied with some degree of certainty, and they found it in residual oil—both domestic and imported. According to the Department of Labor Statistics, approximately 165,000 miners were involved in a wage strike which began April 1, 1927. This stoppage continued for several months, with many of the workers remaining out until the end of the year. As a result of this strike, the coal industry had 23 million man-days idle for the year 1927.

Industrial users had begun to get a stomach full. If you will trace through the years, you will find a history of strikes, lockouts, and other forms of work stoppages which have taken such a toll on the great coal industry that they in effect stood still while American industry in general marched on. I have a vivid recollection of sitting in a mudbound tent in England, in 1948, when a hometown newspaper—months old—reached me. This paper reported a general strike of the bituminous coal miners. The miners wanted \$2 more per day, portal to portal, or traveltime pay, and other benefits. This, mind you, in time of a national emergency which was so serious that the Federal Government had to step in and seize the mines. Are we now to cut off residual fuel oil and leave ourselves at the mercy of a group who will stop the wheels of industry in the middle of a battle for our lives and independence?

I will not dwell on the strike and work-stoppage record of the bituminous coal industry, but I am including in this statement statistics which speak for themselves.

(The data referred to follow:)

EXHIBIT 1.—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	163,000
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	1,060,000
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	1,150,000	16,760,000
1937.....	54	99,300	1,930,000	1950.....	430	165,000	9,320,000
1938.....	27	9,600	133,000	1951.....	549	213,000	887,000
1939.....	25	355,000	7,300,000	1952.....	560	472,000	2,760,000

Mr. ELLIS. I am not attempting to intimate that some of these strikes were not justified, nor am I attempting to argue that simply because they went on strike they are not entitled to relief from imports. I am attempting, however, to point out that we had better think twice before we leave some of our industries at the mercy of this group as a sole source of supply for their fuels.

Now, let us take a look at IPAA. This organization came into existence by virtue of the imports issue in 1929, and since that time they have vigorously fought for restrictions on imports along with a parallel battle for the highest possible depletion allowances.

I think their fighting has served a valuable purpose, in that it has kept the domestic industry alerted to the fact that unreasonable levels of imports should not be permitted to the extent that they would seriously jeopardize our domestic industry. I might further state that when imports reach levels that in our judgment might threaten the domestic industry with serious injury, the National Oil Jobbers Council will, as a last resort, walk before this committee, and request legislative restrictions to protect that domestic industry. We do not believe, however, that it will ever be necessary to resort to such action for we feel that the domestic industry is quite capable of policing itself without need for Government regulation or legislative restriction.

On January 29, 1931, Mr. Wirt Franklin, representing IPAA, requested legislation which would limit oil imports to 20 percent of 1928 domestic levels. He stated that as a result of excessive oil imports, "the domestic petroleum industry is being ruthlessly destroyed." On February 13, 1931, Mr. Russell B. Brown, appearing before the House Ways and Means Committee on this same issue, read into the record a telegram from the same Mr. Franklin, then president of IPAA, which telegram in part read as follows:

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 some few companies now causing demoralization by imports of foreign crude.

A review of the current status of this industry will reflect that this dire prediction fell far short of ever coming to pass. On January 13, 1932, this same president of IPAA appeared before the House

Ways and Means Committee, seeking a tax of 84 cents a barrel on petroleum imports. Mr. Franklin stated, "that the independent branch of the oil industry cannot exist for another year unless relief is obtained." That was the year when a tax of 21 cents a barrel was imposed—which tax within 1 year thereafter was of no value save for the revenue that it produced.

On November 12, 1934, Mr. Franklin, testifying before the House Interstate and Foreign Commerce Committee, stated—

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 has been imported without limit. I ask you, Has the industry been destroyed?

I will not belabor the committee with further quotations. I will be glad, however, submit to the committee, if so desired, the record of these appearances over the years, all of which I have read carefully. For 24 years these people have been prophesying doom and destruction unless imports were restricted. If you read these records of the past 24 years, you will find that their theme song is the same, and that they have a consistent record of being wrong, as is demonstrated conclusively not by my opinions but by irrefutable facts.

Those facts, in brief, are these: In 1929, when this battle on imports began, we had 11 billion barrels of proved crude oil reserves in this country. Despite production over the past 24 years amounting to 34,215,647,000 barrels, we have today well over 30 billion barrels of proved reserves. In 1929 we produced 1,007,323,000 barrels. We have increased our ability to produce to the point where, in 1952, we produced 2,291,997,000 barrels of crude oil. In 1929 we drilled 26,356 wells as contrasted to an all-time record of 45,895 wells in 1952. Today, we have an estimated excess of productive capacity—with the aid of our current rate of imports—of about 1 million barrels per day. This is approximately the same situation in barrels that we had when we entered World War II. Mind you, all during the period of time when our domestic industry has grown as indicated, we have heard that if imports were not stopped we were headed for ruin. I cannot see how anyone in the face of this domestic record could maintain that imports are killing the independent domestic producer, and particularly the domestic petroleum industry. I can see no reason why these prophecies of doom and destruction are any more valid today than they have ever been.

It has not been my desire in pointing these facts out to be overly critical of the attitude of this organization, but I know of no better way of refuting their claims than with the record itself.

It will be noted that throughout this presentation I have not attempted to debate or argue the issue of "protectionism" versus "free trade." I have directed the presentation, primarily, to a few of the reasons why I believe the proposed bill does not meet our current needs and would cause adverse conditions, some of them resulting in damage beyond repair in your lifetime and mine. It is our belief that before we reverse a policy of 20 years' standing or change the philosophies underlying the administration of a policy of reciprocal trade, those reverses or changes should not be made until every potential is explored so that our final decisions are based on reasoned judgment. We have pointed out where one group appearing before this committee

has been consistently wrong. We have shown that another group is suffering from "Lewisititis." We do not believe that this committee should change criteria, procedures, and policies until more study is given to the need and extent, if any, of such change. This committee has among its members men of many years experience in trade and tariff matters, who are fully qualified to make that study. It is our sincere hope that this committee will give consideration to the making of further studies, or the awaiting of further studies made by others, before these proposed changes are made.

I am not in full accord with some who suggest that this committee blindly follow the request of President Eisenhower. To do so would make a "rubberstamp" of this Congress and defeat the purposes of our checks-and-balances system of democratic system of government. We do feel, however, that grave consideration should be given to his request before a verdict of "no confidence" is rendered. We feel that any industry deserving of relief from excessive imports can find adequate protection in existing laws, if they are properly administered, and therefore the interim period of study will cause no serious injury to any industry of consequence in this Nation.

The people I represent do not belong to that category of trade associations or small-business groups who consistently request legislative subsidy or demand that the pace of the swift be reduced to that of the inefficient. We follow a policy that industry problems can be settled within our industry without the necessity of legislative intervention. A number of my people looked forward, after January 20, to what they considered as a change from governmental intervention to a return to a system of free, competitive enterprise, unregulated and unfettered by anything more than reasonable anti-trust and fair-trade laws, the purpose of which would be to prevent the law of the jungle obtaining in the business dealings of our economy. My people are the "little guys" of this industry who battle in the toughest arenas known to American business. They daily face price wars and the competition of integrated industry; yet, we ask no protection. Our feelings about this oil imports issue are concurred in by the California Petroleum Distributors Association; the Oil-Heat Institute; the National Congress of Petroleum Retailers, numbering tens of thousands of filling station operators; and the Independent Oil Men's Association of New England. This represents the bulk of independent marketers who are in daily contact with the consuming public. They, in essence, ask the members of this committee and the Members of this Congress to recognize their positions in this matter and the effects it will have on their business.

Surely if these, the little guys of the industry, are willing to face the trials and tribulations of free, competitive enterprise, the vast coal industry and the IPAA membership can do the same. We believe that those who are unwilling to swim upstream toward the end of providing better commodities and better service at better prices to the American public, are undeserving of the privileges of independence as it is known and revered in our American system of government and business operations.

I will close with this one thought: If we have so much coal and so much oil in this country that it is necessary to impose restrictions on imports, then we recommend that this committee give consideration

to a reduction in the depletion allowances granted those industries since this inducement, or at least a part thereof, is no longer necessary.

I thank you, Mr. Chairman.

The CHAIRMAN. Does that conclude your statement?

Mr. ELLIS. Yes.

The CHAIRMAN. Any questions?

Mr. CURTIS of Nebraska. May I ask a question?

The CHAIRMAN. Mr. Curtis will inquire.

Mr. CURTIS of Nebraska. Mr. Ellis, on page 7 you say "yet despite this fact, the Tariff Commission would have to declare such modifications as were necessary to relieve the injury, and the President, in turn, would be forced to take action which would breach these two international agreements, thereby leaving our Nation subject to damages in a court of international law."

Would you give us the facts about that law, how they would get into an international court?

Mr. ELLIS. In the case of GATT agreements, there are about I think 30 nations who are parties to that.

Mr. CURTIS of Nebraska. And has the United States ratified that?

Mr. ELLIS. The GATT agreement?

Mr. CURTIS of Nebraska. Yes.

Mr. ELLIS. The United States Senate has not, and I don't think the Congress has ever ratified the GATT agreement.

Mr. CURTIS of Nebraska. On the basis of existing law, how would they get into an international court?

Mr. ELLIS. I have a brief on that, Mr. Curtis. I am of the opinion that particularly Venezuela could get into a court of international law by virtue of the international agreements which are in effect.

Mr. CURTIS of Nebraska. That is your opinion.

Mr. ELLIS. Yes, sir; that is my opinion, Mr. Curtis. I will say this: I don't have the procedures in mind at the moment because I briefed this some time back, but I would be glad to supply you with it.

Mr. CURTIS of Nebraska. They may have a right to impose some countervailing duties or to withdraw some benefits, but is it your opinion as a lawyer that here is a trade agreement not having treaty status entered into at one time by the then officials in the Government and at a later time it is changed, and if we change it damages could be recovered in an international court.

Mr. ELLIS. I think that a trade agreement does not require official sanction by either House of Congress or both Houses. The authority for the making of the trade agreement is vested in the President.

Mr. CURTIS of Nebraska. I understand that, but do you think such agreement has to run or a nation can be taken into an international court and damages recovered?

Mr. ELLIS. If its contract is breached, I think so, Mr. Curtis. The facts that I related here indicated not that the requirements of the contract had been met, but rather that the criteria of the contract had not been met, and therefore to impose quotas under it would amount to a breach of the contract.

Mr. CURTIS of Nebraska. In other words, it is your position that the Congress could not change its control of international trade and tariffs and is bound by past agreements.

Mr. ELLIS. No, sir; I do not. I think the Congress can pass any law it wants to, not otherwise prohibited by the Constitution, dealing with

internal law, but I think that the law as passed, while legal as a matter of internal law, if it required the breaching of a contract we could not relieve ourselves of damages for the breach.

Mr. CURTIS of Nebraska. To be specific, it is your contention that if the Congress would take action that would result in a modification of these trade agreements, raising the duty or imposing a quota, or some other restrictive measure, damages could be recovered in an international court of law.

Mr. ELLIS. If that law required the imposition of a duty or a provision that was contrary to the provisions of that contract, I think that would be a breach of contract, Mr. Curtis.

Mr. CURTIS of Nebraska. Would you submit to us a brief on that?

Mr. ELLIS. I would be very happy to, sir.

The CHAIRMAN. Do you want that a part of the record?

Mr. CURTIS of Nebraska. When he submits it.

The CHAIRMAN. Without objection.

(The brief submitted follows:)

SUPPLEMENTAL STATEMENT OF OTIS H. ELLIS, GENERAL COUNSEL, NATIONAL OIL JOBBERS COUNCIL

In the course of my presentation before the committee on May 13, 1953, the following statement, in substance, was made: If the United States imposes quantitative restrictions on imports of crude oil and petroleum products without conforming to the criteria and procedures prescribed in the two international trade agreements granting or binding concessions on oil imports, such action would amount to a breach of these two trade agreements (or contracts), thereby leaving our Nation subject to damages in a court of international law. The trade agreements referred to were the multilateral General Agreement on Tariffs and Trade and the bilateral trade agreement with the United States of Venezuela.

A member of the committee posed the following question, in substance: By virtue of what authority could a foreign country affected by quota restrictions on imports of crude oil and products from that country maintain an action against the United States for breach of contract in a court of international law?

The following statement or brief is submitted in answer to the question posed:

Before proceeding with the reasoning underlying my opinion, it is deemed necessary to supply some background information. This discussion will only deal with actions which could be maintained by Canada and the Netherlands (including the Netherlands West Indies) for breach of the GATT Agreement and by Venezuela for a breach of the trade agreement between that nation and the United States. For the purpose of this supplemental statement, it will be assumed that there has been a clear-cut breach of both agreements by virtue of a failure on the part of the United States to conform to the criteria and procedures prescribed in the respective agreements for the imposition of quantitative restrictions on imports of crude petroleum and petroleum products.

Compulsory jurisdiction of the International Court of Justice is effected by depositing with the Secretary General of the United Nations a declaration stating the terms and conditions of acceptance. The pertinent provisions of the Statute of the International Court of Justice are contained in article 36, paragraph 2, which is as follows:

"The states parties to the present Statute may at any time declare that they recognize as compulsory *ipso facto* and without special agreement, in relation to any other state accepting the same obligation, the jurisdiction of the Court in all legal disputes concerning—

- (a) the interpretation of a treaty;
- (b) any question of international law;
- (c) the existence of any fact which, if established, would constitute a breach of an international obligation;
- (d) the nature or extent of the reparation to be made for the breach of an international obligation."

On August 14, 1946, the United States of America, in accordance with a resolution passed by the Senate (two-thirds of the Senators present concurring) on

August 2, 1946, filed a declaration recognizing "as compulsory ipso facto and without special agreement, in relation to any other state accepting the same obligation, the jurisdiction of the International Court of Justice in all legal disputes hereafter arising concerning—

- (a) the interpretation of a treaty;
- (b) any question of international law;
- (c) the existence of any fact which, if established, would constitute a breach of an international obligation;
- (d) the nature or extent of the reparation to be made for the breach of an international obligation."

The United States, however, qualified its declaration with the following language:

"Provided, That this declaration shall not apply to—

(a) disputes the solution of which the parties shall entrust to other tribunals by virtue of agreements already in existence or which may be concluded in the future; or

(b) disputes with regard to matters which are essentially within the domestic jurisdiction of the United States of America as determined by the United States of America; or

(c) disputes arising under a multilateral treaty, unless (1) all parties to the treaty affected by the decision are also parties to the case before the Court, or (2) the United States of America specially agrees to jurisdiction; and

"Provided further, That this declaration shall remain in force for a period of five years and thereafter until the expiration of six months after notice may be given to terminate this declaration."

On August 5, 1946, the Netherlands accepted the jurisdiction of the International Court of Justice by filing the following declaration:

"I declare that the Netherlands Government recognizes as compulsory ipso facto and without special agreement in relation to any other Members of the United Nations and any other State accepting the same obligation, that is to say, on condition of reciprocity, the jurisdiction of the International Court of Justice in conformity with Article 36, paragraph 2, of the Statute of the Court, for a period of ten years as from 6 August 1946 and thereafter until notification of abrogation is made, on any future disputes, except those in regard to which the parties would have agreed, after the coming into force of the Statute of the Permanent Court of International Justice, to have recourse to another method of pacific settlement."

Canada accepted the compulsory jurisdiction of the Court with the following pertinent reservations: "other than disputes in regard to which the parties to the dispute have agreed or shall agree to have recourse to some other method of peaceful settlement," and "disputes with regard to questions which by international law fall exclusively within the jurisdiction of the Dominion of Canada."

The Government of the United States of Venezuela has not specifically, by formal declaration, accepted the compulsory jurisdiction of the Court.

Since the rights and procedures for maintaining an action against the United States in the International Court of Justice are different for Canada and the Netherlands, on the one hand, and for Venezuela, on the other hand, they will be treated separately.

Canada and the Netherlands

Since the United States of America, as well as Canada and the Netherlands, have all submitted to compulsory jurisdiction of the Court, it is clear that the latter two could bring before the Court an action for breach of contract against the United States (see Article 36, paragraph 2, above), provided the nature of such action did not fall within the exceptions declared by the parties in accepting compulsory jurisdiction.

After examining all of the exclusions of these parties, I am of the opinion that (1) if both Canada and the Netherlands (the only parties to the GATT Agreement who would be affected by quotas on petroleum imports) were parties to a breach of contract action as against the United States of America before the International Court of Justice, the Court would have jurisdiction and could render a decision as to the nature or extent of reparation to be made; or (2) either Canada or the Netherlands could maintain such action, without the other being a party before the Court, in the event the United States of America specifically agrees to jurisdiction. I am not unaware that some might consider that the provisions of Article 23 of the GATT Agreement constitute

compliance with paragraph (a) of the exclusions declared by the United States of America. This exclusion, in substance, states that the United States will not submit to jurisdiction of the Court if it has previously entered into agreement whereby the Parties "shall entrust to other tribunals" the solution of dispute. I do not consider that the "Contracting Parties" referred to in Article 23 of the GATT Agreement is a tribunal in a sense as contemplated by the exclusion. I further do not consider that the language of the exclusion "*shall entrust*" the solution of disputes, is complied with by the language of Article 23 wherein the language reads "the matter *may be referred* to the Contracting Parties." [Italics mine.]

Venezuela

Although Venezuela has not, by special declaration, submitted to the compulsory jurisdiction of the International Court of Justice, it could maintain an action against the United States for breach of its trade agreement by the simple expedient of filing its declaration one day and filing its action for damages the next day. An examination of the exclusions set forth by the United States, as related to the provisions of the trade agreement with Venezuela, does not indicate that any of such exclusions would preclude jurisdiction. Venezuela's right to maintain such an action is not limited to this method; however, it is not deemed necessary to discuss other premises if one is adequate.

I have not endeavored to discuss the pros and cons of all issues and various interpretations which might arise. I have merely attempted to show, without argument, that the United States would be subject to an action in damages if quotas on oil imports were imposed in such a manner as would constitute a breach of the two trade agreements dealing with concessions on oil imports.

Mr. CURTIS of Nebraska. On page 9, near the center of the page, you are discussing the Simpson bill and the power of the Tariff Commission, and you end up by saying, "This, as a practical matter, means that insofar as trade agreements are concerned, the President is reduced to a negotiating rubber stamp with little or no authority whatsoever."

He can still negotiate with such countries as he sees fit, can he not?

Mr. ELLIS. He can negotiate, but before he can agree to any concession, it is my interpretation of the Simpson bill that that must be presented to the Tariff Commission for consideration; that is, the commodity with which the concession is dealing.

Mr. CURTIS of Nebraska. The peril point idea.

Mr. ELLIS. That is right; and the Tariff Commission must make a peril point finding before the concession is granted.

Mr. CURTIS of Nebraska. In other words, we have a peril point at the present time, do we not?

Mr. ELLIS. That is right, sir.

Mr. CURTIS of Nebraska. In other words, that is a bottom limit that he can't go beyond is that not right?

Mr. ELLIS. At the present time you must find the peril point on the commodity before you put it in a trade agreement.

Mr. CURTIS of Nebraska. Yes.

Mr. ELLIS. But the Tariff Commission only recommends to the President and the President may or may not accept that recommendation. The difference in this bill is that the President must—

Mr. CURTIS of Nebraska. He would have to observe that peril point.

Mr. ELLIS. That is right.

Mr. CURTIS of Nebraska. As a bottom which he could not go below.

Mr. ELLIS. That is correct.

Mr. CURTIS of Nebraska. Don't you agree that your statement that he would merely become a rubber stamp is somewhat excessive?

Mr. ELLIS. Really what I was referring to was a rubber stamp as to the concession that could be granted on a commodity. In other

respects he is just like he was before. Possibly I should have limited that language.

Mr. CURTIS of Nebraska. Suppose he can enter into some Yankee trading and make a good deal for this country and not go anywhere near the peril point; he can still do it, can he not?

Mr. ELLIS. Surely.

Mr. CURTIS of Nebraska. Yes.

Mr. ELLIS. In other words, they set the limit. He certainly can go below it. You are quite right.

Mr. CURTIS of Nebraska. Instead of making him a rubber stamp, it puts a limit and the Congress would say he cannot go beyond that.

Mr. ELLIS. That is right. That language is better. I agree with you that my language was a little strained there.

Mr. CURTIS of Nebraska. Is it your understanding that the Simpson bill would authorize the imposition of quotas in reference to any import?

Mr. ELLIS. No.

Mr. CURTIS of Nebraska. So your language on page 10, where you say "If my conclusions as to the meaning of this language and its implications are correct, the net effect would be that so long as there was a complainant who could provide these figments of evidence, no products could come into this country other than those products which we do not have, or the difference between the amount of those products that we have and the total demand for such products, and even this latter would be subject to challenge."

You are referring there only to oil?

Mr. ELLIS. Commodities covered in a trade agreement. I really had in mind oil, yes; because this is covered in a trade agreement. To make that a little clearer, I will also state that would only cover commodities in a trade agreement.

Mr. CURTIS of Nebraska. You were talking about oil, whether or not it would cover all commodities in a trade agreement.

Mr. ELLIS. That is correct.

Mr. CURTIS of Nebraska. You reviewed the predictions of certain oil interests that great injury would come to them if imports were not restricted, and you contend that the record shows that that didn't happen.

Mr. ELLIS. Yes, sir.

Mr. CURTIS of Nebraska. The Simpson bill would put some brakes on the other end of the controversy. You in your statement say that if this is done—I find this on page 15—"I believe the proposed bill does not meet your current needs and would cause adverse conditions, some of them resulting in damage beyond repair in your lifetime and mine."

In other words, you are predicting irreparable damage that can't be restored in our lifetime if this bill is passed.

Mr. ELLIS. That is right.

Mr. CURTIS of Nebraska. Do you think your guess will be better than the Independent Producers Association of America?

Mr. ELLIS. For the past 3 years I have been contending that their predictions were wrong and I believe the record supports my position today a little bit better than it does theirs. That is the best way I could answer it, Mr. Curtis.

Mr. CURTIS of Nebraska. You suggest what you refer to as "Reverses or changes should not be made until every potential is explored so that our final decisions are based on reasoned judgment."

Do you anticipate that the actions of this committee will not be on reasoned judgment?

Mr. ELLIS. No, sir; not in any respect.

Mr. CURTIS of Nebraska. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Simpson will inquire.

Mr. SIMPSON. Mr. Ellis, are you now a lobbyist for the Government of Venezuela?

Mr. ELLIS. I am not and never have been.

Mr. SIMPSON. Have you not been registered?

Mr. ELLIS. I beg your pardon.

Mr. SIMPSON. Have you not been registered?

Mr. ELLIS. As a lobbyist? No, sir. I have never been a lobbyist for Venezuela. I am not now and I will answer categorically that I will never be a lobbyist for any foreign government as to my own Government.

Mr. SIMPSON. I would like to clarify that for you to tell us voluntarily, of course, that you are a legal adviser and consultant.

Mr. ELLIS. That is right, sir.

Mr. SIMPSON. As such, I presume you have their interest at heart?

Mr. ELLIS. Quite definitely.

Mr. SIMPSON. Are you a no-tariff man, a free-trade man?

Mr. ELLIS. No, sir. I guess I am what most people choose to call, or try to be, a middle-of-the-roader.

Mr. SIMPSON. Are you suggesting that the people whom you represent are free traders?

Mr. ELLIS. Not in the sense of the word that all tariff barriers should be torn down as contrasted to the other extreme of protective tariff, Mr. Simpson.

Mr. SIMPSON. Are you suggesting that those among the number whom you represent that supported the Eisenhower administration did so because they thought the Eisenhower administration is a free-trade administration?

Mr. ELLIS. No, no. I said free competitive enterprise.

Mr. SIMPSON. On page 16 you say that "a number of my people looked forward, after January 20, to what they considered as a change from governmental intervention to a return to a system of free, competitive enterprise, unregulated, and unfettered by anything more than reasonable antitrust and fair-trade laws."

Not a word about tariff.

Mr. ELLIS. That statement has nothing to do with it. I was speaking to point out the position of my people in that. We are not the whining type of trade association that is constantly afflicting Congress.

Mr. SIMPSON. But you put in antitrust and you put in fair-trade laws in which they believe, that is, the people you represent. You don't mean to imply that they do not believe in tariff protection?

Mr. ELLIS. No; not at all.

Mr. SIMPSON. All right. Your statement is not accurate, then, as expressing their opinion.

Mr. ELLIS. We don't believe in tariff protection currently for imported oil.

Mr. SIMPSON. You would like to have the present 5 percent removed? Are you advocating that?

Mr. ELLIS. I am not asking for it, but I don't think it does any good except as a revenue-producing measure. It certainly does not keep one barrel of oil out of this country, and I don't believe, Mr. Simpson, that even the IPAA or the coal people would state that it currently was keeping any oil out of the country.

Mr. SIMPSON. You are right. Do you advocate increased imports of petroleum?

Mr. ELLIS. Over the current levels? No, sir, Mr. Simpson, I think as a matter of fact that imports have been on the excessive side for the last 3 or 4 months, and I think that they should be cut back.

Mr. SIMPSON. You think they should be cut back?

Mr. ELLIS. Yes, sir.

Mr. SIMPSON. I do, too. By whom should they be cut back?

Mr. ELLIS. I think this industry can do it, the importers themselves, as they have demonstrated over the years they have done. We have had temporary incidences of this kind, one of which I am very familiar with. In 1948 and in 1949 I was petroleum counsel for the House Small Business Committee. During the period of time when we spent 15 months on hearings and investigations on the subject, the effect of oil imports on independent producers, I heard all the situation at that time and how critical it was. I submit the excess was greater then as related to domestic production than it is today, but they came out of that one and they will come out of this one. They are temporary things.

Mr. SIMPSON. The Korean war helped us out of that one.

Mr. ELLIS. The Korean war helped us out of that one in some respects, but the Korean war, in my judgment, along with the Abadan refinery closing down, helped push the amount of imports up.

Mr. SIMPSON. You have agreed with me that at the moment there should be some curtailment.

Mr. ELLIS. Some has been made already, Mr. Simpson, if what I read in the papers is correct.

Mr. SIMPSON. You mean below the 1,100,000 barrels coming in daily?

Mr. ELLIS. I think for a period of a week or so there it was hitting about 1,100,000 barrels. Maybe 1 week it hit an average of about 1,200,000, but it is under 1 million now, I think.

Mr. SIMPSON. I respect your opinion. I would like to know the basis upon which you say that that 1,100,000 barrels is too much today.

Mr. ELLIS. That 1,100,000.

Mr. SIMPSON. Whatever it is.

Mr. ELLIS. I think it is too much not because of the number of barrels it represents but because at the time we are importing that much oil we have shut-in capacity, say, for example, in Texas today of approximately 500,000 barrels of oil, and I think that currently there ought to be a different relationship. I think some of your shut-in capacity today could be pushed up a little bit more and a little pulled back on our imports. I don't think it warrants imposing a 10-percent formula applied to it when the industry can do it itself.

In this oil industry, Mr. Simpson, you can't always gage what

is going to happen 3 months from now. It is like a chameleon running across a crazy quilt. I am not a professional in it. I work on the edges. Let's say, for example, they projected last summer their shipments, the oil they would take out of the ground and refine and come to this country during the winter. You get a little mild session, coal goes back, gas goes back, burning oil goes back. They have overestimated. I think the situation has arisen due to that and other circumstances, and I think this industry will take care of it, as it has done.

Mr. SIMPSON. You do see a relationship, then, between imports and production domestically.

Mr. ELLIS. Very definitely so. We can never let imports come into this country over a period of time to such excesses that we jeopardize a reasonable program of exploration for and development of our own properties.

Mr. SIMPSON. Your information is most constructive and I want to commend you for that.

Now, I would like to ask you this: You suggested the need for curtailment of imports. By whom must that curtailment or should that curtailment be provided?

Mr. ELLIS. By the importing companies themselves.

Mr. SIMPSON. We know they are not permitted to get together and make combinations in restraint of trade, and so on. Therefore, they must do it on an individual basis.

Mr. ELLIS. That is correct.

Mr. SIMPSON. I did not hear any testimony today indicating conclusively that they were doing it or intended doing it. In fact, as I recall, there was one who testified that there should be unrestrained importations. If those companies failed doing it, does it follow in your opinion that the Congress should do it?

Mr. ELLIS. If they fail to do it, and if imports of oil come in in such increased quantities as to cause or threaten serious injury to our domestic industry, then I think that the Tariff Commission ought to make the recommendation and the President ought to follow through with that recommendation. If he does, we will be perfectly legally in accord with every trade agreement we have.

Mr. SIMPSON. You, sir, have been described to me as a man who knew the business and I want to commend you for the frankness of the testimony you have given us. I say to you as a member of this committee that I am seeking the kind of information you are giving us. It has been helpful.

There is one other point, and this is my last one. You have referred to the coal industry here and the workers in the coal industry and cited the number of strikes and so on in recent years as affecting the supply of coal and also affecting the imports of oil. You used the phrase that we should not be at the mercy of the group, meaning the coal-mining workers. I did not like the actions that went on during the war, but at the same time I have to keep in mind that if I had a choice as to being at the mercy of American citizens here at home I would prefer that to being at the mercy of underpaid workmen thousands of miles away in a country whose friendliness to us is apparently only a matter of dollars. I do not want these men put out of work here permanently by low-paid workers over in the Middle East and

Venezuela and elsewhere. I think we have to seek to preserve the great mining industry. I do not disparage the importance of petroleum, but I do see a possible emergency when we must have coal available.

If I had a choice as between being at the mercy of the American workingman and the workingman down in Venezuela or in the Middle East, I will take the American workingman.

That is all I have, Mr. Chairman.

The CHAIRMAN. Any other questions?

Mr. COOPER. Several times, Mr. Ellis, during the course of the questions here, you referred to other material. Is there anything else that you would like to include in the record?

Mr. ELLIS. Not for the moment. I think I have about covered it.

The CHAIRMAN. We thank you for your appearance and the information you have given to the committee.

Mr. ELLIS. Thank you.

STATEMENT OF J. P. GWALTNEY, ON BEHALF OF THE NORTH CAROLINA OIL JOBBERS ASSOCIATION, BEFORE THE HOUSE WAYS AND MEANS COMMITTEE

Mr. GWALTNEY. My name is J. P. Gwaltney, from Durham, N. C. I am what is known in the oil industry as an independent jobber of petroleum products. I own my own bulk storage plant and transport facilities—the latter being used to distribute gasoline, kerosene, and fuel oil to the filling stations, farms, and homes in the area which I serve.

There are hundreds of jobbers like me in the State of North Carolina, and thousands of others throughout the United States. We employ thousands of people and we, with our bankers, have many millions of dollars invested in our businesses.

I am appearing here today as chairman of the imports committee of the National Oil Jobbers Council, as well as speaking on behalf of the North Carolina Oil Jobbers Association.

The membership of the National Oil Jobbers Council consists of the following State associations.

With your permission, sir, I will not read that, since each of you has a copy of those names.

First, I would like to read to you some excerpts from the report of the NOJC imports committee, which report was unanimously adopted by the representatives of the 25 State jobber associations at our meeting in Montgomery, Ala., on March 27, 1953:

Our recommendations for immediate action, together with some supporting statements, are as follows:

That the officers, directors, and general counsel be authorized and directed to take such steps as are legally permissible and deemed necessary to oppose passage of any legislation seeking to impose restrictions on crude oil and petroleum products.

That a recommendation be made to the proper congressional committees and the Congress to the effect that if it is deemed necessary to impose import restrictions on crude oil and products, that current depletion allowances on coal and crude-oil production either be reduced or, in the alternative, before such allowances are granted as tax reductions, satisfactory evidence shall be submitted to show that the amount of such deduction either had been spent or was obligated to be spent on the exploration and/or development of oil- or coal-producing properties.

In keeping with this mandate, I am recommending to this committee that if you see fit to reduce imports of oil, that you also give consider-

ation to reducing the depletion allowance, for the reason that this allowance would not longer seem to be necessary as an inducement to find oil.

Opposing unreasonable restrictions on imports of oil is not a new policy for the jobbers of this Nation—the National Oil Jobbers Council has opposed such restrictions since its inception in the early 1940's, and I dare say we will continue this opposition with all vigor in the same manner as we oppose other legislation which would seek to impose Government control on the operation of our business and our industry.

As I see it, this bill, H. R. 4294, would provide a double-barrel approach to restricting oil imports. One part of the bill would impose specific restrictions on imports of crude oil and products, with a special provision for residual oil. The other language of the bill would amend our present laws to the point where it would be a simple matter to come in and get the same restrictions through the Tariff Commission. While I can understand that shooting 2 barrels at once, rather than 1 barrel, would improve the chances of dropping the bird, I am a little confused over the inconsistency of what the bill, as a general proposition, would do. It is my understanding that if the existing law is amended by this bill, it sets up standards and procedures whereby an injured industry can get relief by going to the Tariff Commission. If these standards and procedures are considered adequate, then why is it necessary to put in special amendments which would do what the Tariff Commission is supposed to do?

Frankly, I am not too worried over what your action will be on these quota provisions because I simply cannot believe that the Congress would ever agree to any law which specifically limits imports of crude oil and its products for the simple reason that such a law would result in a shortage of crude oil and products, higher prices to the consumer, and unnecessary drain on our existing oil supplies, and above everything else would jeopardize our national security by diverting the sources of foreign oil which will be so necessary if we become engaged in a global war. The part of this bill that I am really concerned with is the language which would set up an easy method for the John L. Lewis crowd to come in through the Tariff Commission and get these same restrictions. We have no objection to reasonable language that would keep foreign imports of any commodity from ruining a domestic industry. We do, however, object to language that would require treating every stubbed toe by cutting off a leg.

It would be difficult to deny that the coal industry is not in the best of health. But I cannot agree that the cause of their ailment is excessive imports of crude oil and products. I am more inclined to believe that their main trouble is John L. Lewis, the greatest oil salesman the world has ever known. While I feel a little sorry for the coal producers who, for more than 20 years, have been required to play tick-tack-toe with Mr. Lewis, I still do not feel that the consuming public should be called upon to subsidize this situation. That is exactly what would happen if you limit imports of residual oil and thus force the consumers of residual oil to throw away their burners and use a higher-cost fuel.

The position of the independent producers is not a new one—it has been a perennial complaint for 25 years. The independent producer is not unlike the average businessman in that he wants to sell as much

as he possibly can at a price that will give him the highest profit possible. They have been quite successful in obtaining legislation that would assist toward this end. Most States have proration laws that guarantee even the smallest producer his pro rata part in whatever crude oil market is available. They have laws which limit crude production to demand which has the net effect of bolstering the price of crude oil. He has 27½ tax depletion allowance, which he guards very jealously. For many months spokesmen for their association have been crying for further increases in the price of crude oil. It is our belief that the real reason behind their efforts on this bill is to curtail our supplies of crude oil and products with the hope and belief that it will set in motion economic factors that will result in crude oil price increases. It is our belief that if imports are curtailed their hopes will ultimately be fulfilled.

We jobbers know what happens when crude oil goes up. The price of petroleum products goes up in varying degrees across the board. It then comes our turn to stand with red faces while we try to explain this situation to the consuming public which we serve. Frankly, we are getting a little fed up with seeing this independent producer group constantly howling about going broke or complaining when they are down to their last two Cadillacs. We are even more fed up when we see a group from our industry go over and get in bed with a competing industry, when such action will work a hardship on we marketers but for whom their crude oil would be a drug on the market. The independent producer seems to forget, if he ever knew, that it was the independent distributor who developed the market for household burning oil, thus enabling the crude producer to produce more oil and at a better price.

We feel that this group should have stayed within the industry to solve its problems. We deal with much rougher problems every day by way of price wars, depressed markets, lack of capital, and high taxes, than they will ever be called upon to contend with, yet we don't find it necessary to come to Washington seeking legislative relief. As a businessman, I know that I must expect ups and downs and I think they should expect the same.

It is not my intent to be malicious in this criticism, but I feel this matter very strongly and I think it would be better for the industry and the country as a whole if we kept regulation out of our industry. We, therefore, hope that this committee will see fit to extend the reciprocal trade laws without adding the changes which I have referred to.

Thank you for the privilege of appearing here.

The CHAIRMAN. Thank you very much, sir, for the statement you have made to the committee. It will be very helpful, I am sure.

Any questions.

Thank you, sir.

Mr. GWALTNEY. Thank you.

STATEMENT OF CLINT ELLIOTT, ON BEHALF OF THE ARKANSAS INDEPENDENT OIL MARKETERS ASSOCIATION, INC., PINE BLUFF, ARK., BEFORE THE HOUSE WAYS AND MEANS COMMITTEE

Mr. ELLIOTT. Thank you, Mr. Chairman, for letting me appear.

The CHAIRMAN. We thank you for your appearance here. We are glad to have you here. Will you give your name and the capacity in which you appear for the record?

Mr. ELLIOTT. Mr. Chairman, I am Clint Elliott from Pine Bluff, Ark. I am past president of the Arkansas Independent Oil Marketers Association. This is an association of independent jobbers of petroleum products.

Twenty-eight years ago I built a filling station with borrowed money, and I have engaged in the marketing of petroleum products since that time. For the last 18 years I have been a jobber, operating and owning my own bulk storage plant and distributing petroleum products in several counties in southeast Arkansas. For the better part of this 28 years I have been competing and fighting major oil companies to keep what few little accounts I have. In the past, every time we jobbers went along with the majors, we have lost our shirts, so this time we have checked and doublechecked before taking a position on the Simpson bill.

I have never been before a congressional committee before, so I don't know what I am supposed to say and what I am not. If anything I say is out of line, just put it down to my ignorance and strike it from the record.

As a general proposition, we jobbers try to stay out of Washington. We feel that this proposition of free competitive enterprise, although rough as a cob at times, is still a whole lot better than having the Government trying to run our business. As little as my business is, I have to hire an extra girl just to keep all of my Government forms and records, and then I get behind now and then. When the going gets rough for us, we holler and scream, but we know from experience that the best way to straighten out our problems is to do it in our own industry and by making ourselves more efficient operators.

I have been reading for months now in the papers about the independent producers and the John L. Lewis crowd getting their heads together to block oil imports. When I found out that this crowd was backing this bill together, I knew that somewhere along the line the American people were going to have to foot the bill again. When our association got a look at the Simpson bill, it was decided that I better come up here and try to do something to stop it. I don't profess to know much about the economics of the coal industry. I do know that when the coal industry gets to messing with oil, they don't have my welfare in mind. I also know that the independent crude producer has even less concern for my financial well-being.

Let's take a look at what these boys are after. The coal crowd wants to cut off residual imports because they figure that it will force some residual oil consumers to burn coal. In my opinion, the reason these people quit using coal and started using residual oil was because John L. Lewis called so many strikes and holidays they didn't know when or whether they were going to get any fuel. Now, he comes along and wants these same consumers forced to use his product after he has run them off. Apparently the consumer, as usual, is caught in the middle.

Now we come to the crowd that I really cry over—the independent producers. It looks to me like they are eating pretty high on the hog already. The price of crude oil today is more than double what it was during the war years, whereas most of the jobbers are making the same amount of cents, and fraction thereof, per gallon gross that they were making in 1940 while our net has decreased tremendously. Now what do these boys want? They want imports on residual oil

curbed so that a shortage will be created and the price pushed up some more. When the price of residual oil goes up, they will then push up the price of crude oil. When the price of crude oil goes up, every consumer of petroleum products in this country will have to foot the bill in some form or another. Now what does this mean for the jobber? Our profit margin is not figured on a percentage basis but on a cents per gallon basis which does not vary unless there is a price war and then it goes down. This means that all jobbers will have to get more capital to carry the expenses of higher-priced inventories and credit accounts. It will mean that every farmer customer will be put to added expense to raise crops that are selling for less every year. Of course they want to get crude oil imports cut off so that they can produce some more at a new higher price which will be brought about by cutting the residual oil imports.

Now, mind you, these independents never do these things for themselves—it is done in the name of national defense. I have been reading their stuff for years, and if I believed everything I read I could figure that they are not in business to make money but are solely interested in the security of the United States. I think they are as patriotic as the average American businessman, but I seriously doubt that there has ever been a purely patriotic oil well drilled in the history of the world. They are in business to make money just like I am, and if having a good supply of oil is to the benefit of the United States as a whole, it is byproduct of their real objective. I don't object to their making money but I do get sick and tired of seeing people cover up their greedy desires with the American flag. I have to work hard to sell petroleum products. The independent producer is guaranteed a fair share of the crude oil market by proration laws. The only way I can get a fair share is by hard work. On top of this proration protection, they get what is known as a depletion allowance which, in my opinion, is about equivalent to a license to steal. As a matter of fact, I believe I would rather have the depletion allowance.

Now, I am not trying to be hard on these fellows, but I think it is high time that the businessmen of this country—and that includes the coal people and the independent producers—quit looking to the Government for aid at somebody else's expense every time business takes a dip.

A lot of Arkansas jobbers, as well as 30 million other people, voted for President Eisenhower. We understand that he wants the trade laws continued without any change. The present trade laws, as far as oil is concerned, have worked very satisfactorily and we see no reason for any change.

The CHAIRMAN. Does that conclude your statement, sir?

Mr. ELLIOTT. Yes, sir.

The CHAIRMAN. We thank you very much for your presentation. Mr. Simpson would like to inquire.

Mr. SIMPSON. I do not doubt but that the gentleman has a good sense of humor.

Mr. ELLIOTT. You have to have when you work for oil companies.

Mr. SIMPSON. Frankly, I wonder just with whom you deal, who are your friends today. You tell me in the past every time you went along with the majors you lost your shirt.

Mr. ELLIOTT. That is right.

Mr. SIMPSON. Now I turn over a page or two and I find that the independent crude producers have even less concern for your financial well-being. How do you get along at all?

Mr. ELLIOTT. Well, I don't so well, sir. But down in Arkansas we are not used to much, so I barely get by.

Mr. SIMPSON. Well, let me say I think you are a very successful witness, and I hope you come back to us.

Mr. ELLIOTT. Thank you, sir.

WASHINGTON, D. C., June 23, 1953.

Mr. M. R. GARSTANG,
Counsel, National Milk Producers Federation,
Washington, D. C.:

Your letter June 23 will be printed in the record of statements received on H. R. 5495 and given full consideration by members of Committee on Finance before action is taken on bill.

EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee.

NATIONAL MILK PRODUCERS FEDERATION,
Washington, D. C., June 23, 1953.

HON. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: It is our understanding that the Senate Finance Committee will consider H. R. 5495 in executive session without open hearings.

H. R. 5495, as you are aware, is in the nature of a compromise bill. It extends the authority of the President to enter into trade agreements for 1 year, reduces the time allowed for escape-clause actions, increases the membership of the Tariff Commission, and sets up a commission to study foreign trade. More controversial issues appear in H. R. 5496 and other bills.

The National Milk Producers Federation—representing 460,000 dairy farmers and the cooperatives through which they act together to process and market milk and dairy products—is vitally concerned with foreign trade policies.

Dairy farmers are not receiving parity prices for their products. The current price-support program is designed to return farmers about 90 percent of parity. Even so, the domestic price level is substantially above world prices, and effective import controls are needed to prevent disaster. Controls are currently being applied under section 104 of the Defense Production Act, and controls after June 30 are now authorized under section 22 of the Agricultural Adjustment Act.

A full statement of the need for import controls was presented to the House Ways and Means Committee in connection with the trade-agreement hearings and to the Banking Committees of both the House and Senate in connection with the hearings on the Defense Production Act.

The federation has for several years urged Congress to retain closer control over the execution of trade agreements, and that is still our policy. We have also asked that such safeguards as the peril-point and escape-clause provisions be retained and strengthened.

Since H. R. 5495 is in the form of a compromise, we presume that amendments to strengthen the peril-point and escape-clause provisions and the effectiveness of section 22 of the Agricultural Adjustment Act would be more properly directed to H. R. 5496 or other bills dealing with controversial issues. We also presume that the converse must be equally true. We therefore would like to be recorded as opposed to any amendments which would in any way impair the safeguards in the present law.

If the committee should decide to consider controversial amendments to H. R. 5495, we hope that open hearings will be held so that we may have an opportunity to be heard on strengthening amendments.

Referring to the pending bill, we are fearful of the implication of the phrase "within the framework of our foreign policy and national security objectives" as used in section 309 (a). If the Commission on Foreign Economic Policy is

to make an objective study of the foreign economic policy of the United States, it would seem that this phrase should be stricken or that the committee report should make it clear that the phrase does not limit the scope of the study.

Respectfully submitted.

M. R. GARSTANG,
Counsel, National Milk Producers Federation.

LOS ANGELES, CALIF., June 24, 1953.

Senator EUGENE D. MILLIKIN:

Urge retention of 7-man commission under H. R. 5495. Also early hearings on H. R. 5496.

VERNON KILNS,
TAL JONES,
8258 East Garibaldi Avenue,
San Gabriel, Calif.

LOS ANGELES, CALIF., June 24, 1953.

Senator EUGENE D. MILLIKIN,
Washington, D. C.:

Urge retention of 7-man commission under H. R. 5495. Also early hearings on H. R. 5496.

VERNON KILNS,
EDWARD J. FISCHER,
3910 Welland Avenue,
Los Angeles, Calif.

LOS ANGELES, CALIF., June 24, 1953.

Senator EUGENE D. MILLIKIN,
Washington, D. C.:

Urge retention of 7-man commission under H. R. 5495. Also early hearings on H. R. 5496.

VERNON KILNS,
WILLIAM H. BARBER,
3649 Fairway Boulevard,
Los Angeles, Calif.

ALPINE, TEX., June 11, 1953.

CHAIRMAN, SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

I respectfully request hearings be held on trade agreements extension bill before any action is taken. I think industries such as ours are entitled to this consideration.

NATIONAL WOOL GROWERS ASSOCIATION,
RAY W. WILLOUGHBY, *President.*

McCALL, IDAHO, June 23, 1953.

Hon. EUGENE MILLIKIN,
Chairman, Senate Finance Committee,
Washington, D. C.:

We regret that Senate Finance Committee will not hold hearings on Reciprocal Trade Agreement extension as you know wool-growing industry is in serious straits and must have a protective tariff. We appreciate the cooperation we have had from you through the years and know that you will use every effort to protect our industry.

EXECUTIVE COMMITTEE, NATIONAL WOOL
GROWERS ASSOCIATION,
RAY W. WILLOUGHBY, *President.*

BOSTON, MASS., June 23, 1953.

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

My industry requests you hold a hearing on H. R. 5496. Imports have accelerated phenomenally during the last few years. Domestic fishing industry seriously threatened with total extinction, unless orderly procedure established for admitting imports. H. R. 5496 contains many features offering sensible approach to entire import problem.

MASSACHUSETTS FISHERIES ASSOCIATION,
THOMAS D. RICE, *Executive Secretary*.

JUNE 15, 1953

Mr. THOMAS D. RICE,
*Executive Secretary, Massachusetts Fisheries Association, Inc.,
Boston 10, Mass.*

DEAR MR. RICE: As soon as the House acts upon the Reciprocal Trade Agreements Acts, I think the chairman of the Finance Committee will call the committee together, and at that time it will be determined whether hearings will be held.

I will request the clerk of the committee to notify you if hearings are ordered.
Sincerely yours,

WALTER F. GEORGE.

MASSACHUSETTS FISHERIES ASSOCIATION, INC.,
Boston 10, Mass., June 11, 1953.

Senator WALTER F. GEORGE,
*Senate Finance Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR GEORGE: I understand that the Senate Finance Committee may report the first Simpson bill without a public hearing. The fishing industry of New England urges that this action be postponed, so as to bring forward the second Simpson bill as amended.

This second bill contains measures of vital interest and concern to my industry. If the industry is to be preserved the measures contained in the second Simpson bill would improve our position tremendously.

May I take the liberty of urging you to heed my request, any consideration given it would be gratefully appreciated.

Sincerely yours,

THOMAS D. RICE,
Executive Secretary.

TESTIMONY OF GOVERNMENT WITNESSES BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS ON H. R. 4294

STATEMENT OF HON. JOHN FOSTER DULLES, SECRETARY OF STATE OF THE UNITED STATES

Secretary DULLES. Thank you, Mr. Chairman.

As I think you and the committee members know, the President has recommended that the Congress should extend the present Reciprocal Trade Agreements Act for a further period of 1 year. I would like to express some views in support of that recommendation.

In making that recommendation, the President has a simple purpose. It is to avoid a committal or an appearance of committal to a changed tariff policy before that can be coordinated with other new and related policies. We want all of the parts to add up to a coherent whole and be sure that they do not cancel each other out. Only then will they truly serve the welfare of our people.

The President proposes to use this year, or as much of it as is necessary, for a study which will have the full participation of the public and the Congress. He has recommended that for this purpose a Commission be established, consisting of 5 members appointed by him, 3 by the Speaker of the House, and 3 by the President of the Senate.

Extension of the Reciprocal Trade Agreements Act, in its present form, for an interim period of 1 year, will give the time needed to make a fresh appraisal of what should be done.

There are a number of bills which have been introduced and referred to this committee which would serve this purpose. I believe, however, that H. R. 4294 is not in accord with our present needs. It would not only enact special regulations on imports of petroleum, lead, and zinc, but it would basically alter the operation of the present trade program. That would be to commit ourselves to future policy before we can be sure that such policy is that which, added up with others, will produce the best results.

As we begin the task of reassessing our foreign economic policy, we are confronted by a number of basic facts. This Nation has become the center of the economic system of the free world. We in this country account for 50 percent of the total production of the non-Communist world. We are the world's largest exporters and the world's largest importer. We are the greatest creditor Nation in the world, and the most important single source of the free world's capital needs. We lead in the development of new inventions and new skills.

This strength of ours is something for which we are all devoutly thankful. In part it comes from the good fortune which spared us the physical destruction of two world wars. In part it comes from an abundance of natural resources. Even more, it comes from our own efforts and from the national policies which have guided these efforts—policies which by and large, over the 164 years of our national life, have served our Nation well.

We shall not continue to have strength and to enjoy national health except as we continue to follow wise policies. And these policies will not be wise unless they recognize the basic truth that no nation can long survive as a citadel of self-indulging privilege surrounded by massed human misery and despair. The United States is today a paradise compared to most of the world. But it could be a fool's paradise if we thought we could, with impunity, so act as to impede the honest, substantial efforts of others to improve their lot.

It is enlightened self-interest for the strong to be considerate of the weak.

This timeless truth always operates. Sometimes it operates slowly. But today it operates quickly. There exists in the world a vast and powerful conspiracy directed against the United States. It seeks to prevail by bringing under its control those people who feel hopeless and who are despairing, and who thus readily lend themselves to a violent program of world revolution. Already one-third of all the people of the world have been made first the victims, and now the tools, of that conspiracy. A further reduction of the free world and an increase of the captive world cannot but have ominous consequences for the United States.

The leaders of Soviet communism have consistently proceeded on the theory that economics was the Achilles heel of the West. They

have argued that the industrialized West depended upon raw materials and markets of the undeveloped areas, and that if these areas could be subtracted from the economic domain of the West and brought under Communist control, the Western nations would not have left sufficient scope for the employment of their industrial machine. Then, it was reasoned, the Western nations would engage in violent competition among themselves, which would put them at loggerheads so that they would readily fall victim, one by one, to Communist conquest.

That basic thesis was first announced by Stalin in 1924, and his last political publication, that of October 1952, asserted that so much of the world had now been alienated from the West that Britain, France, and the United States could not make place for the post-war commercial activities of Germany and Japan. Stalin concluded that the Soviet leaders could now reliably assume that Britain and France would gradually—and I quote his words—“break from the embrace of the United States,” and that Western Germany and Japan could be counted on to—and again I quote—“try to smash United States domination.” Then would come what Stalin foresaw in 1924 as the “moment for the decisive blow.”

Stalin reasoned that these developments were, as he put it, “inevitable.” In that he was surely wrong. But we, too, would be wrong if we were blind to the fact that the Communist thesis has some valid elements. We could by our own mistakes make Stalin’s predictions come true.

Our political interests, our security interests, and our economic interests mesh together. The fact is that the ability of other free countries to resist Communist aggression and their willingness to unite with us on certain common security policies depend largely upon their economic well-being. That, in turn, is influenced by our own economic policies, including our tariff policy.

The present administration is attempting to shape United States policies to what it believes are the overall needs of our Nation. That involves consideration of our own budgetary, monetary, and tax problems. It involves reviewing our policies of military and economic aid to other friendly countries. It involves reconsideration of our defense program. It involves study of measures, such as the Battle Act, designed to restrict trade between the free nations and the captive world; trade which, while commercially useful to the free world, might be militarily useful to the Soviet world. It will also involve consideration of our trade and economic problems in relation to the welfare of other free nations—a welfare to which we cannot be indifferent, save at our peril.

The variety and difficulty of the problems we face emerge sharply as we consider specific areas of the world. Western Europe has, through its own efforts and with our help, made large gains since 1946. Production of these countries has increased by 40 percent, and exports have risen by 60 percent over the prewar period. Yet the Western European countries are unable to pay for all of the United States goods which they need, even though they are severely denying themselves many of the American goods their citizens want. Their gold and monetary reserves are very low in relation to current needs and the contingencies they face. They feel that this margin of safety is so slight that they dare not be venturesome.

We have helped these countries to fill their current requirements for American products, including military defense items, by extraordinary aid. But this situation is unhealthy. It is not a basis on which a lasting alliance of mutually self-respecting nations can long continue. It can be corrected partly by measures taken by the countries of Western Europe themselves, and partly by action by the United States.

The countries of Western Europe can do much for themselves by increasing their economic unity so that they more freely exchange their goods as between themselves. They need more and more to back their currencies with sound budgetary measures and productive efforts, so that their currencies will be a medium for expanding trade above the low level which always prevails when currencies fail to lift trade above what is virtually a barter basis. Sound United States foreign policies can do much to advance the unity and the strength in Europe which are desired and sought by the peoples themselves.

If we turn to Japan we find again a nation which buys much more United States goods than it can pay for by sales to our country. Japan's problems are the more acute because she has concerted her policies with those of the United States, which call for a very sharp curtailment of trade with Communist China. Thus, Japan has been forced to turn elsewhere, and largely to the United States, for the food and raw materials which her population requires. But also, Japan needs markets which provide the funds to pay for its imports.

In this connection, again, our foreign policies can help by promoting the development of the underdeveloped areas of south and southeast Asia, where there could be a mutually beneficial trade with Japan. Here again, however, the situation is complicated by Communist aggression in Indochina, which seeks to bring the so-called rice-bowl area of southeast Asia under Communist rule.

There are other underdeveloped areas of Asia and Africa and of this American hemisphere which can find ways of better utilizing their own resources to promote their development. Here, too, we have a part to play. By encouraging a climate which will attract American private capital to such areas, by extending public or private technical assistance where it will help, and by following trade policies which take sympathetic account of the problems of nations which depend upon the production of 1 or 2 products, we can play a part in developing an amount of economic health and good will.

Also, we must remember that the internal strength of this Nation depends upon wise foreign economic policies. Imports are occasionally disturbing. But a check on exports would be equally disturbing. Vast segments of American agriculture, industry, and labor rely on large export markets for their prosperity. Our cotton, wheat, and tobacco growers depend largely on export, as does the machinery industry. The entire industrial activity of the United States is heavily dependent upon imported raw materials and will grow more dependent on those materials as time goes on. Moreover, our American taxpayers should not be expected indefinitely to shoulder the large grants-in-aid that have recently been supplied by the United States to bolster foreign economies.

Finally, hundreds of thousands of private Americans, as well as the Government itself, have large investments throughout the world, and their value is seriously affected by the amount of dollars that foreign countries have to pay for interest and to repay principal.

Accordingly, our own national interest will be advanced by balanced measures which take into account the varied interests of the different segments of our national life. Sporadic acts, designed to help particular interests, without regard to the whole, will not in the long run be beneficial.

I certainly would not suggest that the answer to all of our problems is to be found in a new United States Tariff Act which would further reduce our customs duties, which in many sectors are already low. I do not think that domestic industry and agriculture should be sacrificed in the interest of exporters or that local business should alone pay the price of foreign policies designed to promote international unity and economic health.

What I do feel strongly is that every segment of our Nation will eventually suffer if our economic and foreign policies are a maze of contradictions. This would happen if new tariff policies were adopted before policies in other areas and the policies of other countries are more fully developed. If the Congress now took measures which foreshadowed a sharp increase in tariff protection, that would have very disturbing repercussions not only upon other national policies which are being formulated, but also upon the policies which we hope other governments will adopt as a contribution to a total free world which will be more vigorous, more healthy, more unified, and more secure.

As the President said in his letter of May 2 to the Congress, this question of trade needs to be thoroughly studied by a representative commission which will assume its responsibilities without any prior commitments or prejudices whatever.

I want to say to you that, as Secretary of State, I have no preconceived ideas and no policies to which I feel committed. I have a completely open mind in this respect. That is why I can conscientiously urge that there be in effect a standstill until this problem can be studied under fresh auspices in its relation to the complex problems into which tariff policy must be fitted. That is why I urge that H. R. 4294 should not now be adopted. Its present adoption would have serious international repercussions injurious to the best interests and welfare of the United States. It would be taken, throughout the free world, to forecast United States trade policies which would make it impossible for them to live without increasing association with and dependence on the Communist world.

In Paris last week, Secretary Humphrey, Secretary Wilson, Mr. Stassen, and I, had talks with representatives of various foreign governments, and we forecast a coming reduction in economic and budgetary aid from the United States. This was accepted in good spirit by our friends. But their economies are still too fragile to absorb multiple shocks. Therefore, we strongly believe that the United States should not take tariff-lifting action at this time, before such action can be appraised in the light of other governmental policies designed to permit of balancing the budget, stabilizing our currency and, we hope, eventually cutting taxes, and doing all of this without jeopardizing the international relationships upon which our security largely depends.

Our Nation has lived for 2 years under the present Trade Agreements Act as it now is. We have not only lived but lived well, and are today enjoying a high level of productivity and employment. The

present act contains provisions which enable special measures to be taken to protect special situations such as may exist, for example, in relation to the lead and zinc industries. Surely it is the course of wisdom not to depart from legislation which has served us well until we can be quite sure that the legislation to replace it can better, or at least equally, serve our national welfare. That we cannot know until the entire field has been studied by such as commission as the President proposes.

Therefore, Mr. Chairman, in closing, I again urge that no change be made in the existing Trade Agreements Act; that it be retained unimpaired in its present form in the interim period of study which lies ahead; and that the commission asked for by the President be promptly established and put to work.

Thank you, Mr. Chairman.

The CHAIRMAN. Does that conclude your statement, Mr. Secretary?

Secretary DULLES. That concludes my formal statement.

The CHAIRMAN. Are there any questions?

Mr. Jenkins will inquire.

Mr. JENKINS. I should like to ask the Secretary just 1 or 2 questions.

Mr. Secretary, you know that the country has for years been very much dissatisfied, at least a good portion of the country has been very much dissatisfied with the method and manner in which the Secretary of State's office has been operated. You, as Secretary of State, come forward with your program which really and essentially ought to be coordinated with the program of the Secretary of the Treasury. How long do you say it will be before you and your group and our group, working together, can accomplish what you believe ought to be done?

Secretary DULLES. I would hope and expect, sir, that there could be a program ready to submit which would have been studied and approved in principle by representatives of the Executive and the Congress by the 1st of January.

Mr. JENKINS. Last week we had hearings in which various industries of the Nation participated, and one after another, several of them, came before us with stories indicating that they were about out of business. The imports and the uncertainties of legislation were such that their businesses were becoming very precarious. I appreciate many of the things that you say; but at the same time, there are a half dozen big industries in this country that are ready to fold up if we do not do something about them. What would be your advice in cases like that? Let them go?

Secretary DULLES. There is of course, machinery provided by the present act which permits of relief in special situations of the kind you refer to. I see no reason why the industries that you have in mind should not have recourse to the provisions of the present act, with which of course you are very familiar. I believe that while in the past there has been a good deal of slowness in the operation of that procedure, it can be and under proper circumstances will be very much expedited. The fact that certain industries are in difficulty is nothing new to the American economy. Our economy has always been a fluid economy. New developments, new inventions, have constantly been putting existing businesses out of work. We have seen that as the automobiles have come along and put the electric streetcar industry

almost out of business. To a very large extent, natural gas and fuel oil have come to replace coal in its use by railroads and by household consumers and industry. To a very large extent the textile industry has moved from New England to the South.

Our economy has always been a fluid economy, and it is nothing whatever new or surprising or indeed unhealthy that changes occur which replace old businesses with new businesses. That has been the thing which has made the American economy the vital, strong, vigorous force it is in the world today. In other areas of the world, the effort has been to maintain the status quo. That was the socialistic program in Great Britain, which meant that certain of their industries have not kept pace with the technological developments in the world.

The American industry has been dynamic. It has changed. New inventions have come along. Nylon has come along and put other businesses out of work. That is a constantly recurring feature.

While I believe that there should be a considerable measure of protection against foreign competition, the mere fact that there are businesses in the United States which are having difficulty in the face of new types of competition is nothing new to American life. In fact, it is characteristic of American life.

Mr. JENKINS. That is not the point. There is no question but that we are a great country. Our country has taken care of itself. But now we have basic industries that are going out of business just because those businesses are transferred and transported to some other country. That is our problem. At least that is my problem.

Secretary DULLES. If the causes of the situation you speak of are due to foreign competition rather than domestic competition, that is certainly one of the things that should be studied and gone into, and it might very well be a basis for increased tariff protection.

Mr. JENKINS. That is our problem, and the committee's problem.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Cooper?

Mr. COOPER. Mr. Chairman, I understand Mr. Eberharter has to leave in a few minutes, and I have agreed to yield to him at this time.

The CHAIRMAN. Mr. Eberharter will inquire.

Mr. EBERHARTER. Thank you very much.

Mr. Secretary, you have made a very fine general statement. I congratulate you on it. I will say I agree with it wholeheartedly.

I want to ask you, Mr. Secretary, are you familiar with the so-called Bell report?

Secretary DULLES. I know there is such a thing as the Bell report, but I would not want to pass an examination on it.

Mr. EBERHARTER. Do you know whether any of your staff have made a study of the so-called Bell report?

Secretary DULLES. No; I do not.

Mr. EBERHARTER. Mr. Secretary, a report was made in February of this year to the President by the Public Advisory Board for Mutual Security, and it is called "A Trade and Tariff Policy in the National Interest." On that Board were representatives of business, labor, and agriculture, of universities, foundations, and agencies of the Government. Some of the outstanding personalities in the United States today were members of that Board, the Chairman of which was Daniel W. Bell, and, of course, you know him.

This study took 6 months, in which they went over the entire subject, and they made recommendations. I have no doubt that Mr. Stassen is familiar with it. In fact, he may have been on it. I see he is not on it.

In view of that report, do you not think if recommendations in that report were taken into consideration, the administration could go ahead right now and make its recommendations to the Congress instead of suggesting that we postpone this issue and make another study?

I think it might be advisable, Mr. Secretary, to put in the record here the persons who compose this Advisory Board for Mutual Security on the Trade Policy Study:

Daniel W. Bell, Acting Chairman. He is the president of the American Security & Trust Co., of Washington, D. C.

Sarah Gibson Blanding, president of Vassar College.

James B. Carey, secretary-treasurer of the Congress of Industrial Organizations.

Jonathan W. Daniels, editor of Raleigh (N. C.) News and Observer.

Robert H. Hinckley, vice president of the American Broadcasting Co.

Eric A. Johnston, president of the Motion Picture Association of America, Inc.

Allan B. Kline, president of the American Farm Bureau Federation.

Orin Lehman, 1 William Street, New York, N. Y.

A. E. Lyon, executive secretary of the Railway Labor Executives Association.

George H. Mead, chairman of the board, the Mead Corp., Dayton, Ohio.

George Meany, president of the American Federation of Labor.

Herschel D. Newson, master of the National Grange.

James G. Patton, president, National Farmers Union.

David S. Brown is secretary and Edward M. Bernstein is staff director.

Mr. Secretary, do you not think the administration, following study by those eminent persons, should be in a position right now to make its recommendations, instead of suggesting the creation of another commission?

Secretary DULLES. The commission proposed by the President would be of quite a different character from the so-called Bell Commission, and I think would be more truly representative of the various interests of the country than was the Bell Commission. The President's proposed commission would have the advantage of having on it not merely private persons but representatives of the Congress.

Mr. EBERHARTER. In other words, you say that Board, the members of which I have just named, was not representative of America and American interest, American self-interest?

Secretary DULLES. I do not believe that it would carry the authority—in fact, did not carry the authority—which is desirable before we move in this field. That commission, as I understand it, was appointed by the outgoing administration, primarily by Mr. Harriman, and I believe that a commission which operated under the auspices of the new administration would be one which would carry greater confidence

and support in the country and in the Congress than one which was set up by the outgoing administration.

Mr. EBERHARTER. I think an examination into the politics of the members of this Board would show that perhaps the majority of them are Republicans, if you are putting it on the basis of partisanship. I think there is no politics whatsoever in a report issued by such eminent citizens and such well-known persons as are mentioned here.

Aside from that, it may interest you to know, Mr. Secretary, that the report of this Commission, I think, agrees 100 percent with your general recommendations made this morning. It is perhaps a little disturbing that more attention has not been paid to that report, in my view.

Secretary DULLES. I made no recommendations this morning—

Mr. EBERHARTER. General recommendations.

Secretary DULLES (continuing). Except as to the point of view that needed to be taken into account in making a study. I did not attempt to forecast and do not attempt to forecast the conclusions. I understand this report did come to some specific conclusions, which, as far as I am concerned, I would not be prepared wholly to endorse, although I do not speak as an expert in this matter. I only have the responsibility or primarily the responsibility of bringing to the attention of the Congress the elements of foreign policy which I think ought to be taken into account before the Congress acts. I do not myself profess to be an economist or to have the primary responsibility of studying the domestic situation. My responsibility is the international situation and foreign relations.

Mr. EBERHARTER. Mr. Secretary, insofar as the international situation is concerned, the diplomatic situation, I think everybody will agree we are in a delicate position now. Do you not think that, if the Congress of the United States postpones action at this time, it will give the enemies of the free world a tremendous leverage to carry on their propaganda and create doubts in the minds of all our friends in the free world that we may be changing our policy; that we are going to reexamine it to see whether it is all right for our own interests? Do you not think that is quite a victory for the propaganda that the Communist world has been carrying on, in your postponement of action?

Secretary DULLES. No, sir. It may very well be that we shall change our policy. The important thing is not always to have the same policy. The important thing is not to change it until you are quite sure you are changing it in the right direction, until you have a clear presentation of the reasons for the change, and until you have opportunity to explain those reasons to your friends so they will be understanding and appreciative of why you are making the change. That is the reason for the delay and postponement.

I would not want to say at all that there may not be a change of policy as a result of the study of this Commission.

Mr. EBERHARTER. In other words, Mr. Secretary, you are saying that we may change our policy to a higher tariff policy, and by saying that you are giving notice to the world that perhaps we will go into a sort of isolationist shell insofar as exports and imports are concerned. You say there is a possibility of that.

Secretary DULLES. I would assume there is a possibility that our tariff policy may be changed. I would not attempt at the present time

to prejudge the question of whether it will be a change up or a change down. It may be a change up in some respects, and a change down in other respects. The whole purpose of this study is to be sure that what we do in that respect is, as I say, a well-reasoned program which fits into our other programs.

I do not attempt in any way to prejudge what the outcome of that study would be.

Mr. EBERHARTER. Then you put it on a basis of probabilities. There is a probability that we will make a change in our historic policy for the past year since 1934.

Secretary DULLES. There had been changes in our policies of various kinds all through that period. I am one of those who believes very strongly in the inevitability of changes of one sort or another. One policy which is sure to fail is the policy of always trying to stand still.

Mr. EBERHARTER. As of today, though, you are convinced that the policies that have been followed since 1934 with respect to reciprocal trade agreements is the proper policy? That is your opinion today, according to your statement, is it not?

Secretary DULLES. No, sir. When I said our policies, by and large, had been wise policies, I was stating that our policies by and large throughout the 164 years of our national life had, by and large, been wise policies. I do not attempt to characterize them in terms of a short span of years.

I might say that when you go back to—what was the date you picked, 1934?

Mr. EBERHARTER. 1934.

Secretary DULLES. I recall that when I was in the Senate in 1949 I voted for the introduction at that time of the peril-point clause in the Trade Agreements Act. That was defeated at that time. But the fact that I voted for a change in the law in 1949 which was not accepted would be evidence, I think, that I do not feel entirely happy that the law throughout all of that period was as good as it might be.

Mr. EBERHARTER. Do you think the adoption of the peril point was generally considered satisfactory to our friends of the free world at the time of its adoption?

Secretary DULLES. The other countries are always, of course, anxious to promote their trade, just as we are anxious to promote our trade. They would probably prefer it if we had no tariff restrictions at all. As long as our tariff restrictions are reasonable, we can explain them and can give them good reasons for what we do, I do not fear the consequences. What I do fear is actions that are taken abruptly without opportunity to prepare the way and which may not be based upon a genuine appraisal of our needs in the world today, because we have to think not only in terms of protecting against imports, but we have to protect exports, and we do have to maintain good relations with countries who possess many sources of raw material upon which we depend and would be even more dependent in time of war.

Therefore, this is an area where we need to move with circumspection, but certainly the friendly countries of the world have accepted and have lived with the peril point since it was introduced, I think, in 1950.

Mr. EBERHARTER. Mr. Secretary, my experience has been that when one wants to avoid meeting an issue head on, the escape is always to appoint a commission or a board to reexamine or examine a problem so the issue can be decided at some later date.

Thank you, Mr. Secretary. Unless you want to answer that.

Secretary DULLES. I would like to answer that.

Mr. EBERHARTER. I was just telling you my experience, you see.

Secretary DULLES. The fact that that has been the experience of the world for so many centuries indicates there must be a little merit in it or it would not have survived so long.

Mr. EBERHARTER. If it was a new issue, a new question, or if policy had not been developed. But to start reexamining just after a report has been issued by an eminent group seems to me to be merely an avoidance of the meeting of an issue.

Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Simpson?

Mr. SIMPSON. Mr. Dulles, I really had not intended asking many questions, but there are 1 or 2 instances in your statement which I feel should be clarified, in view of the possibility that the committee do nothing at all.

On the fifth page of your statement you refer to a "standstill." By that do you mean that not only should legislation not be passed changing the law but that in addition, within your Department and with respect to the relief provisions in existing law, they shall continue to act in the same standstill approach that has been taken in the past?

Secretary DULLES. No, sir. I am glad you gave me the opportunity to clarify that point. I referred to a standstill from the standpoint of the legislative process of maintaining the present law. I did not refer to a standstill in terms of using the provisions of the present law to bring about the correction of any serious injury from imports, if the Tariff Commission finds it appropriate.

Mr. SIMPSON. Will you undertake to speed them up down there?

Secretary DULLES. Yes, sir; as far as it lies within my power.

Mr. SIMPSON. I am going to suggest that I think it will require some personnel changes and policy changes in order to get what I consider fair administration of that office.

One other matter which involves that particular office and has to do with the section in the bill which applies to the lead and zinc industries.

I have before me a résumé which purports to boil down the results of an interview held down there by some men from the mining industry in the West, and which contains this statement:

It was made clear to the American workers that the State Department has no solution to offer for their present predicament. The officials contend that when a sufficient number of mines in the country have been wiped out, prices will reach the level of 15½ cents proposed in the Simpson bill because of decreasing supplies.

That sums up the result of an interview held by these men with gentlemen from an office within your jurisdiction, and I would like to know whether you care to comment on that.

Secretary DULLES. All I can say is that I am not familiar with the interview but, as you report it to me, I would not say it reflected my

views or the official views of the Department of State at the present time.

Mr. SIMPSON. And any of your men who purported to express that as your view were at best expressing that as their own opinion and not the Department's?

Secretary DULLES. Yes, sir.

Mr. SIMPSON. Certainly it is not the policy of this administration to drive out of work men who are now working?

Secretary DULLES. It is not.

Mr. SIMPSON. I gather from your statement, as intended, that the only part of it you want is the section 1 provision, that section which provides for extension of the Trade Agreements Act of 1952?

Secretary DULLES. Yes, sir.

Mr. SIMPSON. Do you contemplate—

Secretary DULLES. And such congressional action as might be necessary to establish the commission which the President has recommended.

Mr. SIMPSON. That is not in the bill that I have introduced, but it could be added.

Do you have in mind a new trade agreement within the next year?

Secretary DULLES. No, sir.

Mr. SIMPSON. Why, then, do you want this authority?

Secretary DULLES. I am told, although I cannot myself document it, that there are some very minor technical changes that might be in the common interest under existing agreements, and which would involve the use of that authority. I do not attach, myself, very great importance to that. Extension of the act, however, is in a sense symbolic of an intention to preserve the existing situation until there is a reason for change in it.

Actually, from the standpoint of substance as against the symbolic effect, I do not think it has great importance.

Mr. SIMPSON. You do not have in mind, though, any new agreements?

Secretary DULLES. No, sir.

Mr. SIMPSON. A great deal of our trouble comes from what we consider unworkability or lack of interest downtown with respect to these relief provisions. Some of it can be corrected administratively, although I am sure that changes in the law are required if we are to protect certain American industries.

Do you subscribe to the belief of those who think that certain industries here should be eliminated as a result of foreign competition?

Secretary DULLES. No, sir, I do not. There are in every industry certain marginal producers who come in at peak times, who make quite a lot of money out of high prices, and then who do not expect, really, to be able to survive a period of low prices. That is an economic fact that we are all familiar with. High prices bring in marginal producers.

As far as industry as a whole and in general are concerned, I certainly do not subscribe to the point of view as to which you asked me.

Mr. SIMPSON. I have just one other series of questions.

On page 4, about the center of the second paragraph, you make the statement:

Moreover, our American taxpayers should not be expected indefinitely to shoulder the large grants-in-aid that have recently been supplied by the United States to bolster foreign economies.

Whom would you substitute for the American taxpayers?

Secretary DULLES. I believe that that situation can largely be taken care of by improvement in the economies of the countries themselves, and more particularly by increased economic unity as between those countries.

I believe, for example, that if the program which we are pushing, or are behind, I would say, because the leadership really comes from abroad—if the program for increased economic, political, and monetary unity in Europe should be consummated, and it might very well be consummated within the next 6 months, that that in itself would be a great relief to the American economy, both from the standpoint of our industry and from the standpoint of the taxpayer.

One of the reasons why the American economy is so important to the rest of the world is because many of the countries of the rest of the world have not themselves taken the measures to create greater independence of the American economy. The American dollar today is the prime currency in the world because it has very large purchasing power, and it presumably has a sustained value so that people who get dollars cannot only have a call upon a very large variety of goods, but they can, if they wish, defer the exercise of that call in the expectation that the dollar will still retain its purchasing power.

That attracts to the United States to some extent, in my opinion, an abnormal flow of goods, because people want to get the dollar because that is the only currency which serves that purpose. If these Western European countries could, through their own efforts, make their own currency—and I refer to that here—a more valuable currency through a command over larger markets, through stability, then there would be a very considerably increased exchange of goods between these countries themselves and a less effort to ship all these goods to the United States.

I have believed for some time, Congressman, that one of the measures which we want to urge and which I certainly am urging very strongly, as is the President, is this movement toward increased unity and stronger currencies on the part of other countries so there will be less of a tendency to depend upon the United States and everybody trying to get dollars. In other words, the dollar gap to some extent, in my opinion, is an artificial one which could largely or to a considerable extent be changed by better policies by the European countries themselves.

That is one of the things which I think will develop during the coming months and perhaps make it easier to come to a solution of the problem which is dealt with by your bill.

Mr. SIMPSON. There is a dollar gap, and we are presently filling that with grants-in-aid, is that correct?

Secretary DULLES. To a considerable extent; yes, sir.

Mr. SIMPSON. What I do not want to do and what I think we are doing under this slogan, "Trade, Not Aid," is filling that dollar gap presently filled by grants-in-aid, and thereby an expense to every taxpayer in the country, I fear that we are filling that with the work and effort and loss of employment, particularly, of the people whom the tariff cuts are hurting; that we are filling it at the expense of the American workingman in a dozen industries which have appeared before us.

I further agree with Mr. Jenkins in my belief that a year's delay in giving them relief may wipe out their businesses.

I do not think the burden of filling that gap should fall upon that group of our citizens. Rather, I think, having once determined that a grant-in-aid is necessary and desirable, it is a liability of the complete Government and not of this or that industry.

That is my concern and reason for this bill, in part.

Secretary DULLES. You will notice, Congressman, that I say here that I do not believe that local, that is, domestic business, should alone pay the price of foreign policies designed to promote international unity and economic health.

Mr. SIMPSON. I saw that. Thank you very much.

The CHAIRMAN. Mr. Cooper will inquire.

Mr. COOPER. Mr. Secretary, I hope you will follow me to congratulate you on the statement you have presented to the committee today.

As Secretary of State, of course you support the position taken by the President in his special message to Congress recommending the extension of the present Reciprocal Trade Agreements Act for a period of 1 year?

Secretary DULLES. Yes, sir.

Mr. COOPER. On March 17, the Assistant Secretary of State for Inter-American Affairs, Mr. John Cabot, referred to bills which have been introduced in this session of Congress to restrict oil imports in the United States. He said, and I quote:

I am not going to describe to you at length what is likely to happen if one of these bills should pass. You yourselves will readily appreciate that if we should thus break an international commitment, it would not only damage your business, American exporters in Venezuela, but also prejudice our interests throughout the Americas.

Do you agree with that statement made by Assistant Secretary Cabot?

Secretary DULLES. I agree that that is one point of view which is properly brought forward by those who are primarily responsible to look out for the foreign interests of the United States. I do not believe that it is the only point of view which should be taken into account, but I do believe that those who, like Mr. Cabot, have a primary responsibility to try to promote foreign relations of the United States, and in particular to assure friendly relations with Venezuela, which is extremely important not only because of historic and cultural ties, but because it is a large source of oil reserve and of iron ore reserves upon which the National Security Council figures we might have to draw very heavily in time of war—I think that is an entirely proper point of view for him to express.

Mr. COOPER. Are you in agreement with the position that he takes in that statement?

Secretary DULLES. I would not say that it is an entirely balanced statement, because I do not believe that he had in account, he has no means of getting in account, the domestic problem which is also involved. He presents one point of view, and very properly so.

Mr. COOPER. On April 17, 1953, Assistant Secretary of State for Congressional Relations, Mr. Morton, made a speech in New Orleans in which he referred to the Simpson bill, H. R. 4294. He said, and I quote:

The hearings will be held on a bill which would tear the vitals out of the present Trade Agreements Act. Adoption of such a bill would create consternation among countries of the free world and would lend credence to the Communist theme that the United States wants to sell but it does not want to buy.

Do you agree with that statement?

Secretary DULLES. I agree that the present adoption—in fact, I say myself that if the bill were presently adopted without careful study, which might or might not show its justification, that the repercussions of it in foreign countries would be at the present time disadvantageous, and that is one reason why I recommend that there should not be present action taken on that bill.

Mr. COOPER. Does this statement by Assistant Secretary Morton represent the administration's position on the Simpson bill?

Secretary DULLES. I cannot say that it represents the administration's position. It represents his position and, broadly speaking, as I say, it is my own position, although I would not want to be held to the precise words.

Mr. COOPER. You have already stated to the committee that you oppose the enactment of the Simpson bill.

Secretary DULLES. Yes, sir.

Mr. COOPER. You do speak for the administration here at this hearing?

Secretary DULLES. I speak as Secretary of State. There will be other representatives also of the administration who will appear. I understand Secretary Humphrey is appearing this afternoon. Other Cabinet members will appear. We each appear from a slightly different background, and the administration's position will be the composite of everything that we say.

Mr. COOPER. But your statement is certainly not in disagreement with the position of the administration?

Secretary DULLES. I think not, sir.

Mr. COOPER. On Monday, April 27, 1953, the Under Secretary of State, Mr. Smith, spoke before the United States Chamber of Commerce here in Washington. He said, and I quote:

As you probably know, hearings opened in Congress today on a bill which, though extending the reciprocal-trade-agreements program, would in effect bring about a sharp reversal of United States policy to lower barriers to trade in the free world. The bill would change the Trade Agreements Act from a tariff-reduction program to a tariff-raising program.

Mr. Secretary, does that statement represent the administration's position on the Simpson bill?

Secretary DULLES. To the extent that it refers to the fact that this action would involve a sharp change, it certainly does. We do not believe—and I think my statement gave the reasons why—we do not believe in any sharp or abrupt action at this time. As I said here, many of the economies of our friends are delicate and fragile. They are extremely nervous as to what the policies of the present administration may be. They already foresee a reduction in the form of economic aid and straight relief. As I said in my statement, they are not in a position to survive what I might call multiple blows.

I believe until this thing can be worked out as a rounded program, until we can satisfy ourselves and satisfy them that our program is compatible with their own healthy national existence, it would be unfortunate to act. That is the reason that we want this period of a

year's extension and 8 or 9 months in which to work out a program and explain it to our friends so that by next January it will be a program which will serve our total national interest as well as can be done, all the segments of it, which includes the maintenance and retention of vigorous allies which are imbued with good will toward us.

Mr. COOPER. This statement of Under Secretary Smith is in agreement with the administration's program?

Secretary DULLES. I beg your pardon. Was that a statement or a question?

Mr. COOPER. I say, the statement made by Under Secretary Smith you think is in agreement with the administration's program?

Secretary DULLES. No, I would not say that, sir, except in the sense that it coincides with what I have said here today and what other administration witnesses will say during the coming days.

Mr. COOPER. Are prominent, outstanding, top-level administration officials making statements that are in disagreement with the program of the administration?

Secretary DULLES. It is not possible to attribute to the administration every word, every phrase, and every statement that is made by Secretaries, Cabinet officers, Assistant Cabinet officers, and so forth. You have got to allow a very considerable measure for individual emphasis. I do not think that you can say that everybody is entitled to identify whatever he says with administration policy. Administration policy is essentially the policy of the President expressed under his guidance by the Cabinet officers.

Mr. COOPER. Certainly there is some coordination, is there not, between the officials of the administration as to their position on important questions?

Secretary DULLES. Yes, sir. We try to have coordination.

Mr. COOPER. The highest ranking official in the State Department, next to you, certainly would not go out and make a statement that was not in agreement with the policy of the administration, would he?

Secretary DULLES. The conclusions which are expressed by Under Secretary Smith are precisely the same conclusions that are expressed in the President's own communication to the Congress, and in the statement which I made today.

Mr. COOPER. That was my impression, Mr. Secretary, that it was exactly in line with the special message of the President to the Congress and in line with your splendid statement today. So I was just wondering why you were hesitating so much in expressing that view about it.

Secretary DULLES. I am only hesitating, sir, in the sense that I do not want to see and it is not fair to attribute to what you call the administration, every word, every phrase, every inflection in speeches that are made throughout the country by various representatives of the administration. But the purpose of it all is exactly in accord with what the President has himself said and what I have said here today.

Mr. COOPER. Then in this same speech by Under Secretary Smith, he referred to the many bills which have been introduced in Congress to restrict the importation of fuel oil into the United States. This oil import restriction, as you know, is embodied in the Simpson bill. Secretary Smith said:

Take a look at the oil bills. At present about 70 percent of the oil we import originates in Venezuela. It amounts to less than a tenth of our domestic con-

sumption. Venezuela is and has been a friend of the United States. Her oil exports to the United States are quite small compared to our total consumption, but they are highly important to her; 65 percent of the revenue of the Venezuelan Government and over 95 percent of Venezuelan foreign exchange comes from oil operations. To our friends in Venezuela, oil exports to the United States spells dollars that are spent on purchases in the United States. These purchases are very important to the Venezuelans and, incidentally, quite important to us.

For instance, Venezuela bought from us in 1952 over \$200 million worth of machinery and vehicles, about \$75 million worth of metals and manufactured products. They also buy other items in substantial quantities—foodstuffs, textile fibers, and chemicals. The full list is long. Their purchases in 1952 totaled about a half billion dollars. The Venezuelans earned this half billion almost entirely from oil operations. In fact, Venezuela buys in nearly every 1 of the 48 States. All of us, in other words, benefited in some fashion or another.

Our Venezuelan friends would have to do a good deal of fast talking to their more nationalistic-minded countrymen if we shut out Venezuelan oil, and this is without consideration of the strategic importance of Venezuelan oil to our own security.

Mr. Secretary, do you agree with that statement by Under Secretary Smith?

Secretary DULLES. Yes, sir.

Mr. COOPER. Does this represent the administration's position on the oil import restriction sections of this pending bill?

Secretary DULLES. No, sir. What Secretary Smith did in the portion you read was to marshal a series of facts. Those facts, to the best of my knowledge and belief, are correct facts which ought to be in the minds of the American people, ought to be in the minds of the Members of Congress who have to act upon these matters. The portion which you read me did not make any recommendations, as far as I can recall, as to what the final conclusion should be. A statement of facts can hardly be expressed as an administration position, because these are not the only facts in the case. An administration position, I assume, means a conclusion, a recommendation of policy. What you read me contained no recommendation of policy at all.

Mr. COOPER. Under Secretary Smith made the statement, and you agree with him, and you do not know whether that is the administration's position on the point or not?

Secretary DULLES. In the portion which you just read me, sir, Secretary Smith outlined a number of facts which I believe to be true facts as to the trade relations between Venezuela and the United States. I believe those facts are true facts, and facts which ought to be taken into account when there is action on this subject.

Mr. COOPER. Is the administration opposed to putting a restriction on the importation of foreign oil into the United States?

Secretary DULLES. We are opposed to any such action at this time unless it comes about through the operation of the present law.

Mr. COOPER. Mr. Secretary, you were asked some questions by my colleague from Pennsylvania, Mr. Eberharter, with respect to the so-called Bell report. This Bell report recommends 10 steps to encourage an increase in imports to help pay for our exports. Are you familiar with those 10 recommendations in the Bell report?

Secretary DULLES. No, sir.

Mr. COOPER. I hesitate to take your time, but I am interested in knowing your views on it, so I would like to present them to you and ask whether you agree with them. [Reading:]

1. That decisions on trade policy be based on national interest, rather than the interest of particular industries or groups; that in cases where choice must be

made between injury to the national interest and hardship to an industry, the industry be helped to make adjustments by means other than excluding imports—such as through extension of unemployment insurance, assistance in retraining workers, diversification of production, and conversion to other lines.

Are you in general agreement with that recommendation?

Secretary DULLES. I have no judgment on that at all. I think it would help, if I might, Congressman, to point out that I consider that my role as Secretary of State is to advise the President and to advise the Congress, where it desires my advice, as to what are the international implications of possible action. It is not primarily my business to study the domestic situation or to reach conclusions with reference to the domestic situation. That is in charge of other branches of the Government.

The Cabinet is divided. I have certain responsibilities which I try to discharge to the best of my ability, but I do not discharge all the responsibilities that devolve upon the administration.

The statement you read me involves judgments about the economic position, the industrial health, and so forth, of the United States, which is beyond the scope of my responsibility. I can tell you to the best of my ability and as honestly as I can, what I believe the effect will be of certain action upon the international relations of the United States. Somebody else will have to tell you what the effect of it will be upon our domestic economy, and then the President and the Congress between them will have to strike a balance. I am responsible for only half the program, not the whole of it.

Mr. COOPER. Mr. Chairman, I ask unanimous consent to include these 10 recommendations in the record at this point.

The CHAIRMAN. Without objection, it is so ordered.

(The recommendations referred to follow:)

1. That decisions on trade policy be based on national interest, rather than the interest of particular industries or groups; that in cases where choice must be made between injury to the national interest and hardship to an industry, the industry be helped to make adjustments by means others than excluding imports—such as through extension of unemployment insurance, assistance in retraining workers, diversification of production, and conversion to other lines.

2. That a new, simplified tariff act be adopted, providing for general reductions of duties and eliminating present uncertainties in the classification of goods by consolidating the many hundreds of present tariff rates into 7 basic schedules; a free list, 4 groupings of commodities bearing duties of 10, 20, 30, and 40 percent ad valorem, a specific list for basic agricultural and mineral raw materials, and an extraordinary list where commodities might be placed whose importation, for security or other reasons, should be limited by quotas or other restrictions, or by exceptionally high rates; that Congress establish appropriate standards for such an act and authorize the President to develop and carry out its details.

3. That the President be authorized to enter into reciprocal trade agreements without limit of time and with power to reduce tariffs, within specified limits, in return for reductions in tariffs or restrictions by other countries.

4. That, as an interim measure, customs procedures be simplified by prompt passage of a bill similar to that recommended by the Treasury and passed by the House of Representatives in 1951; that a commission be created to study and propose further measures of customs simplification.

5. That tariffs be reduced, and quotas on agricultural products be liberalized to allow the freer import of goods that are not produced in this country in sufficient quantity at world prices; that section 104 of the Defense Production Act, restricting the import of certain agricultural products, be repealed.

6. That tariffs be reduced and in some cases ultimately eliminated on metals and minerals of which imports are a major part of United States supplies; that, where necessary for defense reasons, domestic production be encouraged through special purchases or contracts rather than tariffs.

7. That import excise taxes now applying to petroleum products be dropped; that, if imports reach a level where they impede domestic exploration and development, other measures be taken to assure a domestic industry adequate to defense needs.

8. That cargo preference, by which 50 percent of the cargo on aid and loan shipments is reserved to domestic carriers, not be applied to countries that let American shippers compete on a fair basis.

9. That the procurement policies of the Government which raise the cost of goods bought by the Government be reconsidered in the light of the principles and objectives of a foreign trade policy in the national interest.

10. That the Congress take the necessary steps to enable the United States to join in establishing an international organization to promote the objectives of the General Agreement on 'ariffs and Trade (GATT); that active participation be continued in other international organizations to promote fair-exchange and fair-labor practices and the flow of investment capital.

Mr. COOPER. Mr. Secretary, I will ask you this question, in conclusion: Is it your conviction that the extension of the present Trade Agreements Act for 1 year, as recommended by the President and recommended by you here, is in the best interests of the United States in dealing with international affairs?

Secretary DULLES. Yes, sir. I have no reservations whatever on that point.

Mr. COOPER. Thank you, sir.

The CHAIRMAN. Mr. Kean will inquire.

Mr. KEAN. Mr. Secretary, if no new trade agreements are contemplated, what objection would there be to just letting the Trade Agreements Act expire by limitation on June 12? Personally, I believe this would have a very bad psychological effect on foreign nations, but I would like to have your views on it.

Secretary DULLES. Yes, sir. As I said before, we do not have in contemplation any exercise of power under that act during the next year to conclude any major new agreement of any kind, although I am told there may be some technical modifications of existing agreements which would be appropriate.

The reason we recommend that the act be continued is because to allow it to lapse at this time would be widely interpreted abroad as an abandonment of the principle which is represented by that particular act. The decision as to whether or not to abandon that should not, we believe, be made at this time or seem to be made at this time, because of the fact that it would have serious repercussions and would jolt very severely the economies and the political programs of some of these other countries.

Let me say that most of these governments are extremely nervous as to what the future policies of the United States are going to be. They have been told for 20 years that a Republican administration would be an isolationist administration and that there would be a sharp cut in all forms of economic relations, not only in terms of foreign assistance programs, but trade and the entire network of relations. They feel that if that happens, and happens abruptly, they would then be unable to survive as separate members of the free world, and they might have to think in terms of appeasement, neutralism, and things of that sort. In other words, we would lose them as vigorous, strong allies, which they are today, and which we want to keep them.

Therefore, I believe that any action at this time taken abruptly which would be interpreted or, if you will, misinterpreted by them—because it makes little difference whether it is a correct or incorrect

interpretation; the fact is it is an interpretation—in a way which leads them to panicky changes in their own policy and their relations with us, would be very unfortunate.

Mr. KEAN. I want to congratulate you upon what you said about your position as Secretary of State having only one-half the influence on what we ought to do. I believe that in the past administration, the interests of American business have been largely forgotten, and more consideration was given to what was important with reference to foreign relations, and of course, that is the reason that we put in that "peril point" amendment which you voted for—

Secretary DULLES. Yes, sir.

Mr. KEAN. Which at least meant that the President, when negotiating, had to do so with his eyes open.

Mr. Jenkins stated that recommendations in this field should be made by the Secretary of the Treasury rather than by you, representing your Department. I think you have somewhat answered that by saying that you think it ought to be on a 50-50 basis. With the present world situation, it is true, is it not, that tariff is no longer merely a local issue? The State Department, of course, must be vitally interested in the whole subject of foreign trade. Does not the factor of where we trade have important implications on the subject of war and peace and the economic health of our own country?

Secretary DULLES. Yes, sir. You speak of the fact of where they trade, which raises, of course, a very delicate point, because under the Battle Act we are taking steps to prevent their trading with the Communist world, which today represents about one-third of the world. We represent a very large part of what is left. If they cannot trade either with the Communist world or with us, then they really are in a bad way.

That is the kind of thing that worries me. That is the reason we need to work this thing out in a way which will take account of our various national interests, including the desire which Congress has expressed through the Battle Act that they should not trade with the Communist world.

What we would like to have, of course, is foreign countries which do not trade with the Communist world, which do not export to us, which do import largely from us, which have very vigorous economies, which do not need aid from us, and which are able to make a very large contribution to a military establishment which will be allied with us.

That creature does not exist in the world today, and we have to sit down and decide which of those qualities we are willing to give up in order to retain some of the others. That is the kind of thing this commission has to study for the next few months.

Mr. KEAN. I understand from the answers to the questions of Mr. Cooper that these speeches which were made by your assistants and the Under Secretary represent in general the policy of the administration and of the Department, but that, of course, neither the President nor you has been able to go over every detail of the speeches, and therefore you are not vouching for every word that was said. But in general the statements made by these assistants do represent the administration's policy.

Secretary DULLES. They represent a point of view, Congressman Kean, which the administration believes ought to be presented to the American people as one of the elements which they should have in

mind before they reach a final decision. I believe that Under Secretary Smith and Assistant Secretary Morton, in presenting that, did what was properly their job to do in the positions which they hold. Certainly that is a point of view which the administration believes should be brought to the attention of the American people.

Mr. KEAN. That is the point of view of the 50 percent that you talked about, and we will hear the point of view of the other 50 percent when we hear Secretary Humphrey this afternoon.

Secretary DULLES. Yes; and you have been hearing some of it from other witnesses.

Mr. KEAN. Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Curtis will inquire.

Mr. CURTIS of Nebraska. Mr. Secretary Dulles, I followed your paper very carefully, and there are 1 or 2 things that I want to inquire about that were not in there.

Do you feel that the matter of the national defense and the raw products, the skills, the know-how and the factories to be maintained in this country, are one of the important factors that must be taken into account in determining our trade policy?

Secretary DULLES. Yes, sir.

Mr. CURTIS of Nebraska. Likewise, do you feel that we have a special problem that must be considered in reference to agriculture? I refer specifically to those particular products where our Federal Government supports the price, and where we perhaps have a surplus. Do you agree that that poses a problem, too, where some attention has to be given to the import of that particular commodity?

Secretary DULLES. Yes. I know few problems that are more difficult to resolve than the problem of our Government on the one hand supporting prices, and on the other hand imports of those same products coming into this country. That is a very, very difficult problem.

Mr. CURTIS of Nebraska. Without solution, it means that sometimes the Federal Government is supporting the world price as well as their domestic price, or at least it is leaning in that direction.

Secretary DULLES. Yes, sir.

Mr. CURTIS of Nebraska. Would you say that all of our foreign trade is acutely related to communism and the threat of communism, or just parts of it?

Secretary DULLES. You are referring now—

Mr. CURTIS of Nebraska. To our world trade.

Secretary DULLES. Exports and imports, the whole business?

Mr. CURTIS of Nebraska. Yes.

Secretary DULLES. I would not go so far as to say that there are not segments of our trade which cannot be altered without a serious effect upon our international position. I believe that there can be a reshaping of our foreign trade without serious international consequences if we go about it in the right way.

What the free world cannot stand today are what I refer to as shocks. They are extremely nervous. They tend to misinterpret whatever we do. Some of them are rather jittery because of the advance of communism in Asia, developments such as are going on in Laos today. I have found in such international experiences as I have had that the most important thing of all in maintaining good relations is to try, as far as possible, to sit down and talk things over with your friends and allies before you act. If you act first and try to explain

afterward, you never catch up with the consequences of what you do. If you can sit down and say, "Now it looks as if we have to do this, and this is why," and if you have a good case, and if they can make adjustments in their own economy to take it into account, you can shift things around quite a bit without any bad consequences.

The thing that is disturbing of international relations is abrupt action which seems arbitrary and not the kind of action taken in the way that would be normal between countries who are close friends and want to remain such.

Mr. CURTIS of Nebraska. The really sound and effective trade policy is one which takes into account the effects of imports and exports on both countries involved, is that not right?

Secretary DULLES. Yes, sir. The President has made clear in relation to his budgetary program that we are probably making, are going to propose to continue at least, some pretty sharp cuts in various forms of our budget, particularly in defense. Why are we doing that? Not because we do not need all the defense that we can get, but because the President said the heart of the free world is a vigorous and strong United States. Whatever we do which destroys the vigor, the health of the United States would be a disservice to the whole free world. Everybody else recognizes that, too, including our friends and allies. It would not make any sense to have a budgetary policy, a defense policy which was designed to bring our expenditures into such shape that we could have a strong, vigorous and healthy United States, and then gut the whole thing through a foolish trade policy. That is perfectly clear to me. You have to take all these factors into account, and the basic position of the President, which is that you must have a strong, vigorous, healthy United States, is the heart of everything which he is trying to do. It relates itself to defense. It will relate itself to tariff, to the whole picture.

Mr. CURTIS of Nebraska. In other words, we have to keep ourselves strong to maintain the confidence and respect of other nations.

Secretary DULLES. Yes, and I believe that can be done compatibly with the strength and vigor of others, if we go at it the right way, just as I believe that the cuts which we plan in the way of foreign aid can be absorbed. If we give them a little time, a little advance notice, they can adjust their economies, I believe, to take account of it, and we can find other ways of compensation, perhaps in the form of offshore procurement, which does not involve either a grant-in-aid or having to take unwanted imports into this country, because we are getting defense items which they can manufacture.

That may be a way around it. There are ways around these situations if you go at it carefully, judiciously, and with consideration for others.

Mr. CURTIS of Nebraska. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Boggs will inquire.

Mr. BOGGS. Mr. Secretary, in line with the questions of Mr. Cooper, I have a statement submitted to the committee by Mr. Roger Kent, General Counsel of the Department of Defense, in which he says, among other things, the following:

The imposition of quotas on the importation of all petroleum oils and of residual fuel oil would seriously affect the national security. Its effect would be a substantial dislocation of a segment of our national economy and would create a barrier to the development of Western Hemisphere oil resources which are vital to our national security.

Do you agree with that statement?

Secretary DULLES. I believe that is a correct analysis; yes, sir.

Mr. Boggs. A correct analysis of the situation. Are you in agreement with it?

Secretary DULLES. I was trying to find it.

Mr. Boggs. On page 2 of Mr. Kent's report, the fourth paragraph.

Secretary DULLES. That is a conclusion which I would accept on his authority. I cannot make an independent assessment of it because I am not familiar enough with the subject.

Mr. Boggs. That, of course, gets back to the pending bill before the committee, which you have testified as being against. Mr. Kent is referring to the Simpson bill and the provisions with respect to the imposition of quotas.

Did I understand you to say that you were opposed to the imposition of quotas?

Secretary DULLES. No, sir. What I intended to say was that I was opposed to any change at this time, of our basic trade legislation.

Mr. Boggs. Would that mean that you are in disagreement with the position of the Department of Defense?

Secretary DULLES. It does not mean that I am in disagreement with that conclusion. As I say, that is a subject which is primarily or very largely within the competence of the Defense Department. They are very familiar with the utilization of fuel oil, the degree to which our defense, particularly our Navy, is dependent upon fuel oil, access to Venezuela, and so forth. That is their business, and if he says it, I am prepared to go along with it. I do not have any independent judgment about it, and my present position is limited just to this: that I believe it would be a serious mistake now to adopt this bill. I have an open mind as to what may come out of such a study.

Mr. Boggs. You would not indicate, would you, that the Department of State has no interest in the imposition of import quotas?

Secretary DULLES. No, sir.

Mr. Boggs. You say this is the business of the Department of Defense?

Secretary DULLES. I said the Department of Defense is uniquely qualified to know the dependence of the Navy, for example, upon fuel oil along the Atlantic seaboard.

Mr. Boggs. I agree with you on that, but the Department of State is uniquely qualified to examine the effect of such a limitation upon the economy of the country involved, as well as this country, is it not?

Secretary DULLES. Congressman, I am not prepared now to take a position based upon what is a partial presentation of any case. This is a very powerful statement coming from the Secretary of Defense, which carries a great deal of weight. There are other elements in the situation which I would want to know more about before I came to a final conclusion.

Mr. Boggs. Mr. Secretary, what I am trying to find out is whether or not you are for or against the Simpson bill.

Secretary DULLES. I am against the Simpson bill at this time. Whether I will be against it a year from now, I do not know.

Mr. Boggs. Are you against the provision in the Simpson bill having to do with zinc and lead?

Secretary DULLES. I am against the Simpson bill at the present time. Whether I will be against it a year from now, I do not know.

Mr. Boggs. What is your feeling about the provisions in the Simpson bill limiting the authority of the President of the United States with respect to negotiation of trade agreements?

Secretary DULLES. In the exercise of my constitutional rights, I must make the same answer. [Laughter.]

Mr. Boggs. Mr. Chairman, I certainly would not take exception to the Secretary's pleading self-incrimination.

Mr. Secretary, you just tell me whenever you want to plead. It is all right with me.

What is your feeling about the Buy America Act?

Secretary DULLES. I have not made any study of that to come to any conclusion about it.

Mr. Boggs. Has there been any study made in the Department of State?

Secretary DULLES. Not that I am aware of. Certainly not since my administration of the State Department.

Mr. Boggs. Has the Department of State carried on any negotiations with the Treasury Department relative to the submission of legislation in keeping with the President's recommendations on customs simplification legislation?

Secretary DULLES. I suspect that they have but I do not know of my own knowledge.

Mr. Boggs. But as of now, you know of no recommendations in the Department?

Secretary DULLES. I do not know of them myself; no.

Mr. Boggs. Mr. Secretary, getting back a little further to the line of examination by Mr. Cooper with respect to the statements made by Secretary Morton and Secretary Cabot, of your Department, are we to understand that members of your Department do not pursue a central policy; that each one of them represents a separate point of view?

Secretary DULLES. No, sir. Each represents a particular field of competence. For instance, Mr. Cabot is Assistant Secretary of State in Charge of Latin American Affairs, and as such he makes a particular study of that situation. He was just down in Central America last week. He knows that situation, and he is entitled, I believe, to speak, in fact has a duty to speak, out of his own knowledge as to what the effect would be of certain action upon our relations which Latin American countries.

That does not mean that that consideration is final and determinative as to the ultimate action by the United States Government as a whole. It does mean that he speaks of his knowledge just as other people speak of their knowledge, and the whole is put together and I hope influences the final verdict.

The CHAIRMAN. Pardon me, Mr. Boggs. Will you be here this afternoon?

Mr. Boggs. Yes; surely.

The CHAIRMAN. The Secretary has another meeting, and he will come back at 2:30.

I believe it is convenient for you this afternoon, is it not?

Secretary DULLES. Yes, Mr. Chairman.

The CHAIRMAN. We will suspend at this point so that you may leave.

Secretary DULLES. Thank you very much. There is a Governors'

Conference on, which is meeting at the White House, and I had promised to be there and meet with the governors this morning.

The CHAIRMAN. So I understand. We thank you for your appearance, and you are excused until 2:30 o'clock.

We will now suspend until 2:30.

(Whereupon, at 11:35 a. m., a recess was taken until 2:30 p. m., of the same day.)

AFTER RECESS

(The committee reconvened at 2:30 p. m.)

The CHAIRMAN. The committee will come to order.

STATEMENT OF HON. JOHN FOSTER DULLES, SECRETARY OF
STATE OF THE UNITED STATES—Resumed

Mr. Boggs. Mr. Chairman.

The CHAIRMAN. Mr. Boggs.

Mr. Boggs. Mr. Secretary, this morning I read one paragraph from the report of the Defense Department dealing with the importation of oil. I believe it was your observation that that was a subject which they were peculiarly competent to comment on. I would like to read one other paragraph. It is the second paragraph on page 2 of the report:

The Department of Defense favors a 1-year extension of the authority of the President to enter into foreign-trade agreements. This Department, however, opposes the limitations and restrictions on that authority that would be imposed by H. R. 4294.

So I gather by the report of the Department of Defense that it is opposed specifically to the restrictions in H. R. 4294. Do I understand you to say that you have not made any decision on those restrictions?

Secretary DULLES. Yes, sir. The only decision which I have come to is the one I referred to this morning, namely, that I am opposed to the adoption of those restrictions at this time.

Mr. Boggs. But yours is an objection on time rather than the restrictions themselves?

Secretary DULLES. I have not felt it necessary to go into the merits of the restrictions because of the fundamental objection to making any such changes at this time.

Mr. Boggs. Reading further from the Defense Department:

Those limitations and restrictions would constitute a fundamental departure from the present administration of the reciprocal-trade agreements and prevent the continuation of our present trade program pending completion of a thorough and comprehensive reexamination of the economic and foreign policy of the United States as outlined by the President in his message of April 7, 1953, to the Congress.

You do not disagree with that, do you?

Secretary DULLES. I think they are making the same point which I did, that to take this action at this time would anticipate and to that extent would render nugatory the thorough and comprehensive reexamination of economic foreign policy as proposed by the President.

Mr. Boggs. Mr. Secretary, just for the information of the committee, because I do think that we, as members of the committee, should know what the administration position is on these matters before us, this report indicates that the Bureau of the Budget advises that there is no objection to the submission of this report, which would

indicate that the report had been cleared by the Bureau of the Budget. Is there not any coordination between the various agencies of the Government on the filing of these reports?

Secretary DULLES. I assume there is, although each department is prepared to submit its own report. There is general discussion of these matters at Cabinet meetings, exchanges of views, and then from then on the different Cabinet officers present the situation as they see it from their particular standpoints.

Mr. BOGGS. You do not mean by that that when the other Cabinet officers come here, we may get a different position from the one that you have stated?

Secretary DULLES. It may be different in detail; yes.

Mr. BOGGS. But not in principle?

Secretary DULLES. No. The principles are generally agreed upon at Cabinet meetings, and then, as I say, different people make their own statements. Nobody in the Government saw my statement that I made this morning except myself, because I only finished it early this morning. I had not seen this one from which you read.

Mr. BOGGS. So there is no coordination between the various departments before these reports are filed?

Secretary DULLES. There is coordination at the Cabinet meeting level, but when it come to details, we do not have a single statement. If you wanted single statements, we could probably prepare one, and then it would not be necessary for you to hear 4 or 5 different Cabinet officers. I assume the reason why you hear different Cabinet officers is because they bring different viewpoints to bear.

Mr. BOGGS. But you would agree, would you not, that there is something more than a difference in detail when the Department of Defense specifically opposes the limitations and restrictions imposed by H. R. 4294 and when the State Department says that it withholds judgment on it. That is more than a difference in detail. That is a matter of very considerable policy. Do you not think there is a difference there?

Secretary DULLES. I think the Defense Department is entitled to say from its viewpoint what it conceives would be the effect of this operation upon the oil reserves that are required by the Defense Department, particularly the Navy. I believe the Department of State is entitled to state from its viewpoint what it believes the effect of the adoption of this measure would be upon the international relations of the United States. Those are two different viewpoints which are properly represented to you by two different Cabinet officers.

Mr. BOGGS. Of course, I do not want to labor the point, Mr. Secretary.

Getting back once again to these addresses that have been made by Assistant Secretary Morton and Under Secretary Smith and Assistant Secretary Cabot, is it proper for us to assume on the basis of your testimony this morning that those speeches did not represent an expression of administration policy?

Secretary DULLES. Those speeches represent a correct appraisal, in my opinion, of the effect which this action would have upon our international relations. It is their business to present that. There are other aspects of the matter which they do not represent and which it is not their business to represent. They are not experts, for example, in appraising the position and the troubles and the causes

of the troubles in the coal industry. Somebody else has to do that. That is not the job of the State Department.

Mr. BOGGS. When the Assistant Secretary says that H. R. 4294 would tear the vitals out of the Trade Agreements Act, is that an expression of administration policy?

Secretary DULLES. That is an expression of the opinion of the gentleman who gave it, and his opinion is entitled to great weight.

Mr. BOGGS. Is there any system in the Department of State whereby the Under Secretary and the Assistant Secretary clear their speeches with the Secretary of State?

Secretary DULLES. No, sir. I did not see any of those speeches in advance of their being made.

Mr. BOGGS. Would it be possible, then, that these gentlemen might make speeches that are not authorized at all?

Secretary DULLES. It is possible; yes.

Mr. BOGGS. You would not say that that speech was an unauthorized speech, would you, though?

Secretary DULLES. I said that I did not see it before it was made.

Mr. BOGGS. But you will not say whether you agree with it or disagree with it?

Secretary DULLES. I believe that it is by and large a very correct statement of one aspect of the problem which ought to be before the American people and before the Congress so they will weigh it in the balance.

Mr. BOGGS. Getting on to one other subject, and I will conclude. In answer to a question propounded this morning by Mr. Kean, I believe you said that the Department did not contemplate negotiating any trade agreements this year during the period of extension.

Secretary DULLES. Yes, sir.

Mr. BOGGS. I think somewhere in your testimony you pointed out the conditions now existing in Japan insofar as trade is concerned.

Secretary DULLES. Yes, sir.

Mr. BOGGS. Is it not conceivable that it might be necessary to negotiate a trade agreement with Japan within the next 12 months?

Secretary DULLES. We do not believe that it is necessary to negotiate a trade agreement with Japan under the provisions of this act. It is always open to the Government to negotiate a treaty and submit it to the Senate for approval.

Mr. BOGGS. In other words, you do not think this act is necessary to alleviate the present trade difficulties in Japan?

Secretary DULLES. I doubt whether this act would be the way to do it, and I doubt a good deal whether action along that line could usefully be taken, apart from some concurrent action by other countries, and it will take quite a little while to get that organized.

Mr. BOGGS. Mr. Chairman, I do not have any more questions.

The CHAIRMAN. Any more questions? Mr. Utt?

Mr. UTT. Mr. Secretary, I had a few questions I wanted to ask, but before I do I would like to read a portion of the Republican platform into the record, a very short portion of it:

We favor the extension of mutually advantageous world trade. To further this objective we shall press for the elimination of discriminatory practices against our exports such as preferential tariffs, monetary license restrictions, and other arbitrary devices. Our reciprocal trade agreements will be entered

into and maintained on a basis of true reciprocity and to safeguard our domestic enterprises and the payrolls of our workers against unfair import competition.

With that statement in the record, we have had a parade of witnesses come before us in the past week who have been complaining about the imports destroying their business and cutting their payrolls down as much as 50 and 60 percent. In view of the fact that this is part of the Republican program, are not those people expecting some relief at the present time from the injury to their industries and to their payrolls, and also some defense against the double monetary system which prevails in many of the countries?

Secretary DULLES. I understand there is already machinery in existence for protection against multiple currencies where those currencies are used in effect to subsidize dumping, so they are not without relief.

Mr. UTT. That is, of course, a matter of administration, and do you know of any case at all where a reciprocal trade agreement has been abrogated because of violation of that portion of the contract?

Secretary DULLES. No, I do not know. Certainly none has been abrogated since this Administration took office last January.

Mr. UTT. Are there not about 50 percent of the parties signatory to these reciprocal contracts that have violated in one way or another the true practices of reciprocal trade agreements?

Secretary DULLES. I could not answer that, sir.

Mr. UTT. We have testimony to that effect, and that they have not been able to get relief from it.

Secondly, I wanted to ask: What is the yardstick by which your Department measures the favorable or unfavorable trade balance? Is that measured by the dollar gap?

Secretary DULLES. I am afraid I do not quite understand the question.

Mr. UTT. You spoke this morning about the dollar gap. Do you consider that as being the criteria for a gap that should be closed, as the dollar gap, the excess imports or exports over imports in dollars and cents?

Secretary DULLES. I do not believe that I used the phrase "dollar gap." Perhaps I did. But technically speaking, there is no dollar gap. The difference between exports and imports is a gap which is in fact closed by other methods, such as relief in visible items, the tourist expenditures, American investments abroad. All of those are factors which in fact close the gap. So there is no existing gap. Indeed, in these affairs there cannot be a gap. The only question is: How do you strike your balance? And that involves a whole series of calculations, including visible trade, exports, and the other factors to which I allude.

Mr. UTT. The thing that disturbs me more is the fact that we see our imports are measured so much in dollars and never are measured so much in displacement of manpower. For example, we have the importation of 11 million units of Swiss movements with a dollar value of approximately \$70 million; and of that \$70 million, 80 percent represented labor, which would be about \$50 million. Had those same 11 million units been made in the United States under our labor scale, which also represents 80 percent of the cost of production here, it would have taken \$250 million in labor to have produced that same amount. So there is a labor importation of a de-

clared value of, say, \$50 million, and a displacement of \$250 million in actual American labor. Is that not a criterion to go by as much as dollars and cents?

Secretary DULLES. That would certainly be one of the things which this commission should look into very carefully.

Mr. UTT. Another thing I wanted to ask you about. Do you not think it is a fairly dangerous thing to American labor if the American subsidiaries, like Ford and General Motors, who have from 50 to 70 subsidiaries behind the low-wage curtain countries, can move their industry into those countries and reimport into America and displace a terrific amount of labor in this country?

Secretary DULLES. That again is certainly one of the factors that ought to be looked into.

Mr. UTT. Is it not possible to continue with safeguards as provided in this bill in order to protect American labor and industry and farms, rather than wait a year, and still carry on the investigation?

Secretary DULLES. It is my firm belief, and I say it to this committee with all solemnity, that the situation in the world is such that if there is prompt action to adopt such a bill as this before it can be explored with its consequences, the loss to the United States will be far greater than any gain along the lines that you refer to.

Mr. UTT. I have just one other subject that I want to dwell on for just a moment, and that is the tuna industry, because it points up certain testimony that was given this morning. I refer back to the address of Secretary Bedell Smith the other day when he said that the tuna people were a special interest. I am wondering if your definition or his definition of a special interest is small business as opposed to the Standard Oil Co of New Jersey, or are small businesses all special interests?

Secretary DULLES. I just do not know in what sense he used that term.

Mr. UTT. That is what I would like to know. They call it special interests all the time. Every time they refer to a small business, that is a special industry or a special interest and can be liquidated.

Secretary DULLES. I do not know of any special interest that should be liquidated.

Mr. UTT. I call your attention to the case that the garlic producers of California brought before the present Tariff Commission asking for relief against imported garlic, and they simply said, "You are a special interest, and you can grow tomatoes or something else, and let your garlic business disappear."

I just wondered if that was going to be the attitude of the Department in reciprocal trade agreements.

Secretary DULLES. No, sir.

Mr. UTT. That is fine.

Secondly, the tuna industry is operating without any tariff at all on frozen tuna, and their imports have increased from 9 million pounds in 1948 to 80 million pounds in 1952, without any tariff at all, and in Bedell Smith's address he said that is proper because it then lets Japan have money to buy American tobacco and American cotton.

Is it not true that Japan took those dollars and bought all of its cotton from Mexico last year, and none of it from the United States?

Secretary DULLES. I do not know. That does not accord with my impression, but if you have statistics, I would not challenge them.

Mr. UTT. That appears to be in the record.

I think that is all, Mr. Chairman.

The CHAIRMAN. Mr. Knox, do you want to inquire?

Mr. KNOX. No questions.

The CHAIRMAN. Any questions here?

Mr. Holmes will inquire.

Mr. HOLMES. Mr. Secretary, you have had a long session before this committee, and you are a patient man. I do not wish to prolong it much longer.

In testimony this morning, I think you made reference to the fact that there are provisions contained in the present act which can enable special measures to be taken to protect special situations. I likewise noticed in your testimony this morning that you had hope that perhaps this Commission, through its studies, could come up with recommendations possibly as early as January 1, 1954.

This one question in closing: Can you, as Secretary of State, assure some of these people with these special problems—and they have them—that some of these provisions within the present act will be used and enforced during this study period that you have asked for in relation to the study of this problem overall?

Secretary DULLES. I think I can. I can only speak as one member of the Cabinet, but I can say that when this whole situation was discussed at our Cabinet meeting, it was the consensus that whatever influence we have should be exerted in favor of prompt action by the Tariff Commission to deal with these particular distress situations that you allude to.

Mr. HOLMES. I am particularly happy to have that on the record, because when we put in the peril point in the reciprocal trade agreements, with which you are very familiar, it was our hope that that would be an administrative instrument that would help rectify some of these special and acute situations.

Thank you very much, Mr. Secretary.

Secretary DULLES. I believe in the past, the procedure has been unduly slow.

Mr. HOLMES. I agree with you, and I hope it can be speeded up.

Secretary DULLES. I hope so.

The CHAIRMAN. Mr. Byrnes of Wisconsin will inquire.

Mr. BYRNES. Mr. Secretary, I think it is clear that what you are recommending is the continuation of the status quo as far as the legislative machinery is concerned, at least for another year. But I am wondering whether that includes the status quo of legislation which relates to the regulation of imports—to be very specific, section 104 of the Defense Production Act, which is definitely related to this subject, which has as its purpose the prevention of excessive imports which might injure our domestic sources of milk and dairy products. Is it your position that, as far as the State Department is concerned, you support the continuation of the status quo as far as that particular aspect of the regulation of imports is concerned?

Secretary DULLES. There are times when it is not self-flattering but wiser to admit ignorance, and I will just say that I am not here prepared to answer that question. I am sorry. Probably I should be.

But I have been preoccupied with a very great many matters, and that particular point is not one that I am prepared to cover today.

Mr. BYRNES. It was not my purpose to try to entrap you or anything else.

Secretary DULLES. I know that.

Mr. BYRNES. That is the section that was put in the Defense Production Act. It is machinery to impose restrictions on the importation of dairy products and milk products. If it expires, it is of very great concern to anybody who is concerned about the health and welfare of the domestic agriculture, at least in the field of milk and dairy products.

If we are going to take as an administration policy the continuation of the status quo, I would hope and assume that it would include the protection that we have today in that area of dairy products.

Secretary DULLES. I am sorry, I came down here to discuss, on the one hand, the President's proposal, and on the other hand, the so-called Simpson bill, and I did not get myself prepared to cover this section 104 that you refer to, of the Defense Production Act.

Mr. BYRNES. This is also related, of course, to section 22 which is covered in the Simpson bill and which, in part at least, they attempt to take care of in the bill.

Thank you, Mr. Secretary.

The CHAIRMAN. Questions?

Mr. Sadlak will inquire.

Mr. SADLAK. Mr. Secretary, during the past week we had many witnesses, primarily people representing small industry and their workers, before this committee. Many of them came from Connecticut, and each of them was afraid that if they had to change to another industry because of the operation of the reciprocal trade agreements causing injury to the industry and the workers it would be almost an impossible task because, being small business, the cost of retooling, a training program, and so forth, would be prohibitive, and they would be put out of business.

They told us that they saw some hope in the Simpson bill, and for that reason they had supported it.

Your statement today, I am assuming, then, is not in the same vein as those representatives, but you are opposed to their contention. In other words, Mr. Dulles, they have led this committee to believe that the great constitutional State of Connecticut has had no benefits from operation under the reciprocal trade agreements, but all they could verify was great losses.

Would you comment on that, please?

Secretary DULLES. Yes. I would comment on it in this respect: You say that you interpret my position as being opposed to their position. It is opposed to it today. I have tried to make clear that I believe these situations are all situations that ought to be studied, and I believe many of them can be rectified in a way which will give satisfaction here at home and without serious consequences abroad.

But it takes time to do it that way. If you want to try to do it the other way, the way of an abrupt and, in a sense, unilateral change, without a study of the problem, without time to come to considered conclusions which can be explained and rationalized to our friends abroad, I believe that the consequences of shaking the entire free-world

structure are so serious that we can in fairness ask these people to put up with the present condition for at least a few months longer.

I believe that the loss in acting now, to the whole United States, including these people, is so serious that it is in the national interest to say to them, "We must, in order to protect the vital security of the United States, ask you to allow your problems and other problems and different facets of this problem to be explored and to be studied for 6 or 9 months, and then you can be sure that you will have had your full day in court, and that Congress will then be prepared to act."

That requires, you may say, a degree of patience on their part. I believe it is a degree of patience which we are justified in asking under those circumstances because of the greater and more vital interests which are at stake for the whole United States.

Mr. SADLAK. Following that, Mr. Dulles, therefore, they saw specific hope in that part of the Simpson bill which would include them, primarily on page 4 of the Simpson bill, section 6, subsection (3) thereof, where the concluding part of the new amendment would say, "* * * or impairment of the national security."

They feel that the national-security features of their industries are totally disregarded by the Tariff Commission; for example, the clock industry, which is doing such a tremendous job for defense in fuses. Other industries, such as wood screws, the safety pin, and other pins, which are used for national security, are not protected. The same machinery, of course, is used to make vitally necessary instruments for national security.

I do not want to pin anything on you. Neither do I want to pin anything on myself, Mr. Secretary.

Secretary DULLES. As long as it is a safety pin, that is all right.

Mr. SADLAK. But because of the interpretations placed on their requests before the Tariff Commission they feel that that phase has been just put aside and has not been given any consideration.

I say here that that particular phase, as it applies to our industry, and to maintain and safeguard national security, it is important that they be given proper consideration; and, to protect it and to assure it, I feel that we ought to have included this particular amendment that is provided in the Simpson bill. I have one more comment. I do not know whether Mr. Dulles wanted to comment on the previous statement.

Secretary DULLES. My only comment is that I agree that that point of view ought to be carefully considered. My recollection is that your State is also a very large exporter; that you export some \$140 million of stuff each year. I suppose that point of view you would also feel should be taken into account. All of these questions, Mr. Chairman, seem to me to highlight the importance of taking time to study the different angles of this problem. Every question that has been put is a question which opens up new avenues of investigation and study, and it is impossible to act in one direction without having repercussions in others.

The sum totality of this hearing merely confirms me in the belief with which I came down here, which is that the whole problem is so complex, its ramifications, both domestic and international, are so great, that it is really imperative to follow the advice of the President in that respect.

Mr. SADLAK. By your own statement, Mr. Secretary, you stated that you were tremendously concerned with international affairs. But, for your strength in dealing with international affairs, I am sure you will concede we must have a strong economy here at home.

Secretary DULLES. Yes, sir. I think I made clear this morning that the cornerstone of the policies of this administration is to have a strong, vigorous domestic economy. That is the premise against which we proceed in relation to all of our international problems, our defense problems, our questions of foreign aid, our problems of NATO, our problem of taxes, our problem of budget. They are all proceeding from that one basic proposition.

I see the Secretary of the Treasury is here. He can express his views on that point and be far more eloquent and convincing than I can. But I want to assure you, as I said this morning, that this whole free-world structure has at its heart a strong, vigorous, solid, healthy United States, and if we take any action, whether it is in the field of tariff or in the field of foreign aid or in the field of defense or unbalanced budget, which is going to undermine the United States, then we are undermining what is the center core of strength.

There are other elements that we need to take into account also. The United States is not alone. It cannot afford to be alone, and we have to take into account the vigor and health of some of our friends. That is what makes this whole problem so complicated.

Mr. SADLAK. Many of our industries and workers are concerned, Mr. Dulles, because of the influx of Japanese-made goods, following up the questions by my colleague, Mr. Boggs. We hear so much about a possible peace, and I hope that that can be realized soon.

Would it then be your purpose to help Japan—and I might say here, I know that you have never been given the credit that you deserve for the tremendous job you did in effecting the peace treaty with Japan signed at San Francisco—to have Japan get some of that trade in China, and thereby take it away from America, where it would be injurious to our industries?

Secretary DULLES. It is abnormal, and merely one of the costs of the present world situation that we have to assume, to have Japan forced to do so much of her trade with the United States. Japan needs to get from nearer sources the food and raw materials that she needs, and she should be able to find in nearer sources the markets which she needs.

On the other hand, Japan is now importing from the United States coking coal and her iron ore, and mostly or largely doing it on foreign bottoms at the present time, although the Japanese fleet is coming back to some extent.

The costs of that are terrific. The dollar costs are very heavy. Somewhere she has to get the dollars to pay for it. We are saying to Japan, and Japan is very loyally responding—we say, “Don’t trade with the Communist area.” That cuts her off from the prewar sources of raw material in Manchuria and from the markets in China.

It is very difficult for us to say to Japan. “We ask you not to trade with the Communist world, and we also ask you not to trade with the non-Communist world,” because you have over 80 million people there who must import large quantities of food and raw materials. We just cannot ask them to commit physical suicide, and they will not do it.

That is one of the abnormalities of the present situation that we have to find some way to live with until it can be improved.

If we should have the peace to which you refer, and which I devoutly hope we will achieve, then we would anticipate that the trade of Japan with the Asian world would increase and the necessity for Japanese trade with the United States would decrease.

Mr. SADLAK. I have one concluding question, Mr. Dulles. It seems to me that you have indicated that the State Department was only 50 percent of the whole picture, and that the other Cabinet members who would come before us would represent the other 50 percent. On this basis, do you intend to continue to have the State Department control and dominate the Trade Agreements Committee and the work under the trade agreements program?

Secretary DULLES. That again is one of the things that I think should be studied.

Mr. SADLAK. That does not quite answer my question, Mr. Secretary, but I will accept it. I think you have been forthright in your replies here.

Secretary DULLES. One of the reasons that I think it should be studied, perhaps, is that it is one of the things I would want to study myself, and without further study I could not answer your question.

Mr. SADLAK. I admire you very much for making those replies, Mr. Dulles; and I say again, the forthright replies which you have given here today are commendable. We appreciate it very much.

Secretary DULLES. Thank you very much, sir.

The CHAIRMAN. Mr. Curtis of Missouri will inquire.

Mr. CURTIS of Missouri. Mr. Secretary, first I want to say how much impressed I have been with your testimony. There are a few matters I would like to clear up in my own mind.

First, if we were not to continue the reciprocal trade agreements at all, having a number of agreements already entered into at a time when we did not have the "peril point" and "escape" clause provisions, and those agreements would continue in effect as they are now written, in effect, if we did not continue the reciprocal trade law, we would be eliminating the "peril point" and "escape" clauses as far as those particular agreements are concerned, would we not? Or do you have an opinion on that?

Secretary DULLES. I am not sure that I understand the question. I appreciate the fact that certain agreements were made.

Mr. CURTIS of Missouri. Without the "peril point."

Secretary DULLES. Without the degree of "escape" clause in them which have been in the more recent ones.

Mr. CURTIS of Missouri. Those agreements, as I understand them, continue in effect unless they are stopped. If we have the "peril point" and "escape" clause provisions, giving that authority to the executive branch of the Government, we can renegotiate at any time on those particular agreements and further extend them and include "peril point" and "escape" clauses. At the present time we do not have that protection, nor would we have it if we did not have the act. That is the question I am posing.

In other words, what would be the effect if we did not continue this act at all?

Secretary DULLES. As I understand it, if you do not continue the act at all, if you do not take any action at all, the agreements still continue until they run their allotted course.

Mr. CURTIS of Missouri. But that allotted course, incidentally, is forever, unless they are affirmatively terminated, as I understand it, by either side. In other words, they have an automatic-renewal provision built into them.

Secretary DULLES. I do not think, sir, that they are indefinite in their duration.

Mr. CURTIS of Missouri. I am no authority—

Secretary DULLES. You probably know more about it than I do.

Mr. CURTIS of Missouri. I am no authority on it, sir, but it is my understanding that that is so.

(Secretary Dulles conferring with his assistant.)

Secretary DULLES. I am told they can be terminated by either side.

Mr. CURTIS of Missouri. But as long as they are not terminated, you need no legislation to continue them in existence. That is the point. Those that were written without "peril point" and "escape" clause provisions, as I visualize it, if we did not continue this act, we would have no opportunity at all of applying the "peril point" and "escape" clause formulas.

Secretary DULLES. I believe that they can be terminated and replaced by other agreements.

Mr. CURTIS of Missouri. But they could not be replaced unless you continue this act.

Secretary DULLES. That is correct. They could not be replaced unless you continued this act.

Mr. CURTIS of Missouri. You see, Mr. Secretary, what I am concerned about is that there are some people who advocate—and I am not among them—that we might just let this act die, and I am trying to get clear and be certain of my ground that if it were to die, we would no have an opportunity of putting in these "peril point" and "escape" clauses as far as agreements—

Secretary DULLES. I get your point, and I think it is a very sound point: Namely, if this act is continued, it would be possible to terminate the present arrangements and replace them by others containing the "escape" clause.

Mr. CURTIS of Missouri. That is right.

Secretary DULLES. It would not be the case otherwise.

Mr. CURTIS of Missouri. I am not certain of that, but I wanted to bring that point up for consideration.

Secretary DULLES. I think you are sound on that.

Mr. CURTIS of Missouri. As I see the Simpson bill, in my own mind it breaks down into three aspects. One is entirely procedural. For example, there is a provision in there to increase the Tariff Commission by one member. As long as the procedural amendments would further the smooth functioning of the reciprocal trade agreements, I suppose that you would take no exception to that. Is that correct?

Secretary DULLES. I do not think that the objections which I raised would go to purely procedural changes of that sort.

Mr. CURTIS of Missouri. In other words, you have said already that you think the Tariff Commission should move faster on some of these things, and in our discussions there has been a question of whether or not the increasing of the Commission by one member so you would have an uneven number so they would not be at loggerheads, would be a procedural change that might be advisable.

Secretary DULLES. The point where I put up my hand and say, "Stop, Look, and Listen," is when you take action which will be interpreted, rightly or wrongly, but will be interpreted by our foreign friends as indicating that we have made a decision to go in a certain direction, whether it is up or down, in relation to our economic policies. The whole free world today is in such a state of nervousness, it is held together so lightly, it is so susceptible to panic and almost hysteria in many respects, that I believe we should in this matter act with great circumspection, move slowly, be sure of our ground, and have time in which to explain to our friends and allies what we are going to do and why we are going to do it.

That is a point where I say I think we should go slowly. That argument does not apply to matters which are purely internal from the standpoint of the administrative operation of our own domestic machinery.

Mr. CURTIS of Missouri. A second point, and this gets into this next aspect: The language change in setting up criteria. That is a phase of the Simpson bill that, as I understand it, you would be concerned about, changing the criteria.

Secretary DULLES. Yes, sir.

Mr. CURTIS of Missouri. I have gathered from your testimony and as I listened to the complaints of various American industries that have appeared before us, that under the present administration and under the present law, a great deal of their complaints, if they were justified, could be handled through the present administration. Am I correct in that assumption?

Secretary DULLES. I believe so, yes. You can often work these things out, you know, informally with the foreign countries if you have the disposition to do it. Reference has been made to the tunafish. I am not immediately aware of that situation, but I know when I was working on the Japanese situation before, there was a very reasonable disposition on the part of the Japanese, at least, to put voluntary restrictions upon the imports of tunafish into this country. I think they have done it to some extent. Of course, tunafish comes not only from Japan, but from South American countries.

Very frequently I have found that there is a disposition on the part of these foreign governments to be appreciative of the disturbances which their exports to us may cause, and voluntarily to take action to restrict them.

I believe many of these situations could be dealt with on an informal basis like that.

Mr. CURTIS of Missouri. I also gather from your testimony—and you do not have to answer it if you do not care to—that the administration of the reciprocal trade agreements, as much as you could influence it, would be considerably different than it has been in the past few years in respect to the plight and the difficulties experienced by various American industries.

Secretary DULLES. I believe that American industry is entitled to get quicker action than it has been getting, to know one way or another what its future is, and that it should be possible to have an administrative machinery which is more expeditious than has been characteristic in the past.

Mr. CURTIS of Missouri. Incidentally, it is my belief that the administration's viewpoint has changed January 20, and that Ameri-

can industry will get this proper administration they have a right to.

The third question in regard to the Simpson bill involves specific industries that have been actually written into the bill. Of course, one is the residual oil, which largely seems to be to protect the coal industry, and then lead and zinc.

My question is this: Do you think that the problems that those industries face could be adequately met under the present machinery of the reciprocal trade agreements and the language that we use defining what is a critical state for an industry?

Secretary DULLES. I believe it could be; yes.

Mr. CURTIS of Missouri. You believe they could. So to a certain extent you would say that the complaints that our committee has heard and that industry has experienced might well be met through proper administration of the law as it is now written?

Secretary DULLES. Yes, sir.

Mr. CURTIS of Missouri. One final comment, more a comment than a question: I have been very much interested in the way you have expressed the differences of expression and in certain instances difference of viewpoint of other members of the Cabinet and some of your assistants in your Department. I have been deeply impressed with it because it seems to me that what we see here is a free exchange of ideas, and the fact that the Congress and the members of this committee have a right to express their ideas, and I hope if we happen to express a good one, the administration might even listen to them. I think that is what is confusing my colleagues on the other side of the aisle. They do not understand that there can be a free exchange of ideas, and your conclusions can be the same, as I judge your conclusions are the same, that you think that this Reciprocal Trade Agreements Act should be continued as it is presently written, although you might have different reasons for coming to that conclusion than your colleagues.

Secretary DULLES. If you will permit me to say so, I think that puts it extremely well, that there is an administration policy; we have arrived at that policy through various processes of reasoning which all coalesce at a single result, but we have looked at it from different angles.

I think it is entirely legitimate and right that people who do have a certain approach should be entitled to express their views. We do not operate here as a monolithic state. I have had a great deal to do with the Russians, the Soviet. None of their people dare say anything unless it is all cleared in Moscow with what was the Politburo. There is a lack of effectiveness and conviction about what they say because it all is stereotyped.

We do not want to have that kind of system in our administration.

Mr. CURTIS of Missouri. I am very happy, of course, with the way you have expressed yourself.

Secretary DULLES. Thank you.

The CHAIRMAN. Are there any other questions?

Mr. COOPER. Mr. Chairman.

The CHAIRMAN. Mr. Cooper will inquire.

Mr. COOPER. I understood you to say, Mr. Secretary, in reply to one of the questions asked by my colleague, Mr. Boggs, that there had been a discussion of this subject at the Cabinet meeting?

Secretary DULLES. Yes, sir.

Mr. COOPER. And that there was a consensus of opinion there at the meeting?

Secretary DULLES. In the result which is presented here to you; yes.

Mr. COOPER. That consensus of opinion was in line with the statement you have presented to the committee today?

Secretary DULLES. Yes, sir.

Mr. COOPER. Do you think it would be better to let the present Trade Agreements Act expire than to enact the Simpson bill at this time?

Secretary DULLES. Yes, sir.

Mr. COOPER. Thank you.

The CHAIRMAN. Mr. Simpson will inquire.

Mr. SIMPSON. Mr. Dulles, I have listened carefully to the testimony that you have given the committee: I would like to know what it is that you hope this special Commission will discover and how it can be effective more so than this committee before which you are appearing, which has charge of this kind of legislation, could be. I will add that this special Commission can do nothing more than make findings, and from the legislative viewpoint, report to this committee. We will then evaluate their report, along with what other evidence we have. Consequently, why is a special Commission desirable, when contrasted with presenting all the evidence which will be presented before them to this committee?

Secretary DULLES. I believe that the type of study recommended by the President and the work which it would do over the coming 9 months would serve very usefully as what you might call a cushion between present policy and any future policies.

I have certainly only the very highest regard for the wisdom and experience of this committee. I must, however, say that as a committee of Congress, I do not think that you have the opportunity, perhaps not the jurisdiction, to explore these problems to some extent with our friends whose economic life is, they believe, involved in your decision, and that some opportunity to study the problem with them is extremely important and will be one of the elements which should be taken into account.

Mr. SIMPSON. Do you envisage that we should take the conclusions that that Commission reaches without the background?

Secretary DULLES. I assume that the report of the Commission would make available not only its conclusions, but the evidence or the testimony upon which its conclusions are based.

Mr. SIMPSON. But you do recognize that the individuals on this committee are the ones who must be persuaded in order to adapt the legislation as that Commission or anyone else thinks it should be?

Secretary DULLES. Yes, sir.

Mr. SIMPSON. The principal point, if I may put it this way, of your statement appears to be your earnest recommendation for delay.

Secretary DULLES. That is correct.

Mr. SIMPSON. That has a bearing upon the purpose of the Commission, too? Is that one of the bases?

Secretary DULLES. I never believe in asking for time unless I think that that time will be put to good use.

Mr. SIMPSON. Yes, and that is my point. Could it not be put to just as good use by this committee as by another committee or commission?

Secretary DULLES. You are asking me a very embarrassing question.

Mr. SIMPSON. I really do not want an answer, but I wonder about it.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any other questions?

Mr. KNOX will inquire. He has not had an opportunity yet.

Mr. KNOX. Mr. Secretary, I have listened with a great deal of interest to your comments on the question of the Simpson bill. I should like to inquire whether or not you have had a representative from your Department sitting in on the hearings of this committee held for the past few days?

Secretary DULLES. I do not know. [Secretary Dulles conferring with assistants.] I am told there has been.

Mr. KNOX. There has been?

Secretary DULLES. Yes.

Mr. KNOX. Has that been one of the factors that has led to your opposition to the Simpson bill?

Secretary DULLES. No; because I did not know until this minute that we had one.

Mr. KNOX. I did not hear you.

Secretary DULLES. I said it has not been a factor, because I never knew until this minute that there had been a representative here.

Mr. KNOX. Thank you.

The CHAIRMAN. Mr. Eberharter will inquire.

Mr. EBERHARTER. Mr. Secretary, we have had witnesses appearing in favor of the Simpson bill and in opposition to your position during the past week. Do you attach any significance to the fact that the representatives who appeared here last week in opposition to your position are practically the same witnesses who appeared when this program was initiated; and at every renewal thereof, the same people, representing the same interests, anyhow, practically, have appeared in opposition to the extension of the act during the several times it has been enacted? Do you attach any significance to that? In other words, they have not changed their minds in the last 20 years. They tell the same story today they told 10 years ago; the same story they told in 1934; all the time the same repetition.

Secretary DULLES. At least they are consistent.

Mr. EBERHARTER. They are very consistent. We could have taken the hearings 10 years ago and reread them and would have practically the same testimony we had last week.

Do you attach any significance to that?

Secretary DULLES. No. Just human nature.

Mr. EBERHARTER. I cannot see where a commission would do much good, as Mr. Simpson said. I agree with him heartily. Delaying is only making the situation worse.

Thank you, Mr. Secretary.

The CHAIRMAN. I have not had anything to say up to this point. I do congratulate you, however, upon the way you have handled yourself, sir, as Secretary of State. You probably have inherited one of the hardest jobs that any Secretary of State has ever inherited, certainly within my memory. You have had to clear the decks in your Department of a whole army of subversives and other undesirable elements.

Naturally, you have had to travel all over the world since you got in, and I know that much of your job must have been of cleaning house of what has happened during the last 20 years.

Sometimes I enjoy going abroad, and I was just wondering why it would not be a good idea, Mr. Secretary, in view of the fact that this committee has handled tariff questions for the last 170 years, for the President, in making up this Commission, to just appoint the Ways and Means Committee and let them go abroad and solve this question.

Secretary DULLES. I will transmit that suggestion to him, sir.

The CHAIRMAN. Thank you very much. We would like to have you do it, very seriously.

I knew nothing about this Commission proposal prior to a few days ago. My first information about the proposal came to my office Saturday when I was not there. It was transmitted to my apartment and I was not there. They wanted to have me get it before 11 o'clock. Here is what was transmitted to me finally about 11:30 when they found me:

The President is sending forward to the Speaker and to the Vice President this morning a letter recommending the establishment of a commission composed of members of both parties appointed by the Speaker and the Vice President to reexamine the foreign economic policy of the country. This is tied up with a request for an extension of the reciprocal trade agreements.

That being on Saturday, I of course had no opportunity to discuss this matter even informally with the committee. Could you give us some idea of the size of this Commission and just how it is to be made up, Mr. Secretary?

Secretary DULLES. I have here, Mr. Chairman, the full text of the letter. Are you not familiar with it?

The CHAIRMAN. No. It may have been read to the House this morning, but we are conducting the hearings this week, and this committee of 25 busy and, leaving myself out of it, very able men, I consider, in this field, I think would like to have had due notice of just what was proposed, in view of the fact that it requires legislation. I would like to hear the letter, Mr. Secretary.

Secretary DULLES. Shall I read the entire letter into the record, or give it to your clerk?

The CHAIRMAN. I would like to have it read, because I was just informed that the message was referred to the Foreign Affairs Committee.

Will the clerk please read the message?

The CLERK (reading):

DEAR MR. VICE PRESIDENT:

DEAR MR. SPEAKER:

In the message which I sent to the Congress on April 7 requesting a 1-year extension of the present Reciprocal Trade Agreements Act, I referred to the need for a thorough reexamination of our whole foreign economic policy. I now recommend that a commission be established to make this review.

The review should provide the basis for action during the next session of the Congress. It is my belief that the proposed commission should be made up of Members of the Congress appointed by the Vice President and the Speaker of the House, and members appointed by myself from outside the Congress. It should be representative of both major parties. This is appropriate since commercial policy is an integral part of our whole total foreign policy for which broad national support is vital.

This commission naturally should work within the framework of our foreign policy and our global defense plans. Close liaison should be maintained with

the group set up under the auspices of the State Department to follow up the economic and financial talks held earlier this spring between the United States and various European countries. The commission should study all existing legislation and the regulations and administrative procedures stemming from it which bear directly on our foreign economic relations. This review should seek to determine how these laws can be modified or improved so as to achieve the highest possible levels of international trade without subjecting parts of our economy to sudden or serious strains.

An inquiry of this nature is imperative because the economic policy of this Nation exercises such a profound influence on the entire free world that we must consider carefully each step we take. Changes in foreign economic policy, even those which at first have relatively slight consequences within this country, may either strengthen our allies or plunge them into a downward spiral of trade and payment restrictions, lower production, and declining living standards.

Our foreign economic policy also has important implications here at home. Declining imports will necessarily mean falling exports, resulting in a serious loss of markets for our agriculture and other industries. Expanded imports may require some adjustment in our country. We must make sure that changes in foreign economic policy consonant with our position as the world's greatest creditor nation do not benefit particular groups at the expense of the national welfare; but we must also make sure that such changes do not place unequal burdens on particular groups.

As I indicated in my previous message, the achievement of a strong and self-supporting economic system in the free world capable of providing adequate defense against aggression and of achieving rising standards of living, must be a cooperative effort.

Through increasing two-way international trade and stimulating in every practical way the flow of private investment abroad, we can strengthen the free world, including ourselves, in a natural and healthy way. By so doing we can lessen and ultimately eliminate the heavy burden of foreign aid which we now bear.

Both we and our friends abroad earnestly desire to see regular trade and investment replace grant assistance.

In launching a broad-gage study into the question of what our foreign economic policy should be, I think we can prepare the way for a fuller utilization of the economic strength of the free world in the cause of peace and prosperity.

Sincerely,

DWIGHT D. EISENHOWER.

Secretary DULLES. Mr. Chairman, I am sorry that that communication came to you only through these irregular channels. I am sure that that was an inadvertence.

The CHAIRMAN. Of course, it may not be the function of the chairman of the committee to try to protect the dignity of the Ways and Means Committee, but, after all, we are very jealous of our jurisdiction in all matters in which we have legislated over the many years, and the old Republic still stands.

I hope we are not going to revert in all legislation to commission studies. I feel that the jurisdiction of that bill belongs in this committee, so far as we are concerned, and I feel that we are all of us sworn to preserve and defend the Constitution, and that means, of course, its economics, as against the impact of foreign goods or anything else. As far as I am concerned, I am 100 percent in my wish to support the President of the United States, and have been always, even to fighting his battle in the election. But here is a case where I just do not like to see this committee bypassed by the Executive's appointing 6 members of an 11-man commission, the Speaker appointing 3, and the Vice President naming 3. That commission can only result in delay of any constructive legislation.

This committee is the forum where American citizens come to be heard about the impact foreign goods that come in here, made by cheap labor abroad, has on our domestic economy. It is our economic

situation here that really supports not only us but the world. All but 7 percent of everything that is made and produced in this country is sold here in this great market. Now we are down to 12 percent.

I am not going to make any speech here, Mr. Secretary, but I hope from now on, and even now, I hope we will be consulted so this committee can take some action on these proposals that come from the White House and which are within the proper jurisdiction of this committee. We have had 20 years of messages coming up here with a "must" on it. Notwithstanding doubt as to its constitutionality, we have had that.

We do not want any more of it. We want to get back to legislation under our Constitution.

I want to thank you, sir, for your forthright statement here. We are proud to have had you here. We know what a difficult task you have before you, and we want to cooperate with you to the fullest extent. We thank you.

Secretary DULLES. Thank you very much, sir. I am very grateful for the sympathetic and understanding hearing you have given me.

The CHAIRMAN. The next witness to appear before the committee today will be the distinguished Secretary of the Treasury, the Honorable George M. Humphrey.

Mr. Secretary, we extend a very cordial and warm welcome to you. We are glad to have you here and to hear your views.

STATEMENT OF HON. GEORGE M. HUMPHREY, SECRETARY OF THE TREASURY, ACCOMPANIED BY HON. H. CHAPMAN ROSE, ASSISTANT SECRETARY OF THE TREASURY

Secretary HUMPHREY. Mr. Chairman, members of the committee, I am George M. Humphrey, Secretary of the Treasury, and appear in that capacity.

The CHAIRMAN. We are very proud that you have Mr. Rose with you here today.

Secretary HUMPHREY. Mr. Chairman, I have here a short statement, and if it is agreeable with you, I should like to read that statement. It will state the position and then I would be very glad indeed to answer questions.

Mr. Chairman and members of the committee, the problem of our trade relations with foreign countries has come to my attention with increasing force over the past 2 months. Just over a week ago I was in Paris with Secretary Dulles and Secretary Wilson and Mr. Stassen. In the weeks before that, in Washington, I talked with representatives of the United Kingdom, Germany, and France.

There is a uniform concern in the minds of these people about the problem of achieving a balance of trade in their dollar accounts. There is full realization on their part that United States assistance just as economic aid cannot and should not go on forever. To an increasing degree they are focusing their attention on ways and means of freeing their trade from restrictions and getting themselves into a position where they can stand on their own feet.

I believe we ought to encourage these efforts. I believe it is important to the United States that these countries make as much progress as possible in the direction of easing up their restrictions on trade and payments.

But the problem is complex and it needs a good deal of very careful thought. It needs the kind of study which the President has proposed before we can establish firmly the line of policy which we wish to set. Both the executive branch and the Congress, I am sure, will bring to that study a consciousness of the need for insuring a continuing high level of employment and a continuing high standard of living in the United States. We will be conscious also of the need for more solidly based economies in friendly countries around the world. A careful balancing of all of the various aspects of this problem will take some time.

What should be our policy in the interim? The President has recommended an extension of the Reciprocal Trade Agreements Act in its present form. I am sure that this is a wise recommendation. Until we have soberly considered the whole problem of our foreign economic policies, it would be highly unwise to make radical changes in either direction. I would not recommend to the Congress any hasty action which ignores the legitimate safeguarding of domestic industries, agriculture, and labor standards. By exactly the same token, I would recommend against any action, at this time, to remove the stimulus to foreign exports which has been granted by the Reciprocal Trade Agreements Act. I do not believe that the United States should fall back at a time when we need the cooperation of all of the free world. What this moment requires is a measure to hold the situation open until the whole problem can be looked at. Extension of the act in its present form is, I believe, the measure required.

If this can be done, we can move forward with completely open minds toward formulating an appropriate foreign economic policy for this country. In doing that the Treasury will have a simple objective. We would like to help friendly countries, in the soundest and least expensive way possible, to stand on their own feet. We will be seeking a course of action which will reduce the burden on our taxpayers, but we will want to guard against the creation of new national problems in the form of unnecessary hardship to the industry and agriculture of this country. I believe that a judicious course of action can be worked out, and I recommend that the act be renewed in its present form to give us time to work it out.

The CHAIRMAN. Does that complete your statement, Mr. Secretary?

Secretary HUMPHREY. That completes my statement, Mr. Chairman.

The CHAIRMAN. Are there any questions?

Mr. JENKINS. I should like to ask some questions.

The CHAIRMAN. Mr. Jenkins will inquire.

Mr. JENKINS. Mr. Secretary, of course, I want to compliment you on your concise statement. It is much briefer than I thought it would be because I had hoped that you would go into this matter very extensively. As you know, we have just heard the Secretary of State.

Reading your statement here now, it occurs to me that it is just very unfortunate that you and the Secretary of State and anyone else in the Cabinet, as well as the President himself, are not aware of the story of complaints that we hear in this committee. Those that we have heard in the last 2 weeks, for instance, we have been hearing for years, and we have seen the fatalities that have occurred in the business life of this country.

Business after business has had to abandon its operations. They have come to us in the last 2 weeks and have furnished facts and figures that show that they are undoubtedly going to go out of business if we do not do something for them.

I am not going to make a long speech, but I appreciate that we have these foreign problems which are very discouraging and very difficult, but the price that we pay—and we are going to pay—is the price of our own business. I think that we ought to do something about it—when I say “we” I mean the administration and our committee and everybody else—because the country demands it.

You say that you would not want the Congress to take hasty action. We are not taking hasty action. We are taking action, as I said before, that we have been thinking about for years, action that the people are waiting for. I think we can do what the administration wants and do what we are trying to do at the same time. We can go ahead and give this relief. We can go ahead and give this tax relief. We can go ahead and balance the budget.

We have competent and able men in high places, such as you and the Secretary of State—personally I have confidence in all of them—but I say we have a problem that is a commercial problem; it is a business, a bread and butter problem, and we cannot push it over by promising to appoint some commission of some kind or another to go and study. We have had plenty of study.

The CHAIRMAN. I want to ask one question.

Mr. Secretary, are you familiar or have you seen the report of the economic conditions of the European countries prepared by the Army in Paris?

Secretary HUMPHREY. I do not think I have, Mr. Chairman.

The CHAIRMAN. It is a very important document, and I feel that you should have it. I feel that the Secretary of State should have it, if he does not already have it. I neglected to ask him that.

Secretary HUMPHREY. I should be very glad to have it.

The CHAIRMAN. It is very comprehensive.

Secretary HUMPHREY. I should be very glad to have it.

Mr. Jenkins, I recognize that some of us have not had the experience that you gentlemen have, that we do not know what has been going on for so many years the way you do in a great many of these problems. I think perhaps there is a little different point of view. Perhaps what is an old, old story to you is much more new to us.

I think that one of the very most important problems that faces this country today and is going to face it over the next year or two is this problem of foreign trade. What can be done about it? Very frankly, so far as I personally am concerned, I have an absolutely open mind on the subject. I have listened to these people from the foreign countries, people a good many of whom I have learned to have a good deal of respect for. On the other hand, I recognize, of course, that they are thinking of their own situations very largely, which is a perfectly natural thing.

There is nobody either in his personal life or in his official capacity who is more interested in the well-being of the United States of America than I am. Whenever it comes down to a question if you have to choose, there is no question about where my choice is. My choice is the United States of America, first, last, and all the time.

On the other hand, I think there may be places where it will not be necessary to make that choice. I think there may be ways that we can broaden the base for everyone concerned. That I don't know. I am not sure. I feel that in view of the change in conditions—while this has been going on, while these studies and these conversations with you gentlemen have been going on for all these years—we have a different situation in the world now than we have had for a good many years.

The United States occupies quite a different position in the world. The situation with respect to the foreign countries is different. Our trade, trade throughout the whole world, has very largely changed in its channels and is very greatly upset. The world cannot go on without trade; it cannot go on without world trade.

You have people in England, you have people in Germany who have really nothing but the products of man-hours of labor to trade for food. They cannot raise their food. They must use their products of man-hours of labor in those countries to trade with others who have a surplus of food, in order to get the food to live on. We ourselves are substantial exporters of food, and would like to be. I do not think it necessarily means that all of the goods have to come into America. Three-cornered trade or four-cornered trade in the world and throughout the world is just as desirable.

I think that there should be a thorough study of just what kind of trade there might be, what articles. I am not thinking of high-minded economic theory or anything of that kind; I am thinking of getting right down to brass tacks and trying to find out what things there are in the world that we can use in this country to advantage and what can be brought in here to our real advantage in America.

What other things can we export from America? There is no use exporting them if we cannot get paid for them. If we want to export things, if we want to stimulate the greatest production we can have in this country to supply other places in the world, we have to find a way of getting paid. Otherwise, there is no use doing it. You have to develop trade methods in order to get paid for the things we want to send out of here.

I think myself—and perhaps it arises from my own unfamiliarity with the subject or ignorance of the subject—I think personally I want to know a lot more about conditions under the present new conditions and the way they exist today than I do know, than I have been able to find.

I listened for a minute to you gentlemen talking to Secretary Dulles. I got quite a different slant from your questions as to what I had thought about this Commission. Very frankly, it never occurred to me that this Commission was suggested by anybody as a substitute for the judgment that you have or that you will exercise. I regard this Commission as more in the nature of a study group who would have the time, and would take the time, to make studies from a rather broad viewpoint of members selected from different spheres of activity, and bring in these studies, to submit not only to us for our thought but to you gentlemen for your thought to perhaps shed some new light for you finally to reach your decisions on. I did not regard them as being intended in any way to come in with a final report or anything that was going to be handed to somebody, and say, "Here it is." That was not the idea at all.

The idea is that they will do some work and that because of the different spheres from which they are selected they will bring in some fresh thoughts that they will present for us to consider and for you gentlemen finally to determine what you want to do with. That is the object of it, as I see it.

Mr. JENKINS. In that connection, I do not think there is a member on this committee that would find any personal fault with any member of the Cabinet at all. But you must remember that for 100 years this old committee has been the financial committee of the Government.

Representatives of dairy products came before us last week. The billions of dollars invested in dairy products are extremely important in our free-enterprise economy. The dairy industry and other industries are asking that this bill be passed in unmistakable language.

The footwear people, representing millions and millions of dollars; glassware, pottery. Pottery and glassware in my State has practically gone to nothing in the last 15 years, practically gone down.

Men have gone to other places to work and business is dead. Then there is the matter of our domestic watch industry. We have had men from the watch and clock industries here. It is going down.

Hatters and caps, textiles, coal, oil, and wool. We are not nearly through. We have had only about half of them. This trade is a one-sided problem, with us granting all the concessions, as against aid.

As far as I am concerned I have never been in favor of this aid to the extent that some people have been. I would rather aid some more than to lose trade in our own country and lose our industries.

Take the miners in my section of the State. They are on relief and are asking for help.

That is all, Mr. Chairman.

Secretary HUMPHREY. As far as I am personally concerned, that is the farthest thought from my mind as you know. My job is to get the money to pay our bills, my official job, and there is no way to get the money to pay our bills quicker than to get something that will help industries and will make money in America, make a livelihood in America. That is foremost in my thinking.

Mr. COOPER. Mr. Secretary, I hope you will allow me to congratulate you on the splendid statement you have made to the committee and to invite your attention to this last paragraph on page 1, where you state in part:

The President has recommended an extension of the Reciprocal Trade Agreements Act in its present form. I am sure that this is a wise recommendation.

That is your position on it, very clearly stated there?

Secretary HUMPHREY. Yes, Mr. Cooper, that is right.

Mr. COOPER. Then at the top of page 2 you state:

I would recommend against any action at this time to remove the stimulus to foreign exports which has been granted by the Reciprocal Trade Agreements Act. I do not believe that the United States should fall back at a time when we need the cooperation of all of the free world. What this moment requires is a measure to hold the situation open until the whole problem can be looked at. Extension of the act in its present form is, I believe, the measure required.

That is a very clear, concise statement of your position which is completely in harmony with the position stated by Secretary Dulles.

Secretary HUMPHREY. That is what I believe, Mr. Cooper.

Mr. COOPER. As he told the committee, this matter was discussed at Cabinet meetings, and the concensus of opinion arrived at there

was in line with the position taken by you and the Secretary of State here today?

Secretary HUMPHREY. That is correct.

Mr. COOPER. Is it your belief, then, Mr. Secretary, that it would be better to let the present Trade Agreements Act expire than to enact the Simpson bill at this time?

Secretary HUMPHREY. I would hope you did not have to make that choice, because I think the right thing to do is to reenact this law for this period.

Mr. COOPER. Extend the present act for 1 year as recommended by the President in his special message read to the House of Representatives on April 13?

Secretary HUMPHREY. That is correct. That is what I believe is the proper thing to do.

Mr. COOPER. Thank you, sir.

The CHAIRMAN. Mr. Simpson will inquire.

Mr. SIMPSON. Mr. Humphrey, out of this entire bill, then, the only thing that you expect from this committee, the only thing you are asking from this committee is what is section 2 here, which would extend the power to make new agreements for 1 year?

Secretary HUMPHREY. That is right, Mr. Simpson.

Mr. SIMPSON. The Ways and Means Committee then presumably will await the action of this special committee which is to be named before proceeding with its further work on tariff?

Secretary HUMPHREY. Not necessarily. I think that the Ways and Means Committee would seek information in any respect just as everyone else will. As I see it, this special committee is just another tool for the benefit of the Ways and Means Committee as well as for the benefit of the administration to try to develop what is the proper posture to take.

Mr. SIMPSON. You recognize that any opinions that this committee would have would have to be sold to the members of this committee before it could be made into law?

Secretary HUMPHREY. Absolutely. This committee is not to tell the Ways and Means Committee what to do at all. This committee is an investigating committee; it is to develop facts and present facts for consideration.

Mr. SIMPSON. I will ask you what I asked the Secretary of State. Why shouldn't that work be done right now in connection with these hearings?

Secretary HUMPHREY. If you can do it as rapidly as that. I think the chairman perhaps expressed it in speaking to Secretary Dulles, and as I said to Mr. Jenkins, maybe our viewpoint is colored a little by our own necessities. We have had an awful lot of things to do in the past 90 days. We just could not do them all at once. Take my own position. I will speak for myself personally. I have not had any time at all to try to reach definite conclusions with respect to what ought to be done about this very vital subject.

Mr. SIMPSON. If you were a member of this committee and you individually were persuaded that certain industries would be wiped out or further seriously injured between now and a year from today, what would you do about it, if you wanted to protect that industry to America?

Secretary HUMPHREY. If I were thoroughly convinced of that, Mr. Simpson, I think I would want to do something about it, but I would want to be pretty sure that that was really so.

Mr. SIMPSON. I am persuaded. Now what would you do? Wouldn't you fight for it? You believe, I am sure, that a basic American industry should be preserved?

Secretary HUMPHREY. I do.

Mr. SIMPSON. If members of the committee are convinced that it is suffering as a result of, No. 1, the Trade Agreements Act, and secondly, because of what in the past I term very poor administration of the act, you would want to do something to relieve them, would you not?

Secretary HUMPHREY. Yes, I would, but I would want to be pretty sure that I looked at both sides of the question and that what I lost on the corn I made up on the hogs.

You can very easily be persuaded, or you may very easily find, a situation where somebody is hurt to some extent but that the country as a whole may lose much more by trying to correct that dislocation. It is to be hoped, of course, that you can find a ground where these dislocations can be corrected and still get the great benefit elsewhere.

America, I am convinced, needs an opportunity for a substantial export trade. You cannot have an export trade unless you get paid for it. There is not a bit of sense in developing an export trade unless you get paid for what you ship. I think it is just as important to attempt to develop the way you get paid for what you want to ship out of here and keep men working doing that as it is to try to preserve some particular industry or some particular effort that perhaps can operate on a somewhat different basis and still get along.

So you have a very broad picture. It is not just a matter of saying, if anybody says "I am hurt," immediately he is entitled to all the relief in the world, because you may be helping him and hurting yourself much more on some other front. That is why I say, so far as I am personally concerned, I would like more information than I have.

Mr. SIMPSON. Respectfully, I think you said two things. One was, earlier, that you did not want any American industry driven out of business here.

Secretary HUMPHREY. That is right.

Mr. SIMPSON. The latter statement seemed to indicate that there might be some areas where we should permanently give up.

Secretary HUMPHREY. I doubt if you will have to do that. I believe that you probably can find ways of handling it so that they will both get along.

Mr. SIMPSON. You do not mean the way the Bell report suggested, by putting them on relief?

Secretary HUMPHREY. Oh, no.

Mr. SIMPSON. You do not mean that?

Secretary HUMPHREY. No; I do not want people on relief.

Mr. SIMPSON. Or providing Government money to retrain them or things of that sort. You did not mean that?

Secretary HUMPHREY. No.

Mr. SIMPSON. I would just like to get very clear on this point. I have a lot of things in this bill that deal with things like a change in the definition of what injury is. Then I have one on countervailing duties. There is one on amending section 22 of the Agricultural

Adjustment Act. A reference has been made to section 104 of another law. They are all a part of our foreign program today, all those that I have mentioned.

You have said that you want from this committee nothing but this section 2 extending the act, but I anticipate you will get from another committee the special commission authority. Does that mean that with respect to sections 104 and 22 and countervailing duties that you are not going to ask for any change in existing law in those areas?

Secretary HUMPHREY. Perhaps I should say something about countervailing duties right now. The matter of countervailing duties is brought up. The present law, which is entirely independent of this law, provides that where a bonus or a bounty is paid, manipulated in some way by some foreign country to put goods in this country, it is the duty of the Secretary of the Treasury to take some action with respect to it and put in a countervailing duty.

As far as I can find out, that has seldom been used except in the case of some cash payment.

Mr. SIMPSON. The law has been disregarded in the past, has it not?

Secretary HUMPHREY. I would not say it has been disregarded.

Mr. SIMPSON. Let me say that.

Secretary HUMPHREY. Well, you can say that. A few weeks ago some Members of Congress brought to our attention the fact that we were getting wool tops in from Uruguay and that in Uruguay they were paying at one rate of exchange for wool tops and at another for raw wool; in that way they were getting a bounty on the wool tops coming to this country.

Mr. SIMPSON. That was in contradiction to the trade agreement, too, was it not?

Secretary HUMPHREY. Contrary to this law. We have been working at it very carefully. We have studied it all the way through. We have made up our minds that they are paying a bounty, and we are putting a countervailing duty on wool tops that will stop that.

Mr. SIMPSON. I congratulate you. You saw your duty and did it.

Secretary HUMPHREY. That is the first time that has been done.

Mr. SIMPSON. They have been doing that for a long while, too.

Secretary HUMPHREY. It has been going on for a long while, and the countervailing duty is going on right now.

Mr. SIMPSON. That is right. It has been stated around this committee that there are more limitations of free trade between countries and more manipulations of one kind or another opposing free interchange of trade than there were when we started this trade-agreements program in 1934; more barriers today than there were then.

Secretary HUMPHREY. I do not know as to that.

Mr. SIMPSON. Such things as the one that you just made reference to is one of those.

Mr. Curtis is gone. What about those other items that I mentioned, sections 22 and 104?

Secretary HUMPHREY. I cannot tell you a thing about 104. That is an agricultural-products section, and I cannot tell you about it.

Mr. SIMPSON. Section 22 would be the same thing.

Secretary HUMPHREY. They are both the same.

Mr. SIMPSON. We are going to have a customs simplification bill. Is legislation contemplated in the area of countervailing duties there?

Secretary HUMPHREY. I understand that the customs simplifications bill they had before did have a section in it and that there was one in it. Personally, I do not see that there is any particular need for a provision on multiple exchange rates so long as you have your present law.

The present law is very inclusive. This provision you have in your bill is an expansion of that with respect to currency manipulation or exchange manipulation. I think we we have perfect power today to countervail a bounty resulting from manipulation of the currency or manipulation of the exchange just as well as any other kind of bounty.

Mr. SIMPSON. Mr. Secretary, I am going to say this: You have come into the office you now hold—and I will put it in my words—and you have seen where the law was not carried out beforehand and you have taken steps which will give relief to one branch of American industry. It is bound to. I say that within the Department of State, they, I am sure, must see where it has been poorly handled in the past, where an industry would appeal for relief and one delaying action after another took place and they did not get the relief to which they were entitled based on findings by the Tariff Commission.

So I repeat, there is a lot of our trouble today due to poor administration of the law now on the books. The intent of my bill is greatly to improve that.

Secretary HUMPHREY. Mr. Simpson, just as long as the present law is on the books and just as long as there is a bounty, the Treasury will put in a countervailing duty.

Mr. SIMPSON. I thank you, sir.

The CHAIRMAN. Mr. Eberharter will inquire.

Mr. EBERHARTER. Mr. Secretary, I would like to ask you some of the questions I asked the Secretary of State this morning.

Are you familiar, Mr. Secretary, with the so-called Bell report? Officially it is entitled "A Trade and Tariff Policy in the National Interest," a report which was submitted to President Eisenhower under date of February 24, 1953, about 2 months ago?

Secretary HUMPHREY. Gotten out by Mr. Bell. I have seen it, but I have not studied it.

Mr. EBERHARTER. Have you assigned any member of your staff or your Department to study it?

Secretary HUMPHREY. Yes. It is under study in the Department.

Mr. EBERHARTER. You know somewhat of the personnel that constituted that special public advisory board for mutual security?

Secretary HUMPHREY. I do.

Mr. EBERHARTER. Very high class personnel.

Secretary HUMPHREY. Very high class, indeed.

Mr. EBERHARTER. It represented practically all segments of industry, education, and labor of the United States.

Secretary HUMPHREY. A very excellent committee.

Mr. EBERHARTER. With the study that has been made by this committee for perhaps a quarter of a century, the studies made by the Tariff Commission, and the studies made by this special board, which reported only about 2 months ago, don't you think that we have enough information now without constituting another commission which may, Mr. Secretary—and I think this is very important—give rise to

doubts in the minds of our friends in the free world that we are going to change our policy and perhaps pursue a policy which the Communist world has said we were going to pursue?

In other words, think only of ourselves, adopt an isolationist policy insofar as exports and imports are concerned, and let our friends be at the mercy of restrictive trade policies? Don't you think there is some danger of that?

Secretary HUMPHREY. No, I do not, Mr. Eberharter. I do not share your fears in that regard at all. Our foreign friends are so exercised about this and so concerned about it that I think that anything that we do that indicates that we are with an open mind trying to seek out what is the right thing to do to get the maximum benefit out of this world-trade situation will be well received and well regarded.

Mr. EBERHARTER. Let us just clarify that, Mr. Secretary. If we fail to pass any act whatsoever, would they not have justification to believe that we may be going to change our policy?

Secretary HUMPHREY. Yes. I would think it would be unfortunate not to pass any act at all. I think the desirable and proper thing to do is to extend this act for this short period and carry out our investigation to go during that period and reach a conclusion.

Mr. EBERHARTER. It would be infinitely worse to pass a bill containing restrictive provisions such as are contained in the Simpson bill.

Secretary HUMPHREY. The very best thing that can be done, in my opinion, is to continue what we have for this period.

Mr. EBERHARTER. It would be worse to pass the Simpson bill.

Secretary HUMPHREY. If that is the best thing to do, any other course is worse.

Mr. EBERHARTER. That is very well done, Mr. Secretary. [Laughter.] I congratulate you on having some member of your staff at least study this report.

Secretary HUMPHREY. It is under study.

Mr. EBERHARTER. I think it is a very fine report. I might ask you one more question. They made a recommendation to this effect, and I will quote it:

That decisions on trade policy be based on national interest rather than the interest of particular industries or groups.

Do you agree with that?

Secretary HUMPHREY. Yes.

Mr. EBERHARTER. Thank you very much.

The CHAIRMAN. Mr. Kean will inquire.

Mr. KEAN. Mr. Secretary, the first witness in favor of the Simpson bill in his testimony before the committee last week said that he recognized the danger of the dollar gap, but he stated that the way to cure the dollar gap was not to encourage imports but to discourage exports. He wanted to reduce our exports to meet our imports. What would be the result of such a policy?

Secretary HUMPHREY. It just means there are not as many jobs in America.

Mr. KEAN. In answer to that he stated that the type of jobs that were in the export business, which is to quite a large extent a mass-production business, employed less labor than did the type of jobs that he was talking about protecting through the Simpson bill. So he said that in the end there would be more people employed by such a policy than there would be in the policy of encouraging imports.

Secretary HUMPHREY. Mr. Kean, that is one of the very things that makes me want to see some further study of this thing. I think there is not anything that can mix you up as badly as talking generalities. Usually when you get into an argument it is because one fellow does not know what he is talking about, and if you get two and neither of them knows what he is talking about, you are in terrible shape.

What I would like to see and I think what you have to have before you get very far here, is some very definite commodities—what are the things that can be brought in here in big volume, what would happen if they come in, and get right down to brass tacks and follow a few things definitely through that run into substantial sums of money.

There is no use fooling with things that do not involve substantial sums, because they are not going to change your balance of trade very much anyway. Let us find out what are the things that can largely change the balance of trade and what happens if we move them.

I don't know. Maybe somebody else does know, but I don't. I have not seen any study that is based on that sort of principle. I would like to see just what happens when you get right down to the grassroots and follow a few of these things through.

Mr. KEAN. I figure generally that the more business that is done in exports and imports by this country, the resulting stimulation of business in this country, means more jobs and more money in people's pockets. I do not believe in this theory that our export business should fade, not trade, which is about what was advocated.

Secretary HUMPHREY. I do not know how you would get more jobs by doing less business.

Mr. KEAN. I do not know, either. Thank you.

The CHAIRMAN. Mr. Boggs will inquire.

Mr. BOGGS. Mr. Chairman, I should first like to congratulate the Secretary. I think he has made one of the finest statements that has been made before this committee this year. It has been a very forthright statement.

I am very much interested in the line of inquiry that Mr. Kean was taking; I meant to pursue it myself when Mr. Eberharter started asking a few questions.

Do you have any figures in your Department, Mr. Secretary, on exports and imports? I imagine this question would be better directed to the Department of Commerce, but of course you do have jurisdiction over the Bureau of Customs. I understand that our export business dollarwise now is about \$18 billion a year, is that substantially correct?

Secretary HUMPHREY. I think that is about it.

Mr. BOGGS. And there is a gap of about \$4 billion, making our imports somewhere around \$14 billion?

Secretary HUMPHREY. Something of that kind.

Mr. BOGGS. All of the testimony that we get before our committee, almost invariably, involves certain industries which maintain that they are being hurt by imports, but we have yet to get information before the committee showing the tremendous number of people employed in the export-import trade. I think that information would be very helpful to this committee. Would you be able to provide that information?

Secretary HUMPHREY. We will see if we cannot get that information. I have not got it right here, but we will see what we can do.

(The information requested was furnished by the Department of Commerce and appears on p. 665.)

Mr. Boggs. It so happens that I served for some time several years ago on the subcommittee that we had on customs simplification, and I know that the President has recommended the enactment of a customs-simplification act, and that would come from your Department.

Secretary HUMPHREY. That is right.

Mr. Boggs. Can you give us any indication of when we might expect some recommendations on that subject?

Secretary HUMPHREY. We are working on it. We have been working at it very diligently. Mr. Rose is the gentleman in direct charge of it. I will just ask him.

Mr. Rose. Very shortly; we hope within a matter of a few days.

Mr. Boggs. To have some recommendations?

Mr. Rose. Yes, sir.

Mr. Boggs. Thank you very much, Mr. Secretary.

The CHAIRMAN. Will Mr. Knox inquire?

Mr. Knox. Mr. Secretary, I am not going to ask you the same question that I asked Secretary Dulles as to whether or not you had a representative here through the hearings that we have been holding for the past few days, because apparently the representation of the Secretary, Mr. Dulles, did not transmit his findings from the hearings up to the Secretary. But there is a question that is involved that I would like to ask, and that is, Mr. Secretary, would you object to requesting our foreign-trade representatives to bring their problems to our seat of government or do you feel that we should send our representatives to their respective seats of government in foreign communications? I ask this question because I do feel that nevertheless the people who represent the United States as far as the Ways and Means Committee are concerned, who make the recommendations to the Congress, should not have to take secondhand information; that their information should come directly and that they should make their own decision with recommendations from the administration as to what is the best course to take. Would you care to answer that question?

Secretary HUMPHREY. I certainly share your view, and if I were sitting in your seat, I would want the very best information I could get to make up my mind on. Whether I had somebody come to me or I went to him would depend entirely on how it developed.

Mr. Knox. Mr. Secretary, I believe you appreciate the fact that this entire committee is unable to sit down with those in foreign nations and discuss this entire problem of tariffs. Inasmuch as this committee are the ones who must make the final decision, I feel that if the foreign nations are interested in entering into trade agreements with the United States they should be interested enough to come here and testify before the committee and not before some commission that has been appointed by the administration and sent on to foreign soil in order to get the testimony.

Secretary HUMPHREY. Again let me say, I think I gather from your suggestion that there is certainly a misapprehension as to the attitude of this committee. This committee was regarded not as in any way a substitute or in any way as prejudging this case or anything of that kind. This committee was simply a fact-gathering group that would gather some facts. It was designed to be helpful, in no way hindering, but just simply to be helpful. That is the whole idea.

Mr. KNOX. I very much appreciate your statement, Mr. Secretary, but it is impossible in terms of my office and state to find that I could accept the recommendations of people who have been delegated legislative power to bring back answers that we could actually rely upon and that were in the best interest of the people whom we represent.

Secretary HUMPHREY. You could ask the originators to come, then. That is what I would do.

Mr. KNOX. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Utt? Any questions down this way?

Mr. Holmes will inquire.

Mr. HOLMES. Mr. Secretary, I have just a short comment. I was pleased to hear you testify that you had taken under consideration the matter of countervailing duties, and I hope that you, as Secretary of the Treasury, can assure some of these people who are in difficulty in these various industries who have testified before us that you in turn will use the effectiveness of your office to properly enforce existing legislation that is on the books if the Congress chooses to extend the period of that legislation for a year during this study period.

Secretary HUMPHREY. In every way, Mr. Holmes, that the Treasury can do it, we will enforce the laws that are on the books today.

Mr. HOLMES. Thank you, sir.

Secretary HUMPHREY. And let the chips fall where they may.

The CHAIRMAN. Any other questions?

Mr. Sadlak will inquire.

Mr. SADLAK. Mr. Secretary, in connection with this investigative group, do you have any idea what would be the starting point for their investigation? What year?

Secretary HUMPHREY. No; I have not. As far as I know, there is no program or anything of that kind at all. It was the thought that we might have a group of diversified interests, of diversified experience, who might be helpful in marshaling some facts for consideration, and that is as far as I know any thinking has been done on the subject.

Mr. SADLAK. Certainly volumes of facts have been gathered by the Committee for Reciprocity Information prior to the Geneva, Ancey, and Torquay Conferences. I would say that a perusal of those would be tremendously helpful in bringing the facts of the inquiries, if I might call them that, or the situation that American industry has faced and is facing.

In connection with your recent visit, the distinguished witness who preceded you, Mr. Dulles, stated that they were quite jittery, and I believe you also reiterated that same feeling concerning our friends abroad. Did you because of that jitteriness make any concessions in connection with reciprocal trade agreements?

Secretary HUMPHREY. Oh, no. We have nothing to do with reciprocal trade agreements.

Mr. SADLAK. Did you make any other concessions which you might want to tell us about, which this committee might want to know in considering these reciprocal trade agreements?

Secretary HUMPHREY. I don't know what you mean. What kind of concessions?

Mr. SADLAK. Because they were very jittery over there, I have the feeling, after the hearings we have had during the past week, that a great many industries and their employees in the United States are quite jittery about any promises that might have been made or con-

ceded to the foreign industries that might cause further closing of factories here.

Secretary HUMPHREY. I can tell you why they are jittery, Mr. Sadlak. During the first 60 days or 40 days that we were in office there was quite a line, as you know, of delegations from foreign countries that came to this country. Some of the distinguished higher authorities of those countries came to this country. They came within a few days of each other, and that extended over a period of 2 or 3 weeks of time. They came to the Treasury. They went around to different places.

They saw Joe Dodge, the Director of the Budget. They came to the Treasury. They went to the Federal Reserve Board. We very frankly showed them our figures, and we showed them the situation that the United States was in, the tremendous load of debt that we have and the tremendous amount of cumulative liability that we have and the tremendous build-up of contracts that we have, the high tax structure that we have, the deficits that were accumulating, and the deficits that we were handed.

They saw how much short-time money we had, how we had to borrow. We have to roll over \$30 billion or something of that kind within every 90 days. We have a tremendous amount of debt due within 1 year and a much larger amount in 5 years.

Men like Butler, the Chancellor of the Exchequer, who is a very good businessman, and some of these other people from foreign countries who understand the situation, could see at a glance that the free-handed aid and the expenditures, with no thought of where the money was coming from, were coming very abruptly to an end in this country and that they were up against something brandnew that they were going to face in the not too distant future, especially in view of the fact that we had to reduce our expenses to reduce our taxes, and that we were attempting to do both and to get them in hand just as fast as we possibly could.

So, they saw the dawning of a new day, and they knew that things were going to be different. It does not take any magician to see that if you will just look at the figures. They looked at the figures and saw that. For that reason, among others, they realized that there would be a different future than there had been in the past, and that from now on they would have to earn money that they spent much more than they had in the past.

Mr. SADLAK. I am very happy to have that observation. Mr. Humphrey, there was some talk during the hearings last week that the Canadian dollar is a better dollar than the United States dollar.

Secretary HUMPHREY. It has been a better dollar for about a year.

Mr. SADLAK. What are you going to do about straightening out that situation?

Secretary HUMPHREY. We will just make the American dollar better. That is the only way I know.

Mr. SADLAK. I am with you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Curtis will inquire.

Mr. CURTIS of Missouri. Mr. Secretary, I was interested in your statement, which was rather positive, that you would rather see the Trade Agreements Act expire than continue with the Simpson bill.

That was in response to another gentleman's question. Am I right in that?

Secretary HUMPHREY. I said I hoped neither one would occur; that I hoped and believed that the right thing to do was to extend the Trade Agreements Act as it now stands.

Mr. CURTIS of Missouri. The reason I raise that: Mr. Dulles in his remarks, I felt, dwelled on the fact that the main concern he had about the Simpson bill was the impact abroad, and even though the truth of the matter was that the new legislation was not harmful to our foreign policy, even if that were so, but it was interpreted the other way, the impact would be bad. What he suggested was that we needed time to let them understand what the situation was, particularly as they had been sold for a number of years on the fact that the Republicans, if in power, would become isolationists.

In further response to some questions that I asked the Secretary as to whether or not he felt that under the present law as we now have it on reciprocal trade and other measures that we have, adequate protection could not be given to our industries that were coming in here with these complaints and the ones that we have heard complain, if the law were administered differently and, as I view it at any rate, in a proper manner.

I have noted in answer to one question on currency devaluation and other manipulations that you feel you have the authority now to handle that situation, and under the peril-point provisions and escape clause of the present law, if administered properly, our industries would have an opportunity of presenting their case if they got a fair hearing.

With all that preface, I have gone through this bill of Mr. Simpson's and I do not see what I would regard as any crippling amendments. In other words, all that it seems to me is being done in here by the Congress is an attempt to pin down what the administration of the act before has not done.

I may be wrong, but I want to ask you whether there is any specific language that you think is in the Simpson bill that does cripple the act. I broke the Simpson bill down into three categories for my own thinking. One was purely procedure, and changing procedure certainly is beneficial as long as it was trying to attain proper functioning. Number 2, it has a lot of new language for criteria, what is unemployment or injury to American workers, and so forth.

Do you think any of the new language in there is going to cripple in any way the administration of this act?

Secretary HUMPHREY. I do not believe I am sufficiently expert to pass on all of it, but I will take the case of the countervailing duties that we have just discussed. I think we have all the law we need without any more.

Mr. CURTIS of Missouri. Yes, but I am hitting it from the other angle. It may be true that you have it, but there has been a lot of talk around the country about this being a crippling act. If it is simply doing what you already have the authority to do, it may be unnecessary, but it is not crippling.

I would like to pin this thing down. Are we talking about false impressions that are created abroad deliberately by people and possibly false impressions that are being created in our own country in the minds of people about what this act contains, or are there provisions in this new bill of Mr. Simpson's that would do things that can-

not be done under the present Reciprocal Trade Act? If there are some things in this bill that limit the authority in such a way that the industries of our country can be protected when they cannot now be protected, I would like to know where it is.

Secretary HUMPHREY. If you have enough authority to do what you ought to do, it is always confusing to have added provisions made.

Mr. CURTIS of Missouri. Yes, sir. I agreed with your statement about speaking in generalities. That is why I am trying to get down to particulars and this particular bill.

Is there any language in here—I have heard a lot of generalities, but I would like to know what provision in this bill would be a crippling provision that would prevent the proper administration of the Trade Agreements Act to accomplish the results. We all seem to want the same results.

Is there anything specific here that you would say in the Simpson bill, a change of language or the creation of a new man on the Tariff Commission—

Secretary HUMPHREY. I think the only way I can answer that is that I just do not know enough about the details of the administration of this particular act to answer your question the way I ought to.

Mr. CURTIS of Missouri. One final thing. The third aspect of the bill, of course, deals with specific industries, the lead and zinc mining people, and then, as I say, the coal industry under residual fuel oil. Those two would be instances where this committee would be studying the specific problems of those two industries and in effect doing what we would anticipate possibly the Tariff Commission might have done. Is there any particular position on those two features of the bill that you think would interfere as far as you know in the results that we want to achieve?

Secretary HUMPHREY. I am very glad you brought that up because I expected it long, long ago. I thought before I got through I perhaps was going to have to volunteer the information. So far as the coal business is concerned, I want to say, Mr. Chairman, that I want to declare myself out of that because of prior prejudice, and I want to leave that and any discussion of that particular subject to Under Secretary Folsom, if you wish to call him on that subject.

When I qualified myself for this job before the committee, before Senator Millikin's committee, I told him in answer to some questions that if anything arose in my duties here in this office that related to my prior activities, I would declare myself out of it and that I would have it handled by my Under Secretary or by someone who had no connection with it whatever.

Until a few weeks ago I was the chairman of the board and the founder of the biggest coal company in the world, and I just do not care to express any opinion upon this oil and coal matter.

Mr. CURTIS of Missouri. I appreciate that, sir.

Just to conclude, I hope, Mr. Chairman, that we will have someone who will testify as to where specifically in the Simpson bill they feel the new language somewhere is actually going to hamper the administration of the Reciprocal Trade Agreements Act in such a way that we would not be able to achieve the results that we have been talking about.

I want to say further that I understand and appreciate the Secretary of State's position and in fact I am in accord with it, that the impact

abroad probably would be such due to false propaganda, largely, and the same sort of propaganda in this country, not dealing in specific instances but just smearing a particular bill just because they do not like the thing.

There may be details in here which are bad, but I would like to know what they are. I think the rest of the committee would, too. I hope somebody will come up here and point out some language or some provision of this bill that they think is wrong instead of just voicing these fine general viewpoints.

Secretary HUMPHREY. We will see if we cannot supply it.

Mr. CURTIS of Missouri. Thank you, sir.

The CHAIRMAN. Mr. Goodwin will inquire.

Mr. GOODWIN. Mr. Secretary, will you agree that the main issue here, perhaps the principal issue, is to set up a foreign trade policy which would be in the best interests of our people with regard to our international relations, and at the same time have due regard to all the reasonable rights of American industry and American workmen?

Secretary HUMPHREY. I think that is exactly the position.

Mr. GOODWIN. Is it your position and your belief that the administration, if a little patience is given for study, will probably, with the joint wisdom of the administration and this committee, work out some solution which will reasonably well bring any conflicting interests into harmony?

Secretary HUMPHREY. I think we will come nearer doing it with this additional time and study than we can today.

The CHAIRMAN. Any more questions?

If not, Mr. Secretary, we thank you for your very fine statement.

Secretary HUMPHREY. Thank you all very much, indeed.

The CHAIRMAN. It was a pleasure to have you here.

STATEMENT OF HON. SINCLAIR WEEKS, SECRETARY OF COMMERCE
OF THE UNITED STATES, ACCOMPANIED BY SAMUEL W. ANDERSON,
ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS

Secretary WEEKS. Thank you, Mr. Chairman.

Mr. Chairman, I have a statement that I should like to read, if that is in order.

The CHAIRMAN. That is in order, sir.

Secretary WEEKS. Mr. Chairman and members of the committee, I wish to thank the committee for its invitation to present my views concerning the extension of the Trade Agreements Act of 1934, as subsequently amended by various statutes, including the Trade Agreements Extension Act of 1951.

By the provisions of the Trade Agreements Extension Act of 1951, the authority underlying this program will expire on June 12 of this year. This fact raises the question of what action shall be taken with respect to its future. In his message to the Congress on April 7, the President requested that the present act be renewed for a period of 1 year. He requested this extension as an interim measure to allow for the temporary continuation of the present program pending completion of a comprehensive reexamination of United States economic foreign policy.

I should like to state my support for this recommendation and indicate briefly to the committee the reasons why such a simple extension of the present legislation is desirable at this time.

The tariff and trade policy of the United States is a single phase of our overall foreign economic policy. It is a very important phase of that policy that must be carefully adjusted to all of the other interrelated phases which together will make up a successful overall policy.

During the postwar years the United States had to assume—and in fact has assumed—a position of leadership in rehabilitating the world economy. The United States had embarked on a comprehensive program in the foreign economic field, including important elements of economic and military assistance, technical assistance to underdeveloped areas, and promotion of American overseas investment, in addition to actions in the trade and tariff field. In all its activities our Government has attempted to promote a freer exchange of the world's goods on a mutually beneficial multilateral basis. Today, all other nations are looking closely to the actions which we take in continuation or modification of the detailed programs which have been under way.

We are now entering upon a period of changing world conditions which call for a fundamental reevaluation of our entire foreign economic program. Our largest objectives are clear and unchanging. We must develop, in cooperation with other nations of the free world, a prosperous self-supporting free world economy which can ensure both our mutual security and improved living standards for us all.

This economic system must be one which will create conditions under which international investment flows freely, and general progress is possible toward freedom of international payments, convertibility of currencies and the widest possible multilateral trade.

Whatever its details, our trade policy, like that of other free nations, must be aimed at the highest level of trade possible on a profitable and equitable basis.

This must be the direction of our trade policy, because that is the only way in which it can be a consistent effective part of a total foreign economic policy aimed at these vital American objectives. Our success or failure in designing a foreign economic policy to attain these objectives will be crucial to the future prosperity and security of the United States as a whole for it will go far to determine the kind of world in which we live.

For the same reason, and in a more direct sense, the manner in which we design such an economic program will determine the basic health of our domestic economy. It is therefore essential in the direct interest of American business that our overall foreign economic policy be soberly conceived, quite aside from the businessman's stake in the overall national interest.

Furthermore, the tariff and trade policy phase of our foreign economic policy is itself assuming particular importance at this time. During past years the United States has given freely of its strength to reconstruct the economies of our world allies. We have now reached the point where most of them can, if allowed, stand on their own feet and pay their way in the world through the normal commercial exchange of goods.

Under these conditions we may expect that American tariff and trade policy will in the coming years be of even greater importance than in the past.

While our objectives are clear, however, the fundamental decisions concerning how to reach them require careful study. Hasty action could seriously retard rather than advance our progress. The questions we face in designing a proper United States trade policy are as complicated as the answers we arrive at are vital to all segments of American business and industry.

The prosperity of large parts of American business and the jobs of great numbers of American workers depend upon the continuation of the present high level of exports.

Other American industries are importantly and increasingly dependent upon imports. At the same time there are substantial sectors of American industry, the domestic activity of which is adversely affected by increased competition from imports.

Protection, however legitimate in individual cases, cannot be afforded domestic industry against imports without depriving American export industries and their employees of export outlets, while export sales, however importantly needed by American industry, cannot be provided without subjecting domestic production to import competition.

These fundamental facts obviously raise exceedingly difficult questions of policy which require the most careful study if we are to find the solution which will provide the greatest net benefit for the American economy as a whole in future years.

The decisions we make on these questions will have a lasting effect upon the material welfare of the employers and employees dependent upon American exports, imports, and domestic production.

It is for these reasons that I was among those who recommended to the President that he request Congress to avoid fundamental changes in the trade-agreement legislation at this time.

The committee now has before it for consideration H. R. 4294. This bill would extend the underlying authority of the Trade Agreements Act for an additional year or until June 12, 1954. In addition to this simple extension, however, it would do two additional things.

First, it would make fundamental changes in many important aspects of the policy and the administration of the reciprocal trade-agreements program.

Secondly, it would impose quota restrictions on United States imports of petroleum products, and would impose special tariffs and fees upon American imports of lead and zinc.

I think we are agreed that the trade-agreements legislation in its present form is not ideal. Criticism concerning individual features of the program has arisen in many quarters and from many differing viewpoints. The Government presumably is not prepared at this time to decide which of these criticisms are valid or in what degree.

But I believe we can say at this time that much more careful study is required; to make changes in this legislation without first deciding whether such changes fit into an overall foreign economic program would both disrupt trade and prejudice the nature of policies which must still be developed.

Under these conditions I feel sure it would be unwise and premature to take any action to modify the present legislation.

At this time, in order to avoid undesirable misinterpretation of our long-run intentions in the trade-policy field, and even more importantly, to avoid the possibility of modification which would worsen

rather than improve this phase of our foreign economic policy, we should refrain from modification and make it clear that the continuance of the present legislation is purely an interim measure to afford time in which to develop a sound program in which we can have full confidence.

I should like now to turn for a moment to those provisions of H. R. 4294 which would prescribe special tariff or quota treatment for petroleum, lead, and zinc.

If these industries feel that the present levels of imports of lead, zinc, and petroleum are causing, or threatening to cause, serious injury to them, they have under the terms of the Reciprocal Trade Agreements Act at present on the statute books available to them, prescribed procedures for seeking remedial action. It is my understanding that they have not requested such action of the Tariff Commission.

In view of the administration's recommendation that, pending study, the status quo be maintained insofar as new legislation is concerned, it seems to me far more appropriate for them to act pursuant to the existing statute than to request the special treatment proposed in H. R. 4294.

I, therefore, urge the committee on the above grounds, if for no other reason, to refrain from approving these specific amendments to the extension of the Reciprocal Trade Agreements Act.

In the President's state of the Union speech to the Congress on January 26 he said:

I further recommend that the Congress take the Reciprocal Trade Agreements Act under immediate study and extend it by appropriate legislation. This objective must not ignore legitimate safeguarding of domestic industries, agriculture, and labor standards. In all Executive study and recommendations on this problem, labor and management, and farmers alike will be earnestly consulted.

He now in effect recommends maintaining the status quo while this study by the proposed new 11-man commission be made.

Vital issues are at stake and our judgments naturally must not be lightly arrived at. With the state of the Union words above quoted fresh in our minds, I submit the wisdom of following the course recommended.

Thank you, Mr. Chairman.

The CHAIRMAN. That concludes your statement, Mr. Secretary? Secretary WEEKS. It does.

The CHAIRMAN. I would like to ask you, Mr. Secretary, whether you feel that we, as a committee of 25 members, one of the oldest committees in Congress, which has dealt with tariffs for the last practically 170 years, should fail to open up this forum to people who feel that they are aggrieved under the Reciprocal Trade Agreements Act as it is now written and as administered? Do you feel that we should just ignore these complaints and not hold hearings on a bill as to whether or not we should just accept what we have and let them go on being injured? How do you feel about that?

Secretary WEEKS. Mr. Chairman, I certainly would not advocate or even suggest that the committee not hold hearings and get all the evidence that is necessary.

On the general question, if I am to understand that you want a reply on the general question of whether or not the committee should act, I have given considerable thought and study to this whole prob-

lem since I took office in January, and came to the conclusion that the whole picture has changed so radically that in order to get at a proper determination of what our permanent policy ought to be, we ought to have the additional time suggested in the commission recommendation, to study the whole picture and the relationship of trade and tariff policies to it.

The world has changed a lot in the last 10 or 15 years, and I think a very thorough study and careful look-see must be made at what the future holds, with the world as it presently is, divided into two armed camps. We just really have to take a look at it.

This committee, as you suggest historically has made tariff acts, and naturally can and will in the future. The commission suggestion, as I view it, would give the committee a specialized arm to do specialized study and research on this very, very grave question.

The CHAIRMAN. Would you think that a new commission set up to study this tariff situation—and that is what it amounts to—to determine just how much of our market we can spare without real economic injury to our own economy, would be better equipped to do that job than this committee, which has had such jurisdiction for years and years, and is the one and only House forum, really, before which the aggrieved people can come who constitute the basis of our economy, like industry and business? Do you think a temporary commission would be better equipped than this committee to take over a job of that kind?

Secretary WEEKS. Mr. Chairman, I certainly would not suggest that they would be better equipped than this committee, and I mean that seriously. But this committee has many things to do, and the tariff and trade policies are one phase of the whole overall picture which I think, with the world as it is today, we have to take into consideration:

So I repeat that this committee has many duties and responsibilities; and with this commission in operation, as I see it, you are in effect saying to certain specialists, "Sit down and take a good look at the picture and bring your conclusions back to this committee, which eventually has to make the decision in any event."

The CHAIRMAN. I think this committee is fairly familiar with foreign affairs. We have had quite a little testimony here, and I am not quarreling with it. They say that the other nations are in such a nervous state that if we do anything, even though we need to do it to protect our own industries, that it is going to upset the confidence of these other people.

If it is the judgment of this committee that something ought to be done to preserve our own economy, to keep ourselves strong, to keep ourselves solvent, do you think that we should defer pursuing the wise course in regard to our own affairs just because some other nations claim that they are nervous and the only cure for it is to take over a larger portion of our market?

Secretary WEEKS. I certainly think, Mr. Chairman, that we have to follow the wise course, and I certainly think this committee is competent to take it. But I think there is much evidence that we have to take a look at, and to take a look at from a little different point of view than we have been accustomed to doing in the past in our treatment of these policies.

The whole overall foreign picture is one that I think has to come into consideration. I am not suggesting by any means anything except to take time to really take a look at the picture.

Here we have a new administration, the first in 20 years. Here we have a whole new world picture that has developed since World War II and since the outbreak of the Korean war. It seems that the Congress and the new administration should really take a little time to look this over, and that by doing that and by maintaining the status quo in the interim for 1 year—and I should hope, parenthetically, that the studies might conceivably be concluded possibly in the fall, and if the Congress should be in session in the fall, there might be an opportunity to do something then, or right after the first of the year—I do feel very strongly, Mr. Chairman, that we do no harm in maintaining this status quo where remedies exist, if they are indicated, to correct damage to industry. Meantime, we go on and maintain the status quo and take a real look at what this whole thing amounts to.

The CHAIRMAN. Here is this committee, of which I am very proud, and I mean that so far as every individual on it is concerned. I know that they are good, capable, patriotic men. I know that this is a field in which they are as experienced, perhaps, and more so, than any outside group. The question is, speaking of the jittery condition of these foreign nations, would it be your idea that this new commission that is going to be appointed should go over and meet with the officials of the foreign governments and find out just what will cure their nervous situation?

Secretary WEEKS. No; I do not suggest that at all. I would not suggest that.

The CHAIRMAN. What I am getting at here is: Is this just a question of delay, or is it a question of getting down to what we might call brass tacks in regard to just how much of our market we can spare, how many industries we can destroy in this country, putting perhaps some industries out of business? I know how thoroughly interested you must be in New England, and I do not know what New England would do without the tariff rates that have protected her industries. She is having a lot of trouble right now, is she not?

Secretary WEEKS. In some lines. In some others, the reductions have not affected industry there.

The CHAIRMAN. As I understand it, New England is perhaps the center of the finest skilled labor there is to be found in the United States.

Secretary WEEKS. Naturally, in New England we would suggest that thought.

The CHAIRMAN. New England has been noted for its skilled labor, has it not?

Secretary WEEKS. I think so.

The CHAIRMAN. Are not some of the New England industries pretty hard pressed?

Secretary WEEKS. So far as I know, Mr. Chairman, the textile industries up there have been and are today. The shoe business is not what it was in the good-old days. There are some other industries in the metal fields and some other industries of such nature, in which business today is excellent and they are making progress.

The CHAIRMAN. That is largely war work, is it not?

Secretary WEEKS. I would not say so, sir.

The CHAIRMAN. What about the watch industry?

Secretary WEEKS. The watch industry has not done very well, as far as domestic manufacture is concerned. That is a very specialized problem.

The CHAIRMAN. And very essential to the national defense, is it not?

Secretary WEEKS. I think so.

The CHAIRMAN. I have always thought that you were a tariff man. You have always believed in the tariff, have you not?

Secretary WEEKS. I have.

The CHAIRMAN. Then you and I are agreed that we could not get along on just plain free trade in this country, could we?

Secretary WEEKS. I do not think so.

The CHAIRMAN. No, sir.

Secretary WEEKS. Mr. Chairman, I take my stand right with what the President said in his state of the Union speech, that we cannot carry this process to the point where it damages or destroys industry in this country.

The CHAIRMAN. That is my position, and when it comes to a choice as between some nervous nations abroad, who want to get into our market—they have had billions of our dollars handed to them—and the United States, I will choose the United States. We have given billions of our taxpayers' dollars to keep foreign economics going. The same old hatreds still exist over there, and we hope perhaps we can pacify them and keep these countries on our side. I realize all that. But I have this idea, and I think you have, too: We cannot be of any use to the world nor to ourselves unless we keep ourselves solvent, and we cannot remain solvent unless we have what has built this Nation, and that is our market.

All but 7 percent, Mr. Secretary, or thereabouts, of everything that we produce in this country is disposed of in our own market.

Secretary WEEKS. I agree with your thoughts, Mr. Chairman, but I again say that we have here a good many facets to this whole problem. We have the agricultural policies which enter into it, and the defense angle from the standpoint of how much protection shall we give to maintain industries that are needed in any defense effort. There are many, many points of view to be taken into consideration. I certainly think that the President summed it up pretty well when he said that here are two points of view. You have set the Commerce Department up in business. We have a Bureau of Foreign and Domestic Commerce. In a sense, in our approach we have to carry water on both shoulders. We have an export business that we have to give some concern to. We have the domestic production to give concern to.

I think that the President's statement summed it up very well when he said that we have got to take a look at this thing and not allow the process to be carried to the point where it does damage to domestic industries. I do not want to do that.

The CHAIRMAN. I do not, either; and there is another point, too, that worries me. I still think that the market which we have in this country is the very heart of our prosperity, our employment, and our high standard of living. According to all the statistics, there are 600,000 or 800,000 new laborers coming into our market seeking jobs

each year. The argument on the other side is that, of course, if we let payrolls be exported abroad, the people over here who are deprived of their jobs in a certain industry in order to help the nervous and jittery people abroad, these displaced persons over here can just go on relief or we can put them on a dole or we can retrain them for other jobs. Many of the industries right in New England that would be threatened if you get your tariff too low, are specialists. You cannot put them in another job. It is difficult to retrain them for another job. I feel that our first duty, if we are going to preserve free enterprise, is to be able to expand the free-enterprise system so that these thousands and thousands of people can have jobs. If you do not, you are creating the very situation that people worry about—creating communism by people being unemployed, and the younger element not being able to get jobs.

I think this committee here should not be ignored in a study of this situation as relates not only to our own country, but to countries abroad.

I think you have made a fine statement. It is splendid and I want to congratulate you on it. But, after all, the tenor of all the testimony is this idea that we have to depart from wisdom as this committee sees it just because foreign countries are nervous and want more of our market. I think it is the business of this committee to determine what is best for the country rather than a commission picked out of thin air. I feel that we are entitled to some consideration as a committee concerned about the economics of this country and the tariff and all the questions of taxation.

Secretary WEEKS. Mr. Chairman, I can only suggest that in the final analysis it is the job of your committee in any event. It comes back to you. Whatever studies are made come right back to you for implementation and action.

The CHAIRMAN. It makes a lot of difference, though, how that study is conducted. Unless this committee is going on a junket abroad to confer with these people abroad, how are we going to know just what the preconceived notions are? Are we expected to take their findings and just pass legislation based upon those findings?

Here we have hundreds of people coming in here who have payrolls and their very existence depends upon their getting some relief from the ills from which they are now suffering under the administration of the law that you are asking to have extended. We are supposed to be the forum before which these aggrieved people can come. People from every part of the United States are coming here and are testifying.

Is all of that going to be dismissed because of the nervous condition abroad? What is this new organization that you are going to set up here to make a study? What are they going to study? Can they determine all of these problems involved in the situation abroad by staying here and will they get really objective findings if they go abroad?

I do not know. I just feel very much disturbed over the bypassing of this committee on an important question of this kind.

Secretary WEEKS. Mr. Chairman, if I may be permitted, I certainly would not think that that was the thought behind it or would suggest that such a thought was in the picture of bypassing this committee. The Commission suggestion involves, as I understand it, 3 appointees

from the House, 3 from the Senate, and 5 by the President, so the majority action of the Commission rests with the Congress. The Commission operates as a fact-finding study body. It brings its recommendations back to you for such action as your committee and the Congress would want to take.

As I see it, nothing is done in any event by way of bypassing the Congress, and all that is being done is taking a little time to study these very, very fateful decisions that are coming up before us. It is particularly desirable, as I pointed out, because we have a new administration on both ends of Pennsylvania Avenue, and we have really not yet had a chance to take a good look at this whole overall picture.

The CHAIRMAN. For instance, you say it is not bypassing the committee. I cannot imagine that the administration would deliberately do it, but a letter was sent up to the House, to the Speaker, yesterday, which was referred to in the Foreign Affairs Committee. It was dealing with the setting up of this Commission. I have looked into the letter. There was a clause in there that caused the Parliamentarian to sit down and go into conference and go into it very carefully.

The message was so drawn that it was referred to that committee. One paragraph was carefully worded to cause it to be referred to the Foreign Affairs Committee. I knew nothing about it. I would have liked to have had that communication so I could have taken it up with this whole committee. They could have considered it, and perhaps they would have felt a little differently about it. At least I would have.

Maybe I can get it referred here. But if not, I think that I owe it to the committee at least to have a communication sent to the Speaker, so drawn that it would be referred to this committee, relating to the same subject. I do not like to have this committee ignored in that way. I knew nothing about it until Saturday, and I did not get even then the contents of the communication. I just got a little excerpt that they were going to release this idea. I had no chance to consult the committee or to do a thing about it.

I do not know whether that was just an oversight or just that the administration is new, or what.

Secretary WEEKS. I myself am not acquainted with the facts, nor am I competent to comment on that particular action, Mr. Chairman.

The CHAIRMAN. I am not going to take the time that my committee should have, but I just want to say to you that as long as you say that you are a good tariff man and agree with me on that point, you and I can get along very well. There will not be any trouble about that.

I want to thank you for your contribution here, and I will now ask you to submit to questions of the other members of the committee.

Mr. COOPER. Mr. Chairman.

Mr. Secretary, I hope you will allow me to congratulate you on the splendid statement you have presented to the committee and the helpful information you have given us.

I invite your attention to page 4 of your statement, the second paragraph from the top:

It is for these reasons that I was among those who recommended to the President that he request Congress to avoid fundamental changes in the trade-agreement legislation at this time.

That was your considered judgment at the time you made that recommendation to the President?

Secretary WEEKS. It was.

Mr. COOPER. It is still your considered judgment on that point?

Secretary WEEKS. That is correct.

Mr. COOPER. Then next to the last paragraph on the same page:

Under these conditions I feel sure it would be unwise and premature to take any action to modify the present legislation.

That was your view at the time you made your recommendation to the President, and still is the position that you take?

Secretary WEEKS. That is correct.

Mr. COOPER. Mr. Secretary, I would like to invite your attention to an address by Samuel W. Anderson, Assistant Secretary of Commerce for International Affairs, before the Export Managers Club, New York, March 17, 1953. I quote this statement which appears about the middle of page 5:

The integration of the Western World, the whole movement toward closer and closer economic, commercial, and political ties in the western part of the world, the whole trend of development in this country and abroad, especially in those countries which are far behind the United States in their economic and commercial development, suggests that there is sound reason why the interests of our own people and, indeed, the Western World as a whole, will be far better served by a rather wide expansion of international trade.

Do you agree with that statement?

Secretary WEEKS. Mr. Chairman, I will answer the question in this manner: that I believe in trade. I want to see more trade. Trade is historically the medium of converse between the nations, and trade is good. That is what I am supposed to be in Washington for, to promote foreign trade and domestic production.

All I can say is that I hope we can export more goods and increase the general level of trade in and out of this country.

Mr. COOPER. Then you think that is a sound statement made by Secretary Anderson?

Secretary WEEKS. This is the first time, Mr. Congressman, that I have seen the statement. I should want to read it, carefully. As I listened to you and as I look at it here, I do not take issue with it.

Mr. COOPER. All right, thank you.

Mr. Secretary, I invite your attention also to an address by the Honorable Samuel W. Anderson, Assistant Secretary for International Affairs, United States Department of Commerce, at the annual meeting of the American Cotton Spinners Association, in the Peabody Hotel, Memphis, Tenn., Friday, May 1, 1953, 11 a. m. On page 3, the second paragraph of that speech:

We hear much today about "trade, not aid." Perhaps a more accurate way to put it would be "Balanced trade and more investment instead of aid." If we are, as the President has said, resolved to reduce progressively, and ultimately largely to eliminate, unrequited American assistance, it seems to me obvious that we must choose between balancing our international trading position at a relatively high or at a relatively low level. If we prefer not to permit our friends abroad to sell larger quantities to us or if they are unable to do so on a truly competitive basis in the absence of high protection, then we must face a lowering of our exports.

If, on the other hand, we consider it to be more in our national interest to adopt a trade policy which will permit a fairly high level of exports of agricultural crops, of crop surpluses, and of products of our factories, then we must certainly face the necessity of doing what we properly may to widen the opportunity for the sale of materials and goods in this market from abroad.

Are you in agreement with that statement by Secretary Anderson? Secretary WEEKS. In a general way.

Mr. COOPER. Then, Mr. Secretary, on page 5 of that same speech, at the bottom of that page, I read to you as follows:

As the so-called Bell Report so clearly brought out, we have now reached the stage in our history where we must be mature enough to construct our economic policies in the interest of the Nation as a whole and abandon, however painful it may appear to be in certain cases, the writing of such policies on the basis of interests of individual sectors of our economy.

Are you in agreement with that statement of Secretary Anderson? Secretary WEEKS. Not entirely; no.

Mr. COOPER. You do not agree with that?

Secretary WEEKS. Not entirely.

Mr. COOPER. Are you familiar with the Bell Report?

Secretary WEEKS. No; I am not.

Mr. COOPER. You would not care to comment on that, then?

Secretary WEEKS. No.

Mr. COOPER. Then, Mr. Secretary, this final question, if I may, please, sir: Of course, as Secretary of Commerce, you are the responsible official of the Government interested in the welfare of business throughout the country.

Secretary WEEKS. That, I believe, is what I am here for, sir.

Mr. COOPER. Then, is it your best judgment that the extension of the present Trade Agreements Act for 1 year as recommended by the President is in the best interests of the business of this country?

Secretary WEEKS. It is, if we go ahead with this very careful, thoughtful study that is proposed. I certainly agree that we ought to go ahead and make the study and carry on with the status quo for 1 year.

Mr. COOPER. Then, as you have so well pointed out in your splendid statement presented to the committee, you think it is in the best interests of the business of this country to allow the status quo to continue for the 1 year while this study is being made so that action may then be taken based upon the benefits derived from that study?

Secretary WEEKS. I do, Mr. Congressman.

Mr. COOPER. Thank you.

The CHAIRMAN. Just to keep the record straight—this is nothing in relation to your appearance here, Mr. Secretary—I have just learned that the message sent by the President to the Speaker and to the Vice President relative to this Commission to study the tariff situation and the trade situation, was referred to the Finance Committee on the Senate side. That would indicate that we have deliberately been bypassed as a committee on this side.

Mr. Jenkins will inquire.

Mr. JENKINS. Mr. Secretary, I am glad that you two gentlemen agree on one proposition, anyhow: that you are both protectionists, and I want to join that fraternity. I think I am qualified.

I am not going to ask you any question, Mr. Secretary, but I am going to read a little advertisement that appeared in one of the leading weekly magazines of the Nation just yesterday. I clipped it out this morning. This is put out by a big manufacturing company, but I will not mention the name of that company because that would be some politics, maybe. Here is the heading of the article: "Ghost Towns Pay No Wages."

In the West are towns that used to be busy and bustling, now without a soul in them and with buildings falling apart. The companies that kept them busy stopped making a profit. There were many reasons, some of which couldn't be helped, but the one fact common to all dead towns, dead companies, dead industries, is failure to make a profit; and no profits, on companies; no companies, no jobs. And not only do the miners and factory workers lose their jobs, but also the grocers, the hotel keepers, and even the sheriff.

It is everybody's worry that the factories, on which we all depend in the long run, continue to make a profit. There is no fun in a ghost town.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Simpson, do you wish to inquire?

Mr. SIMPSON. Mr. Weeks, I put this bill in because at the moment I put it in there had been nothing come from downtown indicating the wishes of the administration other than a statement made earlier by the President, and I put it in at a time when, except for your Mr. Anderson, so far as I know, there had been little by way of public comments made by the administration spokesmen as to this question of renewing the Reciprocal Trade Agreements Act.

The basis for my bill was the very statement of the President which you cite in support of your position. I well recollect being in the House on the day of the joint session when, as the record discloses, the President said:

I further recommend that the Congress take the Reciprocal Trade Agreements Act under immediate study and extend it by appropriate legislation.

The record discloses there was applause at that point, in which I did not join.

The next sentence is:

This objective must not ignore legitimate safeguarding of domestic industries, agriculture, and labor standards.

And I did applaud.

Now we have before us administration spokesmen agreeing to the first part of the President's request at that time, and opposing all the rest. Why the change? Why do you disregard the second part of the President's request at that time?

Secretary WEEKS. Mr. Simpson, I do not think I have changed. I am simply suggesting, in view of all the ramifications of this whole picture, that we have a little time to have a good look at this picture. I am as anxious to do what the President suggested in the second part of that recommendation as you are.

Mr. SIMPSON. Yes, I know that, and I believe it. So why do we not do it?

This commission, to which there has been considerable reference, will make a report to the President, to the public, and to this committee. I think we are in agreement that getting this legislation started after the end of the special commission's report depends upon action by this committee, does it not?

Secretary WEEKS. As to getting the commission started?

Mr. SIMPSON. Getting the final legislation, if they recommend legislation, getting that legislation depends upon this committee's activity.

Secretary WEEKS. I would say so, if I understand the question correctly.

Mr. SIMPSON. Do you mean to say that this committee should accept, without reservation, the recommendations of the special commission?

Secretary WEEKS. Not by any means. I think you would normally take the recommendations and bring your own final judgment to bear on what action you think ought to be taken.

Mr. SIMPSON. But we will not have the advantage of having the same testimony before us that the special commission will have had, unless we at that time decide to take an equal length of time to still further study the matter.

Secretary WEEKS. Would there not be representatives from both branches of Congress on that commission?

Mr. SIMPSON. There is no indication that anyone from this committee would be on the special commission. There is no indication on that point whatever. The Foreign Affairs Committee will have jurisdiction of the resolution.

Secretary WEEKS. Who appoints the members of the commission?

Mr. SIMPSON. I do not have the resolution before me. In fact, it has not been introduced as yet.

The CHAIRMAN. It is just a letter. It is not a resolution.

Mr. SIMPSON. Mr. Weeks, what could this commission recommend; what possibilities are there for it on the tariff question? Either to raise the tariff or to lower it? What other possibility is there?

Secretary WEEKS. To answer that question, which I cannot do directly, you go into the whole realm of all the angles to this whole picture, involving trade and aid, security, the agricultural picture. I do not think that there has been any real study of this whole situation yet, and I think it is time we gave it a good look at.

Mr. SIMPSON. Then a conclusion is to be reached by this special commission. What can that commission reach by way of conclusion so far as tariff is concerned, other than that our tariffs are too high and should be reduced, or that they are too low and should be increased? What other conclusion could they reach?

Secretary WEEKS. Oh, I suppose they would study the question of tariffs and study the question of whether or not the whole process be carried on as it presently is, by reciprocal trade agreements. They would study the question of countervailing duties—and, by the way you will have noticed the Treasury announced that one such would be made applicable shortly in respect of the Uruguayan wool-top situation. It would study the question of countervailing duties, the question of import restrictions, all in line with what the necessities from the standpoint of security and welfare are, as far as this country is concerned.

Mr. SIMPSON. Do you see a possibility that such a commission might recommend to this committee that certain areas of our economy should be abandoned?

Secretary WEEKS. I certainly would not think that that would be, you might say, one of their recommendations.

Mr. SIMPSON. No. But do you see a possibility that they might conclude that, in order to help certain foreign countries with their exports, in order to find a market for them, we should go out of the production here of textiles, for example, or of pottery, or of bicycle manufacture, or any one of a dozen others I can name?

I refer to the very industries that today come before us and tell us that right now they are in serious financial status. Do you see a possibility that this committee might go along with the Bell report

recommendations and urge that we get out of certain fields traditionally ours?

Secretary WEEKS. Of course, in a sense, even to comment would be to prejudge the work of the Commission, but as far as I personally am concerned, I do not visualize the Commission as coming with recommendations that we just plain out-of-hand abandon an industry in this country.

Mr. SIMPSON. You will agree with me that the physical makeup of the Commission is of importance; that the personalities who are named to the Commission are of importance in determining the kind of report that is furnished?

Secretary WEEKS. It makes a substantial difference, of course, but in the final analysis, the Commission has no power. The power resides in your committee.

Mr. SIMPSON. That gets us back to the other end of the circle, namely, that it has to come to this committee, which is called upon to take final action.

Secretary WEEKS. That is correct.

Mr. SIMPSON. I note with respect to petroleum, lead, and zinc, you suggest that we should do nothing in behalf of those producers, for one reason, namely, that they have not exercised the rights for possible relief under the terms of existing law, and therefore they should not come to Congress for specific relief. That is right, is it not?

Secretary WEEKS. My suggestion has been that in view of what I consider the desirability of maintaining the status quo, they pursue the remedies offered in the statutes now on the books.

Mr. SIMPSON. I would like to explain that on the basis of the statements made by those industries or by people with whom I have been in consultation, their statement is that if they had the advantage and benefit of every possible relief available under existing law, there would still be such a spread for that, for example, the coal miners in Pennsylvania could not hope to go back to work, and so on. In other words, there is not enough relief available through the relief provisions of the trade-agreements law to materially benefit them.

Secondly, I am sure, as a manufacturer and businessman, you have known how woefully slow and long the people charged with the administration of the escape clause have been in the past, and how exceedingly difficult it has been to get any relief under the provisions of the Trade Agreements Act. Are you familiar with that at all? Have you ever had occasion to go to them for relief?

Secretary WEEKS. Not personally; no.

Mr. SIMPSON. You are fortunate. Many of your neighbors were not so fortunate, and they are in here complaining that on most legitimate claims, the administrators dragged their feet a full year, as permitted by law, and raised every obstacle to giving them relief.

I am not persuaded an iota from my belief that if we simply extend this act we are utterly disregarding the President's objective, which is to provide legitimate safeguarding of domestic industries, agriculture, and labor standards. We are giving time. We are playing a delaying action, during which time, if I were a foreign exporter, I would be very nervous, because they must know that eventually the matter has to come to this committee. Knowing the committee as I do, we are not given to snap judgments just because some committee

or some individual tells us what we must do with respect to safeguarding American industry, which is our obligation as it is yours.

I think, with Mr. Reed, that anything we do to weaken this country, to throw our men out of work, is going to make us a laughingstock abroad, and is going to defeat the principal purpose, which is to keep our country strong if we are to maintain our assumed obligations abroad.

I think it is foolish to throw away our market here just to give some fellows work elsewhere, after we have built up good, healthy industries, with all the safeguards we have for our American workingman. I just cannot see it at all.

Secretary WEEKS. Mr. Simpson, I must say as far as the Commerce Department is concerned, we are naturally, by the basic law, concerned with foreign and domestic commerce. We had last year, I think, about seven and a half billions of exports, excluding military supplies, and about two billions of imports. That is of manufactured goods that I am talking about.

We have been making studies. I have some thoughts which I am not prepared to discuss yet, because I have not completed the studies. We have some studies in progress that I think are going to be helpful in the work of this commission, if it is established, and in the work of your committee as we bring our thoughts to a conclusion.

I am optimistic that we can do this job of promoting foreign commerce and not subjecting our domestic industries to disastrous competition. Fair competition, but not disastrous competition.

Mr. SIMPSON. But we have a near disastrous situation today, and that is the point of my bill. We have that near situation, according to the testimony, in a great number of industries, not the largest ones, but collectively they represent some millions of employees. We have that near situation today.

So I say, go ahead with the studies. I do not care about that. But give the relief right now. Protect what we have. Next year do something else if we have to.

You mentioned lead, and I am going to go back to that once again. Out in the State of Utah, in 1940, there were 212 mines shipping ore to mills and smelters. The price of lead at that time was around 19 cents a pound, and it is now 11 and 12 cents. The cause of the price break was dumping of low-wage imports on the American market. Imports jumped from 264,000 tons in 1951 to 634,000 tons in 1952. The number of mines has dropped down until there are only half a dozen operating profitably today, and some thousands of people are out of work, in an area that relates closely to our national defense and in an area where I think we have to do something, if for no other reason than our own defense.

I would like to give them relief right now. Another year from now may be too late.

I wish very much that you gentlemen of the Cabinet would consider your recommendations for a special commission, extension of the Trade Agreements Act, but then go back to what the President asked for when he took office, and give them right now legitimate safeguard provisions for domestic industry, and certain parts of my bill will do that in a procedural way, in part, and I think it is desirable.

The CHAIRMAN. The gentleman from Pennsylvania, Mr. Eberharter, is recognized.

Mr. EBERHARTER. Mr. Secretary, first I want to say that your opening remarks I consider very appropriate and quite statesmanlike.

I notice on the first page of your opening statement, in the fourth paragraph, you say:

The tariff and trade policy of the United States is a single phase of our overall foreign economic policy.

Is that not the whole phase of the foreign economic policy?

Secretary WEEKS. I would not say so.

Mr. EBERHARTER. You put the wording "foreign economic policy." Is not the tariff and trade the entire economic policy? My point is that it is a single phase of the foreign policy, but it is the total phase of the economic foreign policy, is it not?

Secretary WEEKS. I would not say so, Mr. Congressman. One of the major items under discussion and study is the hope that, after developing a favorable climate abroad, we may encourage the investment of American funds in foreign fields where those funds can be profitably and suitably employed. I think that is one of the real major phases of what we are trying to work out.

Mr. EBERHARTER. It also takes in grants as part of the foreign economic policy?

Secretary WEEKS. It seems to me the grant end of it is more in line with defense policy than it is directly with economic policy, as I conceive the economic policy which we in Commerce are attempting to study.

Mr. EBERHARTER. Of course, it is part of defense, but it is part of the economic foreign policy, or foreign economic policy. The loans also are part of foreign economic policy?

Secretary WEEKS. That is right.

Mr. EBERHARTER. As I understand it, Mr. Secretary, the Tariff Commission jurisdiction extends only over the subject of tariffs and quotas, and so forth, without any regard whatsoever to the effect on the foreign policy or foreign economic policy.

Secretary WEEKS. That is right; yes.

Mr. EBERHARTER. So the Tariff Commission does not have any participation whatsoever under its present procedures in the foreign economic policy of the United States?

Secretary WEEKS. That is correct, as I see it.

Mr. EBERHARTER. In considering and rendering its recommendations, which it would have power to do under this act and which it would have power to force compliance with under this act, they would have no consideration whatsoever to foreign economic policy?

Secretary WEEKS. I do not think they would. They consider specific problems that come up to them under peril-point or escape clause action.

Mr. EBERHARTER. That is the point I wanted to make. The Tariff Commission would disregard entirely the foreign economic policy.

Secretary WEEKS. I would say so, as an overall proposition.

Mr. EBERHARTER. Mr. Secretary, of course, it is a matter of history that this policy of reciprocal-trade agreements was first introduced and first proposed by Secretary of State Cordell Hull.

Secretary WEEKS. I think, Mr. Congressmen, it was first suggested by President McKinley about 50 years ago, was it not?

Mr. EBERHARTER. Cordell Hull is the one who really gets credit for it. Because of the perseverance and the manner in which it was pro-

posed to the Congress of the United States and accepted, we generally give credit to Cordell Hull, when he was Secretary of State, a former member of this committee.

Mr. SIMPSON. So was McKinley, incidentally.

Mr. EBERHARTER. There are some mighty good things about President McKinley, too.

At that time, Mr. Secretary, in the wisdom of the Speaker, in spite of the fact that it was introduced by the Secretary of State, the subject was referred to the Committee on Ways and Means. Is that correct?

Secretary WEEKS. I guess so. I cannot directly answer the question. I do not know. I presume it was.

Mr. EBERHARTER. The act was adopted in 1934, and since then it has been renewed seven times. You are familiar with that fact?

Secretary WEEKS. I know it has been renewed. I could not have guaranteed that it was renewed seven times. I know it has been renewed.

Mr. EBERHARTER. That is in the official record, Mr. Secretary. Of course, I cannot expect you to know that.

This committee has had jurisdiction over it for 19 years, during which repeated hearings have been held. You know that, do you not?

Secretary WEEKS. Yes, sir.

Mr. EBERHARTER. Do you think it, then, the part of wisdom to take the jurisdiction from the Committee on Ways and Means and put it in the jurisdiction of another committee which has no jurisdiction over domestic industry whatsoever?

Secretary WEEKS. I would not think that the suggestion made—you are referring to the commission, I believe, that has been proposed—

Mr. EBERHARTER. No. I am referring to the Committee on Foreign Affairs of the House of Representatives. The subject has been under the jurisdiction of the Committee on Ways and Means. The Foreign Affairs Committee of the House of Representatives has no jurisdiction whatsoever over domestic industry. Do you think it wise to take the jurisdiction from the Committee on Ways and Means of the House, which has had it since its inception and during its renewals seven times, taking the jurisdiction away from this committee and putting it in the hands of the Committee on Foreign Affairs, which has no jurisdiction over the domestic industry of this country?

I think that question is answerable. Or if you care not to express an opinion, let me have that answer.

Secretary WEEKS. Mr. Congressman, I do not think I can properly even make a suggestion to a House committee as to where legislation ought to be referred.

Mr. EBERHARTER. That answer is quite satisfactory, Mr. Secretary.

I think you will agree that in order to get more export trade, we will have to accept more import trade.

Secretary WEEKS. If you are going to have more export trade, it presumably has to be paid for some way, either by more imports or more aid or more tourist travel or more foreign investment, or what not. If you are going to sell goods abroad, you have to be paid some way or you stop selling them, naturally.

Mr. EBERHARTER. In other words, Mr. Secretary, if we do not accept more imports into this country, we will have to make up the balance

by grants, by loans, or by foreign travel or by some other method, if we want more export trade?

Secretary WEEKS. Again, Mr. Congressman, I would say that if you want more trade and expect to get paid for it, there are a variety of ways by which you can be paid.

Mr. EBERHARTER. Is it a choice between more imports, or grants or loans or foreign travel?

Secretary WEEKS. If you are going to be paid, it is a choice of taking 1 or all of the 2 or 3 different avenues, naturally.

Mr. EBERHARTER. I am sorry, that is not responsive to my question, Mr. Secretary, but if you do not want to answer it, that is all right with me, too. You have not said that we should have more imports into this country this morning yet, have you?

Secretary WEEKS. I do not know that I have specifically.

Mr. EBERHARTER. You do not want to say so, do you, Mr. Secretary?

Secretary WEEKS. If I thought it was applicable to the point in question, I would be glad to; but I do not see that it has any relationship to what we are discussing, if I understand your question correctly.

Mr. EBERHARTER. In other words, you do not see where greater import into this country has any relevancy to the question of reciprocal trade agreements?

Secretary WEEKS. As I understood your question, you said to me—

Mr. EBERHARTER. Do you understand it now?

Secretary WEEKS. You said to me if we are going to sell more goods abroad, how are we going to be paid—in imports or in some other manner?

Mr. EBERHARTER. That is right.

Secretary WEEKS. I responded that there are several ways in which you can be paid: More imports, more aid, more foreign investment, or what not.

Mr. EBERHARTER. Would you repeat the question I just asked?

(The question referred to was read by the reporter as follows:)

Mr. EBERHARTER. In other words, you do not see where greater imports into this country has any relevancy to the question of reciprocal trade agreements?

Mr. EBERHARTER. Can you answer that, Mr. Secretary?

Secretary WEEKS. Will you read it again, please?

(The question referred to was again read by the reporter.)

Secretary WEEKS. I do not mean it in exactly that sense, naturally. Of course, it has relevancy. But again, if I may say, you asked me, as I understood it: "Suppose we want to sell more goods abroad. Do we have to get paid in more imports?" And I said we can be paid in more imports or in several other methods. If we sell a lot more goods abroad, presumably we will buy more. We have to be paid in some manner.

I cannot answer the question any other way that I know of, Mr. Congressman.

Mr. EBERHARTER. I think you have made yourself fairly clear now, but I do not think you tried to, if you will pardon me, Mr. Secretary, in the first instance.

I want to ask you about the address made by the Assistant Secretary of Commerce for International Affairs, Mr. Samuel W. Anderson, on

April 23, 1953, before the National Council of American Importers, at the Astor Hotel, New York City. In that prepared statement, at least in the release coming from the United States Department of Commerce, the Office of the Secretary, Mr. Anderson said:

As importers, you have frequently expressed dissatisfaction with the presently written "peril point" and "escape" clauses, which certainly do impose obstacles upon an expansion of our import trade as a means of affording protection to domestic industries. You have frequently told us, furthermore, that the "escape" clause has a tendency to discourage our friends abroad from making the great and expensive effort necessary to promote their goods in the American market in competition with domestic production.

I think the validity of this last contention is not questioned by any sophisticated observer. Furthermore, it seems quite obvious that with the reciprocal tariff reductions which have been negotiated since 1945, there is not, as we say, very much more "mileage" left in the present act. If the Congress, therefore, extends the act as the President has requested, I would not expect it to be a major factor during the 1-year extension in influencing the volume of our import trade.

Nevertheless, its very extension at this time seems to me clearly to put the world on notice that the United States does not propose to give up ground in the liberalization of foreign trade which has been won over the last 19 years since 1934.

Does that statement express the views held by you, Mr. Secretary?
Secretary WEEKS. In some respects it does. I would not say that it does in all respects.

Mr. EBERHARTER. You say that it does?

Secretary WEEKS. I would not say that it does in all respects.

Mr. EBERHARTER. Then specifically, Mr. Secretary, do you agree with this statement—

Secretary WEEKS. To go back to where you started to read, "As importers you have frequently expressed dissatisfaction," that is a statement of opinion, and there is not any occasion for a difference of opinion on that. I think the importers have expressed dissatisfaction. As far as I am concerned, in any statements I have made over the years and any opinion I have had, I have been in favor of the "peril point" and "escape" clauses.

Mr. EBERHARTER. But it says immediately following that, Mr. Secretary:

I think the validity of this last contention is not questioned by any sophisticated observer.

Of course, that sort of limits it, you know, when you put that word "sophisticated" in there.

Secretary WEEKS. I did not get that, sir.

Mr. EBERHARTER. I say, there is a sort of limitation there when he says the validity of their objections is not questioned by any "sophisticated observer."

Secretary WEEKS. Mr. Anderson is sitting here, if you want to ask him. I think what he means is that foreign exporters in this country have probably been troubled by the "escape" clauses. From their standpoint, they see a lack of stability, so to speak, in developing a market. They are not sure whether or not the market will be there when they have developed it, usually at some expense.

Mr. EBERHARTER. Mr. Secretary, he says the validity of their contention is not questioned.

Secretary WEEKS. That is indulging a little in semantics. He is here. He can tell you how he meant that, if you want him to.

Mr. EBERHARTER. Is that one of the occasions when you make a speech in order to please the audience, you know?

Now, I want to ask you specifically:

The United States does not propose to give up ground in the liberalization of foreign trade which has been won over the last 19 years since 1934.

Is it the policy of the Office of the Secretary of Commerce, under that statement, not to give up any liberalization of foreign trade which has been followed? Will you read that last sentence there? Read that, Mr. Secretary, will you?

Secretary WEEKS (reading):

Nevertheless, its very extension—
is that what you mean?

Mr. EBERHARTER. Yes, sir.

Secretary WEEKS (reading):

at this time seems to me clearly to put the world on notice that the United States does not propose to give up ground in the liberalization of foreign trade which has been won over the last 19 years since 1934.

That naturally infers an extension to be granted by the Congress. I do not understand what question you are asking me, Mr. Congressman.

Mr. EBERHARTER. It seems to me that that statement is a denial that the United States policy will change so that we will heighten our tariff barriers. That is a denial of a policy of higher tariffs.

Secretary WEEKS. I would not read it that way. I think what he intended to say is that we carry on for a year, just maintaining the status quo, as I pointed out this morning, in order to study the problem.

Mr. EBERHARTER. Should I ask Mr. Anderson that? Do you want to answer that, Mr. Anderson?

Mr. ANDERSON. Delighted, sir, if you wish.

What I had in mind there, Congressman, was simply if the Congress sees fit to extend the act in its present form for 1 year, it seems to me that clearly puts the rest of the world on notice that for that 1-year period we do not at this time propose to give up ground in the liberalization of trade which has been made pursuant to the negotiations under the act during the last 19 years.

Mr. EBERHARTER. Thank you.

Mr. ANDERSON. Of course, it is contingent upon the action on the part of the Congress in extending the act.

Mr. EBERHARTER. I am sure that your statement this morning will give quite a bit of comfort to the advocates of high tariff.

Mr. ANDERSON. I would not have spoken if it wouldn't.

Mr. EBERHARTER. Your statement this morning sort of softens the implications of the statement you made in that speech, in my opinion.

Thank you, Mr. Anderson, and thank you, Mr. Secretary.

The CHAIRMAN. Mr. Kean will inquire.

Mr. KEAN. Mr. Secretary, do you censor every word said by any of your subordinates when they make a public statement?

Secretary WEEKS. I certainly do not, and I do not want "yes" men around me, either.

Mr. KEAN. You are not responsible for every word that your assistants say. You appoint good assistants, and you let them express

their views. In case they are generally in accord with your views, you are satisfied.

Secretary WEEKS. Yes, sir.

Mr. KEAN. Mr. Secretary, has the Department of Commerce any figures on the number of American citizens who make their living from the export business? Figures were put into the record a while ago stating that it was one million six, but in that they did not include any people in agriculture.

Secretary WEEKS. Mr. Anderson suggests that it is pretty difficult to get figures, but we certainly can make a stab at it.

Mr. KEAN. Do you have any estimated figures? The statement was made here before the committee that the people that were complaining that the low tariff was injuring their business and their employment represented about 3 to 4 million people, and then the statement was also made that leaving out agriculture, the export people who were affected and got jobs through exports amounted to only 1,600,000.

Mr. ANDERSON. We have been working, sir, on some estimates in this field which are extremely difficult to develop because of the incommensurable nature of the data. I would like, if I may, to offer to put what we can into the record on this subject.

One of the most difficult aspects of it, incidentally, is the agricultural part, which represents a very large sector of our export trade, and then carrying that down into such things as shipping and dock workers and transportation and banking personnel, and things of that sort, makes the job nothing better than an intelligent guess, but we will try to put something in the record.

Mr. KEAN. It seems to me it is a very valuable thing for this committee to know.

Mr. ANDERSON. We agree with that.

(The information referred to follows:)

ESTIMATED EMPLOYMENT ATTRIBUTABLE TO FOREIGN TRADE

There is no regular reporting system to any of the Government departments on the number of persons dependent for their employment on foreign trade. In supplying figures on this subject, it is, therefore, necessary to resort to estimates. The Treasury, Agriculture, Commerce, and Labor Departments have agreed on the methods used in preparing these estimates for the use of the committee and have participated in the preparation of this statement. The figures which follow were furnished by the Department of Agriculture and the Department of Labor.

An estimate of the number of nonagricultural employees engaged directly and indirectly in production or service for export markets in 1952 has already been reported to the committee by Secretary of Labor Durkin as over 2 million people.

Secretary of Agriculture Benson has indicated to the committee that about 10 percent of farm income is due to our export of farm products. The Bureau of Agricultural Economics of the Department of Agriculture places total farm employment in 1952 at 9,758,000 persons. It is especially difficult to estimate farm employment directly attributable to exports. Taking these figures in combination, however, it would appear reasonable to conclude that the incomes of about 976,000 persons employed in agriculture, either as farm operators or as paid or unpaid farm production workers, are derived from agricultural exports.

As regards employment arising out of the handling and processing of imports, the Bureau of Labor Statistics of the Department of Labor has prepared preliminary estimates showing: That in 1952 approximately 450,000 workers were engaged in ocean transportation, wholesale and retail trade, domestic transportation, warehousing, and insurance connected with bringing imports to this country and distributing them; and that about 800,000 workers were directly involved in 1952 in the first processing of imported materials—that is, in working up imports which came into this country either as raw materials

or as semifinished goods. This figure does not include the very large volume of employment which is involved in the later processing of imported materials or which is technologically dependent on imports.

The figures above may be summarized as follows:

Estimated employment in 1952 attributable to foreign trade

Exports:	
Nonagricultural employees.....	2,150,000
Agricultural workers.....	976,000
Imports:	
Transportation and distribution.....	450,000
Manufacturing.....	800,000
Total.....	4,376,000

NOTE.—These figures are subject to revision, as time has not been available since the committee asked for information on this subject to prepare refined estimates.

Mr. KEAN. Mr. Secretary, the first witness for the Simpson bill recommended that rather than increase our exports, the thing for us to do was to decrease our exports in order to meet the dollar gap which he recognized was an important matter.

I have already asked Secretary Humphrey what he thought of that, but I would like to ask you, as Secretary of Commerce, who are designated to encourage trade, both domestic and foreign, to tell me what would be the result on the prosperity and employment of labor in this country in general, of such a policy, the decreasing of general foreign trade by trying to pull our exports down to our imports, rather than trying to pull up our imports, shipping, and the various things that you mentioned to Mr. Eberharter, in order to balance trade that way?

Secretary WEEKS. Mr. Kean, I do not know how you would do it unless you put export restrictions on people who make things. If they see a market for them abroad, they are anxious to sell the things that they make. To put arbitrary restrictions on exports, I do not know just how you would do it.

In any event, I do not think it is desirable. I think our goal should be to increase trade.

Mr. KEAN. What would happen if we did decrease our exports in general? Would it not slow up business and make for more unemployment generally in this country, if the amount of business done generally was slowed up?

Secretary WEEKS. Naturally, if an industry, we will say, which is shipping abroad, such as agricultural implements or whatnot, is shipping abroad, say, 10 percent of its total production and in some cases I guess it is higher—naturally if you cut off that export market, the industry is going to be seriously affected from every standpoint—employment, earning capacity, and so on.

Mr. KEAN. It would mean that less business was done in this country, less dollars were turned over, and generally it would affect the whole American economy and result in less people employed, smaller payrolls, and everything all over the country; would it not?

Secretary WEEKS. Naturally, and that is where you are on the horns of a dilemma. You cut down exports, and you set back production in those products that are exported, and you increase imports, and you may set back domestic production in the products you import. Your studies must tend to indicate a method of enabling you to try to operate successfully in both fields.

Mr. KEAN. There has been a little direct talk here by the administration people who have come up, with reference to the thing which is specifically before the committee today, which is the Simpson bill. You mentioned in your written statement the question of the zinc, lead, and oil. But the key point in the Simpson bill is the fact that the tariffmaking provisions under the bill, it seems to me, are removed from the President's jurisdiction over to the jurisdiction of the Tariff Commission. Of course, as was brought out when Mr. Eberharter was inquiring, the Tariff Commission does not have the access to the information with reference to the foreign situation and the implications of anything with reference to foreign trade and the economy of the foreign countries, and where the foreign countries are going to sell their goods.

It seems to me that perhaps in the past, too much attention has been given by the State Department, in the consideration of the tariffs, to the foreign policy; that they were not giving enough attention to domestic industry. That is why we had the complaints about trade policy, why we had to put in the peril point and the escape clause.

Now, it seems to me that under the Simpson bill, the pendulum is going too far in the other direction; that under the Simpson bill the Tariff Commission would think only of the internal position of our industries without considering the broad prospective implication on foreign relations, foreign trade, Iron Curtain, and all those tremendously important problems which will bring to us the question of our prosperity, employment in this country, and all that sort of thing.

Do you not think that that is correct, as far as the Simpson bill is concerned, that it does swing too far in one direction?

Secretary WEEKS. Mr. Congressman, there are 14 sections in the Simpson bill, as I understand it. The first two provide for a continuation for a year.

To the other provisions I have not given any thoughtful study, and I am not prepared, really, to discuss them this morning. I could go either way on several of them upon further information.

Mr. KEAN. In other words, you are saying something like what the Secretary of State said yesterday: That a year from now he would not guarantee that he would not be in favor of certain provisions in the Simpson bill, and he just did not want to consider it at the moment, but wanted to postpone it for a year.

Secretary WEEKS. That is the way I feel. I have read over the provisions, and I can see some good and some bad in most all of them. I could go either way on further thoughtful study of them, but I am not prepared at this time even to give an opinion as to which way you ought to go.

As I said before, I think that questions of any change in the law, unless some great emergency is indicated, ought to be deferred until this study is made.

Mr. KEAN. I hope the study will do some good, but this committee has studied the question of tariffs for a great many years. Probably three-quarters of the members of this committee have been on this committee for a good many years. It seems somewhat doubtful to me exactly what value we will get from a new study, however.

Thank you.

The **CHAIRMAN.** Mr. Camp is recognized.

Mr. CAMP. Mr. Secretary, I have thought your statement so far very good, but I do think we should get our history straight a little here about who has been thinking of reciprocal trade on this committee.

The former great chairman of this committee, President McKinley, saw the need for reciprocal trade away back more than a half century ago. President Theodore Roosevelt advocated reciprocal trade. But it was not until 1934 that we actually made it a stated policy of an administration.

You are aware of the surplus agricultural products that are now piling up in this country; are you not?

Secretary WEEKS. Mr. Congressman, I am not qualified to discuss the agricultural aspects of this problem.

Mr. CAMP. I did not ask you to discuss it, Mr. Secretary. I just asked you if you were aware that we now have an alarming amount of agricultural products or a large amount of agricultural products which we have historically exported, that are now piled up in this country?

Secretary WEEKS. Yes; I understand that is a fact.

Mr. CAMP. You know that is a fact; yes, sir.

Secretary WEEKS. I believe it is.

Mr. CAMP. You are also aware of the fact that for almost a century our trade was balanced, and the balance of trade was in America's favor by the exportation of some of our principal basic crops, such as tobacco and cotton. You are aware of that; are you not?

Secretary WEEKS. Yes, I am, sir.

Mr. CAMP. Now, I would like to ask you this: Is it not true that in recent years the exportation of farm machinery from the United States has not only been one of our principal exports of manufactured goods, but with that machinery has gone to the countries which purchased it increasing agricultural productivity so greatly needed in this present situation that the world is facing?

Secretary WEEKS. I think that is correct; yes, sir.

Mr. CAMP. I would like to follow that by asking you this question: Do you think that it is desirable that America should increase its export trade?

Secretary WEEKS. Do I think it is desirable?

Mr. CAMP. Desirable and necessary for our economy, that we increase our export trade? I might say, bearing in mind the questions I have just asked, I include in that question the exportation especially of agricultural products and machinery that we manufacture.

Secretary WEEKS. I certainly think it is desirable that we increase our export trade.

Mr. CAMP. If we increase our export trade, we must expect it to be paid for; must we not?

Secretary WEEKS. Yes.

Mr. CAMP. How can the world pay for it except in the ways Mr. Eberharter just mentioned: First, by selling us goods, or by loans made to the country by this country, or grants made by this country, or foreign travel from this country? Are those not the only ways they can pay for the goods?

Secretary WEEKS. They are the major ways. There are other indirect methods.

Mr. CAMP. Those other indirect methods would not accomplish the desired object, would they?

Secretary WEEKS. They would all be grist in the mill. They would all add up.

Mr. CAMP. It would be a small part of the grist, though, would it not, Mr. Secretary?

Secretary WEEKS. Somewhat; yes, sir.

Mr. CAMP. Of the ways mentioned there—imports into America, and the other grist, as you call some of it—which do you think would be the most desirable?

Secretary WEEKS. Which of the four methods that you have suggested?

Mr. CAMP. Yes, sir; which of those four methods would help our economy the most?

Secretary WEEKS. I think they are all desirable.

Mr. CAMP. Which would be the most desirable, in the measure of our economy: To lend them the money to buy the goods with, to give them the money to buy the goods with, or to take goods from those countries?

Secretary WEEKS. Aid is naturally the least desirable.

Mr. CAMP. That is right.

Secretary WEEKS. Of the other three methods, they are all desirable.

Mr. CAMP. Do you think it would be desirable for this country to increase its export trade by lending the countries the money to buy the goods?

Secretary WEEKS. I think if you can balance the account by the investment of private funds, I believe in that. I do not want to see the Government in that business any more than it has to be.

Mr. CAMP. You would not expect loans to be paid back if they did not have trade to get the money to pay it back with, would you?

Secretary WEEKS. Eventually, there would have to be some method of repayment.

Mr. CAMP. Eventually, then, Mr. Secretary, it would all come right back to trade, would it not?

Secretary WEEKS. Everything comes back to trade.

Mr. CAMP. That is it. It would be much better for us to make a separate trade agreement with countries on a reciprocal basis than it would to lay down one broad policy applicable to everybody; do you not think that is true?

Secretary WEEKS. Are you referring to bilateral agreements?

Mr. CAMP. I am referring to reciprocal trade agreements where a specific agreement is made with different countries, negotiated by experts, rather than to have one policy, one world-wide tariff policy.

Secretary WEEKS. If I understand the question, you are getting into the realm of "most favored nation" clauses, and that is an aspect of any study that I think ought to be given some attention to.

Mr. CAMP. I was not asking you a question like that, because I can understand why you would not want to answer it. My point was that by making these agreements with various countries, we have been able to take one product from one and another product from another in order to sell our own products. That takes a period of years. Do you know how many trade agreements we have?

Secretary WEEKS. I do not know how many. About 40.

Mr. CAMP. How many major countries are left that we have not made agreements with?

Secretary WEEKS. I understand from my associates here that there are two—Japan and Mexico to which did have a treaty but it has been rescinded. Those are the only two major countries.

Mr. CAMP. So since 1934, almost 20 years, we still have not been successful in negotiating these agreements with all of the rest of the world.

Secretary WEEKS. We have none with the bloc countries, and Japan has, so to speak, come into the market only recently. I would say that as far as the agreements go, we have pretty well covered the water-front.

Mr. CAMP. To repeal all of these agreements and begin over would, in your opinion, take another long period? Or would it, in your opinion, take another long period?

Secretary WEEKS. You say to begin all over again?

Mr. CAMP. Yes. To repeal these agreements that we have now made.

Secretary WEEKS. I do not think anybody has suggested repealing the agreements that have been made, have they?

Mr. CAMP. So the only thing to do would be to study the trade agreements and work out the problem with a view to our own economic condition?

Secretary WEEKS. I think you would have to study what is now in effect, so to speak.

Mr. CAMP. That is right.

Secretary WEEKS. And decide whether you want to change it or not.

Mr. CAMP. I thank you. I think you covered the ground that I wanted to ask you about.

I would like to state before I finish that I think it is most expedient for us to begin at once doing anything in our power to increase the exportation of the surpluses that are now beginning to be appalling in some areas.

Thank you, sir.

The CHAIRMAN. Mr. Secretary, I would like to ask you if it would be convenient for you to return at 1 o'clock to give the other members an opportunity to ask some questions?

Secretary WEEKS. To return when, sir?

The CHAIRMAN. At 1 o'clock, if we should adjourn now.

Secretary WEEKS. I will return any time you say, sir.

The CHAIRMAN. Would that be all right with you?

Secretary WEEKS. Yes, sir.

The CHAIRMAN. All right, we will recess at this time until 1 o'clock. (Whereupon, at 12 noon, a recess was taken until 1 p. m., of the same day.)

AFTER RECESS

The CHAIRMAN. The committee will come to order.

Secretary Weeks will submit now to examination, and I will recognize Mr. Boggs.

STATEMENT OF HON. SINCLAIR WEEKS, SECRETARY OF COMMERCE
OF THE UNITED STATES, ACCOMPANIED BY SAMUEL W. ANDER-
SON, ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS—
Resumed

Mr. Boggs. Mr. Secretary, Mr. Kean, about the time that we closed for lunch, directed some questions to you with respect to the number of people involved in the export trade. I do not know whether you gave him an estimate on that question or not. Did you?

Secretary WEEKS. We did not. I think we said we had some difficulty in getting accurate figures, but that we had some information which we would be glad to put in the record.

Mr. Boggs. The foreign commerce department of the Chamber of Commerce of the United States recently published a pamphlet entitled "International Trade Policy Issues." You are familiar with that study?

Secretary WEEKS. I am not; no.

Mr. Boggs. I am certain someone in your Department is familiar with it, though. Would you not think so?

Secretary WEEKS. I think so; yes.

Mr. Boggs. It is a very comprehensive study, and apparently involved considerable research on the part of this committee of the United States Chamber of Commerce. They publish figures showing for the year 1949—

Secretary WEEKS. Mr. Congressman, my associates here are familiar with that, if you want to inquire from them.

Mr. Boggs. Page 58 of their study shows people employed in non-agricultural establishments dependent upon exports. Then it goes on and lists these various items:

The metal industry; fabricated metal products; machinery; transportation equipment; stone; clay; glass; fuel; power; chemicals; lumber; furniture; woodpulp, and so forth; textiles; all other manufacturing transportation; trades and services—showing a total for that year in the United States of America of 2,360,000 people employed.

That figure does not include people who would also be employed in imports. The importation of goods into our country also involves employment, does it not?

Secretary WEEKS. Yes; to a smaller degree, I would say.

Mr. Boggs. Right. But it involves transportation, shipping facilities, brokers and merchants, repairmen, assemblymen, and people of that character.

Would it be possible for you to include in your study an estimate—because I presume it would be impossible to be completely accurate about it—not only of the number of people involved in exports, but also the number involved in imports?

Secretary WEEKS. Yes.

(The information referred to follows:)

ESTIMATED EMPLOYMENT ATTRIBUTABLE TO FOREIGN TRADE

There is no regular reporting system to any of the Government departments on the number of persons dependent for their employment on foreign trade. In supplying figures on this subject, it is, therefore, necessary to resort to estimates. The Treasury, Agriculture, Commerce, and Labor Departments have agreed on the methods used in preparing these estimates for the use of the committee

and have participated in the preparation of this statement. The figures which follow were furnished by the Department of Agriculture and the Department of Labor.

An estimate of the number of nonagricultural employees engaged directly and indirectly in production or service for export markets in 1952 has already been reported to the committee by Secretary of Labor Durkin as over 2 million people.

Secretary of Agriculture Benson has indicated to the committee that about 10 percent of farm income is due to our export of farm products. The Bureau of Agricultural Economics of the Department of Agriculture places total farm employment in 1952 at 9,758,000 persons. It is especially difficult to estimate farm employment directly attributable to exports. Taking these figures in combination, however, it would appear reasonable to conclude that the incomes of about 976,000 persons employed in agriculture, either as farm operators or as paid or unpaid farm production workers, are derived from agricultural exports.

As regards employment arising out of the handling and processing of imports, the Bureau of Labor Statistics of the Department of Labor has prepared preliminary estimates showing: That in 1952 approximately 450,000 workers were engaged in ocean transportation, wholesale and retail trade, domestic transportation, warehousing, and insurance connected with bringing imports to this country and distributing them; and that about 800,000 workers were directly involved in 1952 in the first processing of imported materials—that is, in working up imports which came into this country either as raw materials or as semifinished goods. This figure does not include the very large volume of employment which is involved in the later processing of imported materials or which is technologically dependent on imports.

The figures above may be summarized as follows:

Estimated employment in 1952 attributable to foreign trade

Exports:	
Nonagricultural employees.....	2, 150, 000
Agricultural workers.....	976, 000
Imports:	
Transportation and distribution.....	450, 000
Manufacturing	800, 000
<hr/>	
Total.....	4, 376, 000

NOTE.—These figures are subject to revision, as time has not been available since the committee asked for information on this subject to prepare refined estimates.

Mr. BOGGS. That leads me to ask you this question, Mr. Secretary: With an estimated 2½ million people employed in exports, and possibly several hundred thousand employed in imports, that represents a considerable segment of the economy of the United States, does it not?

Secretary WEEKS. It is certainly not an inconsiderable number.

Mr. BOGGS. As I gather from the statements which have been made here by you and by Secretary Dulles, you feel that it is important that the export trade of the United States be maintained, do you not?

Secretary WEEKS. I do.

Mr. BOGGS. At the present time there is a gap of approximately \$4 billion between exports and imports. When this Commission is set up, what possible alternatives can they consider that we do not already know something about as of right now, to make up this gap between exports and imports? What alternatives are there?

Secretary WEEKS. I know of none other than those suggested this morning.

Mr. BOGGS. One of them is foreign aid; is that correct?

Secretary WEEKS. One of them is foreign aid.

Mr. BOGGS. Basically, that is a gift, is it not?

Secretary WEEKS. That is right.

Mr. BOGGS. As a matter of sound policy over an extended period of time, I personally do not approve of continuing that forever, do you?

Secretary WEEKS. No.

Mr. BOGGS. All right, as a matter of policy, that rules out gifts and aid. The other one would be what? Loans?

Secretary WEEKS. Loans would be one.

Mr. BOGGS. Yet a loan still does not solve the problem, does it?

Secretary WEEKS. In my judgment, if the loan is a loan by private operations, so to speak, it very emphatically helps solve the problem. This is the way it was balanced out years ago. Now we are a creditor Nation. Presumably this is one of the ways we can balance out foreign-trade differentials.

Mr. BOGGS. As a matter of fact, years ago, if my recollection serves me correctly, it was not balanced out. It was balanced out in the sense that a lot of creditors were not paid, both private and public.

Secretary WEEKS. What I meant was that in earlier days foreign investments of one form or another came into this country in substantial volume. A good many, I believe, were liquidated during the Second World War. That was one method of balancing the account in the earlier days of the Republic and until comparatively recently.

Mr. BOGGS. Mr. Secretary, I am trying to delve for a moment into what this Commission might examine in its deliberations within the next 6 months or 8 months or 12 months, however long its life may be. It seems to me that a loan, as an alternative to a liberal trade policy, is simply a type of deferred payment. Sooner or later the loan has to be paid off, and unless somewhere down the line you are able to balance your trade, imports and exports, where is the debtor to receive the money to pay the loan?

Secretary WEEKS. These things go in great cycles, and, looking ahead 5 or 10 years, that would seem to me one of the clearly indicated methods by which this account can be balanced.

When you talk about the loans being paid off, they may not be loans in the particular sense of the word. They may be foreign investments which carry on from year to year in one form or another. They may take the form of equity capital in some enterprise.

Mr. BOGGS. I think that is all a very important facet in this whole problem, but I do not think it answers the question which it seems to me confronts the Government of the United States at this moment. We have heard and we are hearing that the administration is advocating a policy of trade, not aid. That means, as I interpret it—and I might be entirely wrong—that the objective is to eliminate aid. Therefore, having eliminated aid, which has amounted to about \$30 billion since the conclusion of World War II, all of which has come out of the tax revenues of this country, something has to be substituted therefor. What would you substitute?

Secretary WEEKS. When I talk about loans, I do not mean loans in that sense of the word. I mean investment, and investment is quite a different thing from a loan with a relatively short maturity which does have to be paid.

Mr. BOGGS. Let us discuss investments for a moment, because it seems to me that that, too, is pretty much dependent upon the policy adopted by the Government. Let us assume for the purposes of speculation that corporation A invests \$50 million in a South American country to develop a certain enterprise or to exploit a certain natural resource. If at the same time our Government adopts a restrictive

trade policy, would that not necessarily make this investment less likely to pay out?

Secretary WEEKS. There are so many different phases and forms of these investments. I have a friend who put up a plant in Holland last year. The plant is now getting into operation. That is the type of investment I am thinking of. In the business that I was associated with until I got out of business January 20, we have three plants abroad, and there are many industries in this country that are extending their operations into the foreign field. When they get into that field, they serve the people of the particular country where they go, and they expect to draw back earnings on their investment. They do not expect to take out the equity money.

Mr. BOGGS. I think Holland might be a very good illustration of the point I am trying to make. Yesterday, the Secretary of State was asked about section 104 of the Defense Production Act. Many of the activities under the Defense Production Act, as you know, were under the Department of Commerce. I think most of the act now has expired. Section 104 provided for import limitations upon fats and oils and certain agricultural and dairy products.

Your friend builds himself a plant of some kind in Holland, and then the Government comes along with a policy that makes it very difficult for the people of Holland to export a product which they produce in abundance in Holland. Would that not affect the investment of your friend in Holland?

Secretary WEEKS. Conceivably, but not necessarily. This particular investment involves the production of heavy moving equipment.

Mr. BOGGS. Turning aside from the subject of investments for a moment, it seems to me, Mr. Secretary—and I might be entirely wrong about this—that ultimately in the case of this gap between exports and imports, the only way you balance them is to reduce your exports or increase your goods and services which you credit as imports to balance the exports. Is there any other way to do it?

Secretary WEEKS. They do not have to balance out, no. The tourist trade is a very substantial factor.

Mr. BOGGS. When I said "goods and services," I included everything. I mean tourist trade, technical assistance, employment of every type.

Secretary WEEKS. Goods and services, and investments I would add.

Mr. BOGGS. Then the only alternatives to aid are a policy which increases imports, which increases services, and which encourages investment abroad? Would you agree with that?

Secretary WEEKS. Goods, services, and investments.

Mr. BOGGS. I agree completely with what you just said. Yesterday, the Secretary of State was here, and the Secretary of the Treasury was here. Without trying to add to or detract from anything that either one of those distinguished gentlemen said, I felt that Mr. Humphrey was very straightforward in his testimony and made a very fine impression upon this committee; and with all due respect to the Secretary of State, I thought he pussyfooted all over the lot.

I asked the Secretary of State the specific question in connection with the Simpson bill, if he advocated a liberal trade policy. And I gathered from his statement that he did, whether or not he was pre-

pared to say whether he was for or against certain provisions in that bill which, in my opinion, could not possibly increase goods and services as exchanged between this country and other countries of the world.

Mr. Secretary, I am going to ask you those questions:

Mr. Simpson's bill greatly tightens up on the so-called escape clause and the so-called peril-point provision, and in doing so limits very greatly the power of the President of the United States. What is your feeling about those provisions in the Simpson bill?

Secretary WEEKS. You mean those provisions that take from the President the authority he presently enjoys?

Mr. Boggs. Correct.

Secretary WEEKS. Well, Mr. Boggs, I will answer the question twice. In the first place, this morning I said that I had not given any detailed study to the several suggested provisions of the Simpson bill, so-called; that I felt the Trade Act should be extended as recommended, without amendment; that we should maintain the status quo, ad interim, pending the results of this overall study.

I am accustomed, I may say, to answering questions. I am not prepared to get into a detailed discussion of all the 14 provisions of the suggested Simpson bill.

I will say that I am not in favor of taking from the President the present authority he enjoys with respect to the escape clause and the peril point. On some of the provisions of the bill, as I said this morning, I could go either way, perhaps, after some study and discussion.

I am very much in favor of the attempt there to speed up the work of the Tariff Commission.

In response to the particular question, I would say I would not be in favor, myself, of taking from the President the authority he presently enjoys.

Mr. Boggs. I think that is a very direct answer to the question.

To read just 1 or 2 sentences from your statement of this morning, you said, on page 2:

We must develop, in cooperation with other nations of the free world, a prosperous, self-supporting free world economy which can insure both our mutual security and improved living standards for us all.

This economic system must be one which will create conditions under which international investment flows freely, and general progress is possible toward freedom of international payments, convertibility of currencies, and the widest possible multilateral trade.

In the light of that statement, what is your feeling about the provisions of the Simpson bill imposing certain import quotas?

Secretary WEEKS. Are you referring to section 13?

Mr. Boggs. I guess it is section 13.

Secretary WEEKS. Is that the one with respect to lead, zinc, and petroleum?

Mr. Bogg. Lead, zinc, and petroleum.

Secretary WEEKS. Mr. Congressman, I am not prepared to discuss that particular section.

Mr. Boggs. Mr. Secretary, do you mean to tell us you are not prepared to say whether you are for or against it?

Secretary WEEKS. That is what I mean to tell you; yes. I am not at this time.

Mr. Boggs. May I put my question another way—

Secretary WEEKS. May I add a word?

Mr. BOGGS. Surely.

Secretary WEEKS. I said this morning that I thought that the industries in question had their remedy under the present statute, and ought to seek alleviation of any difficulties they are involved in, in accordance with the statute. Therefore, I said this morning that I was opposed to the application of these changes in the suggested bill.

Mr. BOGGS. You say that you take no position on section 13 in the bill?

Secretary WEEKS. I take no position on its merits. I take a position on the fact that I think we should carry on with the status quo until we have had this study and let those industries, if they need help, seek it under the presently provided remedy.

Mr. BOGGS. It seems to me that that position really adds up to this, if I may make an observation: All last week we had a group of people before this committee representing various industries in the United States of America who claim, and certainly with great sincerity, that the present trade policies of the United States are very detrimental to their businesses; that many of their people are going broke; that there is unemployment; and that unless they have some relief they are going to be out of business.

This week we have the Government departments here, and next week I am quite certain that we will have representatives from some of the other groups who will maintain that the trade policies of the United States are far too restrictive today.

All the Government departments are asking us to do is to extend this act for a year. Except for Secretary Humphrey, nobody from the Government has taken any position which would either give any consolation to these people who claim that they are being put out of business, or to the other people who are advocating trade, not aid.

It is very difficult for me to see any merit in a policy which seeks to delay action on problems which people in this country say are very acute, by the creation of a commission which does not even have a member from this committee which ultimately must legislate on the subject. Frankly, it seems to me that what the administration is trying to do is please everybody, and is succeeding in pleasing nobody.

Really, your statement, reading it, and the statement of Secretary Dulles, reading it, and the speeches of Assistant Secretary Cabot, Assistant Secretary Morton, Assistant Secretary Anderson, Under Secretary Smith—all, reading them, give an impression of advocating what has been called a liberal trade policy; but yet, when you gentlemen are asked specific questions about specific matters, you have no position.

Secretary WEEKS. Well, Mr. Congressman, I naturally cannot subscribe to that.

Mr. BOGGS. I did not mean to interrupt you, Mr. Secretary. Go ahead.

Secretary WEEKS. There have been situations developed within the last several years, say since the war, World War II, where real damage has been done to industries, and the suggested remedies have been sought as provided in the Reciprocal Trade Agreements Act, and the particular references have gone from the Tariff Commission to the White House, and no action has been taken.

Now we have conceivably 1 or 2 other situations where some hurtful action is being brought about, and all I say is that they have their remedy. We suggest the desirability of their continuing with the same remedy for the present while extending this bill for 1 year.

I would just like to say again what I said this morning: That we have a new administration, a new majority in the Congress, a world situation in which we are in two armed camps, in which there are many phases of the whole problem that must be given consideration. I, for one, think it is extremely desirable that we pause and take a real look at this thing. I think we will come up with a better answer. We have studies going on in the Commerce Department which I think may be useful as we mature them.

I think if you can take a little extra time now, it may pay off very well in the long run as far as the policy of this Government is concerned.

Mr. Boggs. Mr. Secretary, I am very sympathetic to the new administration, and I am also sympathetic to the problems that this great country of ours faces. But I think that you, as a representative of the administration, have some obligation to us, as members of the tariff-writing committee, to tell us how you feel about some of these propositions. I think that is part of your responsibility in the Government.

I think, if I may be so bold as to say so, that the creation of a commission which has no responsibility to this committee, and which bypasses this committee, does not achieve the objective that you hope to achieve. Every member of this committee is elected by the people of the United States, regardless of what side of the aisle he sits on, and it is the duty of the committee to study these problems. It seems to me that we are bypassing representative government. The chairman of this committee is a very hard working, diligent gentleman, and we are willing to sit here for hours to get the testimony of the various branches of the Government. But the only thing that we have before this committee now from the Government is that they want an extension of the act for a year, and they have not taken any position on whether they are for or against anything in Mr. Simpson's bill.

This is what we are holding hearings on—Mr. Simpson's bill.

Secretary WEEKS. Mr. Congressman, as far as bypassing the elected representatives of the people, that is farthest from my thought. When I suggest that this study be undertaken by the suggested commission, in effect that commission would be the right arm of this committee. Certainly, I should imagine that there would be a member or members of this committee on that commission, and nothing can happen anyway until you, in the final analysis, do it. The matter has to come back here. There can be no bypassing of the Congress on this matter.

As to the particular questions involved in the Simpson bill, particularly those relating to the quotas you refer to, section 13, if it is desired by the committee that we produce some evidence on how that particular section would apply, we will be glad to go to work and come up with some information that we hope might be helpful to you, but I am not prepared to do that today.

Mr. Boggs. Let me ask you this question: On April 21, 1953, the General Counsel, Mr. Roger Kent, of the Office of the Secretary of Defense, addressed a communication to the chairman of our com-

mittee, reporting on H. R. 4294, which is the Simpson bill. He said, on page 2 of that report, in the fourth paragraph:

The imposition of quotas on the importation of all petroleum oils and of residual fuel oil would seriously affect the national security. Its effect would be a substantial dislocation of a segment of our national economy and would create a barrier to the development of Western Hemisphere oil resources which are vital to our national security.

Do you agree with that statement?

Secretary WEEKS. Mr. Congressman, I have not made a study of the effect of the suggested quotas. As I said to you, if the committee would like me to come back with information, I will be glad to bring it up or put it in the record as soon as we can get it together; but I am not prepared today to discuss the particular application of those quotas in section 13. If the Defense Department makes a statement of that character, it must have ample grounds on which to base its opinion, else I should not think it would make a statement of any such nature.

Mr. BOGGS. Mr. Secretary, I want to ask you just one final question: I wonder if you could give me very briefly, in a sentence or two, the administration policy on foreign trade as of now?

Secretary WEEKS. I think you could phrase it this way: That the administration wants to increase the general level of trade between this country and the rest of the free world.

That sums it up as quickly as you can. Beyond that, with the thought in mind that there are so many ramifications to the whole problem, we want to have this study made, and to take time to think out the problem a little.

Mr. BOGGS. Thank you, Mr. Secretary.

The CHAIRMAN. Mr. KNOX will inquire.

Mr. KNOX. Mr. Secretary, I believe this morning, and again this afternoon, you have repeated that you, as one of the Cabinet, had made the recommendation to the President that there be a 1-year extension of this act, and also that a commission be appointed to make a study. Is that correct?

Secretary WEEKS. That is correct.

Mr. KNOX. I have myself reached no concluded opinion on the Simpson bill. We still have hearings to be held before this committee, and a reexamination of the documents which we will have before us, before I come up with my opinion. However, I note in the message from the President, which you say you recommended, you recommend that the Speaker of the House and the President of the Senate should be empowered to appoint Members of Congress on this commission. That is correct, is it not?

Secretary WEEKS. Not literally, Mr. Congressman. My recommendation involved an extension of the act and a study. The details of the makeup of the commission, and how it was to be appointed, I made no recommendation on.

Mr. KNOX. The message that has come to the Congress does provide for Members of the House and Members of the Senate to be a part of this commission to make the study. Are you aware of the fact that if the Congress should approve this recommendation, it will virtually hamstring this committee?

Secretary WEEKS. No; I am not aware of that fact.

Mr. KNOX. I believe you should be aware of it, because we do not know, at this time, who will be the membership of that commission, and this committee will be unable to function because, if they do, they will be doing a duplicate job of what the commission was set up to do and approved by the Congress.

At the same time, we will be expected to receive the report from the commission of their opinion, which would be somewhat by remote control of Congress by opinions and recommendations by an appointive commission which is not responsive to the people.

I believe in my own mind that you are a firm believer in Government by elected representatives of the people, are you not?

Secretary WEEKS. I am.

Mr. KNOX. You do not feel that the people should be regimented by the continuation of appointments of boards and commissions that are going to give directives that will in effect become the law of the Nation and will affect the commonweal of the world and especially of our United States. That is one of the things that I fear is going to happen if this recommendation should go through.

As far as the President of the United States is concerned, yes, if he wants a commission to go out and make a study, Congress should give him ample time for that commission to make a study and report to him so he can make his recommendations to Congress; but the fact that we have in this recommendation that the Speaker of the House and the President of the Senate shall appoint the Members of those bodies to this commission, definitely proves to me that the Ways and Means Committee will cease to function because of the fact that they would be duplicating what this commission has been set up to do, and the commission would have to be approved by the Congress. To me, it is not in the best interests of the people of the United States of America to be directed by commissions.

Secretary WEEKS. Mr. Knox, if I may ask a question, do you think that the so-called Hoover Commission reports and studies, and eventual implementation of those studies by the Congress, worked out badly?

Mr. KNOX. I believe there have been some great advances, as far as the Hoover Commission is concerned. I am speaking now solely about testimony which shall be taken relative to what tariff shall be imposed or what restrictions shall be imposed upon the people of the United States of America. This is the committee that makes the recommendations to the Congress as to what legislation will be considered. I believe you recognize that, do you not?

Secretary WEEKS. I do.

Mr. KNOX. Do you feel, in your position, that such a commission should travel abroad and meet with the representatives of foreign nations, gather their information, discuss it, and come up with their own opinion, transmit that opinion to this committee, and that then, as you call it, they would be the right arm of this committee and would be the determining factor as to what legislation shall come out of this committee? Or do you feel that this committee should have the right to listen to the testimony, to have the opportunity of cross-examining the people who are so jittery today and want a continuation of aid and trade as far as foreign nations are concerned?

Secretary WEEKS. Mr. Congressman, in the first place, I have not myself visualized the necessity for this commission to travel abroad.

In the second place, they will have the advantage of having one thing to do—to make this study, to bring in their recommendations; and then the Congress can follow those recommendations or not, as it sees fit.

Mr. KNOX. Mr. Secretary, this commission is to be set up primarily as the sole information source for the President, is it not?

Secretary WEEKS. I do not conceive it that way, Mr. Congressman. Six of the eleven, a majority, would be appointed by the Congress. In the sense that I understand, it is not a Presidential commission by any means, in the sense that I would understand a Presidential commission to be.

Mr. KNOX. By virtue of that statement you admit that it would be a directive to this committee.

Secretary WEEKS. That it what?

Mr. KNOX. That it would be a directive bearing upon what this committee does in the future.

Secretary WEEKS. I would not consider it a directive at all. I do not think it is within the power of anybody to give this committee or the Congress directives.

Mr. KNOX. Is it not true that if the commission should be established, the commission is established for a purpose, and that is to make findings?

Secretary WEEKS. They make findings and give them to you by way of recommendation, but they cannot give you directives.

Mr. KNOX. We can either accept or reject, is that it?

Secretary WEEKS. Certainly.

Mr. KNOX. In other words, we should not have the right to pursue this question on our own initiative as the Committee on Ways and Means, as far as these nations are concerned that are so jittery today, as you have said? In other words, there is possibly a feeling that the commission can do a better job than the Ways and Means Committee.

Secretary WEEKS. I do not even infer that. I do say that that would be their single job, and they would make a report to you presumably which you could then take under consideration.

Mr. KNOX. And possibly it would result in the Ways and Means Committee, before they could justify making these recommendations to the Congress, possibly having to do the job over.

Secretary WEEKS. I would not myself think that they would have to do the job over. I would think that there would be so much material gathered together that such job as you had to do, you would be well along the road toward having it done, as far as factfinding and information is concerned.

Mr. KNOX. Once again it comes back that we would have to accept the recommendations of the commission.

Secretary WEEKS. Mr. Congressman, I do not make that statement. I do not make the inference, and I do not even have the thought remotely in my mind that they would give you any directives or that you would have to follow what they suggested doing.

Mr. KNOX. Mr. Secretary, of course, I am opposed to the setting up of commissions, boards, and bureaus that are empowered, which this one possibly would not be, but empowered to set up rules that are in effect law that regulate the people of our great Nation. We have had too much of it. It is about time that we started once again to recover some of those responsibilities and obligations of the Con-

gress and restore them back in the Congress, and also restore those rightful things that belong to the judicial and also to the executive branch of our Government. You know as well as I do that the Congress has been nothing but a rubber stamp for many years. I, for one, have not brought any rubber stamp with me, but I do want you to know that I want to give the President of the United States every opportunity to make every survey that is necessary for him to come up with his recommendation to the Congress. I shall go along, because it will take time; but I do not want to see this committee or any other committee of Congress stymied, such as this particular document would do which has been sent to the Congress.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Goodwin?

Mr. GOODWIN. Mr. Secretary, I want to compliment you on a very splendid presentation. It gives me an opportunity to express once more the great pleasure and personal satisfaction I had when the President was looking for a Secretary of Commerce that he should come to Massachusetts and select a man whose outstanding qualifications for that portfolio are, I believe, universally acknowledged.

I have no questions, but I would like to make a brief observation. For almost 30 years, either as a Member of Congress or of the Massachusetts Legislature, I have been in the habit of absorbing wisdom from you, sir, taking counsel with you on matters affecting industry and business, and I am bound to say that at this present time I am going to rely on what I understand to be your assurance that you would not advocate or advise me to approve setting up any foreign-trade policy for the American people which does not take into account its impact on our domestic economy and American business and American industry.

Secretary WEEKS. I certainly would not, Mr. Goodwin.

Mr. Chairmah, may I thank my friend from Massachusetts for his friendly comments.

The CHAIRMAN. Mr. Secretary, we want you to know that we appreciate your appearance here and the information which you have given this committee.

I will say, for one, if you were going to be a member of this so-called commission that is to be appointed, I think it would raise our confidence to a very high degree. You have had a great experience and a successful experience in the business world. You believe in the free-enterprise system, and I believe you told me once that you also believe in the tariff. So I want to thank you, sir, for your appearance here.

Secretary WEEKS. Thank you very much.

The CHAIRMAN. The next witness the committee is privileged to hear is the Director of the Mutual Security Agency, the Honorable Harold E. Stassen.

It is a pleasure, Mr. Stassen, to have you with us.

STATEMENT OF HON. HAROLD E. STASSEN, DIRECTOR FOR
MUTUAL SECURITY

Mr. STASSEN. Thank you, Mr. Chairman and members of the Ways and Means Committee.

I wish first of all to thank you, Mr. Chairman and members of the committee, for this opportunity to appear before you to express my

views as Director for Mutual Security on this question of the extension of the Reciprocal Trade Act. As you may know, for many years—since the days of my governorship in the Middle West, in Minnesota, through the war, the San Francisco Conference, and my trips through Europe, Asia, and Africa, and more particularly now these last months as Director for Mutual Security—I have been following closely the interrelationship of United States and world economic trends and conditions. It is with knowledge and conviction born of these years of study and observation that I wish to speak forthrightly with you in response to your invitation on the question before your committee.

As I see it, under President Eisenhower's inspiring leadership, the United States today is bringing new hope to the people of the free world—hope for lasting peace and for rising standards of living. You recall that on February 2, President Eisenhower in his state of the Union message to Congress, set down certain fundamental points that form the basis of the foreign policy of an administration which received a powerful mandate from the people at the polls last November. Among these policy points—and these form the context within which this Government approaches the question of reciprocal trade—President Eisenhower said:

1. That no single country can stand alone against Communist aggression—as he said—“mutual security means effective mutual cooperation.”

2. That our foreign policy recognizes the importance of profitable and equitable world trade.

3. That we aim to receive from the rest of the world in equitable exchange greater amounts of important raw materials which we do not now possess in sufficient quantity.

4. That the study of, and extension of, the Reciprocal Trade Agreements Act be carried out.

Then on April 7, President Eisenhower followed up his state of the Union address by sending to the Congress a special message formally recommending, first, that the present Reciprocal Trade Agreements Act be extended for 1 year and, second, that a thorough and comprehensive reexamination be made of the economic foreign policy of the United States (he has now recommended to Congress that a commission of 11 members be established to carry out this study).

Finally, in his great address of April 16 to the Newspaper Editors of America, an address that has been printed around the world, President Eisenhower proclaimed that—

We are prepared to reexamine with the most concrete evidence our readiness to help build a world in which all peoples can be productive and prosperous.

Mr. Chairman and members of the committee, we are today at a crossroads in our foreign economic policy. No aspect of American policy is more important than the course this Congress chooses to adopt in our economic relations with other nations. The economic stability and, therefore, the political stability of the free world, will be influenced by the wisdom of your decision.

As I see it, the one guiding principle in setting our course of action should be: Does it help the United States and the free world to grow in strength and unity, or does it help the Soviet in its program to divide and conquer the free world? To this end we should have as our

objectives maintaining a high level of production and employment in a sound, dynamic, expanding American economy and, second, the positive strengthening and unification of our free world allies in rolling back and defeating Communist aggression. Stalin in his article in the Communist publication *Bolshevik* release last October at that big party congress they had, the 19th party congress, regarded as inevitable—because he hoped and wanted it to happen—a trade war between the nations of the free world. Malenkov, in his October 5 report to the 19th party congress—Stalin and Malenkov were the two who had the center of the stage at that meeting—Malenkov's report was even more explicit:

American imperialism is acting today not only as an international exploiter and enslaver of nations, but also as a force that is disrupting the economies of the other capitalist countries * * * it is wrecking the historically established multilateral economic ties between the capitalist countries and replacing them by unilateral ties between these countries and the United States.

That is Malenkov talking about America.

Boosting their exports through the most unscrupulous dumping while at the same time closing their home market to foreign goods * * * the economic policy pursued by American imperialists is bound to aggravate the antagonisms between the United States and other capitalist countries.

If we wish to prevent the realization of Stalin's and Malenkov's predictions and hopes, if we wish to thwart the Communist policy objective of dividing the free world, then can there be any question at all that we do not want to reverse the trend of the past two decades and raise again trade barriers to the goods and services of our friends?

In terms of our foreign policy objectives set down by the President and in terms of the objectives of the Mutual Security Act which require me, as Administrator, to "strengthen the mutual security of the free world" and "to develop their resources in the interest of their security and independence and the national interest of the United States," let me respectfully cite a few facts from the recent statistics:

1. If we reduce our exports what happens? We hurt America and we hurt our friends abroad. In 1952 we exported roughly 10 percent of the total movable goods (agricultural products, manufacturers, and so forth) that we produced. Our wheat farmers exported 48 percent of their total production in 1952, our cotton farmers 37 percent, our tobacco farmers 25 percent. Our machine-tool manufacturers exported 11 percent of their production in 1952, our tractor manufacturers 23 percent of their production. These are but a few examples of the extent to which American farmers, laborers, and businessmen depend on exports for their own livelihood. With large surpluses of butter, cheese, dried milk, cotton in our storage warehouses, it is emphatically important that we must export more, not less, or our American taxpayer will be paying more in terms of price supports. If we reduce our exports we hurt our own people—but we also hurt our friends abroad and allies who are dependent on these imports which are vital to their own economies and to the free world defense. For example, the United Kingdom in 1952 imported from the United States about 10 percent of its total imports and its total imports were about a fourth of the United Kingdom total consumption. Japan, to take a country on the other side of the world, imported from the United States about 30 percent of its total imports which, too, represented a considerable portion of its total consumption.

2. If we try and balance payments by continuing large-scale aid indefinitely, we either increase our taxes or our debt—perhaps both. We weaken the basic morale and initiative of our friends. We play into the hands of the Soviet propagandists.

Any industrial country such as the United States which depends on the outside world 100 percent for its tin, 100 percent for its mica, 100 percent for its asbestos, 100 percent for its chrome, 99 percent for its nickel, 93 percent for its cobalt, 95 percent for its manganese, 67 percent for its wool, 65 percent for its bauxite, 55 percent for its lead, 42 percent for its copper, is unwise in terms of its own self-interest to raise new trade barriers.

I submit to you that at this juncture in the development of unity and strength among the free nations, the present Reciprocal Trade Agreements Acts should be extended and, as the President has recommended, a thorough study and reexamination of the facts should be carried on to allow us to set the best forward course.

Thank you for hearing my statement.

The CHAIRMAN. Does that complete your statement?

Mr. STASSEN. That completes my statement.

The CHAIRMAN. Are there any questions?

Mr. SIMPSON will inquire.

Mr. SIMPSON. Mr. Stassen, I do not discover anything in your statement with regard to protecting business here at home.

Mr. STASSEN. I think the whole approach of my statement is from the standpoint of studying the best way to protect business and labor and agriculture here at home.

Mr. SIMPSON. Is that your principal purpose?

Mr. STASSEN. Of course, my principal purpose is the future interests of the United States in all of the interrelated aspects of its economic health and its national security.

Mr. SIMPSON. Do you mean by that that you are willing to sacrifice some American businesses for the international good?

Mr. STASSEN. No; quite the contrary, Mr. Simpson. I feel that the interests of American business, along with labor and agriculture, can only be served as a part of the national good, and the national good of the United States, in turn, must take into account the situation among the free nations vis-a-vis the center of Soviet power.

Mr. SIMPSON. I am getting confused a bit now. Do you mean, then, that if you knew of an American business which was being ruined and you were convinced it was a result of too low a tariff, you would be for protecting that business?

Mr. STASSEN. It would depend upon, first, of course, your definition of its being ruined. There are constantly, in the American economy, transfers of businesses from one item of production to another, just as there is in agriculture. What I would want to do would be to see a careful study of the costs of the production of that item, what its competing sources were from abroad, what the other businesses might be that it could go into, and then you have to make a decision for the national good in America in that total study.

I feel that there has not been that kind of a thorough and comprehensive study for a number of years in the United States, and I feel the President is very wise in asking for one at this time.

Mr. SIMPSON. Is that one of the subjects you anticipate this commission which is recommended would study?

Mr. STASSEN. That is right.

Mr. SIMPSON. I want to get back to that statement you made, and I ask the question again: Do you conceive that there are areas in our economy today which should be abandoned in favor of the production of those items abroad?

Mr. STASSEN. I think it may well be found that some businesses could become more profitable and that labor could receive better wages by producing a different item, while the item they are now producing would be imported from abroad; yes.

Mr. SIMPSON. You say that business could become more profitable. Do you mean by that that they should go out of business and into some other line?

Mr. STASSEN. Some related line.

Mr. SIMPSON. Some related line?

Mr. STASSEN. Yes.

Mr. SIMPSON. To be specific, do you mean watch manufacturers, for example—I think the committee has been persuaded in the past that the manufacturing of watches here was a losing business, and the Tariff Commission agreed and recommended relief. Then one of the great companies went into another line, manufacturing compacts and things of that nature, and has made a lot of money. Does that strike you as good? Is that in line with your suggestion?

Mr. STASSEN. That could be one example of it. A watchmaker might make a lot of the intricate new instruments that are needed in modern airplanes and things of that kind, that would use the same kind of skilled workmen, and might have a relationship to our own security production, and the regular civilian watches might be imported with a less cost to the American people, and a new market for some of the American exports.

Mr. SIMPSON. Is the cost to the American people your test?

Mr. STASSEN. In the final instance; yes.

Mr. SIMPSON. Not the national defense?

Mr. STASSEN. You cannot separate the cost to the American people from the national defense.

Mr. SIMPSON. Do you not know that I was referring to the dollar cost? Is that not what you were thinking of?

Mr. STASSEN. I was thinking of the cost to the American people in relationship to a sound economy that could support the necessary powerful defense organization for security in the world.

Mr. SIMPSON. I am much disappointed if I understand correctly, that you recognize some areas in our economy which we should give up to secure those items from abroad.

Mr. STASSEN. That was not my statement, if I may say so.

Mr. SIMPSON. I do not want to put words in your mouth, and I want to be very clear on it. I understood you to say if a business was not making a profit as a result of the tariff being too low, you thought that industry would show a profit if it went into some other line, and their men could be trained to go into that line.

Mr. STASSEN. I said there are circumstances in which study could show that some shift in production within the country fitting in with the imports would result in a total greater production in America combined for national use and export, a total of better jobs and a more stable economy within our country.

Mr. SIMPSON. Do you have any areas in which you think that could come to pass? We have had here in front of us bicycle manufacturers, dishware of all kinds, safety pins, 15 or 20 items. Do you think of any of them as being in that area that we should abandon?

Mr. STASSEN. I think it is typically the kind of subject that should be studied very closely.

Mr. SIMPSON. By this committee?

Mr. STASSEN. By this committee and by the special commission. In other words, I feel that we have not had a down-to-earth reexamination of our trade and economic policy for many years, and I think it is highly desirable that we have this intensive study at this point when you have a new administration in our country.

Mr. SIMPSON. In your work do you find that foreign countries with whom you deal, when they make an agreement or have made agreements with this country, have lived up to their word? I have in mind the question of devaluation of the dollar, embargoes, and restrictions that they have imposed.

Mr. STASSEN. In these 3 months that I have been in my present office every country has respected its agreement thus far. As to the past situation, in reviewing some of the circumstances that I find, one of the problems is a certain amount of confusion as to what the agreement was and then some difference over it. We are endeavoring to approach it now on the basis of clear understandings with the other countries, and then an insistence on living up to it on both sides of the agreement.

Mr. SIMPSON. You refer there to the question of imposing embargoes against us and also the question of devaluing their money, and so on?

Mr. STASSEN. Any economic subject that might be the matter of an agreement between the countries.

Mr. SIMPSON. Speaking generally, is not their record very bad in those respects that I have mentioned, over past years, since we have made trade agreements with them?

Mr. STASSEN. I would say that we do not have the basis on which to judge the record. In other words—

Mr. SIMPSON. Let me try to bring it to your mind. Great Britain devalued her dollar after having made trade agreements, did they not?

Mr. STASSEN. That is true.

Mr. SIMPSON. Did that not have the effect of invalidating a substantial portion of the effect of the cuts that we made in tariff?

Mr. STASSEN. No; because preceding that devaluation they had had an inflation that had, in fact, through that inflationary process, changed it in one direction, and then the devaluation brought it back down into gear again.

Mr. SIMPSON. Was that contemplated in the agreements? Were they worded in that respect?

Mr. STASSEN. No; neither contemplated the inflation nor the devaluation.

Mr. SIMPSON. Was it not done as a matter of national necessity—national protection? Is that not why they did it?

Mr. STASSEN. That is right.

Mr. SIMPSON. Surely. Do you object to that?

Mr. STASSEN. No. As a matter of fact, in some instances the only way that you can get a country off of the aid rolls and on a sound economic basis, if they have gone through an inflationary spiral, is for

them to devalue and get their currency back down on a sound relationship.

Mr. SIMPSON. Do you anticipate the need for continued grants from this Government to other countries to fill the gap which results from too much exports compared to the amount we are now buying?

Mr. STASSEN. I am hopeful that through the study envisioned in the matter of trade and the careful policies we are placing in, in Mutual Security, we can fairly rapidly move out of the grants-in-aid situation and come on to a sound, long-term economic and mutual defense relationship, but it will take a few years of time. You must phase from one to the other.

Specifically, this morning I recommended that our grants to the United Kingdom be cut in half for this next year, from \$400 million down to \$200 million, and I said it would take careful management by the United Kingdom to adjust to that, but I felt that they could.

Mr. SIMPSON. Did you contemplate an increase in exports within the next year?

Mr. STASSEN. Not in the next year. I felt it would take longer than that before we could contemplate any change in the export situation. But I did feel that it was quite important that there not be a cut in their exports at the same time that we were cutting their aid. That would cause them serious trouble.

Mr. SIMPSON. Would you feel that same way about it even though it meant extremely serious injury to the woolen manufacturing goods in New England and Pennsylvania?

Mr. STASSEN. What same way, Mr. Simpson? I do not quite understand.

Mr. SIMPSON. Would you feel that we should allow them to continue exporting competitive woolen goods, competitive with our manufacturers here in the textile area?

Mr. STASSEN. I would think textiles would be one of the subjects of very special study during this year.

Mr. SIMPSON. But my point is that during the year, the damage may be done. It is being done today. That is what concerns the committee, I believe. It certainly does concern the industry.

Mr. STASSEN. My impression is that, taking the American economy as a whole, it is more profitable and has higher employment today than it has ever had before.

Mr. SIMPSON. You are right.

Mr. STASSEN. Taking the American economy as a whole. Therefore, I would not like to see the situation changed right now in either direction—in other words, either higher tariffs or lower tariffs in any appreciable degree—while we carefully study these policies and shape the future economic policy.

Mr. SIMPSON. But while we study, the damage may be done. It is being done today, in the coal fields of Pennsylvania. It is being done to some degree in New England in the textile mills. It is being done in the pottery fields of Ohio and elsewhere.

What I envisaged in this legislation this year was that we would have an even more healthy economy here by providing continuing jobs for these people who are out of work today, who have seen their business go.

Mr. STASSEN. I realize that you are very sincere and earnest in that approach, Mr. Simpson, and I respect you for it. May I just express

this cautionary note: that the last time we tried to take that kind of action quickly, without study, it had the opposite effect. In other words, it created more unemployment and more losses in business, rather than improving the situation. I think that in the study that we go into—

Mr. SIMPSON. When was that, sir?

Mr. STASSEN. The period from 1930 to 1934. In other words, in 1933 there were the lowest imports in America that there had ever been, relatively. In that year our total imports got down to just \$2,056,000,000. It had gone down from 1930 at 4.4 billion; 1931, 3.1 billion; 1932, 2.079 billion; 1933, down to 2.056 billion.

When the imports dropped that way, so did the exports. They dropped a little sharper. At the same time, corporation profits went from small profits to actual losses. Unemployment climbed up rapidly until in 1933 unemployment was at 12,830,000.

The average earnings for the manufacturing was declining and the agricultural income was dropping.

So by shutting off imports, the previous experience would indicate, you do not improve the situation that you are trying to improve. That is why I feel we should move so carefully and with such thorough study in this picture before we move. We may well then find, through the study, that there are some situations where protection would be increased by tariffs, and there might be other situations where you could open up for greater import, and in the total situation advance the national good of our country.

Mr. SIMPSON. I get back to the powers of this committee and the fact that the obligation falls on us to make those decisions. I do not see why we muddy the water by a year's study by an outside group, only to have them come back to us and throw their conclusions at us; and if we want firsthand evidence, we have to go all through what they have already gone through.

Mr. STASSEN. I am sure the President would not contemplate that any commission would throw its findings at you, Mr. Simpson. I am sure that there would be thorough hearings, there would be congressional and senatorial participation, and there would be the combined interests, just as you have, in what is the sound economic course for the future good of our country.

Mr. SIMPSON. I wish you would sit in these hearings a while and listen to the industries that come before us and tell us their trials and tribulations. Accepting them at their word—and we have nothing to the contrary—it appears to me that we are inviting the elimination of those industries from our economy; and a year's delay, in the absence of increased Government spending, and so on, will only hasten the day.

Mr. STASSEN. My cautionary note, Mr. Simpson, is that if because one industry has lowered its profits you then take action because of that industry alone, without studying the situation, you might thereby throw three other American industries into a bad situation. In other words, you can create more unemployment than you hope to establish employment through a particular action, because all of these things are so interrelated in the economic picture.

Mr. SIMPSON. An analysis of the evidence before us will show, I think, that the industries which are complaining are in almost every instance industries which have a very high labor content in their

finished product. They are the items with which we are paid by the foreign countries shipping here that pay us for an export item in which the labor content is possibly 25 percent of that amount only. So when we ship an automobile or truck overseas representing \$4,000 cost, not more than \$1,000 of that represents labor; and we pay for that automobile by shipping in dishware, bicycles, woven goods of different kinds, in which the labor content is very much higher than is found in the automobile, 6 or 7 or 8 times as much.

We thereby not only cause hardship within that industry, but we displace workmen from their jobs. That does not make sense to me.

Mr. STASSEN. Do you not agree that employment right now is at an alltime peak for the month of May in our country?

Mr. SIMPSON. It is not in the areas to which I refer. It is not in the lead mines, not in the coal mines, it is not in the bicycle factories, not in the textile mills, and there are many others.

Mr. STASSEN. Of course, you must look at the total American economy.

Mr. SIMPSON. That is right, employment in the Army, in the defense work, and on the farm, is at an alltime high. But that does not say there is not a disruption in our economy, and I am interested in that.

Mr. STASSEN. When you are in that condition, it means that you must move very slowly to change those conditions. In other words, if you have a very desirable situation of employment and have profits for business, then as you plan your future course I feel that you must study very carefully.

You take these very industries that are having some problem of competition at the present time. Usually you will find, if you look at the last 3 or 4 or 5 years, they had terrific profits. Take some of these operations that right now are in a dropping market. You will find that they are the ones that had tremendous profits at the time of the Korean war. It was because of these very high profits that caused a lot of extra production to come in that you then got a sectional oversupply at the present time that is causing some of those markets to go down.

If you are to grant them the very high profits of 2, 3, and 4 years ago, you cannot immediately change the situation for them when they get a temporary loss, if by that changing you create some other economic conditions that dislocate the basic employment in industry of our country.

Mr. SIMPSON. They are not the cases I am talking about. I am talking about the cases where the imports of a competitive item have gone up very high percentagewise in the last 3, 4, 5, 6, 7 or 8 years.

Mr. STASSEN. You mentioned the lead miners, I believe, woolen textiles, and you mentioned one other, I believe.

Mr. SIMPSON. Bicycles, textiles.

Mr. STASSEN. I think you will find that in the last 5 years, all of those industries have made very good profits.

Mr. SIMPSON. Manufacturing blankets and things for the Army and Navy, yes, but now they envisage the day, we hope, when they will not have to do that. They want to get the market back which they used to have.

You mentioned lead, too. There were 212 mines shipping ore to Utah mills in 1940, and as of today there are only 4 mining companies in Utah. Lead is understandably vital to our economy. I want that business protected. I want those jobs saved. I want us to be able to get more than 45 percent of our lead here at home; lead which we must have in wartime.

When I realize that the price was 19 cents a pound last year for lead, and it was reduced to about 12 cents as a result of one of these foreign countries just deliberately dumping on the market great quantities of lead which immediately put our mines out of business, I want to do something to have those mines reopened. Great Britain dumped the lead, and imports of lead rose from 264,000 in 1951 to 634,000 in 1952.

That is not a normal increase. It was done deliberately to get rid of their lead, and what happened to our mines did not interest Great Britain, apparently.

Mr. STASSEN. Lead is a good example of what I was talking about.

Mr. SIMPSON. Yes, it is.

Mr. STASSEN. I think on the average, it costs 13½ to 14 cents to produce lead. It is now below the cost of production. But the price of lead after the Korean war soared up very high, and they had terrific profits and opened up the tailings and the low-cost mines. Some went in and opened up mines that previously had been thought to be unoperational. They all pitched in, which they should do, to try to get lead for the needs.

At the same time, fearing the possibility, after the Korean war, of a general war, the United Kingdom and the United States both began stockpiling. So you had this skyrocketing price of lead, huge profits for the lead miners, and an extra demand for stockpiling. Soon the stockpiles became filled. Then you had an oversupply, bringing a temporarily bad market for lead at present.

That I am certain is going to straighten out. In other words, the price of lead is beginning to climb back up a little bit.

Mr. SIMPSON. Certainly. As these mines go out of business. That is the point.

Mr. STASSEN. With the operation of the mines, I mean, you gradually work off the oversurplus and the price of lead, I think, has gone up a half-cent in the last week. I think it will continue to climb, and you will get back into a sound situation.

Mr. SIMPSON. I will tell you when it will go up still higher. Just as soon as they put out of production all the American mines, it will go up still higher if that is what you want. Those two-hundred-odd mines in Utah were not operating at the time of the Korean war. That was in 1940. It is reduced now until there are only four mining companies in Utah.

Mr. STASSEN. Are the 4 mining companies only mining 4 mines? In other words, are you citing to me comparable statistics, or have you two different ones? What is the production of lead in Utah over the past 20 years?

Mr. SIMPSON. I do not know.

Mr. STASSEN. That would be the way to compare that. You might have a lot of the little mining companies all consolidated in a big

mining company, and they would still be getting a lot of lead out of the ground.

Mr. SIMPSON. I am willing to pay a little extra to make ourselves safe from having to depend upon countries overseas for lead in time of war.

Mr. STASSEN. In the case of lead, the main imports—and we do need imports, even under the best of circumstances.

Mr. SIMPSON. That is right; we do.

Mr. STASSEN. Most lead imports come from Canada, and there is not much likelihood that Canada would be cut off from the United States in war.

Mr. SIMPSON. This should interest you. In Canada, there are 12 lead and zinc mines closed down, and a thousand miners out of work in British Columbia, because of low prices, it was stated in Commons, according to a report published April 30. From Australia it is reported that because of the low price now prevailing, the producer has most of the small value of his zinc concentrates wiped out after deducting smelter treatment charges, and so on.

I do not want those ghost towns springing up again out in Utah.

Mr. STASSEN. Neither do I. I think, furthermore, I do not want unemployment in the cities of America. In other words, we have to look at the total economic policy, and I am convinced that the lead and zinc situation will straighten out quite promptly as you work off the temporary surplus that was built up. You will find, I believe, the lead and zinc prices coming on up somewhere in the area of 14 and 15 cents, and you will get a sound economic operation.

Mr. SIMPSON. The surest way to get that price up is to put the American producer out of business, and then it will go up. That was our experience with rubber a number of years ago. Give the foreign country a chance to take the market, and they will take all the traffic will bear. It is natural. Everybody else does it but us.

Mr. STASSEN. The lowest lead imports we ever had were in 1932 and 1933. They were the years of the highest unemployment in America.

Mr. SIMPSON. I do not count that normal, and you do not, either.

Mr. STASSEN. No. There are a lot of factors involved. But they indicate a careful study is needed, rather than quick action.

Mr. SIMPSON. The industry has been studying this for years and years, and they know. Tell me something else. Do you believe, Mr. Stassen, that the relief provisions which are in the present law today dealing with the escape clause are sufficient relief and do give business protection which they may need?

Mr. STASSEN. I think usually they do; yes. Of course, those peril point, escape, and other clauses, are a part of the study that ought to be carried on this year; but in the case of lead and zinc, that could well be raised with the Tariff Commission right now for study.

Mr. SIMPSON. I pointed out this morning that according to the industries concerned, oil and zinc and lead, assuming relief is needed, if they got the maximum available under any and all Federal laws dealing with relief for them, it would not solve their problem. That is the reason, and the only reason, they are in a separate section here.

Do you think the administration of the escape clause has been fair and timely; fair in the sense that industry has been given an oppor-

tunity to come in and present its case in the past several years, in the past 2 years?

Mr. STASSEN. I would not be in a position to judge that, as I have been in the administration only 3 months. I do know that the President's attitude is that there should be a fair and timely study of these situations.

Mr. SIMPSON. I had a number of men go down to the Department of State the other day representing unions from out in the lead area. They went down there and met with several men, Mr. Leddy, Mr. Bramble, Mr. Armstrong, all of whom have been down there throughout the New Deal years or a good part of it. These American workers were told that the State Department has no solution to offer for their present predicament. They were complaining about being out of work. The officials contend that when a sufficient number of mines in this country have been wiped out, prices will reach the level of 15½ cents proposed in the present legislation because of decreasing supplies.

Do you agree with that policy, if it is a policy?

Mr. STASSEN. No, I do not believe that is a policy. I think you had the Secretary of State before you recently.

Mr. SIMPSON. We had him yesterday. I neglected asking him, I forgot to ask him, whether he intended to get rid of people who express that kind of policy, if they did express it.

Do you know anything about that? Do you have any comments on that?

Mr. STASSEN. I would hesitate to comment on a sort of double hearsay report on a policy matter from a junior in the State Department. In other words, I would feel that—

Mr. SIMPSON. It is hearsay only in the sense that I pass on what was said by a man who was there, in whom I have confidence.

Mr. STASSEN. You realize that would hardly be the basis on which to comment on a State Department policy, and I really could not do it. I do feel that—

Mr. SIMPSON. Can you agree with me that there have been men carried over from the other administration who ought to be unloaded?

Mr. STASSEN. As a matter of fact, we are—

Mr. SIMPSON. Slowly doing it?

Mr. STASSEN. Accepting the resignations of a few of them every week.

Mr. SIMPSON. Thank you, Mr. Stassen.

The CHAIRMAN. Are there any other questions?

Mr. Eberharter will inquire.

Mr. EBERHARTER. For the benefit of Mr. Stassen and the members here, they are just now voting over in the House on a provision which I think provides that the Department of Justice, the Attorney General, may dispense with the services of any official or any employee of his Department at his own discretion, without any appeal whatsoever. So perhaps we ought to get over there and vote on that proposition.

Aside from that, Mr. Stassen, your opinion is that the foreign-trade policy of the United States should consider of paramount importance the benefit to the economy of the country as a whole, and not place the benefit of one particular industry first?

Mr. STASSEN. Yes; that in the long run, the advantage of any single industry is better served by policies that consider the total economic health of America, than they are by policies that try to serve a special industrial interest. In other words, if you start out to serve the special individual industrial interests in America, you actually wind up in a situation that injures them all, including that special interest.

Mr. EBERHARTER. Including the special interest as well as the entire economy?

Mr. STASSEN. That is right. If you start to try to specially legislate for one industry without regard to the total economic picture, finally it hurts that industry as well as the whole economy, and that is why study, especially when you are in a situation that you have an all-time high of employment, should be thorough prior to action.

Mr. EBERHARTER. With that proposition, Mr. Stassen, it seems to me that this committee has done pretty well in the 19 or 20 years that it has had jurisdiction over this subject. I cannot for the life of me see where any benefit can accrue from appointing an outside Commission to take over, you might say, the studies that we have been conducting for 20 years. I do not ask for your comment on it unless you wish to make it.

Mr. STASSEN. I might say that the study that the President has asked for is not only of tariff policies, but of the broad economic policies that include many other aspects of the situation.

The CHAIRMAN. Mr. Secretary, we appreciate your presence here, and the information that you have given the committee. We thank you for your appearance.

Mr. STASSEN. Thank you very much, and I appreciate your courtesy in hearing me.

STATEMENT OF HON. DOUGLAS MCKAY, SECRETARY OF THE INTERIOR

Secretary MCKAY. Thank you, Mr. Chairman.

I appreciate this opportunity to appear before the committee in support of an extension of the Reciprocal Trade Agreements Act.

Before coming to Washington I, as Governor of Oregon, was obliged as a part of my official duties to acquire a certain amount of familiarity with problems of foreign trade. Oregon is a coastal State with a great port engaged in foreign commerce. It is close to the border of Canada and closely linked with the fortunes of British Columbia in the watershed of the great Columbia River system. Foreign trade is a major factor in the treatment of some of the great natural resources and industries of our State. We have canneries there processing foreign-caught tuna. On the other hand, we have a good-sized fishery fleet of our own which is seeking tuna, salmon, and halibut, not only off our own coast but off the coast of Canada, and which competes in the United States market with imports from Japan and elsewhere. We have a number of aluminum plants, and they are dependent for raw materials to some extent on bauxite mines abroad. Having neither oil nor gas in our State, we are very much interested in getting them consistently at a low price from some other area, whether it is West Texas or the new oil fields in Alberta, Canada.

In the Department of the Interior I now have to deal with these same commodities, along with petroleum products, fisheries products,

minerals, and the products of our Territories. Here in the Department it is also understood that consideration of these commodities takes you quickly beyond domestic affairs and into the field of foreign policy, particularly foreign-trade policy. Therefore, I was pleased to find that my Department has membership in the Interdepartmental Trade Agreements Committee and the Committee for Reciprocity Information, both of which assist the President in the operation of the trade-agreements program. This membership makes it possible for me to bring to bear the experience and knowledge of the domestic situation on the formulation of foreign-trade policy within the executive branch.

I appear this morning, Mr. Chairman, in support of legislation to extend for 1 year the Reciprocal Trade Agreements Act. I support the President's request for this interim action which he sent to the Congress in his message of April 7. It is important that the President's authority to negotiate trade agreements should not be allowed to lapse. He must have the latitude granted by this authority to deal with problems growing out of existing trade agreements concessions made to us by other countries so as to assure that they retain their full value for the United States.

As the President has stated, a simple extension of the present act would be an interim measure. It will give the administration a chance to study carefully the complex problems of our foreign trade along with related domestic considerations. The President has already requested the Congress to authorize and join in such a study.

This is the first bill on foreign trade to come before the Congress since the new administration has assumed office. Now many members of this committee have had long experience in studying and passing on legislation relative to foreign trade. The administration, however, would welcome an opportunity to have a fresh look and a closeup at the problems of foreign trade—especially in the light of our new commitments internationally.

It would indeed be surprising if such a study did not recommend major revision in our tariff legislation, in order to enable it to meet current problems. The Trade Agreements Act itself was first passed almost 20 years ago. It derives from the Tariff Act of 1930 which is now 28 years old. Since these laws were passed the country has experienced a major depression and wartime prosperity. We have noted the coming and going of both Hitler and Stalin. We are faced with a new world alignment and the emergence of a free world alliance in which the United States plays a leading part. The United States, having previously changed its world status from debtor to creditor, also changed, in terms of many of the products with which I am most concerned, from exporter to importer.

I should like to see a fairly comprehensive reexamination of our whole foreign-trade policy, so we could bring it up to date. We have whole new industries that have grown up since the 1930 Tariff Act was written: Plastics, natural gas, atomic energy. We have new international obligations: The United Nations has been born, NATO has been created, the Iron Curtain has divided the world into two.

I wouldn't dare suggest even the outlines of what new policies, legislation, regulations may be required to accommodate our foreign trade and our domestic economy to these momentous changes. I hope the

Congress will agree with the President and join in establishing a Commission to do this kind of stocktaking.

Mr. Chairman, I doubt that you and the committee members are especially interested in my ideas on the peril point and escape clause provisions of the Simpson bill. Others more familiar with their operations have testified on these points. However, these provisions of the pending bill, as I understand them, amend permanent legislation and, if enacted, would themselves become permanent legislation. They would not automatically expire at the end of a year as would the first section of the bill, the extension of the President's authority to negotiate. If we are going to have the proposed Commission give study to the whole problem, it would seem undesirable to modify the ground rules just at this point.

I should like to move on to a consideration of section 13 of H. R. 4294, which deals with commodities with which the Department of the Interior is especially concerned: Petroleum (and, by implication, coal), and lead and zinc.

Section 13 would place an absolute quota on the imports of petroleum and petroleum products so that we could not import more than an amount equal to 10 percent of our domestic demand. I presume that the sponsors of this bill hope by such legislation to create incentives that would encourage domestic production and continued exploration and development.

Our American petroleum industry must be given every feasible opportunity to maintain its strength; that is a matter of national security. I recognize the importance of domestic petroleum production to national defense and the contribution it makes to the national economy and that of the oil-producing States. I also realize that the petroleum industry is unique in that discovery and development of new reserves constitute a major and vital activity of the industry. Oil and gas produced must be replaced by a vigorous and progressive search for new reserves or the Nation's ability to produce petroleum would rapidly deteriorate.

I recognize how important it is that the strength of the domestic industry be maintained. To maintain this strength requires an economic climate that promotes the competition, progress, and technological development that has brought the industry to its present high degree of capability. The domestic industry today is undergoing a period of readjustment. The rate of growth in demand has leveled off after the rapid gains which followed the Korean outbreak. At the same time the expansion of supply has brought about a more normal reserve capacity. Demand is now dropping seasonally at the close of a warm winter. Domestic production has been reduced in recent months, and there should be a corresponding cut in imports. There is evidence that already the industry is effecting such adjustments.

It may be worthwhile to point out that this bill, if enacted, would not reduce the imports of crude oil but would permit an actual increase over 1952 levels. Residual fuel oil constitutes a large proportion of total petroleum imports. A 5 percent limitation on residual would permit an increase in crude within the 10 percent limitation set by the bill.

This same argument applies, it seems to me, to the proposal to limit even more drastically our imports of residual fuel oil. This

legislation is, of course, sought in the interest of the coal industry. I am not unmindful of the difficulties facing our domestic coal industry—difficulties which are not new but go back a good many years. The industry knows that there are several reasons why they have not been able to capture a greater share of the new markets that have opened up, and why they have lost ground in others. As the railroads have converted to Diesel fuel, a very important coal market has slipped away. The same is true as ships and industrial plants have converted to fuel oil, and as homes are increasingly being heated by oil or natural gas. Some of these installations converted to use fuel oil, especially those on the east coast, have been supplied in part by imports, as well as by domestic production.

All these difficulties of the coal industry have been compounded by a very mild winter.

Of course, the coal people would like to do something about all the competing products—natural gas, house-heating oils, Diesel oil, fuel oil (both domestic and imported), hydropower. They find it difficult, however, to propose action which would discriminate against other domestic industries, so they feel themselves driven to seeking whatever governmental action is available to them for effecting restrictions upon imports.

I want this Government to do everything it can to aid the coal industry, if in so doing we do not exact a payment from other segments of our economy out of all proportion to the gains accruing to the coal industry.

America's development and economic expansion has been built upon and made possible by coal, petroleum, natural gas, and waterpower. These have been our sources of relatively cheap energy. Imports of residual fuel oil—largely from Venezuela—have added to our supplies of available cheap fuels—especially in New England and the Eastern States.

It seems to me that our first problem is to make sure that we continue to have adequate quantities of low-cost energy available in proper form, at the place needed, and at the time needed. At the same time we must take a long-range view of the problem from the standpoint of security and peacetime requirements and not hamper domestic development and become unduly dependent upon foreign sources.

Our second problem is to minimize the temporary imbalances which occur from time to time in our fuel and power supplies. In the northwest we have a power shortage, made more acute from time to time by lack of rainfall. In that region we have no coal or oil—but we do have abundant water resources, most of which are yet to be developed. In the Northeast we have the problem of high-cost power. In the coalfields we have signs of distress.

These are spot problems. They call for treatment. I doubt that the right approach is to use the power of the Federal Government to control imports.

To bar nearly 80 percent of our imports of fuel oil can have very serious effects upon our economy. Practically the entire impact of such restrictions will fall on the east coast which consumes practically 100 percent of the imported fuel oil. To what level the price would go with shipments limited to 20 percent of existing levels, no one knows. It is not difficult to imagine a situation in which these lim-

itations would impose restrictions in the use of energy upon consumer industries that would far outweigh any benefits derived by the coal industry.

The Secretary of State has spoken of the difficulties abroad which would be encountered if this legislation were enacted. I shall not elaborate on them other than to suggest that this is no time from the standpoint of national security to impair one of our very important sources of petroleum in the Western Hemisphere.

In the long run it may be desirable to place more effective controls over imports of petroleum products in order to guarantee the continued growth of our own petroleum industry and to rehabilitate our coal industry. I can't say now that such controls are required. But if the proposed study should find them necessary, such controls should be applied in a way that orderly adjustments could be made by producers and consumers, both here and abroad. The pending legislation would make such orderly adjustments impossible.

Mr. Chairman, I should like to turn to the provision of the Simpson bill which, if enacted, would levy an additional tariff on imports of lead and zinc.

The domestic lead and zinc mining industry is currently experiencing difficulties. It is reported to me that from August 1952 to March 1953, 30 mines have closed, that production has been curtailed, that the number of workers employed has declined, and that prices have fallen sharply. I am also appreciative of the fact that the unprecedented flow of these metals to our shores has contributed substantially to the plight of the domestic lead and zinc mining industry. I am aware also that the governors and legislatures of many Western States have taken cognizance of this serious problem.

Post-Korean mobilization programs fostered by the Government stimulated increased production of these commodities in this country, as well as abroad. Generally speaking, these mobilization goals now have been largely met, as have stockpiling objectives in these two commodities. Consequently supplies exceed, at least temporarily, current demands and prices have fallen. The impact has been most heavily felt by the smaller mining companies which are usually located in isolated areas and by communities which are virtually dependent on the economic activity of the mines.

On the other hand, steadily expanding industrial activity has maintained lead and zinc in high demand and this high level of demand seems likely to continue as the economy continues to grow. It is also expected that the United States will continue to depend upon imports from foreign sources to meet a substantial part of this growing industrial demand for lead and zinc.

It may become apparent in the near future that the domestic industry by its own efforts will not be able to make a complete readjustment to the present situation without painful consequences. Inasmuch as increased imports, as well as increased domestic production, have been a factor—how significant we do not know—it is appropriate for this matter to be investigated by the Tariff Commission. This is the regular procedure established by law for dealing with situations of this kind, and, where warranted, for taking action that is temporary and can be rescinded when the temporary crisis is passed.

This procedure, as provided in the present act, seems to me preferable to specific legislation at this time. We are in a period of read-

justment as stockpile and mobilization objectives are being met. There will probably be other commodities where, at least temporarily, supply will exceed demand. I feel we need a better understanding of the over-all problem.

I should hope, therefore, that the Congress and the administration will cooperate in an examination of our trade policy. And I should like to assure this committee that my Department will cooperate wholeheartedly in bringing to bear on this study the necessary domestic considerations. My Department is the Interior. We are primarily a domestic agency concerned with the development and use of the Nation's resources. The mining industry, the coal industry, the petroleum industry, are all concerns of my Department. At the same time we also have a responsibility to see that American industry has adequate supplies of minerals and fuels.

In addition, during this interim period of study the affected industries continue to have before them the opportunity to take their cases to the Tariff Commission for escape clause investigations, which after due consideration may result in modification of the tariffs or imposition of quotas. The Congress in the Trade Agreements Extension Act of 1951 modified considerably the escape clause procedure in the direction of making it more accessible for use by domestic manufacturers. It is now mandatory for the Tariff Commission to accept for investigation any application from the industry which meets the requirements of the law. Furthermore, the definition of serious injury or threat of injury has been clarified by the 1951 act so as to ensure due consideration of all pertinent facts affecting an industry's competitive position. Moreover, the composition of the Tariff Commission has changed; an industry application in effect now goes before a new and different Commission. Neither the coal industry, nor the petroleum industry, nor the lead and zinc industry, has taken advantage of this escape-clause mechanism since these new developments outlined above and have taken place. There is no reason why these industries cannot now seek relief under conditions which are more favorable to their petitions than has hitherto been the case.

In conclusion, I reiterate my conviction that the most desirable action at this time is a simple extension for 1 year of the Reciprocal Trade Agreements Act without amendment, pending study and determination of a new foreign economic policy designed to carry out the aims of this administration.

The CHAIRMAN. We thank you, Mr. Secretary, for your appearance and the information that you have given to the committee.

Are there questions? Mr. Simpson will inquire.

Mr. SIMPSON. Mr. Secretary, we are glad to have you before the committee.

I wonder why it is that you suggest that with respect to the possible rehabilitation of the coal industry, and to allow the continued growth of petroleum, this new study group should consider that subject; but with respect to metals, you suggest that they should go to the Tariff Commission for relief under existing law.

Secretary MCKAY. They have not yet tried the use of the escape clause. Of course, I think the metals industry does need study, too, because they are in serious difficulty right now.

Mr. SIMPSON. Do you believe that the maximum amount of relief available under existing law, assuming favorable action by the Tariff

Commission and the President, would suffice to give the metal industry that degree of aid which they need to rehabilitate themselves?

Secretary MCKAY. I do not know, sir.

Mr. SIMPSON. If I may suggest, I do know. It would not. So it would be a moot question if they chose that method. It would not solve their problem.

That, may I add, is why they are included in this bill in a special section.

There is one other point that concerns me with respect to this special commission which is to be named to study many, many problems. This being the committee which, as you know, has primary jurisdiction with respect to tariffs and things of that kind, we have undertaken to ascertain what would happen after the commission made their study. I have not been able to get any conclusive answer until I read your statement here. I do not know whether you mean this. I wish you would explain it. You are referring to imports of petroleum, and you talk about controls, and then you say:

But if the proposed study should find them necessary, such controls should be applied in a way that orderly adjustments could be made by producers and consumers.

Do you mean and is it your conception that whatever that proposed study group do and whatever they find, this committee then should do what they say?

Secretary MCKAY. You mean the committee of Congress?

Mr. SIMPSON. That is right.

Secretary MCKAY. Oh, no.

Mr. SIMPSON. That is what the sentence says.

Secretary MCKAY. I did not mean to leave that impression because, after all, the Congress is the final authority.

Mr. SIMPSON. Then I follow it up by this question: What can that commission do that this committee will not have to do ultimately, and are we not simply delaying the day when a proper decision is reached by interjecting a commission to do the work which this committee will have to do?

Secretary MCKAY. I think this study would be more a help to the administration than it would to this committee, because this committee has men on it who have served for many, many years, and they probably have views that we in the administration, which has been here just a little over 8 months, do not have.

Mr. SIMPSON. They have been here for only 8 months, but this committee has been here for years.

Secretary MCKAY. That is what I meant to import. You have more information on the subject than we have in the administration.

Mr. SIMPSON. That is right. You will have the recommendations of this commission. You will have that, which you do not have now, that is true, and so will we.

Secretary MCKAY. I think it would be advantageous to the administration. That is the point I was trying to make. I do not think you gentlemen need it because there are men on here who have served eight terms, such as the chairman, and he is certainly well informed.

Mr. SIMPSON. Another question, and this one is quite important, to my way of thinking. It has to do with this matter of petroleum. Do you see no objection to our including in our stores of reserves the

vast amounts of oil which are available in Venezuela! Is that, in your opinion, highly desirable and can that be counted as a firm supplement to our reserves here?

Secretary McKAY. Under the present international situation, it is very important that we have access to foreign petroleum.

Mr. SIMPSON. Does that, then, remove, in your thinking, the necessity for our continued exploration, and so on, here for more oil reserves?

Secretary McKAY. The future of the petroleum industry depends upon exploration, and it must be done continually, because it takes years, 10 or 12 years planning ahead to hit these wells. We must explore constantly.

Mr. SIMPSON. Do you think this committee should continue depletion allowance and exploration cost allowances, and so on, to the domestic oil industry to enable them to go on and search up more reserves here when we have vast reserves in Venezuela as a part of our reserves?

Secretary McKAY. I do not like to see Government place regulations on industry, except as a last resort. I think industry should have the opportunity of trying to work out their own problems. I believe that the importers of petroleum now are aware of the situation. I believe they have restricted their importations somewhat in the last few months.

Mr. SIMPSON. Since this bill was introduced, they have; yes.

Secretary McKAY. Whenever you write into the law restrictions on industry or business, in my opinion that is the last step. Every other avenue should be exhausted first.

Mr. SIMPSON. I am right in believing that you do believe in tariff in some instances, do you not?

Secretary McKAY. Yes, sir.

Mr. SIMPSON. Surely. That is a restriction.

Secretary McKAY. Sure, you have to have tariffs to compensate for the different wage scales.

Mr. SIMPSON. I wish we would have that and nothing but that. Then our problem would be solved right away.

Secretary McKAY. Perhaps.

Mr. SIMPSON. In many areas.

Secretary McKAY. But on the other hand, you are going to place an import restriction in the law that I just do not go along with until, as I say, as a last resort.

Mr. SIMPSON. You are not sure that maybe that commission might not recommend something of that sort, and then you would reconsider, would you not? Think it over.

Secretary McKAY. We would think it over, surely.

Mr. SIMPSON. Now, in the mineral area, you know better than I that we are confronted with a fact where the ghost towns are springing up in the West which are the result of their inability to sell their lead, just as we have them in Pennsylvania in the coal areas where they cannot sell their coal any more. People are out of work. They are forced to go on unemployment insurance and on relief. These people abroad, being paid far less in wages, and so on, not having the social benefits that we give the workingman here—they have the jobs. I do not object to all the studies in the world. We have had a lot of them

in the past, and another one will certainly do no harm and conceivably it can do a lot of good, but it will take time.

All we are asking in this bill is that while that study goes on, we give some manner of protection to these people to whom I refer, who are today suffering as a result of being unable to sell their products. Why could we not agree to give them some relief now, and if this commission came in with better recommendations later on, change it next year?

Secretary McKAY. Sir, I cannot agree with the first part of your statement where you say that those towns are springing up in the West in the metal industry. I do not think it is that serious.

Mr. SIMPSON. I will admit I am taking the word of the people from out there, the representatives of the labor groups, some of the owners and former operators, and certain governors. Maybe the word was used loosely and when they talk of five or ten thousand people out of work, maybe they are mistaken. I do not know. I am taking their word.

Secretary McKAY. On the other hand, the unemployment situation nationally has not yet reached a serious stage.

Mr. SIMPSON. I agree it is spotty. I know that, and I am not arguing about that. But I am saying that a coal miner in Pennsylvania or a lead miner out in Utah who is hungry, it is important to him.

Secretary McKAY. That is right.

Mr. SIMPSON. I am thinking of him, and so are you.

Secretary McKAY. Sure.

Mr. SIMPSON. I would like to give some kind of relief right now and go ahead with all the studies we want. That is my position on it.

Thank you, sir.

The CHAIRMAN. Any questions? Mr. Cooper?

Mr. COOPER. Mr. Secretary, I hope you will allow me to congratulate you on the splendid statement you have presented and the helpful information you have given the committee.

I note that you state very clearly that it is your considered judgment that the best thing to do now would be to follow the President's recommendation and extend the present act for the period of 1 year.

Secretary McKAY. Yes, sir.

Mr. COOPER. Mr. Secretary, are you familiar with the Paley report?

Secretary McKAY. Slightly.

Mr. COOPER. What is the Interior Department's position with regard to the Paley report?

Secretary McKAY. They have not taken any position as yet officially. It is under study in the Department.

Mr. COOPER. I noticed one statement contained in the Paley report which I will quote:

Although vigorous efforts should be made by both industry and Government to maintain output, the best that can be hoped for is that the domestic mine production will not decline by more than 50 percent by 1975. The United States therefore will have to rely increasingly on imports, the demand for which may be some 80 percent greater in 1975 than the 565,000 tons imported in 1950.

Are you prepared to agree with that statement in the Paley report?

Secretary McKAY. No, sir, I am not prepared to. I just do not know.

Mr. COOPER. Are you familiar with the fact that the Director for Mutual Security, Mr. Harold Stassen, testified quite strongly yesterday against the sliding scale of tariff on lead and zinc?

Secretary MCKAY. I did not know that he so testified, but I presume that he would.

Mr. COOPER. Are you in agreement with him in that position?

Secretary MCKAY. Not entirely. I think the sliding scale is something I am not prepared to endorse at this time. It is something that I think should be considered. The lead and zinc business is an up-and-down business, as you know, and at the present time, because of the surplus, the price is down below what it should be for profitable operation of the good mines.

I believe—and it is just a guess—that it will adjust itself before too long, and that is what Mr. Stassen believes. If it does adjust itself at a price that industry can survive on, that is satisfactory.

Mr. COOPER. Then it is your position that the present law affords ample opportunity for any consideration and adjustments that may be found necessary with respect to the domestic mining industry?

Secretary MCKAY. At the present time, yes, sir.

Mr. COOPER. All right, thank you.

The CHAIRMAN. Mr. Kean will inquire.

Mr. KEAN. Mr. Secretary, Mr. Simpson said that the escape clause action might not completely cure the troubles of the lead and zinc people, the miners. It would help, would it not?

Secretary MCKAY. I would think so.

Mr. KEAN. It is pretty difficult to persuade me that we ought to pass legislation when the industry itself has not made use of all its possible remedies. As I understand it, under the reciprocal trade agreements and the escape clause, it would be possible for the President, if he felt that it was the right thing to do, to put the rate back to what it was in the Tariff Act of 1930.

Secretary MCKAY. I am not an authority. I am not a miner.

Mr. KEAN. I believe he could.

Secretary MCKAY. I believe he could, and I believe they should exhaust that possibility first.

Mr. KEAN. The whole situation in zinc and lead has changed somewhat since 1930, has it not? Do we not have to import a great deal more than we used to back prior to about 1930? Was not the situation then one that we were producing most of our domestic requirements, and now the situation is that we are going to have in the future to import more than we did?

Secretary MCKAY. Yes, sir, I believe that is right.

Mr. KEAN. Besides the question of the miners in this country, we do get the question of increased cost for American consumers. We naturally want to take care of the miners, but we also want to take care of the American consumers.

Secretary MCKAY. Of course, at that time the price was very low. As I recall, it was something like 6 cents, and the tariff has been cut in half since that time, so you do get a great deal more imports automatically than you would at that time.

Mr. KEAN. As far as the fuel oil is concerned, if this bill for fuel oil was passed as is, those of us who live on the east coast would probably find that the cost of manufacturing to people on the east coast would be increased.

Secretary McKAY. I think that is true.

Mr. KEAN. Therefore, our eastern manufacturers perhaps would not be able to produce goods that the people would be able to pay for, and it probably would result in unemployment among industries along the east coast.

Secretary McKAY. I am sure that supposition is correct, that if the imports are restricted, the price may go up.

Mr. KEAN. Thank you.

The CHAIRMAN. Mr. Curtis will inquire.

Mr. CURTIS of Nebraska. Mr. Secretary, in trying to determine a policy on foreign trade, do you feel that we should take into account the national defense needs? By that I mean not their immediate need for so many tons of this or that, but the production potential in this country, the maintaining of certain industries and mining operations so that they are available and can be put in use in time of war?

Secretary McKAY. Yes, sir.

Mr. CURTIS of Nebraska. If this study is conducted, do you think that it is likely that our national defense needs and the need for protection perhaps in some areas of our domestic activities, can be left entirely in the hands of the diplomats, the relief to be obtained by the consent of the other nations?

Secretary McKAY. I do not follow your question.

Mr. CURTIS of Nebraska. My question is not very good. I will try to restate it. Do you think that the tariff policy of this country, involving national defense as well as domestic matters, can be brought about satisfactorily entirely by getting the foreign countries to agree to it?

Secretary McKAY. No, sir.

Mr. CURTIS of Nebraska. You think even when all studies are complete, the Congress will have to assume its responsibility for regulating foreign commerce and providing for the national defense some way, and of course if we can get people to agree to it, that is fine, but we cannot stop there; is that right?

Secretary McKAY. Congress is the final authority.

Mr. CURTIS of Nebraska. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Holmes will inquire.

Mr. HOLMES. Mr. Secretary, please let me, as a Northwesterner, extend to you our most cordial welcome on your first appearance before the Ways and Means Committee.

Secretary McKAY. Thank you, sir.

Mr. HOLMES. For those members of the committee and the people present in this room, you have been a great Governor of a great State out in the Northwest, namely Oregon, and we are happy indeed to have you here.

In relation to the provisions of the present act, could you give assurance, as Secretary of the Interior, if your Department were consulted, that you would go into the problems of these industries that are in difficulty and furnish the facilities of your great Department in helping the Tariff Commission determine the facts of the case in relation to these situations referring to the specific troubles that they have?

Secretary McKAY. I think, Mr. Holmes, we could furnish a lot of technical information that would be very useful. For instance,

PAD, Petroleum Administration for Defense, is an organization created—I am not sure how it was created—by Executive Order or Congress, but it consists of industry men, some of the topflight men in industry. They have made a very close study of the whole petroleum situation.

Likewise, in our Bureau of Mines we have some topflight technicians who undoubtedly can furnish information that would be of value.

Mr. HOLMES. The reason I asked that question for the record, Mr. Secretary, is because in the past, many of these industries in trouble feel that they have never had proper recognition of their problem in relation to the provisions already in the present act, and I think assurances along the line of the enforcement of those provisions and the proper use of those provisions would give them more confidence in the new administration of the act.

Secretary MCKAY. For instance, in the Department of Mining and Geology, I would like to call to your attention the fact that the new Assistant Secretary has been on the job only about 8 weeks now, Felix Wormser, who has spent his life in the mining business. He has had some topflight jobs in the lead and zinc business, as a matter of fact. He knows the mining business, having worked as a mucker on up to vice president of a big corporation. He has the confidence of the industry. Unquestionably, in my opinion, Felix Wormser would be in a position to give valuable information to this committee or to any group of people.

Mr. HOLMES. Thank you very much, Mr. Secretary.

The CHAIRMAN. Mr. Eberharter will inquire.

Mr. EBERHARTER. Mr. Secretary, your Assistant Secretary, Mr. Wormser, gave up his interests in the St. Joseph Lead Co. when he came to the Government?

Secretary MCKAY. Yes, sir.

Mr. EBERHARTER. I assume, then, that he has no special interest any more in protecting the mining industry, lead and zinc, and so on.

Secretary MCKAY. No, sir. Mr. Wormser is a very high-class citizen. He has taken an oath of office which he will respect.

Mr. EBERHARTER. Did he make the suggestions as to the protection of that industry which have gone into the Simpson bill, the so-called equalization plan or sliding scale plan? Do you know whether he did or not?

Secretary MCKAY. I know nothing of the source of Mr. Simpson's information in that bill. I have no way of knowing.

Mr. EBERHARTER. I believe you said, in answer to Mr. Cooper of the committee, that you are not completely sold on the equalization plan or sliding scale plan as outlined in the Simpson bill, is that correct?

Secretary MCKAY. I did not mean to leave the impression that I was not sold. I am not informed enough yet to have made an opinion.

Mr. EBERHARTER. Mr. Wormser is in charge of the Metals and Mining Branch of your Department?

Secretary MCKAY. Yes, sir.

Mr. EBERHARTER. You are not informed right now. Then can we not reasonably conclude that you will follow his advice, having such a high regard for his opinion and experience?

Secretary McKAY. Yes. Not necessarily. At least, the final authority rests with the Secretary. I take the advice of all these men, but I do not agree in advance to agree with them.

I think you will find that Mr. Wormser, regardless of what his opinions may have been before he became Assistant Secretary, is now a faithful employee of the United States Government.

Mr. EBERHARTER. You feel, then, Mr. Secretary, that the larger interests of the country will now govern him and not the special interests of the mining industry?

Secretary McKAY. Having known him for many years, I have not the slightest doubt of his integrity and his ability to serve the United States faithfully, without any thought of the lead business.

Mr. EBERHARTER. Are you familiar with the fact that he made a statement in an address contained in the March issue of "The Mines Magazine," that this sliding scale proposition will provide a reasonable cost to the consumers?

Secretary McKAY. I am not familiar with the speeches he made. I know that before he assumed the position of Assistant Secretary, he was friendly to the sliding scale and was speaking for it. I never read his speeches.

Mr. EBERHARTER. In a hearing before the Committee on Interior and Insular Affairs, Mr. Wormser stated—and I want to quote this—"The primary purpose of the sliding scale tariff was to increase the price of lead in this country."

Secretary McKAY. What date was that statement made, please?

Mr. EBERHARTER. That was in the hearings before the Committee on Interior and Insular Affairs of the United States Senate, 83d Congress, 1st Sess., April 18, 1953, in which he said the primary purpose was to increase cost of lead to the consumers of this country.

Secretary McKAY. That was made before he was an employee of the Department.

Mr. EBERHARTER. That was the hearing held on his nomination on the question of whether or not he should be confirmed by the Senate after his name was sent up.

Secretary McKAY. I see. He was still not an employee. He could not be an employee of the Government.

Mr. EBERHARTER. You think he still holds to the idea that the best way to handle this situation with respect to the mining of lead is to increase the cost to the consumers of the country?

Secretary McKAY. I do not know what his thinking is, but I would presume that if his opinion was firm, it still is the same. I say again, his first obligation today is to the United States Government and not to the lead industry.

Mr. EBERHARTER. This statement was made after he was nominated by the President of the United States to his present position. The primary purpose was to increase the cost of lead to the consumer. Do you not think, Mr. McKay, that it is important for you to know whether or not he still believes that that is a good policy?

Secretary McKAY. No, I do not think that is important. This is the first time I ever heard he made the statement, but there is no doubt about it; the sliding scale is to raise the cost of zinc so that the miners can live. Naturally, the consumer would pay. There is no doubt about it. There is no debate on that.

Mr. EBERHARTER. That is not the same thing.

Secretary McKAY. It certainly is.

Mr. EBERHARTER. The primary purpose, you stated just now, is to give employment to the miners; whereas he stated the primary purpose was to increase the cost. It seems to me there is some slight difference there.

Secretary McKAY. The results are the same, because the consumer naturally, if you increase the sliding scale imports so the miner gets more money for his merchandise, the consumer pays.

Mr. EBERHARTER. Last month, Mr. Wormser stated categorically that he was in favor of H. R. 4294, which we now have before us. Did you know that?

Secretary McKAY. No, I did not.

Mr. EBERHARTER. Would you say that any conflict exists in your opinion as expressed to this committee, and that of Mr. Wormser of last month?

Secretary McKAY. I cannot say; but I can say this—that I would not attempt to control the thinking of the people of the Department of the Interior.

Mr. EBERHARTER. Then, Mr. Secretary, it seems to me in all sincerity that one of your top assistants and you should have gotten together so we could weigh your testimony and give it some consideration. You, in effect, say here that your assistant in charge of this subject is practically diametrically opposed to your position.

Secretary McKAY. I did not say that, sir.

Mr. EBERHARTER. I quoted the testimony that he gave last month, which is diametrically opposed to the position you present to this committee, and yet you say in effect that you do not know about his position and that it does not make any difference. I think it makes a tremendous difference to this committee.

Secretary McKAY. I do not think those words that you just quoted were used by me. I admitted that his opinion was such as of that date, but he was not an employee of the Federal Government at that time. He was applying for a job.

Mr. EBERHARTER. He was trying to be an employee of the Federal Government.

Secretary McKAY. He did not apply for this job. I coerced him to take this job. I twisted his arm to take this job because I think he is the most valuable man in the United States to serve on this job.

That was his opinion at the time he applied for the job. He told the Senate honestly that that was his opinion. He is entitled to that opinion. Certainly I have talked to him about this in the last few days. But he will abide by the decision of the administration on support of the bill.

You are at perfect liberty to bring Mr. Wormser up here and ask him personally.

Mr. EBERHARTER. I would not ask that, Mr. Secretary—

Secretary McKAY. He is available.

Mr. EBERHARTER. Because you are representing the administration. You are representing before this committee the views of the Department of the Interior, and we find that the last information we have on the subject is that your views are diametrically opposed to those of your assistant in charge of that activity in the Interior Department.

That leaves the committee sort of dangling on a string, in my opinion.

Secretary MCKAY. I cannot agree with your statement, sir.

Mr. ENRICHARTEN. Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Sadlak will inquire.

Mr. SADLAK. Mr. McKay, do I understand from your formal statement that you are now suggesting that all of those who felt they had an injury and had been accorded an investigation before the Tariff Commission but did not find relief from their injuries, go back to the Tariff Commission, and that in view of a new environment there they might hope for success where previously they were denied any relief?

Secretary MCKAY. No, I do not believe they applied for relief under the escape clause. That was my statement.

Mr. SADLAK. You mention only one industry, if I recall, during your formal statement, that did not apply. Did you also have reference to those that had applied and were turned down, and then came to this body here as the only avenue of recourse, and who now find hope in the Simpson bill, that they should go back to the Tariff Commission? Or do I misunderstand you?

Secretary MCKAY. I was not speaking of them, because I had no information on the fact that they were turned down. I was speaking of the lead and zinc industry, which had not applied.

Mr. SADLAK. You had no reference to the previous hearings or investigations?

Secretary MCKAY. On what industry, sir?

Mr. SADLAK. There are many industries that came before this committee, Mr. Secretary, who had previously gone to the Tariff Commission. There have been some 20 investigations, and only 2 glaring exceptions where they had obtained relief. The others were turned down.

Secretary MCKAY. I was not referring to that, because if you check the testimony, I think it says that lead and zinc industries had not applied for relief under the escape clause.

Mr. SADLAK. Following Mr. Kean's line of inquiry, Mr. Secretary, can you tell this committee why the eastern coastline started to use residual oil in order to run its heavy industry?

Secretary MCKAY. What is that?

Mr. SADLAK. Why did the eastern seaboard use this heavy residual oil for its industries, and has been using more of it?

Secretary MCKAY. It is a matter of price. I presume the greatest problem in this country, industrially, is the source of energy, and they buy the energy wherever it is cheapest, energy-producing fuel.

Mr. SADLAK. Is there not also the fact in this matter that they were unable to obtain other materials with which they ran the industry previously?

Secretary MCKAY. I do not know. Are you referring to coal?

Mr. SADLAK. Yes, sir.

Secretary MCKAY. I did not know that they were unable to obtain it.

Mr. SADLAK. The Secretary knows that there has been some difficulty not so long ago in that respect, and for that reason many of them have changed over to the use of oil rather than coal.

Secretary MCKAY. Yes, that is right.

Mr. SADLAK: In order that I might understand your own feelings on this trade, Mr. Secretary, do I interpret your feelings correctly when I say that you are for competitive trade rather than free trade?

Secretary MCKAY: Yes, sir.

Mr. SADLAK: Then one final question: In your formal statement you tell us that you were pleased to find that your Department has membership on the Interdepartmental Trade Agreements Committee and the Committee for Reciprocity Information, both of which assist the President in the operation of the trade agreements program.

When the Secretary of State, Mr. Dulles, was here on Monday, he indicated to us that the State Department was only 50 percent of the whole picture, and that the other Cabinet members would represent the other 50 percent.

Do you know how much of the percentage you will be allowed in the administration and the preparation of these trade agreements?

Secretary MCKAY: Offhand, I could not say. If we have a minority interest, we will at least be able to speak our piece.

Mr. SADLAK: It is my understanding, of course, that the State Department controls and dominates the trade agreements, and I wondered if perchance the particular phases wherein, let us say, petroleum, lead, and zinc are concerned, you would have the say rather than the Secretary of State. I wondered if such a promise had been made to you.

Secretary MCKAY: No, sir; it has not.

Mr. SADLAK: That is all, Mr. Chairman.

The CHAIRMAN: Mr. Baker will inquire.

Mr. BAKER: Mr. Secretary, you recognize, do you not, that the coal business, the coal industry, is in a sick and distressed condition in this country?

Secretary MCKAY: Yes, sir.

Mr. BAKER: And that 1 year could well mean life or death to many companies?

Secretary MCKAY: I do not know that, but I presume it could be.

Mr. BAKER: You do realize that down in Tennessee and Kentucky, a large number of mines have closed within the past few months? You know that, do you not?

Secretary MCKAY: Yes, sir.

Mr. BAKER: What is your answer to this problem?

Secretary MCKAY: You must look at the history of the coal mines. For instance, natural gas has taken more away from the coal business than residual fuel, I believe; and also the change in the railroads from steam to diesel has hurt the coal business. It is one of those things that progress hurts people.

I happened to be in the automobile business for 38 years. We put a lot of livery stables out of business, which I regretted because I love horses. But that is progress.

Mr. BAKER: I am speaking not of the condition or the problem, but what is the answer? Do you have any answer, as Secretary of the Interior, or any suggestion?

Secretary MCKAY: My Department, the Bureau of Mines, can probably give you a lot of suggestions. I am not an expert on coal.

Mr. BAKER: Do you have no policy, as head of the Department, at this moment to offer to solve the problems of the dying coal industry?

Secretary McKAY. Certainly we have, sir. Not me personally, because I do not personally run all those departments. There are 11 bureaus down there. We have some topflight people in the Bureau of Mines who are working on this thing.

Mr. BAKER. Of course, I did not mean you personally, at all.

Secretary McKAY. We are very much aware of the seriousness of the coal industry; and the coal industry, just like the petroleum industry, are a couple of the children of the Department of the Interior, and we are interested in both of them and do anything we can to help either of them. We are vitally interested in the coal business.

Mr. BAKER. Has your Department so far taken a position on a minimum price structure for coal?

Secretary McKAY. Not to my knowledge.

Mr. BAKER. Is that being considered in the Department?

Secretary McKAY. I could not say without checking with the Department.

Mr. BAKER. One further question only on residual fuel oil. At page 7 of your testimony, about the middle of the page, you say:

But if the proposed study should find them necessary, such controls should be applied in a way that orderly adjustments could be made by producers and consumers, both here and abroad. The pending legislation would make such orderly adjustments impossible.

Applying that statement particularly to residual fuel oil that comes into this country from the Dutch Antilles and Venezuela, and not to crude petroleum and its products generally—you follow me, do you not—is it not true that nearly all of this residual fuel oil is burned in very heavy industrial and utility plants, and not ordinarily in commercial and certainly not in homes or small plants? That is true, is it not, Mr. Secretary?

Secretary McKAY. Yes, sir.

Mr. BAKER. Is it not also true that nearly all of those large plants with very heavy boilers have facilities already existing to shift overnight from this residual fuel oil to coal?

Secretary McKAY. I am not familiar with that.

Mr. BAKER. That is all.

The CHAIRMAN. Mr. Curtis will inquire.

Mr. CURTIS of Missouri. Mr. Secretary, I am very disturbed about the language that you use on page 8 in your prepared statement, in the last paragraph, where you state that you doubt that the committee members are especially interested in your ideas on the peril point and escape clause provisions of the Simpson bill. [Reading:]

Others more familiar with their operations have testified on these points.

I want to pick up the rest of that statement a little later, but to start out there, I, as a member of this committee, am very much interested in your ideas on "peril point" and "escape clause" because I think that is the guts of this whole question before us.

You have testified that you think that the lead and zinc people, for example, will be able to present their case under the provisions in the present act, and that it is unnecessary to modify the language of the present act in order to give them this relief if they have a just case. Yet you say you are not familiar with these "peril point" and "escape clause" provisions in the present act.

How do you come to the conclusion, then, that these people, if they will present their case under the present act, would receive an adequate and prompt hearing?

Secretary McKAY. I think they will receive a prompt hearing.

Mr. CURRIS of Missouri. They have not in the past, sir. Here is the point: As a committee we have been listening, and rightly so—it is our job as a committee—to the complaints of American industry day after day here, and they have told us the story that they have not been able to get prompt hearings, and the evidence seems to be building up that under the past administration of this act they have not been able to have their case heard or to have it heard in any sympathetic manner.

Previous Cabinet officers have testified, as I have judged their testimony, that the act is all right, that the language of the act is all right, and under proper administration these cases of American industry will be heard promptly and can receive prompt consideration, and that it is not necessary to change the language of the act in order to produce those results.

To me, that is the whole issue before us, and when you say that we are not interested in your ideas on the terminology and the language of the act on "peril point" and "escape" clauses, and when you yourself are particularly concerned, as you have said, with the lead and zinc industry and the coal industry, how do you conclude, then, that they will have an adequate hearing without changing of the language?

Secretary McKAY. This administration, I am sure, will insist upon any department of the Government giving speedy action to the interest of any of its citizens.

Mr. CURRIS of Missouri. Yes, but you see, your Tariff Commission is not changed. You say there is a new Tariff Commission. One member has been changed. Part of this bill provides that instead of having a three-and-three membership which can produce an impasse, that it have an odd number as other commissions have, so there will be a decision. That is a procedural matter. Those are the things that, as a member of this committee, I am concerned about.

Your statement goes on and says:

Others more familiar with their operations have testified on these points, I regret to say that in my opinion, they have not. They have been talking in generalities, just as I would say your statement is. I appreciate those generalities and I agree with them, but we are concerned with trying to write legislation, and if we have found that the act as administered has not been administered to protect certain phases of our industry, maybe it is the administration that has been wrong, but maybe there is something wrong in the act itself.

That is what I am trying to find out. You come here and tell me that you do not know anything about, or rather, that you have not any opinion on the actual way the act has been written.

Secretary McKAY. I do not think I said quite that. As I said before here, I have been in Washington a little over 8 months. I do not think I can be expected to be an authority on all of these things so quickly. I think you know a great deal more about it than I do, as a matter of fact.

Mr. CURTIS of Missouri. No, sir, I would not put myself in that category, but I would put this committee in that category; and yet the word has been spread around this country, sir, that this Simpson bill is going to cripple the Reciprocal Trade Agreements Act. If it is going to, I want to know where, because I do not want to cripple the Reciprocal Trade Act.

I am inclined to go along with the administration, I might say, but if I do not have a little positive evidence somewhere where somebody says a particular provision here will cripple it—and to date, I have heard none from the testimony of the administration—unless I can find it myself, I am constrained to feel that this is just epithets; that there is no basis for this condemnation.

To take this section of your statement a little further, you state that:

However, these provisions of the pending bill, as I understand them, amend permanent legislation and, if enacted, would themselves become permanent legislation.

That is certainly not true up through section 7 of the bill, through page 8. Those are simply amendments of the temporary act that we are extending. Those are the changes of language in the criteria of how we are to determine when an industry might be adversely affected through imports.

Surely, some of the rest of the act actually goes into permanent legislation, like putting an additional member on the Tariff Commission, but I cannot follow generalities. I can understand details.

I would like to ask you, Mr. Secretary, if, in your opinion, there is any provision in this Simpson bill that would so cripple it that the administration could not properly function if this became law?

Secretary McKAY. No, I do not say that. I do not think it is going to cripple anybody. But I say that a simple continuation of the Reciprocal Trade Bill, the act, for one year would give a chance for further study on the whole situation.

Mr. CURTIS of Missouri. But if this committee felt there were certain changes that could be made which would be beneficial and still give the authority to go ahead with the Reciprocal Trade Act, what would be wrong with that? President Eisenhower has said that as long as the amendments in the extension are not changing the basic purpose of the act, he would go along, as I interpret what he said. What I am trying to find out from the administration is what particular things in this Simpson bill are objectionable, in detail; what language in here is harmful. I have not heard any yet.

Secretary McKAY. I am sorry I cannot help you, but I still go back to my statement that it is a very simple procedure to extend it for 1 year. We have not done so badly under the present act, I do not believe.

Mr. CURTIS of Missouri. If you had to listen to the testimony that this committee has had to listen to, and the situation that a lot of American industry feels that it is in, I think you would be as disturbed as we are, and as concerned to try to do something about it.

One final matter. On page 4 of your statement you say:

Section 18 would place an absolute quota on the imports of petroleum and petroleum products so that we could not import more than an amount equal to 10 percent of our domestic demand.

I would say you could say that with justification, if that were a rigid, absolute quota, it would be a very dangerous thing, in my opinion. But on page 14 of the bill, section (b) has a provision for suspension of the quota, and gives the President the power to suspend that quota if certain situations change, as far as the demand is concerned, which seems to me to meet the objection that you are raising here.

Maybe in your opinion, after you read the provision on suspension of the quota, you would still feel that that is too rigid. I would like to know if that is so, but certainly the way the Simpson bill is written, it is not "an absolute quota" at all. It has its own escape clause and gives the President these powers.

Secretary McKAY. I have read the bill. I am not an authority on it. I did not observe—

Mr. CURTIS of Missouri. This is on page 14 of the bill, and it is subsection (b) under section 322, "Import Quotas for Crude Petroleum and Residual Fuel Oil." It is entitled, "Suspension of Quotas," and has subsections (1) and (2) which set up the procedure.

Secretary McKAY. It may be supplemented by the amount of imports necessary. If it is inadequate to meet the demands of the United States, then it can be suspended.

Mr. CURTIS of Missouri. That is correct. As I interpret your statement, that is what you are worried about: that if an absolute quota were imposed, the needs of the United States might be adversely affected. But I think that is just the reason for this provision of suspension of quotas.

Secretary McKAY. That probably would be used as an escape clause in the event of an emergency where we need more oil, but, at the same time, as I said before, I do not believe in the Government's moving in on business, the control feature, unless it is absolutely necessary. That is the reason I do not approve of the quota system. I think industry themselves competitively can arrange that better than the Government. I would like to see it tried. It has been only a short time that petroleum has been in any difficulty, and I do not believe they have exhausted all their avenues yet, before they should come to Government and ask that a quota be put on by law.

Mr. CURTIS of Missouri. Thank you, sir. That is all.

The CHAIRMAN. Mr. Utt will inquire.

Mr. UTT. I wish to compliment you on your fine speech last night. I think you gave thousands of small-business men a great belief in America and the free-enterprise system. I certainly personally enjoyed it very much.

I have just 1 or 2 questions. One is as to whether you, as the Secretary of the Interior, would subscribe to the theory and the idea that if certain American specialty crops cannot compete with foreign imports, they should abolish those industries and transfer into some other type of production?

Secretary McKAY. Now you are getting right down—

Mr. UTT. I refer specifically to the cherry industry.

Secretary McKAY. Cherry and filberts in Oregon.

Mr. UTT. Right.

Secretary McKAY. I do not believe we want to put those industries out of business. In the first place, under a tariff policy we must have a strong America. If America is not strong domestically, the

world will not be strong. So we cannot be in the position of putting people out of business. But I will say this, for the filbert industry, for instance: I do not believe they have yet exhausted all of their opportunities in merchandising the crop. Naturally, they are hurt and they want to get additional protection from products from the Mediterranean.

The cherry industry is a little different, particularly the maraschino cherries. Because of the imports from Italy they are really priced out of the market. They would have to have some additional protection. That is the only thing of opening up this whole story at this time. There will be dozens of them that need some adjustments on tariffs.

Mr. Urr. The thing that we have in the Simpson bill is to add a criterion to help guide the Tariff Commission. As you know, in the past there have been 25 industries applied for relief from the Tariff Commission, and so far only about 2 have finally received relief. The Simpson bill simply adds criteria by which they can be guided. I am glad that you do not subscribe to the idea of the liquidation of businesses, although the Tariff Commission has recommended that to the cherry industry, and also to the garlic growers of California; and in the recent report of the Tariff Commission as regards the tuna problem, which involves the States of Oregon, California, Washington, and other States, they said, on page 67 of their report in the conclusion, among other things:

That a sharp curtailment of imports of tuna and tuna-like products, whether through quotas or tariffs, would probably benefit the immediate future of the domestic fisheries, but it might also encourage the tuna industry to expand their domestic fleet and contribute to a later recurrence of the very same thing.

I can find nothing in the instructions to the Tariff Commission under the law that an industry is not entitled to protection just because it might expand its own industry. I am wondering if you would subscribe to the idea that the Tariff Commission should not be guided by the impact of imports, but should just be arbitrary and capricious on the basis that it is not good for the industry to expand itself?

Secretary MCKAY. Oh, no; that is absolutely foreign to the American principle. We surely want to expand any time we can.

Mr. Urr. I knew that would be your answer, and I wanted to get it in the record. That is what American industry has faced every time it goes before the Tariff Commission, and we do have a Tariff Commission that is not completely changed. You, as a businessman, if you would examine the record and find that 25 industries had been practically turned down, would hesitate to go to the expense of going before a commission which you felt might completely turn the matter down.

One other thing. This probably should not be directed to you, but I failed to get it into the record when Mr. Stassen was here because we had a roll call and we all had to leave in a hurry. That is, according to your statement here you do believe that we should have a commission appointed or a committee appointed by the Speaker of the House and the Vice President, to examine the full tariff problem and foreign trade problem. Is that correct?

Secretary MCKAY. Yes, sir.

Mr. Urr. Speaking only as one member of the committee, it just seems to me that we have had more bureaus and commissions making examinations and reporting back and doing nothing about it. This committee will have, of course, to duplicate the work that that committee does, and I would like to invite your attention to the fact that after the first of the year there was a large committee of businessmen sent to Europe to examine the mutual security and foreign aid, and they have been returned to this country for some 60 days now, and yet no report has been given, either to this committee or to the public.

I am wondering, personally, whether those reports are being suppressed because they may contain something in them that would be adverse to the Mutual Security Administration, even to the effect that they might have recommended that the Mutual Security Agency be abolished along with the Administrator.

I am not asking you to comment on that, but I did want to put it into the record that we may face that same thing with another commission coming back and not reporting, either to the public or to this committee; and in the meantime we have lost many industries in the United States because this committee has failed to act, and we are the ones who are going to be blamed and not the general administration. It is going to be this Committee on Ways and Means, which has the responsibility of trying to protect domestic industry.

I do not ask for comment on that, because it is not in your Department, but I did want to get that into the record, having failed to do so yesterday.

Thank you.

The CHAIRMAN. Mr. Jenkins will inquire.

Mr. JENKINS. Mr. Secretary, I was very much interested in your colloquy with our distinguished member from Pennsylvania, Mr. Eberharter. In your discussion of Mr. Wormser, your principal Assistant, you indicated that he is a man of great ability and great perspicacity, and that he has about everything that it takes to make a real man.

Still, I understand in spite of his position with reference to this matter, you come before us with a different view. He is a man of experience in this line. You admit that you are not. Still he has an opinion different from yours. What do you think? Do you think I would be wrong if I would take his opinion against yours?

Secretary MCKAY. You have not asked his opinion as a Federal employee. Naturally, all of us in a business might be a little prejudiced in favor of our own business, don't you think? I do not know. I have not discussed that feature with him.

Mr. JENKINS. That would make no difference. If he is right with reference to the lead and zinc and the things that he knows about, if he is right as an engineer, then he is still right whether he is your assistant or whether he is not your assistant.

Secretary MCKAY. That is right. But I think the question is hardly fair, because we have not examined Mr. Wormser on these things. I think if you want to get his opinion, he will be glad to give it to you in detail.

Mr. JENKINS. I already have his opinion, and I am satisfied with it.

Let me ask you another question. Over on page 2 of your statement—

Secretary MCKAY. Pardon me. May I answer that?

You have not had his opinion since he has been in the Department.

Mr. JENKINS. I just got his opinion from what Mr. Eberharter read from the book. That is all I had.

Secretary MCKAY. That was his opinion prior to the time he became a Federal employee. When you become a Federal employee of the administration, naturally there is some give and take in some of your opinions. I do not think it is as serious as that a man is right or wrong. I do not think it is that serious.

Mr. JENKINS. I will give you my reasons for taking my position. I have sat here now for 3 weeks, and for 2 weeks we have listened to men from all parts of the country, representing millions of people and billions of dollars, all of them without exception advocating the passage of Mr. Simpson's bill.

I put your first assistant in the same category with those people, and that is the reason I want to call that to your attention: That you have with you a man who thinks consistently with the great group of people who have already been before us.

I wish you could have heard them, because I know you are an honest, conscientious man, and you have been an able public servant. I know you would be moved by their position, by the position of people who know what they are talking about.

Let me ask you just one question about your statement on page 2. At the bottom of the page, the second paragraph from the bottom:

This is the first bill on foreign trade to come before the Congress since the new administration has assumed office. Now many members of this committee have had long experience in studying and passing on legislation relative to foreign trade. The administration, however, would welcome an opportunity to have a fresh look and a closeup at the problems of foreign trade—especially in the light of our new commitments internationally.

I would like to ask you what those new commitments are. I do not know anything about them and maybe other members of the committee do not know. Can you tell me what two or three of them are?

Secretary MCKAY. There are no secret commitments. You know them as well as I do. We have created NATO, and so forth, in Europe, the idea of uniting the free world to fight Communism. I think those commitments are well known.

Mr. JENKINS. Then that was just a general statement you made?

Secretary MCKAY. Yes, sir.

Mr. JENKINS. I thought you had something specific in mind that we did not know about.

That is all, Mr. Secretary. Thank you.

The CHAIRMAN. Mr. Eberharter wishes to inquire again.

Mr. EBERHARTER. Mr. Secretary, on page 9 of your prepared statement, in the second paragraph, you say:

In addition, during this interim period of study the affected industries continue to have before them the opportunity to take their cases to the Tariff Commission for escape-clause investigations, which after due consideration may result in modification of the tariffs or imposition of quotas.

Further down in the same paragraph you say:

Moreover, the composition of the Tariff Commission has changed; an industry application in effect now goes before a new and different Commission.

Just what do you mean by that, "new Commission"?

Secretary MCKAY. I must admit I do not know. I thought it had changed from the information I had. I thought it had changed.

Mr. EBERHARTER. In what respect?

Secretary MCKAY. In the composition of it. I did not write this particular paragraph, as you may well know. I supposed they had information that it had changed. Has it not changed?

Mr. EBERHARTER. That is what you mean? You mean it has a new member now?

Secretary MCKAY. Just one, is it? I did not know.

Mr. EBERHARTER. Well, the person who wrote this statement, then, probably meant by that that it has a new member whose views are well known with respect to tariffs. Do you think that is what he meant?

Secretary MCKAY. I suppose so.

Mr. EBERHARTER. So you could practically depend upon anybody going before the Commission receiving a very sympathetic hearing on his complaint?

Secretary MCKAY. I would think if there is a Tariff Commission that is not giving industry sympathetic hearings, something would be done about it administratively. The appointing power certainly has power to remove, has it not?

Mr. EBERHARTER. That is a doubtful question. The terms of the Commissioners are fixed by law, and if there is a change of administration, it is very doubtful whether a change in administration could force the removal of a member of the Tariff Commission.

Secretary MCKAY. I see.

Mr. EBERHARTER. The Tariff Commission has been in existence for nearly 40 years. Are you aware of the fact that it always has been nonpartisan?

Secretary MCKAY. Yes, sir.

Mr. EBERHARTER. Do you think that the statement here may mean that the Commission is now not nonpartisan?

Secretary MCKAY. Oh, no.

Mr. EBERHARTER. The composition of the Commission has been changed, you say. Would you say it is still nonpartisan?

Secretary MCKAY. I would think so.

Mr. EBERHARTER. I cannot get away from the fact that the impression from that statement is that the change in the personnel of the Commission will result in different findings.

Secretary MCKAY. Well, you are entitled to your impression of it, sir.

Mr. EBERHARTER. It does not give you the same impression, though?

Secretary MCKAY. Not necessarily.

Mr. EBERHARTER. Inferentially, then, instead of not necessarily?

Secretary MCKAY. Very well. You know, this is testimony submitted to you. You are not going to act on this testimony alone. You are going to act upon the combined testimony. If this is not satisfactory, throw it out the window.

Mr. EBERHARTER. We are just trying to get an explanation of what you meant by your official statement. That is an official statement, Mr. Secretary.

Secretary MCKAY. I will stand on it.

Mr. EBERHARTER. It is not an off-the-cuff opinion, you know.

Secretary MCKAY. This is submitted; and if it is not right, we will have to correct it.

Mr. EBERHARTER. There may be some faults in it, is that it?

Secretary MCKAY. We are not perfect.

Mr. EBERHARTER. Thank you.

Secretary MCKAY. If there are statements we have made wrong, we will stand corrected.

Mr. EBERHARTER. Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Cooper wants to ask a question.

Mr. COOPER. Mr. Secretary, I would like to ask a question for information here on a point on which I think you would be prepared to give it to us.

I invite your attention to the top of page 5 of your statement, where you state:

It may be worthwhile to point out that this bill, if enacted, would not reduce the imports of crude oil but would permit an actual increase over 1952 levels. Residual fuel oil constitutes a large proportion of total petroleum imports. A 5 percent limitation on residual would permit an increase in crude within the 10 percent limitation set by the bill.

Would you elaborate on that a little bit for us, and give a little further information on that point?

Secretary MCKAY. As I remember the bill, there is 10 percent on all petroleum products. I think there is room for—I will have to stop and think. It is confusing to me, also, Mr. Cooper.

Mr. COOPER. I am not trying to embarrass you. I am just seeking some information on that point, if you have it.

Secretary MCKAY. There might be a differential in the residual fuel oil against other petroleum products.

Mr. COOPER. How is that?

Secretary MCKAY. You see, the 10 percent is on the total. The limitation of Mr. Simpson's bill is 10 percent total, that is correct, is it not, on all petroleum products?

Mr. SIMPSON. That is correct.

Secretary MCKAY. The residual fuel might be up or down or vice versa. There could be a differential between residual and other petroleum products.

Mr. COOPER. So, in view of that situation, as you point out here, the imports of crude oil might permit an actual increase over the 1952 level?

Secretary MCKAY. I believe that means that the 1953 volume could be large enough so there would be an actual increase in imports over what it was last year.

Mr. COOPER. One other point, if I may, Mr. Secretary.

Secretary MCKAY. Surely.

Mr. COOPER. With respect to lead and zinc, on page 8 of your statement, the middle of the page, you say:

On the other hand, steadily expanding industrial activity has maintained lead and zinc in high demand and this high level of demand seems likely to continue as the economy continues to grow. It is also expected that the United States will continue to depend upon imports from foreign sources to meet a substantial part of this growing industrial demand for lead and zinc.

By that do you mean that the industry of this country, as well as the demands of the Government in the defense program, will have to depend in the future upon imports of lead and zinc?

Secretary MCKAY. Yes, I think that is right. At the present time we have too much, however. There has been more imported than is necessary for the market. That has forced the price down. I believe there is quite a little import necessary in a normal market.

Mr. COOPER. I happen to recall that this committee has been requested several times in the past to suspend the tariff duty on certain metals, scrap metal, and I believe other metals, because of the needs existing in this country for those materials.

Secretary MCKAY. Yes, sir.

Mr. COOPER. By this statement here, you intend to point out that that condition will continue to exist in the future as it has in the past?

Secretary MCKAY. I think so. Of course, at the moment lead and zinc are in oversupply. I am hopefully thinking that it is going to adjust itself in the next 2 or 3 months, perhaps. Many of the mining people do not think so. They think it is going to continue to be in oversupply. At the present price, many of the mines cannot operate, which I hate to see because we need the employment and we need the business, of course. We must keep the business up. We will always have to have some import, I believe.

Mr. COOPER. Of course, these natural resources of this country come especially under the jurisdiction of your Department.

Secretary MCKAY. Yes, sir.

Mr. COOPER. Do you have any thought that you would be prepared to express on the general question of permitting imports of some of these natural resource materials rather than continuing to deplete our own natural resources?

Secretary MCKAY. That depends upon the resource. Some of them will sustain for a long, long time. For instance, in the lumber business, with which I am familiar, we are trying to get on a sustained yield basis in the Northwest Territory, and we are approaching that. If you are on a sustained-yield basis, you can go on for a thousand years.

But on these exhaustible resources, like minerals, I could not say offhand what the survey shows. Ultimately, of course, we may be out of petroleum or we may be out of lead and zinc. I do not know. Those are things that we must watch.

This Department, in my opinion, is largely a natural resource department. We must be interested in the conservation—and that does not mean the locking up, but the wise use—of our natural resources so as to preserve them for posterity.

I think in some cases it is desirable that there be some imports to prevent using up some of ours that might be scarce. In no case, though, should the imports be such that we would weaken our own economy.

The CHAIRMAN. Mr. Secretary, I have not asked any questions, but I shall address you now.

Secretary MCKAY. Yes, sir.

The CHAIRMAN. On this matter of lead and zinc, I just want to ask, is not this true and a good, sound policy: If we are going to have imports into the country, should we not keep our industries that compete, we will say, with foreign imports, going, so far as possible, as a regulator of the price of the imports that we receive?

Secretary MCKAY. I agree with that.

The CHAIRMAN. That is certainly a sound proposition, because we have had the experience that just as soon as they can drive us out of an industry or a market, immediately the price goes up.

Secretary MCKAY. Yes.

The CHAIRMAN. In other words, if it were not for our manufacture of synthetic rubber—which I understand now is going to be taken from the hands of the Government and perhaps go over into private enterprise, which I think is very desirable—were it not for that as a regulator, we do not know what the price would be for rubber.

We have had one experience of its going clear up to the sky, almost, is that not true?

Secretary MCKAY. Yes, sir.

The CHAIRMAN. Then I take it that you are interested, you must be interested, of course, in tariffs where they can be applied properly to protect our industries. You have had some experience in Oregon. I remember a few years ago when there was great pressure brought to bear on this committee with reference to your shingle industry out in your country, is that not right?

Secretary MCKAY. Yes, sir.

The CHAIRMAN. Canada was simply driving you out of the market.

Secretary MCKAY. That is right.

The CHAIRMAN. To your people, the shingle industry was a pretty important thing. It provided quite a payroll for certain communities, is that not right?

Secretary MCKAY. Yes, sir.

The CHAIRMAN. My idea is that if you fly over this country, you look down upon hundreds of thousands of little communities, and you naturally wonder what supports each community. It is not the profits of an industry there alone that does it. It is the payroll that sustains the communities of this country, is that not right, sir?

Secretary MCKAY. Yes, sir.

The CHAIRMAN. Every time we export a payroll to some other country, they get the benefit of that payroll, and it rarely occurs that we get a sufficient benefit from that exportation to make up for what that payroll here means to that community and to the people who live in it. Is that not right?

Secretary MCKAY. That is right.

The CHAIRMAN. Is it on that basis that I have always been a protectionist. This committee has aided in the growth of this country by protecting our industries as far back as 1802, and sometimes perhaps the tariff has been made too high, and sometimes perhaps it has been very much too low. I think it is too low now on the average, down to 12 percent.

Oregon is a wonderful State. I have always been very much taken with it, and I have enjoyed traveling through it. Its scenery, its woods; and the courage of the people has always been an inspiration to this Nation. I think most of them had to go into Oregon originally by water, did they not?

Secretary MCKAY. They drove across the continent, which took 6 months.

The CHAIRMAN. And lowered their prairie wagons down into great ravines and then hauled them up on the other side.

Secretary MCKAY. That is right.

The CHAIRMAN. Your people have great courage. It is that energy that has built this Nation. If our people were to be subjected to the low cost of labor abroad—I have traveled abroad and have seen what it means over there.

Let us take Italy, for instance. There are some of those great valleys of rich, fertile soil over there, all owned by maybe one family. The people who work that land are practically slaves. All they would ask in the world in the way of liberty would be to have a little piece of land of their own. They are a peaceful people over there.

Just because the other nations are a little bit nervous about what we are going to do over here, I do not think we should give up the very heart and soul of this Nation, which is our domestic market. Do you not agree with that?

Secretary MCKAY. I agree with that, sir. May I add something?

The CHAIRMAN. Yes. I want you to answer.

Secretary MCKAY. I agree with that in theory. I, too, have always been a protectionist; but, under the present circumstances, some of these things that are imported enable these nations to import some of our commodities. It is a very delicate balance. Nobody knows just where it should start or stop. I think we have to be flexible in our thinking on that.

The oil that comes in from Venezuela, for instance, if we were to cut that out, it would cut off their buying from us a considerable amount of merchandise.

We in Oregon, for instance, have always depended upon the export market. There was a time during the day of the sailing vessels when the largest port for wheat in the world was Portland, Oreg. It has lost that through changed conditions. In the wool market it was second to Boston. We have always been in the export business.

We raise our things in surplus. Our lumber business is in spirited competition with Canada. It is a two-way street, in other words, more today than ever before, because we are trying to create the impression or the theory of "trade, not aid"; rather than giving foreign countries who are allies outright gifts, that we trade with them and enable them to help sustain themselves. It is a delicate balance.

The CHAIRMAN. I think you would agree with me that if we have to support these other nations through taxation while they reduce their taxes and pay their debts and balance their budgets, if we still have to do that, I am not sure, but that it would be just as well for our economy here to continue to do that, maybe, as it would be to just destroy our markets and payrolls and put a lot of our people on relief.

Secretary MCKAY. I do not believe, Mr. Reed, that we can continue to support the world.

The CHAIRMAN. I am glad to hear you say that. For my own part, I am utterly disgusted with the idea of the amount of foreign aid which they are proposing to give at this time. Why should we be building seaways over there and building 22 dams and 46 power stations on a great canal going up from the Mediterranean to Lake Geneva, which the French are not putting a nickel into? All of that is going to lead to competition with us eventually. We do not have to build mile-long railway stations over there. The time to stop this is now, and to stop pouring all this money into foreign aid. We have to look after our own country.

All I am worried about here is that we are going to ignore the complaints of the people who come from your State and all over this country which we have been hearing, as the men have told you, day after day. This forum is for our people to come before. Personally, I do not think that a study such as was proposed is going to bring us anything new. Our duty and our sworn duty is to protect our own country.

Mr. Secretary, I want to congratulate you on your remarks. You have come before a pretty hard-boiled committee, and you have not been in office so very long, and I think you have done very well, sir. I congratulate you on your statement, and we are mighty proud to have had you here.

Secretary MCKAY. Mr. Reed, I have spent my life in business, a very competitive business. I am used to being kicked around. It makes me feel at home.

Thank you very much.

The CHAIRMAN. One question, Mr. Secretary, by Mr. Simpson.

Mr. SIMPSON. Mr. Secretary, I want to inquire about the following statement:

I doubt that the right approach is to use the power of the Federal Government to control imports.

You were speaking about oil in the preceding sentences. What do you have in mind? That the Federal Government power should not be used to control imports?

Secretary MCKAY. There is a difference of opinion among industry, but I believe the majority of the petroleum industry would like to try to adjust the imports themselves.

Mr. SIMPSON. Do you have any specific information as to how far that policy may have progressed, or if it is a policy, or if there is any effort being made along that line?

Secretary MCKAY. Yes; there is an effort made along that line, but of course the industries are afraid of the Sherman Antitrust Act, too.

Mr. SIMPSON. Incidentally, the Federal Government is controlling imports in the sense that the Sherman Antitrust Act comes into it.

Secretary MCKAY. That is right. I believe that men in business cannot have hard-boiled rules and regulations, because then you will be in violation of the Sherman Antitrust Act. But I believe industry is sufficiently intelligently to attempt the adjustment itself.

Mr. SIMPSON. I want to congratulate you, sir, for the refreshing air you have brought to the committee, and for your complete frankness with us.

Secretary MCKAY. I am sorry I do not know more.

STATEMENT OF HON. EZRA TAFT BENSON, SECRETARY OF AGRICULTURE, ACCOMPANIED BY R. E. SHORT, DIRECTOR, FOREIGN AGRICULTURAL SERVICE; KARL D. LOOS, SOLICITOR; DON PAARLBERG AND WHITNEY GILLILLAND, ASSISTANTS TO THE SECRETARY; AND ORIS V. WELLS, CHIEF, BUREAU OF AGRICULTURAL ECONOMICS

Secretary BENSON. I have a brief statement. If I may, I will read that first.

The CHAIRMAN. Certainly.

Secretary BENSON. Mr. Chairman and members of the Committee on Ways and Means, this is my first formal appearance before the

committee since we took office. It is, therefore, a significant occasion for me. However, my associates and I have counseled repeatedly with Members of Congress and have profited greatly from your advice. We expect to continue to work closely with this committee and other committees of the Congress.

I welcome this opportunity to appear before this committee to discuss the renewal of the Reciprocal Trade Agreements Extension Act of 1951.

In his message of April 7 to the Congress, President Eisenhower recommended the renewal for 1 year of the present trade agreements legislation. This renewal was asked for as an interim measure to permit temporary continuation of the present program, pending the completion of a thorough and comprehensive reexamination of the entire economic foreign policy of the United States.

The Department of Agriculture supports the President's recommendation. We hope that there can be a straight 1-year renewal. During these nearly 20 years that the act has been in effect, it has proved its advantages. It has had strong bipartisan support in its present form. An extension will give the Congress and the administration an opportunity to study our foreign trade policies carefully and thoroughly, in the light of our changing times. The act contains a number of provisions that should not be allowed to lapse without other legislation to take their place.

An important part of the market for American agriculture lies abroad. In recent years, we have exported the production of from 50 to 60 million acres of farmland. Our farm exports in the last 5 years have averaged \$3½ billion in value each year. Last year we exported some 40 percent of our cotton, wheat, and rice and about a fourth of our lard and tobacco. We exported significant parts of our production of many other items and these exports made a necessary contribution to the prices and incomes of American farm producers.

Attached to my prepared testimony is a statistical supplement which gives detail regarding foreign trade in farm products. You may find it a useful reference.

(The document referred to is filed with the committee.)

Secretary BENSON. Foreign purchasers must buy our exports with dollars. They obtain these dollars primarily in selling to us the goods and services which they can produce most effectively in exchange for our goods and services. For our foreign trade as a whole we have been buying a smaller amount of goods and services than we have been exporting. We have made up the difference by lending or giving away our dollars.

The excess of our total exports of goods and services over our total imports began sometime in the last century. In those days we were a debtor country. We were paying dollars to foreign countries as interest and principal on our debts, and our export balance helped service our debt.

Since World War I, however, we have been a creditor nation, and an excess of exports over imports is no longer to be considered advantageous. We are told by the Assistant Secretary of Commerce, Samuel W. Anderson, that from 1914 to 1952 the excess of United States exports over imports has totaled some \$120 billion. More than 70 percent of this excess has been accounted for through Government loans or through so-called giveaway measures at direct cost to

American taxpayers. To send our goods abroad and attach a check for payment to the bill of lading—this is hardly to be considered as good business practice. In its place must be some means of making the trade-sheet balance. Imports to match our exports is the practical answer. The trade-agreements machinery can be used to help accomplish this objective. In the use of trade agreements, negotiations should be broadened to consider regulatory devices other than tariffs, such as quotas and manipulated exchange rates. Other nations have employed these devices to our disadvantage, offsetting seeming gains obtained through tariff modifications. The authority might also be used to negotiate a regulation of foreign trade in some agricultural products similar to regulations authorized by marketing agreements and orders.

I recently recommended to the Senate and the House Agricultural Committees that the Reciprocal Trade Agreements Act be extended.

At the same time I indicated that import controls should be provided for those United States agricultural products which were under price support, and recommended that section 22 of the Agricultural Adjustment Act of 1933 be strengthened so as to make this possible. Let me review for you the conditions that made these recommendations advisable.

We, in Agriculture have in operation, as a consequence of congressional action, various price-support programs. Many of the commodities included in these price-support and marketing-order programs are subject to substantial import competition. In many cases the price-support level is substantially above the world market price, even after allowance for the customs duties assessed against imports. When that happens, imports are attracted to this country from all over the world, including areas whose products would normally be exported in whole or in part to other countries where they may be badly needed. But the price-support level in this country acts like a powerful magnet to draw these commodities out of their normal flow in international trade. When we seek to limit the effect of this influence, we are simply seeking to diminish or avoid the distortion of trade by the stimulus of an artificial influence, such as a price-support program.

I am sure the Congress would not enact a statute making mandatory the support of the world price of agricultural commodities at 90 percent of American parity. Yet that is what the present mandatory supports mean if we do not have a readily available and effective method of controlling imports of those commodities or products whose prices are maintained here above world levels by price-support or marketing-order programs. Our price-support activities, already costly, would become much more expensive.

In recognition of the fact that a stimulation of imports can impose an intolerable burden on a price-support program, the Congress enacted section 22 of the Agricultural Adjustment Act. This section provides for the imposition of import quotas or import fees whenever imports of any agricultural commodity or product thereof render or tend to render ineffective or materially interfere with any price-support or marketing order (or certain other) program. This is permanent legislation.

Although section 22 originally enacted in 1935, it was very little used. It calls for investigation by the Tariff Commission after rec-

ommendation by the Secretary of Agriculture. Only 5 such investigations have been instituted in the past 17 years. Experience has shown that these investigations are usually long drawn out and this procedure has proved to be wholly ineffective to meet the problem.

This is indicated by our experience with wool. Wool price support is mandatory at such relation to parity between 60 and 90 percent as determined necessary to encourage an annual production of approximately 800 million pounds of shorn wool. Current production is considerably below this goal and wool is currently being supported at 90 percent of parity. Upon the recommendation of the Secretary of Agriculture that imports of wool were interfering with the wool price-support program, the President directed an investigation under section 22 which was instituted by the Tariff Commission and hearings were held commencing September 29, 1952.

Up to this date no report has been made by the Tariff Commission. Imports of foreign wool have been received in large quantities and the marketing of domestically produced wool has been materially retarded. Commodity Credit Corporation presently holds under loan about 100 million pounds of 1951 and 1952 crop wool, representing almost half of the 1952 production. In the 12 months ending December 31, 1952, imports of wool have been 300 million pounds (actual weight basis, dutiable wool). We are simply immobilizing our domestically produced wool and it is being replaced by imports.

Because of the failure of the executive branch to use section 22 in such a manner as to achieve the objectives of its enactment, Congress enacted section 104 of the Defense Production Act. This section applies only to certain fats and oils, butter, cheese, and other dairy products, peanuts and rice and rice products.

It requires that imports of such commodities shall be limited to such quantities as the Secretary of Agriculture finds will not (1) impair or reduce domestic production below current levels or such higher levels as deemed desirable; (2) interfere with orderly domestic storing and marketing; or (3) result in an unnecessary burden or expenditure under a price-support program.

The control of imports under section 104 is prompt and effective. But it has been subjected to severe criticism on the ground that the procedure is arbitrary in character, and it has been the source of much friction in international relations. It requires the imposition of more drastic import restrictions than would be required simply to protect our price-support programs.

We feel strongly that Congress intended section 22 to be used, and used effectively whenever necessary to protect price-support and other programs. The statutory history clearly so indicates. Section 22 can be made an effective instrument by improved administrative procedures and by supplementing it with authority, in an emergency, to impose the quotas or import fees within the limits specified by the section, on an interim basis pending decision by the Tariff Commission and action by the President. So strengthened, section 22 would assure the protection of the Department's price-support and other programs against interference or nullification by the distortions in international trade which such programs are likely to create.

Furthermore, under this procedure the import restrictions which are necessary to protect our price-support programs would be subject to deliberations in which all parties could be heard rather than being

imposed arbitrarily as is now the case. This would be in harmony with the policies embodied in the reciprocal trade agreements.

The Tariff Commission, at the request of the President, began hearings on Monday of this week in an effort to expedite action on agricultural commodities now under price support.

With the strengthening of section 22 there will be no need for an extension of section 104. The strengthening of section 22 can be accomplished by expedited administrative action and by a separate legislative action. I point this out merely to clarify the fact that extension of the trade agreements for a year, pursuant to the President's request, need not impair our price-support operations nor our protection of them.

I wish to emphasize that the limitation of imports for commodities under price support is made necessary by our price-support laws. Such recommended restrictions are not inconsistent with my recommendation for a continuation of reciprocal trade.

There are many problems that await solutions. Not all the answers have yet been given. Our foreign aid program, America's prospective role in her trade relations with other nations, the question of international commodity agreements—these and other unsolved problems confront us. The legislative and executive branches of government have a grave responsibility in finding solutions to these important problems. Perhaps it is an act of prudence to proceed with deliberation rather than with haste.

I wish to stress that the Department will wholeheartedly cooperate with the study of our economic foreign policy that the President has ordered to be undertaken. The interrelations between our foreign trade policies and our agricultural policies will be a part of this study. We hope the study will result in widely agreed proposals for a comprehensive and constructive effort toward building a strong economic system within the free world, such as envisaged by the President in his message on April 7 to the Congress of the United States.

In the meantime, we trust the Congress, in its wisdom, will see fit to grant the renewal, for 1 year, of the present trade agreements legislation as requested by the President.

May I conclude by saying that in the days ahead I shall continue to seek your counsel and direction, as I have that of the President. The services of the Department will always be available to you. You will, no doubt, on many occasions have reason to question my judgment, but I trust you will never have occasion to doubt my sincerity or my deep interest in the problems of the farmer.

That concludes my formal statement, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, I wish to congratulate you, sir, upon a very clear presentation of the subject as you see it. We are very glad to have you here today.

Secretary BENSON. Thank you very much.

The CHAIRMAN. Are there any questions?

Mr. Simpson will inquire.

Mr. SIMPSON. Mr. Secretary, if I followed correctly, you recommend the discontinuance of section 104 now in the law, whatever law it is—the Defense Production Act.

Secretary BENSON. The Defense Production Act.

Mr. SIMPSON. You have recommended that that be eliminated, and you suggest that section 22 can accomplish its intended purpose by

expediting administrative action within by separate legislative action. Are you recommending legislative action now? I do not mean today, but in connection with these hearings.

Secretary BENSON. We feel, Congressman, that there is a possibility of meeting the need through effective administration action in connection with the legislation already embodied in section 22. However, if that proves not to be sufficient, then it is my feeling that it should be strengthened through amendment.

Mr. SIMPSON. Under those circumstances, you would recommend amendments to section 22 to make it workable?

Secretary BENSON. I think it must be workable. We must have some type of protection against imports, particularly while we are operating a support program with high, rigid supports.

Mr. SIMPSON. If section 22 as it exists presently will not accomplish that purpose, then you would like an amendment added to it now?

Secretary BENSON. Yes; if through administrative effort it cannot be accomplished, then I would think that an amendment to strengthen it is desirable.

Mr. SIMPSON. When you make that recommendation you have in mind agricultural interests?

Secretary BENSON. Yes, primarily; that is right.

Mr. SIMPSON. The whole purpose of these hearings and of my interest in this particular legislation and the reason I introduced the bill was because I had in mind the interests of agriculture, yes; pottery manufacturers, yes; bicycle manufacturers, textile workers, coal miners, lead miners, and a dozen others.

How would you suggest that we might justify affirmative action to protect the farm group in this area by amending section 22 and yet suggest that we delay any action pending the study of the Commission which you recommend?

Secretary BENSON. I feel, Congressman, that the whole field needs very careful study, including section 22. Personally, I have made up my own mind that section 22 can be made effective so far as agriculture is concerned. There may be other legislation that could be used and made effective in the case of these other commodities. I am not familiar with that field, particularly.

Mr. SIMPSON. But you do agree with me that if it cannot be done administratively, we should do it legislatively and we should do it now?

Secretary BENSON. Of course we have a rather peculiar situation in agriculture, Congressman. We have these high, rigid support programs, as you know, and we are costing the taxpayer a great deal. If we do not have some protection against excessive imports, it means we are attempting to hold an umbrella over the rest of the world, which of course is rather impractical.

Mr. SIMPSON. Let me counter one by one. We have exceedingly low import duties which in my opinion are causing excessive suffering on the part of men thrown out of jobs. I can counter those arguments one by one. As far as my judgment is concerned—incidentally, I am for this aid to the farm group—I just cannot see why we should single that group out to the exclusion of the others wherein I see the need relatively at least as great. I think you can understand

what I mean. It is a little hard to pick out one of a group suffering and not the others.

Secretary BENSON. I think that is true.

Mr. SIMPSON. I will say one thing more. I would like to see this Commission go ahead and study it. I have seen them before, and I hope to profit by the results of this new one. But I think damage is being done every day in certain areas of the economy, and I would like to give them some relief right now while we are making the study and then next year do what that committee recommends, if this committee sees fit.

I thank you, sir.

Secretary BENSON. I can understand that, sir.

Mr. COOPER. Mr. Chairman.

The CHAIRMAN. Mr. Cooper will inquire.

Mr. COOPER. Mr. Secretary, the section 22 referred to in the discussion is section 22 of the Agricultural Adjustment Act?

Secretary BENSON. That is correct, Congressman.

Mr. COOPER. That measure is under the jurisdiction of the Committee on Agriculture of the House?

Secretary BENSON. Yes, I think that is correct.

Mr. COOPER. As I understand your statement here, you are not at all certain yet but that through administration the desired results may be accomplished?

Secretary BENSON. Of course, we are always hopeful that if it can be accomplished through administrative action, we would not need to resort to legislation. It is our feeling that probably that particular legislation has not had a real thorough trial, an adequate trial. It may be that we can make it effective through proper administration.

Mr. COOPER. Certainly there is no good purpose to be served by passing another law if you already have a law that will do the job, is there?

Secretary BENSON. That is correct.

Mr. COOPER. It is your thought that through proper administration it is at least possible to accomplish desired results under the present section 22?

Secretary BENSON. That is my hope.

Mr. COOPER. If you find that additional legislation is needed to accomplish desired results along the line contemplated by section 22 of the Agricultural Adjustment Act, then you will present your recommendations to the Committee on Agriculture?

Secretary BENSON. That is what we have in mind. As a matter of fact, Congressman, we have already presented our views and our recommendations on this particular section to the Senate Committee on Agriculture.

Mr. COOPER. Mr. Secretary, I invite your attention to the top of page 2 of your statement where you state:

An important part of the market for American agriculture lies abroad. In recent years, we have exported the production of from 50 to 60 million acres of farmland. Our farm exports in the last 5 years have averaged \$3½ billion in value each year. Last year we exported some 40 percent of our cotton, wheat, and rice and about a fourth of our lard and tobacco. We exported significant parts of our production of many other items and these exports made a necessary contribution to the prices and incomes of American farm producers.

There isn't any doubt that that statement is correct and is borne out by the actual experience under the trade agreements program. Isn't that true?

Secretary BENSON. I think the statement is correct, Congressman. It would be difficult, I presume, to assign fully the reason for that trade, how much of it should be attributed to trade agreements and how much to other things, but certainly we do have a very sizable foreign trade in agricultural products.

Mr. COOPER. And a considerable part of those exports from this country have gone to trade agreement countries.

Secretary BENSON. Yes, some of them. On some of these commodities I am sure we do not have trade agreements.

Mr. COOPER. But the fact remains that a considerable part of these exports have gone to trade agreement countries.

Secretary BENSON. I would have to check to determine just what percentage. I am sure there is quite a percentage of them that do go to trade agreement countries. Maybe Dr. Paarlberg of my staff could answer that better than I.

Mr. PAARLBERG. We cannot give you the exact figure. We can get it for the record if you wish. It is true that a substantial part of them does go to trade agreement countries.

Mr. COOPER. That was my question. Thank you.

Mr. Secretary, you are the responsible official of the Government primarily interested in agriculture and the farmers of the country. As long as we produce these large agricultural surpluses, produce considerable quantities of many agricultural products, more than we consume in this country, don't we have to find markets for those surpluses somewhere else in the world?

Secretary BENSON. Yes, it would appear so, Congressman.

Mr. COOPER. If we do not find markets for those surpluses in the world, it can only have the result of those surpluses remaining on the market in this country and beating down the prices that the farmer receives for the products of his toil. Is that not true?

Secretary BENSON. Yes, we have great accumulations of surpluses now, as you know, and we would like to see more of our present surpluses moved into foreign trade.

Mr. COOPER. All right. Thank you.

The CHAIRMAN. I would like to ask a question. I probably will not ask any more.

Of course, Mr. Secretary, we are regaled with this old moth-eaten argument of the free traders that if we can buy things more cheaply from abroad as a result of cheap labor over there, our consumers over here should have the advantage of those low prices and that the industry that those imports displace here should simply fold up and either go on relief or else find jobs in something else.

If we were to apply that same philosophy to the farmer, he would be in exactly that situation. He could go on relief, I suppose, according to that free-trade argument. I am not questioning anything that you have said; I am just pointing out that what is good, for instance, for the goose may be good for the gander. There is some old saying of that kind.

I would like to ask for information just what has the Government accomplished in trying through laboratory experiments to find new uses for agricultural products.

Secretary BENSON. I can tell you briefly what we are doing. We have, as you may know, our Agricultural Research Administration, and an important phase of the work of that particular Administra-

tion is in the field of attempting to find new uses for agricultural commodities. We also have a voluntary group which you may be familiar with, known as the Farm Chemurgic Council which is devoting some time to it.

Two weeks ago while at Purdue University, I had the pleasure of meeting with the directors of research from the leading industrial firms of the country for a discussion of the whole field of research, what the Government's obligations might be, what the Department of Agriculture can do, and what industry might do to help in finding new uses for agricultural commodities.

I am very hopeful, personally, that much more can and will be done in that field. However, I think it will not be fast enough to meet some of these surplus problems we have. We are exploring it. We have already found some new uses, but with the cost involved at the present time it is not very practical to use great quantities of surpluses in the manufacture of these new items.

However, it may be that we can find ways of doing it so that it will be practical and inexpensive enough so that they can serve as a substantial outlet for some of the surplus products. Certainly, we are exploring the field, and it does offer some promise.

The CHAIRMAN. I am very glad to get that information. I have been interested in that subject for quite a number of years. Wheat is one of our surplus crops. How many acres do you suppose could be absorbed by industries in this country through new uses in industries?

Secretary BENSON. That would be a very difficult thing to estimate. It would be only a guess, Congressman. Of course, as you know, some quantities were used in the production of alcohol, both corn and wheat, during the war period. There has been considerable experimental work done, but there is no large volume as yet moving through those products.

The CHAIRMAN. Do you have much of a problem with a surplus corn crop? That does not go into export very much, does it?

Secretary BENSON. It does not go into export ordinarily, Congressman, but under our present 90 percent support prices we have quite an accumulation of corn. I forget the exact stocks, but I think it is in the neighborhood of something over 200 million bushels that we now have in storage that is owned by the Government in the hands of the Commodity Credit Corporation. That is due in large measure not because exports have been shut off; we normally do not export much corn. It has been due to the fact that we have a high, rigid price support on corn which tends to keep corn away from the feeding of livestock.

Normally the great bulk of corn would move through livestock, but livestock prices are free and corn prices are pegged at 90 percent, so it has proved more profitable for many of the corn farmers who also have livestock, normally, to turn their corn to the Government under the loan, under the 90 percent arrangement, and sell their livestock or reduce the number of their livestock.

The CHAIRMAN. I represent, as you know, quite a large dairy industry.

Secretary BENSON. Yes, I know.

The CHAIRMAN. There are somewhat over 1,200,000 dairy cattle, I think, in my little congressional district. Of course, one of our

problems there is that we do not raise all the corn and all the feed. We have to buy it from the West. We have a problem there under the high price of corn. We do not import much corn, do we?

Secretary BENSON. I think very little, if any. Practically none, normally.

The CHAIRMAN. I remember we tried in the First World War to export corn to France, and they would not eat it.

Secretary BENSON. I had a personal experience operating a relief organization in Europe after the war. In the relief shipments there came some corn and part of it went to Norway and we got a message back that they were very grateful to us for remembering the birds. Humans did not eat corn up there.

The CHAIRMAN. There is just one other phase here.

You give these vast figures on exports. After all, farming in a sense is a mining industry. As we ship all of these articles abroad, we are simply shipping a great deal of the chemicals which are necessary to the fertility of our soil.

Secretary BENSON. Of course we are encouraging a program which we feel will tend to offset the tendency to mine the soil. We like to look upon the production of agricultural products as one of our renewable resources. Through proper fertilization and crop rotation we hope we can reduce the mining to the minimum. No doubt there is some of it, however.

The CHAIRMAN. I hope that is true.

I had a very interesting conversation with the Honorable James W. Wadsworth, who has a large farm, and that farm has been operated since Revolutionary days. They had kept exact records away back there of the cost and the production from each field. He told me that in checking over the production at the present time from the various fields on something like I think 5,000 acres, the production was just as great per acre today as it was away back in those early days when the costs of production were kept.

Secretary BENSON. Of course, as a matter of fact, our production per acre over a long period of years has increased in this country rather than decreased, but that is due to improvement in seed, improvement in cultural practices, and probably taking better care of the soil and the increased use of fertilizers.

The CHAIRMAN. The imports would ordinarily get the benefits of the price supports, would they not?

Secretary BENSON. Yes, they would, of course, because price supports mean that our market here is above the world market. That is the thing that attracts them to our shores.

The CHAIRMAN. Thank you very much.

Any questions?

I will recognize Mr. Mills.

Mr. MILLS. Mr. Secretary, I do not desire to detract from your appearance before the committee, but I want the members of the committee to know that you are accompanied today by one of my very good friends and constituents, Mr. R. E. Short. I see him here in the room at your right.

Secretary BENSON. We are happy to have him on the staff, Mr. Congressman.

Mr. MILLS. You are very fortunate in having him.

The CHAIRMAN. Mr. Kean will inquire.

Mr. KEAN. With reference to the questioning by Mr. Simpson on section 22, section 22 does not actually help any farmer. It is the price support that is helping the farmer; and section 22, if properly put into effect, would prevent the American taxpayer from supporting the whole world. Section 22 does not support the farmer, does it? That is right, isn't it?

Secretary BENSON. That is one way of putting it, Congressman. Of course, section 22 would limit imports.

Mr. KEAN. Yes, but the farmer is protected by the price support?

Secretary BENSON. That is correct.

Mr. KEAN. I thought there was a little misunderstanding on that from the way Mr. Simpson was making the inquiry.

Mr. Secretary, do you know approximately how many farmers' livelihood is dependent upon the export trade?

Secretary BENSON. I could not give you an accurate figure, Congressman. We can get a fairly accurate figure for you, I think. It would represent about 40 percent of our cotton producers, about the same percentage of our wheat growers, about 25 percent of our tobacco farmers, and some other groups. We could get an estimate for the record if you would like it.

Mr. KEAN. Roughly, how many million people would it be?

Secretary BENSON. I do not know. It represents about 10 percent of the total farm income, as I recall, and I presume it might represent in the neighborhood of 10 percent of the farmers. Mr. Wells or Mr. Short, do you have that information? We can make an estimate for you.

Mr. KEAN. You do not want to do it now?

Secretary BENSON. I do not believe it would be much more than a very rough estimate.

Mr. KEAN. I would like to know that because it has been testified that there are about 1,600,000 people who earn their living by the export trade in the manufacturing industries, and I would like to add the farmers to see about how many workers are affected and get their livelihood.

Secretary BENSON. We have about 6 million farms with about 10 million farm workers. I imagine that our exports of farm products account for about 10 percent of farm income. A larger number than that that would be producing crops a portion of which would be exported, but when it comes down to the percentage of our total farm resources that are producing for export, then it would be a smaller figure.

Mr. KEAN. Thank you.

The CHAIRMAN. Mr. Curtis will inquire.

Mr. CURTIS of Nebraska. Mr. Secretary, I am very much interested in your paper, and I think you made a good presentation.

Secretary BENSON. Thank you.

Mr. CURTIS of Nebraska. In reference to your statement in here—

In recent years we have exported the production of from 50 to 60 million acres of our farmland. Our farm exports in the last 5 years have averaged \$3½ billion in value each year.

That includes various foreign-aid programs, does it not? In other words, the export of farm products that were paid either by loaning the money or giving the money away—or does it?

Secretary BENSON. I can give you a breakdown, I believe. These figures I have here include farm products that move as a part of our foreign-aid program. These are the percentages. For example, in cotton, in 1950 we exported 4,117,000 bales, and about 55 percent of that was financed through foreign-aid funds.

In 1951 we exported 5,519,000 bales, 14 percent of which was financed with foreign-aid funds.

Mr. CURTIS of Nebraska. After all the studies are made and the Executive makes recommendations and they are accepted and written into the law by the Congress, it is quite unlikely that we will end up with a program to encourage the importation into this country of products in which we have a surplus, is that not correct?

Secretary BENSON. I would think so, and I would hope so, particularly so long as we have these high support programs. Of course, it is to our advantage to encourage foreign trade in agricultural commodities. It would be rather inconsistent to import great quantities if we already have a surplus of those same items here.

Mr. CURTIS of Nebraska. We hear a great deal of discussion, and no doubt it is quite fundamental, about the balance of trade, and in order for foreign countries to get dollars they must trade here. Another way of saying that is that we must buy their products. Why aren't we buying more of them now? To be more specific, is the tariff barring imports to any great extent in this country now?

Secretary BENSON. I would like to ask Mr. Short to comment on that.

Are the tariffs restricting imports to any great extent?

Mr. SHORT. Of course, the thing that restricts exports of quantities of goods is the limitation of dollars abroad.

Mr. CURTIS of Nebraska. That is what I am talking about. What is restricting the importations here in order to get our dollars? As it stands today, are tariffs barring imports into this country?

Mr. SHORT. There is only one thing aside from tariffs, and so forth, that limits our imports into this country, and that is the availability of the things that we might need. Our imports vary directly with the industrial activity and general economic level and income of the Nation. To the extent that strategic materials or things that we can use are available in the world we have no restriction, so far as I know, in our purchase of them.

Mr. CURTIS of Nebraska. In your study of foreign commerce, do we have any tariff walls now that are materially cutting down the imports into this country?

Mr. SHORT. I cannot give you the specific items. I would say that probably a careful analysis of the whole tariff structure would indicate that there might be a few cases, several cases possibly, where our tariffs are prohibitive, making it impossible for certain items to come into this country.

Mr. CURTIS of Nebraska. But if the level of prosperity is high enough in this country and we have the purchasing power here and the people want foreign products, imports will flow over that tariff wall.

Mr. SHORT. Provided of course the price is sufficient to permit the product to be produced and at the same time pay the entry fee to come into the country.

Mr. CURTIS of Nebraska. What I am wondering is if we aren't oversimplifying an awfully big problem here. For 20 years we have had the millenium around the corner by the reduction of tariffs. I am willing to agree that perhaps tariffs have been too high on some things and they certainly are not the solution to everything, but that by no means is the principal obstruction to trade at this time, is it?

Mr. SHORT. There are many other devices being used today, and in many instances, of course, much more prohibitive on trade or restrictive on trade than are the tariffs themselves, as you know—quotas and exchange restrictions.

Mr. CURTIS of Nebraska. Currency blocs?

Mr. SHORT. Currency blocs.

Mr. CURTIS of Nebraska. Embargoes?

Mr. SHORT. That is right.

Mr. CURTIS of Nebraska. And state trading itself?

Mr. SHORT. State trading itself, of course, has in it difficulties. We feel that the maximum trade should be carried on through private trading. We feel that is in the interest of maximum trading.

Mr. CURTIS of Nebraska. Perhaps there is less percentage of the trade actually being carried on between individuals or business concerns now than ever, isn't that true?

Mr. SHORT. There has been a trend, of course, since the war due to the fact that factors that enter into international trade were so seriously disrupted during the war. By reason of that fact, dollar shortage, nonconvertibility of currency, and what have you, in the minds of much of the leadership of certain nations of the world made it almost mandatory in their opinion either to do state trading or to regulate by law the flow of goods to the dollar area because of the shortage of dollars.

Mr. CURTIS of Nebraska. But in a number of the important countries the government does all of the foreign trading or nearly all of it, isn't that true?

Mr. SHORT. That is right.

Mr. CURTIS of Nebraska. So in increasing our imports in order to give other people dollars, we have to deal with a great many trade barriers entirely separate and apart from the tariff, isn't that true?

Mr. SHORT. That is right, sir.

Mr. CURTIS of Nebraska. We also have to deal with a great many factors that aren't in a sense trade barriers at all in the academic sense as we consider trade barriers, tariffs, embargoes and so on. State trading, political alliances, ideologies, and all those things are directing the channels of trade at this time, are they not?

Mr. SHORT. That is correct, sir. We are hopeful, of course, that these efforts in our relationships and in some of our agreements with many of the countries with which we have trade agreements today have pledged themselves to relinquish or loosen up trade to the extent that they possibly can.

Mr. CURTIS of Nebraska. As a matter of history, this country imports a lot of goods when we have a lot of money, isn't that right?

Mr. SHORT. That is correct.

Mr. CURTIS of Nebraska. When we do not have it, they do not import very much, and that is true regardless of which party is in power or whether the tariff is high or low. Isn't that right? Don't our imports go up, measured on the prosperity of the country?

Mr. SHORT. That is very largely true. Of course, I think a study of nationalism or the extent that nations make an effort to become self-sufficient, it encourages uneconomic production.

Mr. CURTIS of Nebraska. Understand, I am not advocating anything that is going to create an uneconomic situation and that is going to make us trouble later on. What I am trying to point out is that here the whole Nation has been told for years and years that the solution to all this complicated problem is lowering some tariff from 6 percent to 3 percent or something or other; and while that has been going on, trade restriction after trade restriction has been imposed, the individual is pushed aside, and governments take over the trading. Individuals just cannot carry on international trade right now.

Mr. SHORT. That is partially correct.

Mr. CURTIS of Nebraska. That is all.

The CHAIRMAN. Mr. Eberharter will inquire.

Before you start, I wanted to ask the reporter here if he had the name of this last gentleman who spoke. In fact, Mr. Secretary, we should be happy to have you introduce all these associates who accompany you today.

Secretary BENSON. This is Mr. Loos, the Solicitor of the Department, Mr. Karl Loos.

This is Dr. Paarlberg, Special Assistant.

Dr. Oris Wells, Chief of the Bureau of Agricultural Economics.

Mr. R. E. Short, in charge of our foreign agricultural service.

The CHAIRMAN. Thank you very much.

All right, Mr. Eberharter.

Mr. EBERHARTER. Mr. Secretary, I might say at the beginning that I think you were well advised to bring your staff with you because if some of the other Secretaries had had their staffs with them, they might have had more effect on the thinking of the committee.

Secretary BENSON. Maybe they are more capable than the Secretary of Agriculture.

Mr. EBERHARTER. Personally, if I appeared before a committee such as this, I would want as many experts from my Department as I possibly could bring along.

Secretary BENSON. None of us has all the answers. We are working as a team, however.

Mr. EBERHARTER. That is certainly correct.

Mr. Secretary, the United States is encouraging as much as it possibly can in the European countries the lessening of trade barriers as between each other. Isn't that correct, all kinds of trade barriers?

Secretary BENSON. Yes, I think that has been our policy for some time, Congressman.

Mr. EBERHARTER. I think we feel definitely in this country that that is one of the main causes of the recurring difficulties between the various European nationalities and countries because there have been these trade barriers existing for many, many years. Do you agree with that?

Secretary BENSON. I have heard it expressed that that is one of the causes. It would be a difficult thing, I presume, to measure; but certainly when you have retaliation as a result of these import restrictions, it apparently does not contribute much to friendship.

Mr. EBERHARTER. That is right. By the same token it would be well for us, after attempting to encourage among the European nations the lessening of trade barriers, to be a leader in the field of lessening trade barriers, especially as we are considered the leading Nation in the world today. Do you agree with that.

Secretary BENSON. We are looked to as a leader, certainly, and it entails, of course, a very grave responsibility. At the same time, I presume other nations will expect us to protect our own economy and to take whatever steps are necessary in our own best interest. If that meant some protection, I presume they would recognize it. They would probably do the same thing if it was in their best interest.

Mr. EBERHARTER. That is correct.

Secretary BENSON. The President made the expression, I think—I forget the expression now—in our own intelligent best interest, or something to that effect, enlightened self-interest.

Mr. EBERHARTER. Enlightened self-interest.

Secretary BENSON. It seems to me we ought to look at foreign trade and other phases of our foreign program in terms of our own enlightened self-interest.

Mr. EBERHARTER. So the problem revolves itself down to whether enlightened self-interest would bring us to the conclusion that a freer distribution of the world's goods would be to the advantage of our country?

Secretary BENSON. That is right.

That is what I would hope this study would help to reveal, just how far we should go in the direction of free trade, free exchange of commodities; to what extent it is in our own best interest to provide some protection for certain of our commodities.

We have a case in wool that has impressed me very much. I mentioned it in my statement. Is it to our best interest to maintain the sheep and wool industry in this country? If it is, then it appears that it will be necessary to give them some protection.

Through the years we have more or less determined that it was to our interest to have a wool and sheep industry, and have provided some protection. However, in more recent years, through the manipulation of currencies and so forth, the protection that has been available apparently has not been sufficient. At least the wool industry and the sheep industry has been in very serious condition, as you know.

All those things have to be considered.

Mr. EBERHARTER. That is right.

Mr. Secretary, with all these impediments to free exchange of goods, such as currency manipulation, tariffs, import quotas, facing solution, do you think the best result can be arrived at by way of agreement between the nations, or by way of this Congress arbitrarily passing legislation which may at the moment appear advantageous to our country and to our own economy, but which conditions may change within a very short time?

Secretary BENSON. I think, Congressman, there may have to be some of both, but certainly through friendly negotiation with other nations of the free world we should be able to bring about a program of trade that will be of mutual interest to all of the countries involved.

Mr. EBERHARTER. In other words, Mr. Secretary, by agreement you think more can be accomplished for the benefit of our own economy than by the Congress passing a rigid statute?

Secretary BENSON. That would be very difficult to say. It depends somewhat on at what levels that statute provided protection. There are many variables that would have to be considered.

Generally speaking, I favor negotiation with other countries. Certainly that ought to be explored to the limit.

Mr. EBERHARTER. Negotiation and agreement rather than rigid statute, such as was provided by the old method of the Smoot-Hawley tariff bill?

Secretary BENSON. There may be a need for both, but certainly we ought to explore to the limit the possibility through trade agreements and voluntary negotiation.

Mr. EBERHARTER. Right now, you are favorably inclined toward the agreements side of it, because you testified we ought to continue that practice for another year.

Secretary BENSON. Yes, that is correct, and I am in favor of the request which the President has made for the setting up of a commission to study the entire field. I think that is practical and wise.

Mr. EBERHARTER. I believe you indicated in your formal statement that the restriction on the imports of fats and oils, butter, cheese, and other dairy products, under the mandatory provisions of the statute which we passed was not, in your opinion, wise.

Secretary BENSON. I think I did not say that the passage of the legislation was unwise. Under the conditions, it probably was a wise thing to do. However, I did emphasize that if section 22 can be made operative and effective, then I see no particular need for section 104. But so long as we have our high price support programs on certain commodities, then we must have the machinery to protect these commodities against excessive imports.

Mr. EBERHARTER. Then, as I understand, your present recommendation is that the Congress should not renew section 104?

Secretary BENSON. I so testified before the Senate Agricultural Committee, with the understanding that we provide in the hands of the President or the Secretary, as the case may be, sufficient authority to meet emergency condition involving excessive imports of those commodities on which we have high support programs.

Mr. EBERHARTER. Do you think that section 104 has helped American agriculture? Do you think on balance the harm that was done to the export of wheat, corn, and other farm products, more than offset the slight benefit which was received by the dairy farmer?

Secretary BENSON. Of course, it would be a very difficult thing to measure. Section 104 applied to only a limited number of commodities, as you know.

Mr. EBERHARTER. That is right.

Secretary BENSON. Principally to dairy products and some of the oil crops and rice and rice products. The big advantage I see of a strengthened section 22 is the fact that it covers the entire board. I feel sure that section 104 did, to a degree at least, limit imports of some of those commodities which it covered. Right now, for example, under the authority of section 104, import embargoes have been placed on certain dry milk products, dry whole milk, dry butter-

milk, and dry skim milk, and dry cream, if I remember correctly. Under that legislation, when it is shown that further imports will tend to interfere with our price-support program, then the Secretary is bound to place embargoes or quotas against imports.

I feel sure that that section has tended to reduce the imports of those particular commodities. What effect those limitations on import have had on our exports would be very difficult to determine.

Mr. EBERHARTER. Our exports of wheat, corn, tobacco, rice, and other products of the American farmer, have dropped off considerably, have they not?

Secretary BENSON. Yes, but I doubt very much if section 104 has been a very important factor in that decline. In the first place, the quantities that would normally come into this country, of the commodities covered by section 104, are very, very limited. We normally do not import very much of those commodities.

Mr. EBERHARTER. They never were large enough to have much of an effect on the dairy industry, were they?

Secretary BENSON. That is correct.

Mr. EBERHARTER. Therefore, it would follow, the imports not being large enough to have an important effect on the dairy industry, it was ill-considered action to make it mandatory on your part to impose those restrictions?

Secretary BENSON. No, Congressman, we have had high price support prices on these dairy products, and the imports would have become very large had we not had that machinery.

Mr. EBERHARTER. The farmer would have gotten the same price for his goods under the support program, would he not?

Secretary BENSON. Yes, he would have gotten the same price, and the taxpayer would have paid the bill.

Mr. EBERHARTER. He would have gotten the 90 percent?

Secretary BENSON. Yes, he would have gotten the 90 percent, but the taxpayer would have had to pay not only 90 percent to the domestic producers, but to foreign producers as well.

Mr. EBERHARTER. The consuming public would have to pay a much higher price, too?

Secretary BENSON. Yes.

Mr. EBERHARTER. Do you not think the 10 countries that made a protest against section 104 were justified in making it?

Secretary BENSON. I presume under similar circumstances we probably would have protested. It is only natural that they would protest.

Mr. EBERHARTER. Mr. Secretary, Mr. Linder, one of your Assistant Secretaries—

Secretary BENSON. I do not have an Assistant Secretary by that name.

Mr. EBERHARTER. He is Assistant Secretary of State, I am sorry. We have had so many Secretaries up here, I am getting a little confused.

Mr. Linder, Assistant Secretary of State, said that—

Foreigners, finding that their American market is gone, will be forced to cut back on their purchases of our export crops as a result. Some of our farmers—
which means United States farmers—

who previously raised export crops will turn to production for the home market, thereby adding to home competition and adding to the pressure on our support programs.

Have you thought of that phase of it?

Secretary BENSON. I am not sure that I get Mr. Linder's meaning.

Mr. EBERHARTER. In other words, if foreign countries stop buying certain of our farm products, then our American farmers will switch to raising other crops, and therefore make more of a surplus and more pressure on the support programs—do you get what I mean—by shifting their crops.

Secretary BENSON. I do not know that that necessarily follows, Congressman. They may shift. They may shift to the production of some commodity in which we do not have a surplus. We do have some commodities like that.

Mr. EBERHARTER. They will certainly shift to one that they are sure they will get price support on, will they not?

Secretary BENSON. Of course, the farmer, like the businessman, always shifts to that production which he thinks will give him the greatest return or some return.

Mr. EBERHARTER. A guaranteed return.

I think that is all. Thank you, Mr. Secretary.

The CHAIRMAN. Any questions?

Mr. Holmes will inquire.

Mr. HOLMES. Mr. Secretary, I noticed in your statement before the committee that you were hoping that section 22, if properly administered, would remedy many of these difficult situations in which some branches of agriculture find themselves. Do you, by the same token, feel that proper enforcement of the peril point and the escape clauses that are in the existing act could be stepped up as to speeding the program, and could be more effectively used than has been the policy of the administration in the past?

Secretary BENSON. You mean in the trade agreements legislation?

Mr. HOLMES. Yes.

Secretary BENSON. I presume there could be some relief if those were strengthened through administrative action.

Mr. HOLMES. One of the difficulties that some of these industries have, both in agriculture and outside, has been the fact that they have not received proper administration of the provisions contained in the present act. If there is any way in the world that the executive branch of this Government can step up those procedures, it would be greatly appreciated, I am sure, by those particular industries and those sections of agriculture involved.

Other administrators coming in here from various departments have said that they hoped that such position and such procedure could take place in a much more effective and efficient manner.

Secretary BENSON. I know it is the hope of the President, also, with whom I have discussed this matter. So I have hope that we will have more effective administration of those provisions.

Mr. HOLMES. Thank you very much, Mr. Secretary.

The CHAIRMAN. Mr. Byrnes will inquire.

Mr. BYRNES. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Byrnes.

Mr. BYRNES. Mr. Secretary, you place considerable reliance on a big "if," namely, if section 22 could be made effective.

Is it not true that section 22 is restrictive as far as the extent of the quota that you can impose upon imports? As I understand it, it is 50 percent of what they term—

Secretary BENSON. Imports, I believe, for a certain base period, is it not?

Mr. BYRNES. As I understand, it does not have a base period. It has what they call a reasonable period or a representative period.

Secretary BENSON. Representative period. I think that is correct.

Mr. BYRNES. Under section 22, you are going to have to let some of it come in. If there has been importation in the past during a representative period, you are going to have imports.

Secretary BENSON. Yes, I think that is correct.

Mr. BYRNES. It is my understanding, for instance, that before the Tariff Commission on May 4, appearances were made by the Department of Agriculture calling attention particularly to the butter and the cheese situation. As I understand it, the recommendation of the Department was that in the case of butter and butter oil, the quota be established at 50 percent of the average imports in the representative period; and under the representative period advocated by the Department, that would permit 741,000 pounds of butter.

Am I correct that 741,000 as used in that report represents 50 percent of the imports during the representative period, or is that the figure of 100 percent of the imports during that representative period? Which is it?

Secretary BENSON. It is my understanding that that is 50 percent. That is my understanding, Congressman.

Mr. BYRNES. So, using section 22, and assuming the Tariff Commission gives you everything it possibly can give you, and the President goes along with that, you are still going to have 741,000 pounds of butter coming in here in the next year, is that correct?

Secretary BENSON. Under section 22, I think that would be correct.

Mr. BYRNES. Under section 22; yes.

With your present butter situation, unless there is a vast improvement, that means that you are going to have to buy 741,000 more pounds of butter, does it not?

Secretary BENSON. Well, yes, generally speaking I think that would be true, because under our present price-support program, in order to maintain it at 90 percent, we are required to buy enough dairy products to maintain that level, whether those dairy products come in from abroad or are produced locally.

Mr. BYRNES. You run into the same situation as far as cheese is concerned, unless you get a change in the general cheese picture. It is my understanding that under section 22, and as the Department has presented its case to the Tariff Commission, the most the Tariff Commission could grant you would be a quota which would still permit the importation of approximately 2,766,000 pounds of cheddar cheese.

Secretary BENSON. I am not sure as to the figure, Congressman. We could check it, of course, and find out.

Mr. BYRNES. I will tell you where I got that. It is a summary statement by Mr. E. M. Norton.

Secretary BENSON. Of the Dairy Branch? I assume it is correct.

Mr. BYRNES. Of the Dairy Branch; yes.

Among his recommendations, one is cheddar cheese, including pasteurized, processed cheddar cheese and blends thereof, American cheese, and pasteurized, processed cheese food made in whole or in part from cheddar or American cheese, 50 percent of the average imports during 1948 to 1950 representative period. Then in parenthesis: "Approximately 2,766,000 pounds."

Secretary BENSON. That would be correct.

Mr. BYRNES. So, under section 22, the most you could possibly get would be a situation where, as far as your purchase program is concerned, you are going to have to purchase 2,766,000 more pounds of cheddar cheese.

Secretary BENSON. That is entirely possible.

Mr. BYRNES. For blue mold cheese—

Secretary BENSON. That is a very small part of 100 million pounds, but then it is some.

Mr. BYRNES. But you are going to have to buy it, right?

Under blue mold cheese, there would be 4,167,000 pounds.

Under edam and gouda cheese, 4,600,000 pounds.

This is the rate now permitted, and exceeds the 50 percent of the imports in the representative period.

Secretary BENSON. Of course, some of those cheeses, as you know, Congressman, are specialty cheeses that normally come in whether we have a price-support program or not.

Mr. BYRNES. Right.

I am not going through the rest of this list. The point is that under section 22, you still cannot have a real protection of the Treasury of the United States or of the taxpayers, because you are still going to have to let a certain percentage, 50 percent of this representative period, come in. The Government is going to have to buy that amount as long as the market condition is as it is today.

I wonder, therefore, how effective section 22 is under these circumstances; and I wonder, further, whether that "if" you use is not just too big to be even given consideration.

Secretary BENSON. Of course, under section 22, Congressman, it would not be possible, as I understand it, to impose a complete embargo. That is what you are suggesting here.

Mr. BYRNES. That is my complaint as to section 22, Mr. Secretary.

Secretary BENSON. It may be that there would be justification if that section were amended to give the President or the Secretary emergency powers to meet an unusual situation. However, I still feel that under normal conditions, from a longtime standpoint, if section 22 could be made operative it would give us much of what we need in the way of protection.

Mr. BYRNES. You mean the general theory of section 22?

Secretary BENSON. That is right.

Mr. BYRNES. I do not think anybody will disagree with you as far as theory is concerned, but you see right now the impracticality of the restriction which limits you to a quota representing 50 percent of the imports during the representative period.

Secretary BENSON. However, I think that that would not seriously interfere with the overall operation of our price-support program if we had that authority and it could be made effective and operative.

Mr. BYRNES. In other words, you mean you would just as soon buy another—

Secretary BENSON. No, I do not want to buy any more than we have to.

Mr. BYRNES. That is what I thought, and I do not think the farmers want you to buy any more than you have to.

Secretary BENSON. It is just a question of how much we can afford to pay of the taxpayers' money in order to sponsor or to promote good will among the free nations of the world through encouraging trade.

Mr. BYRNES. There is another aspect. You say in your statement on page 6, at the top:

The control of imports under section 104 is prompt and effective.

Secretary BENSON. That is correct.

Mr. BYRNES. What more could you ask than to have a statute and a situation which provides import control that is prompt and effective? Is that not what everybody wants?

Secretary BENSON. Certainly for those whose commodities are covered under such a program, that is about all they could ask for. But I think we have to look beyond those commodities, and we also have to look beyond the immediate imposition of restrictions. We have to look to this whole question of trade with our friends in foreign countries.

I have never felt it was desirable for the Secretary of Agriculture to have quite as much power and responsibility as is imposed on him under section 104. He takes the action without any hearings. I have always felt it is a good thing if we can have hearings, as the Tariff Commission provides, where all sides can be heard, where the thing can be debated, where testimony can be presented, and then the decision made.

Mr. BYRNES. Mr. Secretary, there is nothing in the law, as I recall, which restricts you and says you cannot provide machinery for hearings. I do not think there is any restriction in law which says, "Mr. Secretary, you cannot set up a board and hear witnesses and hold hearings."

Secretary BENSON. I think, though, Congressman, that you will agree that it probably would be better to have that hearing conducted by an independent agency rather than by the person who is required under the law to make the decision. At least, I would feel better about it.

Mr. BYRNES. Of course, we have run into, and the history of section 22 and the history of section 104 shows that Secretaries of Agriculture have not even used the power that was given to them in statutes. They just avoided the great responsibility that you say section 104 places on you. They just forgot about it, even with it in the law.

Also, before section 104 was put on the books as a mandatory proposition, they did not use the machinery of section 22, which was at their disposal and gave them good opportunity to call in an independent agency.

Secretary BENSON. That may be true, Congressman. I hope that we can do the very best we can to carry out the intention of Congress and our responsibility with reference to section 22 or any other legislation which the Congress may pass.

Mr. BYRNES. I have confidence that you will, Mr. Secretary, but we never know whether you are going to be around tomorrow or the next day or the next day.

Secretary BENSON. No, and I never know either.

Mr. BYRNES. I do not know who is going to succeed you, if we have a successor, you see. I like to have some things written into the law.

Secretary BENSON. I assure you that when the job is done, I will be very happy to be relieved.

Mr. BYRNES. I certainly hope that you do not decide that or nobody else decides it very soon.

Secretary BENSON. Thank you very much.

Mr. BYRNES. We have talked about the importance of section 22, and we also spoke of section 104 as being essential because we have support prices and a support-price program, which therefore requires that we have to take some action to restrict imports in order to protect the Treasury.

Let us assume that we did not have any support prices today, and the taxpayer, as such, was not involved, but you just had a lot of dairy farmers and a dairy industry faced with the import problem. Would that not still require that they have protection from improper unloading of goods which they cannot possibly compete with because of the difference in the cost of production, primarily brought about by labor costs and standard-of-living costs as between this country and the country of origin?

Secretary BENSON. Of course, if we did not have the high support program and we did not have the protection provided under section 104 or section 22, then the tendency would be for our market to be the world market; and if it is our desire to maintain a market above the world market, then certainly there would be a need for some type of protection.

Mr. BYRNES. Yes. You certainly would not contend that the American dairy industry can manufacture and market butter at the price New Zealand butter is being sold in the market today, would you?

Secretary BENSON. I have been a dairyman a good part of my life, I have always considered that to be rather strenuous competition.

Mr. BYRNES. Yes. It would be impossible. They would just go out of business.

The same way as far as the cheese industry is concerned, with some of the cheap production that is possible in the countries that are attempting to ship into this country.

So you would have a serious problem as far as providing assistance to this particular industry, whether you had price supports or not.

Secretary BENSON. That is entirely possible, yes.

Mr. BYRNES. They would be in a desperate situation if they did not have more than what the Tariff Act provides today, by way of mere duties. Is that not true?

Secretary BENSON. Yes. I think that is correct.

Mr. BYRNES. One concluding aspect.

My friends, particularly Mr. Eberharter and some others, are very concerned about maintaining this export market of ours, and they are hesitant to do anything to restrict imports, on the theory that that would reduce our possible export market.

Mr. Secretary, are we not today in other areas, and particularly in the field of agriculture, taking action in foreign countries which will have the effect in the end of reducing their reliance upon the import from the United States of certain agricultural commodities?

I refer particularly to the program under point 4, some of them under programs that have been in operation by the Department of Agriculture in assisting foreign countries to develop their agriculture and their agricultural production, much of it in fields that are also competitive to agricultural production in this country. I would like your comments on that aspect.

Secretary BENSON. That would be very difficult to appraise accurately, of course. Generally speaking, the point 4 aid that has been given, the technical assistance, has been primarily in countries where they have not been very heavy importers of our farm products from this country. It has been largely a program to help people to help themselves, to provide them with the things that they normally would go without.

I presume there may be some competition developed as a result of some of the things we are doing abroad. It would be a difficult thing to measure. I would like to point out, however, that in connection with our high support prices on dairy products, there was a tendency, as I believe I mentioned in the statement, to draw products to these shores that normally would go into other channels. To that extent, of course, we rather seriously upset the flow of commodities into export from those countries that are shipping to us because of our high supports.

Mr. BYRNES. Is not action which has encouraged high wages in this country, action which has encouraged various social legislation which has increased the cost of the production of an item and thereby also increased the end cost of the product in the market, encouraged a shift of exports to this country which thereby finds a market at a pretty high price for these imported goods?

Secretary BENSON. Yes; that certainly would be a factor. Of course it would.

Mr. BYRNES. We are in an area where we have so many complications it is pretty hard to see the proper answer.

Secretary BENSON. That is correct.

Mr. BYRNES. I wonder whether we are wise to constantly focus our attention to the export trade, and forget the domestic market which is also very important as far as American producers are concerned.

Secretary BENSON. We need to look at the whole picture, and I would hope that this study proposed by the President would encompass the entire picture. It is a complicated one, as you know.

Mr. BYRNES. When Secretary Dulles was before the committee, he advised us that it was an agreed position by the administration and the Cabinet officers that the administration would advocate at this time the maintenance of the status quo, as far as legislative machinery was concerned, in this area of trade and trade restrictions. I asked him at that time why they did not carry that all the way through and maintain the status quo such as maintaining section 104, so that they could be consistent in saying that we are going to wait until we have a study of the overall picture before we are going to advocate any changes.

Do you not think it would be consistent, if we are going to have a study and have an overall look at the whole picture, and if we are going to maintain the status quo as far as legislative machinery, that we must also say that we will keep section 104?

Secretary BENSON. I have already made my statement regarding 104, Congressman. I think if we let it expire and put our emphasis on section 22, it will more nearly meet our overall needs and cover all commodities. I believe we can make it work. If we cannot, then I would hope the Congress would provide necessary amendments to give the President emergency powers to meet these emergency situations, particularly under our present support program.

Mr. BYRNES. Have you made any recommendations for amendments to section 22 yet, to the Agricultural Committee or any other committee?

Secretary BENSON. We have not submitted, I think, an actual draft. However, Senator Aiken has introduced a bill (S. 1680) which we think will provide what will be required in the event it cannot be done administratively.

Mr. BYRNES. Who did you say has introduced it?

Secretary BENSON. Senator Aiken, chairman of the Senate Agricultural Committee. I do not have it with me.

Mr. BYRNES. I wonder if you could furnish the committee with your recommendations in that respect.

Secretary BENSON. It is the same as the Senator's bill, Mr. Loos just tells me. We would be glad to provide it if you prefer it that way.

Mr. BYRNES. I would prefer to have it from the Department as the Department's view.

Secretary BENSON. We will be glad to do that.

Mr. BYRNES. I will ask you at this point whether it removes the restriction which I referred to earlier, which limits the quota to 50 percent?

Secretary BENSON. May I ask Mr. Loos, who helped in the drafting of it, to comment on that?

Mr. Loos. No, Mr. Byrnes, it does not. It does not give the power to impose embargoes, but all it does is to give an emergency power, pending action of the Tariff Commission, to impose quotas or import fees within the limits of section 22. But that can be done without awaiting the report of the Tariff Commission, and can be done at any time if the emergency so requires, in the opinion of the President.

Mr. BYRNES. So you would still have in the act the restriction that no limitation on quantity could be less than 50 percent of the total quantity entered during a representative period? That wording still would remain in section 22?

Mr. Loos. Yes. That would pertain to the emergency interim power, as well as final action under section 22.

Mr. BYRNES. So, even if this amendment is passed, you are going to have 741,000 pounds of butter coming in here, and 2,766,000 pounds of cheddar cheese, and so on down the list.

Mr. Loos. That is correct.

Mr. BYRNES. That is all, Mr. Chairman.

Mr. EBERHARTER. Mr. Chairman, I ask unanimous consent to put into the record at this point the third paragraph of section 7 (a) of Public Law 50 of the 82d Congress, chapter 141, 1st session, a very short paragraph, which relates to the escape clause.

The CHAIRMAN. Without objection, it is so ordered.

(The information referred to follows:)

Should the Tariff Commission find, as the result of its investigation and hearings, that a product on which a 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 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, it shall recommend to the President the withdrawal or modification of the concession, its suspension in whole or in part, or the establishment of import quotas, to the extent and for the time necessary to prevent or remedy such injury. Within 60 days, or sooner if the President has taken action under subsection (c) of this section, the Tariff Commission shall transmit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives an exact copy of its report and recommendations to the President.

The CHAIRMAN. Mr. Sadlak will inquire.

Mr. SADLAK. Mr. Secretary, I thought that Mr. Byrnes would confine himself to the butter and cheese department there, and would not touch on point 4, about which I made a notation, but I want to follow up with a few questions along that line in order that I might have the picture clearly in mind.

First of all, you mention that you are exporting agricultural commodities. Do you include in that the exportation of agricultural implements, also?

Secretary BENSON. No; we do not. That would be food and fiber products, as I understand it.

Mr. SADLAK. Then as I understand from your testimony, you currently have large surpluses of agricultural products, primarily wheat, and I want to follow along that line, if that is true.

Secretary BENSON. It is really wheat, corn, and cotton, the three principal ones.

Mr. SADLAK. The wheat part of it impels me to ask these questions, and I ask them from what I have viewed during a visit in Turkey and Germany back in September 1951.

Mr. Byrnes has alluded to the point 4 program, the technical skills; also to agricultural organizations, whether they be national or international, such as the FAO. You also have at each American Embassy around the world, agricultural experts who I think also try to help the governments where they find themselves.

I also noted that at that time for the first time, Turkey, which ordinarily would be a country that would buy some of our wheat, had exported some wheat in 1951. They claimed the reason for that was that they now had our tractors; they also had a little better weather.

What I am getting at is that with our various programs, whether we sold, lent, leased, or gave away, let us take, for example, tractors, and helped some of these countries which formerly imported wheat from us, they have reached their own saturation point of their need, and they no longer need our wheat and are even exporting it. So in the days ahead, the present large surplus of wheat will not decrease, but will increase.

Secretary BENSON. Of course, we helped them in other ways, also, Congressman, and no doubt the overall results in their purchasing more total items from us. There may be a single item like wheat in which they would increase their production. But as we tend to help them to increase their purchasing power, they may buy more of industrial products from us, even though they may be producing more wheat. I think we have to look at the overall picture.

Mr. SADLAK. What I am getting at, Mr. Secretary, is that we met in Germany a man who was a representative, I believe, of our Agriculture Department, and he told us how we were insisting upon the Germans using our tractors, even though the contour of the land was not such that tractors could properly be used. I think we have imposed upon those countries some of these, call them necessities, which they did not or could not fully utilize, but where they did use them it was to our detriment, as we find our present surplus here.

Secretary BENSON. Of course, I have observed that under the point 4 program and other foreign aid programs, there has been a great effort made on the part of some of our manufacturers to do all in their power to increase the sale of their products abroad. It has come to my attention that there has been great urging on the part of some of these groups to increase our budget for foreign aid so they could buy more of our industrial products.

Mr. SADLAK. But by helping them in that fashion, Mr. Secretary, it seems that we harm ourselves, do we not?

Secretary BENSON. On the other hand, we have been giving them the dollars with which, in part at least, they have bought some of our own agricultural commodities, and I presume they are anxious to become somewhat self-sustaining and anxious to get on their own feet so they can enter into trade with other nations, rather than continue to receive gifts from abroad. This program is aimed to help them to get on their own feet. Maybe we have gone too far. I am not sure, Congressman.

We do not have agricultural representatives from the Department, generally speaking, in all of these countries, attached to the embassies. The agricultural attachés are not a part of the Department of Agriculture. They were at one time. I think they should be, if I may say that, but they are not at the present time.

Mr. SADLAK. You certainly have a great many of them scattered around the world helping in that phase, and in some instances those to whom they had gone to help, they actually do the work and the others watch and observe.

Secretary BENSON. The program should be to help them to help themselves. What they need is know-how. They ought to be encouraged to do all they can themselves.

Mr. SADLAK. I notice in Greece, where they are working with sickles, we probably could help them by giving them a scythe and showing them how to use it so they would not have to devote all that time to stoop labor. You have irrigation on a very large scale there at the present time. As a matter of fact, they are growing Sunkist California oranges in Greece, and pretty soon they will be sending them in here, particularly to the east coast, and we want people to use the west-coast oranges.

You mentioned wool during your testimony, Mr. Secretary; that you thought at one time, or even at the present time, the wool industry here in the United States would completely go out of the picture.

I wish you would straighten me out on that, because I was always of the belief that wool was a very important cog as far as national security is concerned.

Secretary BENSON. I think it has been the policy of our Government through many decades that it was in the national interest to have a sound wool industry and sheep industry in this country. Be-

cause of that conclusion, there has been provided certain protection for the industry through tariffs and other means.

However, in more recent years, even though there has been some protection, through the manipulation of currencies and other things, this protection has been made largely ineffective.

As a result, we have had rather heavy imports from abroad, to the extent that our wool industry has tended to go down, rather than increase, even though it has had some protection under the price-support program.

Mr. SADLAK. Mr. Secretary, will you tell me, then, whether it is your belief that wool is an important item as far as national security is concerned, or a commodity used for making instruments which contribute to our national defense?

Secretary BENSON. Yes; I think it is very important, and I think our Government has considered it such, even to the extent of going to great lengths to stockpile part of it during and immediately prior to an emergency.

Mr. SADLAK. I have one concluding question. It does not necessarily bear on reciprocal trade agreements.

Mr. Secretary, there are a great many farm boys—and I mean real farm boys—particularly in the dairy industry in my area, who have been inducted into military service. I am very much concerned about that, because everyone wants to work in defense plants and they are having great difficulty in my State of Connecticut in obtaining farm help.

It seems to me that the dairy industry will suffer tremendously if the policy is continued of taking these boys who have lived on the farm, who want to remain on the farm. Once they are taken into military service, they will not want to go back to the farm again.

Have you taken any measures along that line?

Secretary BENSON. Of course, we do not have authority in that field, particularly, except to present to the proper authorities the situation as it relates to food and fiber production and manpower on the farms. It is a problem that became very acute during the last World War when they were asking for more food, when we had less farm machinery, and they were taking the boys off the farm to the point where it was tending to reduce production rather than increase it.

Of course, the farmer, I think, generally wants to make his contribution to the war effort, and has done and will do it; but if there are cases where it is working a hardship and is tending to reduce production of products we need, then, of course, those cases ought to be presented to the proper authorities.

Mr. SADLAK. During World War II, Mr. Secretary, it is my understanding that many of the farm boys, being real farm boys, were deferred.

Secretary BENSON. There were some deferred; that is right.

Mr. SADLAK. Quite a number, I understand. But that does not prevail at the present time, and we are not in a full war. I know of instances just outside of Hartford where the county agent in that area had suggested that the farm would require about 5½ men. There were 110 cows, 72 milking cows, and so on. They had 2½ men to run the place.

A young man, only 24 years of age, who was really running the farm day and night, was taken into the military service. I was con-

vinced that there was a definite hardship. They may have to sell off the cattle.

Secretary BENSON. I understand, Congressman, there is machinery provided for the presentation of hardship cases. We have some of them that come to the Secretary's office for review, and for recommendation or rejection, as the case may be.

I cannot explain to you the details of the machinery, but I know that there is such machinery in operation. If there is a hardship case, there is a way to present the case for appropriate review and consideration. I think eventually it comes to the Department of Agriculture.

Mr. SADLAK. Mr. Secretary, I thought I had availed myself of every one of these avenues, but thus far we have not had much success.

Secretary BENSON. We could check into it and let you know what part our Department plays in that field.

Mr. SADLAK. I appreciate your offer. Thank you very much.

Secretary BENSON. Thank you.

The CHAIRMAN. The gentleman from Tennessee, Mr. Baker, will inquire.

Mr. BAKER. Mr. Secretary, this is a rather broad question. In view of section 22 of the Agricultural Adjustment Act being a part of the law of the land, and in view of its possible strengthening and of your intention to use it, do you, as Secretary of Agriculture, see any way in which the enactment of H. R. 4294 could be harmful to agriculture?

Secretary BENSON. I was checking to be sure of the number, Congressman.

Mr. BAKER. Of course, I said "to agriculture."

Secretary BENSON. I do not know, Congressman, that it would be particularly harmful to agriculture.

Mr. BAKER. I was very much impressed with your statement on page 4 in which you stated you felt sure that Congress would not enact a statute making mandatory the support of the world price of agricultural commodities at 90 percent of American parity. Of course, there is not any question that that is right. But without section 22 and its possible strengthening, I can see where havoc might result without that in there. But there is no way that I can see where either the agricultural products or the attendant vast sums of money in connection with price support could in any measure be increased by H. R. 4294. That is what I was directing my question to. Can you see any way where it would cause you to spend more money?

Secretary BENSON. There may be the possibility, Congressman, that it would tend to decrease the imports from friendly nations abroad, and by doing so may affect the exports of farm products. It would be very difficult to measure, however.

Mr. BAKER. That is right.

Secretary BENSON. It would be somewhat speculative.

Mr. BAKER. Let us take tobacco for just a minute, and that is all I intend to ask you. Practically no tobacco is imported into this country now, is there?

Secretary BENSON. I think practically none.

Mr. BAKER. Just a very, very small amount. So this could not affect tobacco?

Secretary BENSON. There are certain special varieties that come in at certain times, but I think it is very, very small.

Mr. BAKER. So there is no apparent reason that I can think of that H. R. 4294 would affect tobacco. Can you think of anything on that?

Secretary BENSON. Except in a general way.

Mr. BAKER. In the general picture, of course.

Secretary BENSON. Yes, that is right.

Mr. BAKER. That is all.

The CHAIRMAN. Mr. Curtis of Missouri will inquire.

Mr. CURTIS of Missouri. Mr. Secretary, I just want to ask questions along one line.

Of course, the Simpson bill, which is H. R. 4294, actually includes amendment to section 22 of the Agricultural Adjustment Act.

Secretary BENSON. Yes, I understand that.

Mr. CURTIS of Missouri. On pages 8, 9, and 10, I was just wondering whether there was any of this amendment that would be harmful, from your point of view, in the Simpson bill, or whether it would strengthen it. I would just like your comments on the particular language in section 8 of the Simpson bill, H. R. 4294.

Secretary BENSON. May I ask the Solicitor, Mr. Loos, to comment on that?

Mr. CURTIS of Missouri. Yes, sir.

Mr. Loos. The amendments proposed in section 8 of H. R. 4294 do not relate to the proposed strengthening of section 22 to which the Secretary referred in his statement. They relate to other matters.

One of them is to require expedition in the report of the Tariff Commission. That is something that is very difficult to accomplish. It is easy enough to say in the statute that the action should be expedited, but it is very difficult to foresee all the conditions that might arise.

We think that this emergency power that the Secretary suggested, giving interim authority pending action by the Tariff Commission for the President, on recommendation of the Secretary, to impose quotas and import fees within the limits of section 22, gives an authority that is immediate and complete, and that with that no legislation is required to force expedition of action by the Commission.

Mr. CURTIS of Missouri. In other words, you think this is superfluous, but not damaging?

Mr. Loos. It would not be damaging, no, but it would be unnecessary if the suggestions of the Secretary were adopted.

Mr. CURTIS of Missouri. Then the other sections, if you please.

Mr. Loos. The other sections, if I recall—I think this one is to make it mandatory that the President follow the Tariff Commission's recommendation. Is that the effect of this? It is a rather long provision.

Mr. CURTIS of Missouri. It is a long provision, and I am not myself entirely sure what it is doing, but I did want the comments of the Department of Agriculture on this as to whether it was harmful, from your standpoint.

Mr. Loos. If you will give me just a moment.

I think the effect of that is to require the President to follow the recommendation of the Tariff Commission.

Mr. CURTIS of Missouri. That is my understanding.

Mr. LOOS. That would not be harmful. I would not say that would be harmful to agriculture, but we do not think it is the right way to administer a law of this kind. We feel that there should be some discretion in the President to act upon the recommendations of the Tariff Commission.

Mr. CURTIS of Missouri. In other words, on this, first, the main thing I wanted to find out: this certainly, from your standpoint, is not strengthening section 22 as you contemplate; and further, I might add, in your opinion this, if anything, is superfluous rather than objectionable. Is that a fair statement?

Mr. LOOS. That is true with respect to the first item; item (a); yes. With respect to the second, it could not be said to be superfluous—

Mr. CURTIS of Missouri. Because it does do something; yes.

Mr. LOOS. Because it does something that is very much in addition to what the present law provides. We do not feel that it is the right way to administer a law of this kind.

Mr. CURTIS of Missouri. Mr. Chairman, might I suggest that if the Secretary cares to make a specific comment later, in writing, on this specific section 8, I would appreciate very much having the statement in the record. That, sir, will give you an opportunity to consider it fully, rather than do this haphazardly right now.

Mr. LOOS. I think that would be better. We have studied this, but I do not have any of my notes with me at the moment.

The CHAIRMAN. If there is no objection, that may be done.

Mr. CURTIS of Missouri. Thank you.

(The information referred to follows:)

Section 8 of H. R. 4294 contains three subsections:

The first—subsection (a)—is designed to expedite the report of the Tariff Commission in all section 22 proceedings.

The second—subsection (b)—makes the findings of the Tariff Commission binding upon the President and requires the President to act within 30 days in accordance with the Commission's findings and report. Under the present law the Commission makes its report to the President who has the responsibility of making the final determination.

Third—subsection (c)—withdraws the authority of the President to determine suspension, termination, or modification of proclamations previously issued and places that authority in the Tariff Commission requiring the President to follow such determinations as are made by the Commission.

The first provision appears to be unnecessary if the interim authority is granted to the President, in an emergency, to impose the quotas or import fees within the limits specified by the section, on an interim basis, pending decision by the Tariff Commission and action by the President.

The second and third provisions would vest in the Tariff Commission executive functions which are now, and appropriately should be, vested in the President as the Chief Executive Officer of the United States. It seems unwise and improper to make the President subordinate and subservient to the Tariff Commission.

The CHAIRMAN. Are there any more questions?

Mr. KNOX will inquire.

Mr. KNOX. Mr. Secretary, I was greatly interested in your forthright comments on the major farm problems that the committee has brought to your attention, as far as imports and exports are concerned. However, I have had numerous communications in a field that has not been covered, and that is the fur farmer.

Of course, I have had also communications from the Commerce Department, and they have referred me now to the Agriculture Department and the Department of the Interior.

Secretary BENSON. Is that a last resort?

Mr. KNOX. Apparently they felt that you had that jurisdiction to control the imports of fur into our country, which is claimed by the fur farmer—

Secretary BENSON. I believe fur farming has been classed as agricultural.

Mr. KNOX. Yes, it has been classed as agricultural, that is true. But in face of the fact that we have some imports from Russia, China, and other satellite nations, and of course then from our friendly nations, such as England and Canada, the fur farmer today finds himself highly embarrassed, practically naked, for any possible source of sale for his furs at a price that would bring him a profit so he could continue in business.

I do not know whether you have any of the figures on what the imports are on furs, or not, at this particular time, but I do appeal to your Department to see if some relief cannot be given to these people who are small in numbers as far as the farmer is concerned, but who I think have played a very important role in our national defense as far as fats, and so on, are concerned.

To destroy the fur farmer in the United States of America, I do not believe would be in the best interests of all concerned. I cannot believe that we could continue to expect to have the imports of furs at the low price at which they are bringing them in here today and selling them on our American markets, if the competition here in the United States was not available also to that particular market.

Have you any comments on that particular question, Mr. Secretary?

Secretary BENSON. I am certainly sympathetic, Congressman. I do not have the figures right at hand, but we can get them for you. My interest in fur farming goes back to high-school days when I had a string of traps and used to trap muskrats to make my expenses for high school. I am acquainted with quite a number of the areas where they are producing a lot of furs.

I cannot say right offhand just what the protection is for them. We would have to check it and get that information. We will be glad to do that and let you have the information, if you would care to have it.

Mr. KNOX. I would certainly appreciate it if you would do so; and also, if the fur farmer does not have sufficient protection today, I would like to have your comments as to possibly what steps could be taken immediately to protect that particular industry of the fur farming area.

Secretary BENSON. We will be happy to get in touch with you.

Mr. KNOX. Thank you, Mr. Secretary.

(The information referred to follows:)

There are no import duties on raw undressed furs with the exception of silver or black fox fur or skins, which carries a duty of 37½ cents ad valorem. Dressed furs and manufacturers of furs, however, carry a duty ranging from 10 to 37½ percent ad valorem depending upon type.

The present rates represent a reduction of from 25 to 50 percent of the 1930 rate as a result of concessions made under the Reciprocal Trade Agreement Act. Imports from U. S. S. R., or from any part of China under Communist domination, are now prohibited under the Trade Agreement Extension Act of 1951.

The CHAIRMAN. I just want to make a little comment. I was over in Europe in 1948, and I was in Holland. I guess some of you have been there, too.

Secretary BENSON. I spent the year 1946 in Europe and spent probably a month or so in Holland.

The CHAIRMAN. Holland depends largely on her exports for her dairy business, does she not?

Secretary BENSON. Yes; she is one of the rather large exporters of dairy products.

The CHAIRMAN. As I said earlier, I come from a dairy district.

Secretary BENSON. New York State is one of our big dairy States.

The CHAIRMAN. I am interested in that branch of the industry. I visited one of the farms in Holland, and a very fine young couple had taken over the father's farm; it had been developed, and I went into the stable, and it was immaculately clean. They had a design of a rug on the stable floor worked in sawdust, a very artistic affair. I had had dairy cattle on my own farm, and I could picture the stable at home, and then I pictured this stable, because they had lace curtains on the windows for the cattle. Right back of the cattle was an inset in which there was a fine rug, and there again they had lace curtains. The man stayed there all night to look after the cattle in case they were ill.

They had a convertible butter and cheese factory which was immaculate. I wonder if, in our country, we could get to the point of having lace curtains in the dairy barns and work these designs on the floor.

Secretary BENSON. I am not sure lace curtains will contribute to the total production of the cow, but if so we will probably resort to their use.

In Europe they live close to their cattle, as you know.

The CHAIRMAN. Holland is a wonderful country, as are her people.

Secretary BENSON. The Minister of Agriculture in Holland is in the city now. He has been with us and visited with us in the Department. We were very pleasantly surprised to learn from him how well acquainted he was with our own agriculture industry here.

The CHAIRMAN. They are wonderful people, and wonderful students. They have developed their vocational schools for cheese and buttermaking and all the other dairy products to a very high standard.

Mr. Secretary, we are certainly delighted that you could come here, and I think you have given us a wonderful presentation, a great deal of information, and I am sure we will all feel great confidence in turning to you and your fine experts you have brought here today, whenever we find ourselves in trouble in agriculture.

Secretary BENSON. Thank you, Mr. Chairman. We stand ready to be helpful any time.

STATEMENT OF MARTIN P. DURKIN, SECRETARY OF LABOR

The committee has had occasion to consider the views of other Cabinet members, as well as the Director of the Mutual Security Agency, in support of the President's recommendation in his message of April 7, 1953, requesting that the Congress extend the present Reciprocal Trade Agreements Act for an additional year.

The President's purpose, as outlined in his letter of May 2, 1953, to the Vice President and the Speaker of the House, is to provide an opportunity for a bipartisan Commission to carry out a comprehensive evaluation of our entire foreign economic policy, including our tariff policy, against the backdrop of our foreign policy and global defense plans as a whole. From the vantage point of the Department of Labor, I find myself in complete agreement with this approach, which I also understand would be free of any preconceived doctrines or prejudgment of the issues to be resolved.

The importance of an increasing two-way international trade, as the President put it, to the welfare of our citizens, including our workers, has already been fully elaborated by the preceding witnesses. I should like to indicate to the committee my own views on this matter, as seen from the point of view of my special responsibilities.

It is clearly in the interests of the American working men and women that the volume of international trade be maintained at the highest possible levels. International trade may be looked upon as promoting an exchange of commodities, with each nation contributing the goods it is best equipped to produce. This exchange of goods makes for full utilization of the free world's resources and for enrichment of the living standards of all. International trade may be realistically viewed in this light rather than as a process by which foreign goods displace our own.

This is not to say that there are no competitive problems in international trade. There are such problems, of course, and some of these relate to differences in wages and labor standards. It has often been urged, in this connection, that our own industry is at the mercy of producers abroad because of vastly lower foreign wages and labor standards. This has been one of the key arguments advanced in support of high protective tariffs. There is no doubt, however, that the great bulk of American industry is able to meet international competition, both in United States markets and in the open markets of the world, despite great wage differentials, because of enormous differences in productivity which actually result in lower costs of production for the American producers. This is true of American industry of whatever size—large, medium, and small. Indeed, so great is our vitality in this respect that there are estimated to be well over 2 million nonagricultural workers currently engaged in production or service for export markets.

Nonetheless, there are instances in which this is not true, especially where labor costs are relatively high compared to total costs of production. It cannot be denied that there are cases in which wage differentials abroad may more than compensate for superior American productivity. These situations are, however, relatively few in number. And often the potential competition of the foreign product is cut down by special marketing considerations, trade distances, and many other factors.

I have found that thus far under this administration difficulty growing out of competition based on substandard wages or working conditions receives the most careful handling in the practical administration of tariff policy. My own Department has participated by Executive order in the conduct of the trade agreements program since 1947, when its administration was broadened as a result of bipartisan understanding. The procedure seems to be replete with such safeguards as hearings, studies, and full interdepartmental consultation on specific tariff actions. I am sure, however, that a careful review of both procedure and principle is at this time in the interest of our national policy.

I should like to call attention also to the fact that there is one way of seeking to minimize competition based on inferior labor standards which does not involve imposing restrictions on trade. This is the technique of promoting higher labor standards in other parts of the world. Our Government has, of course, been engaged in activity of this kind through some of its technical-assistance programs and notably through its participation in the work of the International Labor Organization. I believe that the promotion of more adequate labor standards is perhaps among the most important kinds of positive action which the United States can take in dealing with the problems of equitable international trade.

The responsibilities and difficulties of our great role as an export and creditor nation have been repeatedly stressed by the President and the witnesses from the executive branch of the Government who have appeared before the committee. Obviously, the ability of other nations to absorb our goods depends to a very great extent on what they are able to sell to us. There are many groups of American workers who depend on our export trade for their employment. On the other hand, there are workers who are concerned about the relationship between their jobs and import competition. In the majority of cases, as I have indicated, these fears of job displacement are exaggerated. Nevertheless, some of this concern is real and deserves to be weighed carefully. This will assuredly be done in the broad-gage analysis which would be undertaken by the Commission which the President has recommended. Moreover, as Mr. Dulles and Mr. Humphrey have pointed out, appropriate steps can and are to be taken under the present program to prevent injury in meritorious cases.

I have reviewed the provisions of H. R. 4294 and I do not believe that any of the amendments included in that bill should be enacted at this time, prior to thorough study in the manner which has been suggested by the President. Several of the amendments constitute restrictions on the authority of the President. All of the amendments certainly warrant further examination in the light of our overall foreign trade and tariff policies. I would suggest that, in any event, it would be unwise to depart at this time from the type of broad action, such as that provided in the Trade Agreements Act, in which the Congress establishes basic criteria for administrative action, and move at this time to specific legislative action on individual commodities. During the interim period, as has been indicated by Secretary Dulles, there is no intention to engage in major new tariff negotiations.

May I say in conclusion that I am personally convinced of the soundness of the interim course proposed by the President because it holds the surest promise of protecting our vital interests in these troubled times. I value the pledge that the inquiry, if authorized by the Congress, will be conducted with an open mind and with due regard to all of the significant viewpoints, including those implicit in H. R. 4294. To avoid precipitate steps while charting a course of action based upon a consideration of all the important factors involved in a difficult situation is a commonsense method which American labor and management have used over the years in successfully developing the broad base of our industrial system. I recommend it here.

STATEMENT OF HON. GEORGE W. MALONE, A SENATOR IN CONGRESS FROM THE STATE OF NEVADA, BEFORE THE HOUSE WAYS AND MEANS COMMITTEE ON H. R. 4294

Senator MALONE. Mr. Chairman, my name is George W. Malone. I am the junior Senator from the State of Nevada.

Mr. Chairman, before I talk about the 1934 Trade Agreements Act and the effect of its possible extension, I would like to compliment the chairman on the work he has been doing.

I have watched his committee work closely from the beginning of the 83d session, and I agree thoroughly with the chairman in his statements recommending a substantial reduction of taxes.

It is the earnest opinion of the junior Senator from Nevada that the only way you will ever lower taxes, and it must be done to protect our people, is to fix the tax rate on the basis of what the people can pay, then allot the respective amounts to the departments in accordance with the best judgment of Congress, and go home.

The CHAIRMAN. Thank you, sir.

CONSTITUTIONAL RESPONSIBILITY OF CONGRESS

Senator MALONE. Mr. Chairman, the discussion on foreign trade must be brought back to the point at issue.

So, Mr. Chairman, I will simply say, at the outset, that it is the constitutional responsibility of the Congress of the United States to regulate foreign commerce, and to lay and collect duties, imposts, and excises, commonly called tariffs and import fees.

Article I, section 8 of the Constitution definitely fixes such responsibility.

AN EMERGENCY MEASURE

Mr. Chairman, there can be no question but what it is a constitutional responsibility of this Congress to do the job.

However, in 1934 a strong-minded President prevailed upon a weak Congress to transfer that constitutional responsibility of the legislative branch of the Government to the executive branch for a period

of 3 years. This was accomplished through an amendment of title III of the 1930 Tariff Act.

The preamble of the act states that it was an emergency measure.

The CHAIRMAN. Pardon me, Senator. Your expert may sit with you at the table. That will be easier for him and will be helpful to you.

PRESIDENT CAN REMAKE THE INDUSTRIAL MAP OF THE UNITED STATES

Senator MALONE. Mr. Chairman, the 1934 Trade Agreements Act—named by the catch phrase “reciprocal trade” to sell free trade to the American people—provided, first, for the President of the United States to enter into foreign-trade agreements with foreign governments or instrumentalities thereof, and second, to proclaim such modifications of the existing tariffs within a range of 50 percent up or 50 percent down as he may provide, as he may judge is necessary for the purpose of the trade agreement he is about to make.

Later, I believe in 1945, they amended the act to provide for an additional 50 percent, which meant when utilized that the tariffs could be lowered a total of 75 percent, and in many cases this was done.

No. 2 is to proclaim such modifications of existing duties and other import restrictions or such additional import restrictions, or such continuance and for such minimum periods of existing customs or excess treatment of any article covered by foreign-trade agreements as are required or are appropriate to carry out any foreign-trade agreement that the President has entered into hereunder.

The President, under the 1934 Trade Agreements Act can remake the industrial map of the United States.

That is wide authority, Mr. Chairman. This act has periodically been extended by Congress and maintained in full force and effect.

ACT EXPIRES JUNE 12, 1953

The last extension was made June 12, 1951, for 2 years, and it now expires on June 12, 1953. The distinguished chairman will remember the junior Senator from Nevada was here before the committee in 1951.

Mr. Chairman, the original Trade Agreements Act passed in 1934 stated as a reason for the transfer of the constitutional responsibility for the regulation of foreign commerce from the legislative branch of the Government to the executive branch as a means of assisting in the present emergency, meaning the emergency of 1934.

1934 TRADE AGREEMENT ACT ON A PAR WITH THE NATIONAL RECOVERY ACT

Mr. Chairman, that was 20 years ago. It was an emergency act and so declared, to overcome a depression. Few seem to remember after 20 years that the original 1934 Trade Agreements Act was an emergency piece of legislation in the same category with the National Recovery Administration, NRA, which was declared unconstitutional.

Many doubt the constitutionality of any act of Congress which changes the Constitution itself without referring it to the States. That is exactly what the 1934 Trade Agreements Act did do.

There are three branches of Government, Mr. Chairman, expressly provided for in the Constitution of the United States—the legislative, the executive, and the judicial.

The Constitution of the United States fixes a responsibility on the Congress, the legislative branch of the Government, to adjust the duties, imposts, and excises, commonly called tariffs and import fees, and to regulate foreign commerce.

Congress can and did set up the Tariff Commission as an agent of Congress and fixed the responsibility on the Tariff Commission to regulate such duties, imposts, and excises on a flexible basis, subject always to the action of Congress.

But there is nowhere in the Constitution of the United States where it says that you can take a constitutional responsibility of either branch of the Congress and transfer it bodily to another branch. And I do not believe that the 1934 Trade Agreements Act is constitutional. No one has ever tried its constitutionality. They did take the NRA to the Supreme Court and it was declared unconstitutional.

IN ABSENCE OF LEGISLATION, TARIFF REGULATORY POWER REVERTS TO TARIFF COMMISSION

In the absence, then, of congressional legislation extending the act, and this is what I want to point out with emphasis, Mr. Chairman, the constitutional responsibility for the regulation of foreign commerce reverts to the Tariff Commission which is an agent of Congress.

Many seem to believe, and the discussions in the newspapers and on the radio and television would lead one to believe, Mr. Chairman, that it is necessary for Congress to pass something. It is not necessary for Congress to pass anything. Enacting legislation as directed has become a habit with Congress; that is all.

TARIFF COMMISSION IS AN AGENT OF CONGRESS

If you do not extend the Trade Agreements Act and do not pass any other act the responsibility to regulate foreign commerce reverts to the Tariff Commission, an agent of Congress, in exactly the same manner as Congress heretofore provided. Only Congress can amend or modify the tariff act, but the provisions of the Constitution of the United States would then be complied with.

Mr. Chairman, the Tariff Commission would then automatically have the responsibility to fix the tariffs and import fees in the regulation of foreign commerce, under existing law. In the absence of any additional legislation whatever by this body, Congress again assumes its constitutional responsibility of regulating the duties, commonly referred to as tariffs and import fees on a flexible basis through its agent, the Tariff Commission. The Tariff Commission would then be empowered to raise or lower such duties or tariffs 50 percent on the basis of fair and reasonable competition—on a fair trade basis with foreign nations.

SPECIAL BILLS

Referring, then, to the special legislation pending before your committee, Mr. Chairman, the Simpson bill, the zinc and lead bill for flexible tariff, the petroleum quota bill, the Swiss watch bill, shrimp bill, the tuna fish bill, and all of the other special legislation, all

assume that the President's power to regulate foreign commerce must be extended, together with the power to fix the duties, imposts, and excises, a power delegated to the legislative branch of the Government by the Constitution of the United States. Congress should accept its constitutional responsibility.

Mr. Chairman, I understand that there are 39 special bills introduced in the House and Senate to dodge the President's authority provided the act is extended—why extend it?

To the junior Senator from Nevada, it seems beyond all human understanding, that after 20 years the Congress can get into a frame of mind that it cannot and will not accept its responsibilities delegated to it under the Constitution of the United States.

SPECIAL BILLS HELPFUL IF ACT IS TO BE EXTENDED

Mr. Chairman, of course if you are going to extend the act, then the Simpson bill and all of the special bills, and I understand there is a total of 39 of them introduced, to escape the effect of the extension, would naturally be of some assistance.

WHY EXTEND THE ACT—WHY SPECIAL LEGISLATION?

But I ask the distinguished chairman why extend it, when you have an agent of Congress set up with all the complete detail that it needs, the Tariff Commission, to which the responsibility reverts automatically if you do not take action. Why extend it?

The Constitution charges the legislative branch of the Government with this responsibility, and the Congress transferred that responsibility to the President 20 years ago as an avowed purpose of assisting in the then existing emergency.

We have had several emergencies since then, Mr. Chairman, including 2 world wars, and it would seem about time that the Congress should reassume its constitutional responsibility as 1 of the 3 branches of Government.

CONGRESS ABROGATED MOST OF ITS RESPONSIBILITIES

I would say to you, Mr. Chairman, that there is very little left for Congress after you transfer the constitutional responsibility to regulate foreign commerce and to fix the duties, imposts, and excises to the executive branch of the Government.

About all Congress has left is to make appropriations. It does not really have that power left since it appropriates the amount of money the President directs. So you cannot blame the people for asking, Why a Congress? That is, if it has no regard for its constitutional responsibility whatever?

NO CHANGE IN EXISTING TRADE AGREEMENTS

Mr. Chairman, there would be no change in the existing trade agreements made by the President if no legislation whatever is passed by the Congress of the United States extending the 1934 Trade Agreements Act—known as the Reciprocal Trade Act.

The existing trade agreements remain as they are; that is the law. Any trade agreement made by the executive (State Department) is of 3 years' duration.

At the end of that period any party to the agreement, either the United States or the foreign nation, may serve 6 months' notice of cancellation. In the absence of such notice, the trade agreement remains in full force and effect. Therefore, the absence of any additional legislation by Congress is not an emergency at all.

Nothing that has been done is affected.

The Secretary of State has testified that they have no thought of making additional trade agreements. So what reason can there be for additional legislation?

FAIR TRADE WITH FOREIGN NATIONS—BASED ON FAIR AND REASONABLE COMPETITION

Mr. Chairman, what is the alternative? What would you like to do? What would I like to do? I would say to the distinguished chairman of this committee—and when I say distinguished chairman I mean just that—I am for fair trade with foreign nations. I want the significance of that to be fully realized.

I am for fair trade with foreign nations, based upon fair and reasonable competition. How do you get it?

You get it, Mr. Chairman, by the Tariff Commission, as an agent of Congress adjusting the duties, imposts and excises, called tariffs and and import fees—on the basis of fair and reasonable competition.

The Executive (President) is not an agent of Congress. If Congress keeps on delegating power, it will more nearly become an agent of the Executive. For 20 years Congress continually transferred wide power to the Executive. It has become a habit. That is the way Hitler started in Germany. He did not override the legislative branch, the Reichstag gave him the power by their own action. The President remakes the industrial map of the Nation through the power Congress gave him. We complain, but do nothing about it.

We only debate the amount of foreign aid when the President sends up the recommendation for \$6 billion. We do not point out that we have already over-built European industries 160 percent based upon pre-World War II. We do not seem to realize that we are now being blackmailed by these same foreign nations through the very industrial plants built by the American taxpayer. The foreign nations say in effect that if we will not divide our markets with them and do away with all tariffs and duties to protect our workers and investors, that they are going to increase their trade with Russia and Iron Curtain countries.

It is a threat, Mr. Chairman, and it isn't even veiled. The European countries just completed a trade conference at Geneva with the Iron Curtain nations.

SECRET ECONOMIC CONFERENCES

I do not and you do not, Mr. Chairman, have the details of the OEEC conference held here under the auspices of the Mutual Security Administration, headed by Mr. Stassen and attended by representatives of other nations.

I tried to get into that conference, Mr. Chairman. I was told it was a secret conference and I could not get into it. Do you think the foreign nations are cooperating with the Congress of the United States? Our own State and Mutual Security officials are getting ready to operate with the foreign nations in affairs about which the Congress knows nothing.

The New York Times reported what was presumed to be an accurate report of the OEEC Washington conference. No one knows whether it was or not, no other newspaper seemed to have it. But what those attending the OEEC conference were here for was to persuade the United States to furnish the money for complete convertibility of foreign moneys, on their fictitious values. And abolish all protection for the American workingmen and investors against their products produced by the European and Asiatic sweatshop labor.

The alternative is what? The European nations cooperating with our enemies, Mr. Chairman. That is not the way real allies operate. I have never yet seen any one start to pay blackmail that he did not have to shoot the man or leave the country.

FAIR TRADE WITH FOREIGN NATIONS

Let us have fair trade with foreign nations—not free trade. Fair trade means that the duties, imports, and excises, commonly known as tariffs and import fees, would be adjusted by the Tariff Commission—an agent of Congress—on the basis of fair and reasonable competition.

The Tariff Commission has full authority at this moment without any action by Congress to raise the tariffs 50 percent or lower them 50 percent, on any product not covered by existing trade agreements. That is a restricted area, Mr. Chairman. The only way their terms could be altered would be to serve 6 months' notice that these trade agreements were to be canceled, and then the Tariff Commission would be back on the beam to regulate the duties on all products on the basis of fair and reasonable competition. The reassumption of this responsibility by the Congress through its agent the Tariff Commission, of adjusting the tariffs and impost fees as provided in by the Constitution, on the principle of fair and reasonable competition, again would mean that the American workingman and investors would compete with foreign sweatshop labor and investors on an even basis for the American market, something that Americans are not allowed to do in the foreign nations' market of the world.

NO FOREIGN NATION EVER KEPT A TRADE AGREEMENT

Mr. Chairman, I would say to you now without fear of contradiction that no foreign nation has to date ever kept the spirit of a trade agreement with us. They manipulate the price of their money in terms of the dollar which is a form of piracy. On the Senate floor when we were discussing the extension of the free trade on copper, the junior Senator from Nevada put seven different values of the Chilean peso in the Record and explained exactly how they were using each exchange for trade advantage. They use to prevent or encourage imports or exports to any country in which they were interested as might suit their fancy.

UNBELIEVABLE THAT CONGRESS DOES NOT SEE THE SUBTERFUGE

They might have one price for their peso for the United States on a certain product and another price for the sterling bloc, and another one for some other nation or combination of nations.

So when they made the agreement to lower the tariff on certain food-stuffs for us, and we lowered the tariff on copper, they lowered the tariff all right, Mr. Chairman, but they then raised the price of the peso in terms of the dollar, took the profit out of the transaction, and in effect put the tariff on the money.

It is unbelievable to me that Congressmen of the United States of America, and the Senators, do not know that, or if they know it, still vote as they do to allow such agreements to be made.

They utilize quotas on imports, trade permits, exchange permits, specifications, and empire preferential rates. There is no chance for the United States to win. Manipulation of currency, quotas, trade permits, exchange permits, licensing, and other methods will utterly baffle and disillusion any American trader.

The CHAIRMAN. Pardon me for interrupting, Senator. You are bringing out that question of getting a license to destroy any concession that they make. The bicycle manufacturers of this country were here, and they pointed out that they agreed in England to lower the tariff by 10 percent.

Senator MALONE. Also pipe manufacturers and other industries?

The CHAIRMAN. Bicycle manufacturers. They in England agreed to lower the tariff rate by 10 percent in order to give our people a chance, apparently, to get into their market. Then they immediately established the very thing you speak of, the license system, so that our manufacturers cannot get one bicycle into their country, not one.

MANIPULATION OF CURRENCY FOR TRADE ADVANTAGE

Senator MALONE. Mr. Chairman, they understand foreign trade and we do not. They have lived by their wits for a hundred years.

They have manipulated their currency system for trade advantage, which is a form of piracy. They have regulated the amount of goods and the kind of goods that can come into their countries through quotas, through trade permits, through exchange permits, and every other known subterfuge.

The President, delegating his power to make trade agreements to the State Department, takes no account of such subterfuges in the Atlantic. A British controlled country placed certain specifications on automobiles that could be imported. Upon examination of the specifications it was noted that England made the only car that fit the specifications. It looked very innocent in print, and in news dispatches there was no restriction whatever, except no one made a car that could meet the specifications except the English.

Mr. Chairman, do not misunderstand me. I am not against the English. I admire them. If we could hire one of them and pay him a couple of million dollars a year, we would be saving money, because they understand what they are doing—while our State Department does not understand it. In making treaties or trade agreements our Government is like the dog in the fable chasing a rabbit in the hot sun. and finally the dog lay down to take a rest, and the rabbit disappeared

over the hill. Another animal came along and said, "You ought to be ashamed of yourself, letting a little rabbit like that outrun you." He replied, "You don't understand the situation. I was only running for a dinner while he was running for his life."

That attitude by Congress spells the difference. I am not so sure that that is the answer for the State Department—it has continually appeared that they want to divide the wealth of this Nation with the nations of the world—and that they have deliberately divided the market of this Nation with countries of the world without any adequate quid pro quo of return.

I thank the chairman for his suggestion.

I want to point out again, Mr. Chairman, that fair trade with foreign nations must be the objective—that the Tariff Commission, an agent of Congress would regulate the duties, imports, and excises, commonly known as tariffs and import fees, on the basis of fair and reasonable competition. This flexible basis gives credit for any improvement in world standards, the tariff would come down automatically whenever such foreign wage-living standards reached approximately our own, then free trade would be almost immediate and automatic. But such adjustment on a fair-trade principle takes the profit out of foreign sweatshop labor.

COMPETE FOR AMERICAN MARKET

Mr. Chairman, again I want to emphasize that by adjusting the tariffs and import fees on the basis of fair and reasonable competition, that is on a fair-trade basis, it only gives the American producer and the workingman a chance to compete for his own American market.

It does not give our own workingmen and investors an advantage in their own American market.

There is no such procedure under the 1934 Trade Agreements Act. I am asking you to pass legislation. I am asking you not to pass legislation extending something that was obviously unconstitutional in the beginning. Allow the 1934 Trade Agreements Act to expire on June 12; let the Americans compete with foreign nations for our own American market on an even basis. That is all I am asking, just a fair-trade basis with foreign nations. No nation in the world, Mr. Chairman, allows us a fair-trade basis in their home market.

EQUAL VALUE FOR EQUAL VALUE—QUID PRO QUO BASIS

This would mean, then, Mr. Chairman, foreign trade on a quid pro quo basis, foreign exchange on a world-market basis, equal value for equal value.

WHY DIVIDE OUR INDUSTRIES?

Why does the President want to retain this power to divide American industries with foreign nations? How much of each industry does he want to give the foreign nations? Is he going to give 10 percent of the bicycle industry, 15 percent of the crockery industry, 50 percent of the mineral industry?

How is the President going to judge how much of each industry to give Europe and Asia and how can anyone be a judge, Mr. Chairman?

You cannot be a judge because the human mind cannot encompass all of the details and factors affecting an economic structure such as ours.

Will you say we will lower the tariff on bicycles 10 percent or 5 percent. It may mean giving all of the industry away? It certainly means giving it all away unless the producers can lower their wages and write off their investment to meet the competition.

The reason Mr. Roosevelt and Mr. Truman could handle this situation, in lowering the tariffs and giving away certain industries and allow increased imports like butter from Denmark and Sweden, and wheat and potatoes from Canada and many other imports is because they paid subsidies out of taxpayers' money to keep the American producer in business.

We said, Mr. Chairman, that we were going to lower taxes. You cannot lower taxes and pay subsidies to every industry that you injure through such manipulation—thus keeping them in business on our wage standard of living.

You have to make a choice, whether or not we are going to lower taxes, or are we going to keep high taxes and pay subsidies to business when we give their markets to Europe. They are suggesting that we set up schools to train workers that are out of work for another job, because free trade eliminated or cut down their industry. What other jobs, Mr. Chairman? There is no industry in the United States of America that you cannot take our machinery and lower-paid European and Asiatic labor and import the products at a lower cost than you can manufacture them here on our wage standard of living.

All of this talk about our knowledge and our machinery and that we are more efficient than they are is so much hogwash. I was in South Africa, Mr. Chairman, in 1947. I traveled in a plane over the deposits of manganese and chromite. You could see them from the plane. I could have obtained a concession to mine chromite and manganese. If I had been 20 years younger and not in the United States Senate, I probably would have stayed. I have been in the engineering business for 30 years. What kind of machinery would I put in there, Mr. Chairman? I will tell you. It would be a better plant than we would have in the United States because I would have all of those plants as a pattern and new machinery and methods.

Then I would take a few shifters and superintendents out of the mining area and work that 40-cent-a-day African labor. It might take 3 or 4 of those laborers to produce as much as a \$10-a-day worker in this country, but you can use 5 or 6 of them and still have \$7 left.

EQUAL EXCHANGE OF MAN-HOURS IS THE GOAL

So I say to you, Mr. Chairman, I cannot see why any President would want to take the responsibility in trying to lower taxes and cut off subsidies and then decide how much each one of these industries he is going to give the foreign nations—no President can survive that job.

Mr. Chairman, we must put foreign trade on a basis of equal exchange of man-hours. Let me just leave this thought with you. If we mean what we say in trying to help foreign nations and still insist upon bringing in more man-hours than we export from any nation, soon that nation must slow down its purchases from us or

we must give them money to buy our stuff, as we have been doing since World War II.

Mr. Chairman, through free trade, so-called reciprocal trade—the phrase was invented to sell free trade to the American people—the two words do not occur in the act itself.

It was never intended to be reciprocal and that is not the effect of its application—it is a division of the wealth, world socialist action. Through free trade we are encouraging the foreign nations to hold down their standard of living, since they profit by the difference between the sweatshop labor production in their country and what the market will bear here. Whereas, if we make up that difference by adjusting the duty or tariff, so that they pay that difference of the cost of production into the United States Treasury, Mr. Chairman, they will not pay that tariff very long.

They will go back and raise their wage standard of living. They will let it raise in the colonial areas including Africa, the Malayan States, and Indochina and create a market of their own goods.

THE WAGE-STANDARD OF LIVING

That is what we have done in this country over a period of 75 or 100 years—continually raised our wage-standard of living and created a market.

Mr. Chairman, we had the instance of the grandson of one of the great men of this Nation saying that he was for free trade—Mr. Henry Ford II.

His grandfather probably rolled over in his grave. Henry Ford was the one who saw there were not enough wages being paid to enable the employees to buy the Fords that were being manufactured, so he woke up one morning and said \$5 is the minimum wage from now on. About \$2.75 or \$2.50 had been the average wage before he made that announcement. Everybody thought he was crazy. But he said “they can buy my Fords on the new wages.”

What is Mr. Henry Ford II doing now? That is, the third generation? He has his plants in England, in Canada, in France and in many other countries. He is paying \$3 wage in England, and shipping the Fords back here. In Las Vegas, Nev., there is a flock of them for hire. If you land there in a plane and you want a car and do not specify what you want, you will get one of these English Fords. And they are products of good workmanship, too. No one could compete with them. The big business of this Nation grew big enough under protection, Mr. Chairman, to the point that now the world is their oyster—they can put their plants behind the sweatshop labor curtain and under the suggested free trade, furnish the American market.

That is the reason you find the United States Chamber of Commerce and the National Manufacturers Association for free trade. I will debate that question with anybody any place, on the street corner or the Senate floor or here or anywhere else.

BLAME IS WITH CONGRESS—NOT THE INDUSTRIALISTS

I do not blame these people. I do not blame Mr. Ford, I do not blame Mr. Jim Rand, of the Remington-Rand Typewriter Co. I do not blame these automobile companies and the other industries for

putting their plants behind the low-wage curtain and shipping their stuff back here.

I blame the Congress that passes the laws, that makes it necessary or profitable for them to do that, and by doing so whips the ears off of the workingmen and investors in this country.

It is a conspiracy to destroy American labor and the investor who is confined to the markets of this Nation. That is what it is. So I say to you again, Mr. Chairman, we are simply encouraging them through our free-trade policy, to hold their wages down since they profit by that difference between the sweatshop labor cost of production and what the market will bear here, whereas if we make up that difference by adjusting the duty or tariff, then they may as well pay the wages there.

We should take the profit out of the European sweatshop labor products in the American market. The fair-trade basis will do it.

EUROPEAN NATIONS DO NOT TRADE WITH EACH OTHER

I want to point out to you, Mr. Chairman, that the countries of Europe do not trade freely with each other. You cannot sell an Italian orange in Belgium, or Belgium steel in Italy. They really build up the barriers. Their living standards are near enough alike so they could become powerful—they could have a United States of Europe like we have a United States of America if they would trade with each other. They will never do it as long as they can get the \$6 billion or \$8 billion or \$10 billion a year from the United States—and as long as they can divide the American market among them.

Mr. Chairman, that brings us, of course, to where you have another hoax perpetrated—a dollar shortage.

THE DOLLAR SHORTAGE

Of course, there is no such thing as a dollar shortage except when a nation or a man spends more than he currently earns. That is what makes the dollar shortage. I have it periodically. I would not be surprised but even the chairman has a dollar shortage at times. Suppose we did not give them the \$6 billion and simply said no to each of these nations. Let them buy whatever they need, within reason. Conduct our business like a bank, which keeps track of a man's credit. If I want to borrow a thousand dollars and the chairman wants to borrow a thousand dollars, one of us might have to put up more security than the other. The bankers know our earning power. We should conduct business with the nations of the world in the same manner, and within reason take their money for what they purchase, and take it on the basis of its current value on the world stock exchange, not at the rate of exchange they say their money is worth at the fictitious value. Then when we buy goods from those nations take their money and pay them on the then current rate of exchange on the world market. There is nothing wrong with this plan, Mr. Chairman, except it would not be giving them the heart's blood of American taxpayers. That, of course, it would not be doing.

Mr. Chairman, take the sterling bloc. We buy gold from South Africa and chromite and manganese; we buy wool from Australia; we

buy wheat from Canada. Simply pay for these products with the same pounds we took in payment for goods previously sold them.

Mr. Chairman, what is the reason that they do not want to take the pounds for the wheat from Canada, the wool from Australia, and the manganese from South Africa and all the rest of these materials that they can produce? They can pay us in their own money and accept it for their goods.

OVERBUILT EUROPEAN INDUSTRIES

It is the American workingman that is on the chopping block in exporting the jobs to foreign countries and taxing him to build up his own competition in European industrial plants.

Mr. Chairman, we overbuilt European industries. Everybody must know that. They are now 160 percent of prewar production. They are selling to our actual and potential enemies and have been doing that since the World War II.

Mr. Chairman, in 1949 I put into the Congressional Record 96 trade treaties that the 17 Marshall-plan countries had with Russia and Iron-Curtain countries, selling everything from tool steel, engines, and trucks, everything they needed to destroy us.

FAIR TRADE—QUID PRO QUO BASIS

The flexible duties and tariffs adjusted on the basis of fair and reasonable competition, credit being continually given for improved world wage-living standards, means that when such world standards approach our own, then free trade is the almost immediate and automatic result. It is up to them.

PEOPLE TAKE IT BECAUSE CONGRESS VOTES FOR IT

In closing, Mr. Chairman, I wish to point out that the amendments that we have periodically put into this Trade Agreements Act are not effective and makes no difference in the final result. One of the amendments was the peril-point clause. What is the peril point? The peril point is determined by the Tariff Commission. The State Department may or may not pay any attention to it. Let us say that the peril point is determined by the Tariff Commission—that it is correct at the moment on a particular industry, and they do use it in their trade agreement with a particular foreign nation. Then minutes after the trade agreement is signed, an adjustment can be made by the foreign country in the price of their money in terms of the dollar and nullify the agreement overnight. They simply put the tariff on their money. They use quotas and trade permits—exchange permits and the trade agreement—the peril point is simply a delusion. But mostly it is the price of money it can be changed immediately. And the whole agreement is thrown entirely out of gear.

It is a hoax on the American people because they think they are being protected. They do not see how the Senate and the Congress could vote for it if they did not believe it themselves.

The escape clause is a delusion—you know how that operates. The President can use it or he may not, at his option. But if he does use it the foreign countries party to the agreement are entitled to do so many thing that it is better never to have agreed in the first place.

58 PERCENT OF AGRICULTURAL PRODUCTS—NO SUBSIDY IF WE HAVE TARIFF

Mr. Chairman, 80 to 85 percent of the agricultural products of this Nation do not need a subsidy if we have a tariff on a basis of fair and reasonable competition. Let me remind you about the potato fiasco. We painted them blue and fed them to the hogs, and bought kerosene to burn the remainder. We filled the caves full of dried eggs that we brought in from China at about the same time. Then we gave them to the people of Europe.

Now we have the same storage space full of butter. We are still buying the butter at 90 percent parity, and half the families of America are eating oleomargarine.

The substitute for butter may be all right—but it is not butter. So when the Government pays subsidies, Mr. Chairman, the purchaser actually pays much more than is necessary. We destroyed the potatoes and dried eggs—now I suppose we will have to destroy the butter, since a lot of it is getting rancid.

EASY TO PAY SUBSIDIES—BUT EMBARRASSING TO DISPOSE OF PRODUCT

It is easy enough, Mr. Chairman, to use the taxpayers' money, as long as it lasts, to buy up the products—it is easy enough to shoot a man, too, you know, but it is disposing of the body that gets everybody into trouble, and that is what is getting us into trouble with all of these stored commodities.

FAIR TRADE WITH FOREIGN NATIONS

Mr. Chairman, I am for fair trade with foreign nations. I am for allowing the Trade Agreements Act of 1934 to expire without passing any legislation whatever.

Of course, if you are going to extend the 1934 Trade Agreements Act, you have to amend it. The Simpson bill is the best I have seen, if you think you have to extend it.

But what got us into this rut? Why do we think we have to extend a 20-year-old act which was listed as an emergency to start with? For 75 years, Mr. Chairman, your party and mine, has been for protecting the workingman and the investor through a tariff or import fee adjusted on a fair-trade basis with foreign nations.

The Constitution of the United States calls them duties, excises, and imposts, and they are adjusted to make up that differential of the cost of production between the wage standard of living here and abroad.

That is all it ever was. No one it for a high tariff or a low tariff or for building a fence around the United States. What we offer and what you have in the 1930 Tariff Act is the power of the Tariff Commission to adjust tariffs or duties on the basis of fair and reasonable competition, if you let it alone, is a policy that every business in America, workers and investors must them compete with foreign nations on an even basis for their own market. I ask you, Mr. Chairman, can any foreign nation ask for more?

The CHAIRMAN. Does that conclude your statement, Senator?

Senator MALONE. Yes.

The CHAIRMAN. We certainly thank you for the presentation you have made on this very vital subject.

Are there any questions? The Chair hears none. We thank you, sir.

Senator MALONE. Thank you, Mr. Chairman. You have been very courteous.

The CHAIRMAN. Senator, do you have anything you wish to extend into the record?

Senator MALONE. I ask permission, Mr. Chairman, to revise and extend the record because of talking off the cuff.

The CHAIRMAN. Without objection, it is so ordered.

Senator MALONE. Thank you.

SUMMARY OF TESTIMONY OF WITNESSES (OTHER THAN GOVERNMENT WITNESSES) BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS ON H. R. 4294

[PAGE NUMBERS REFER TO HEARINGS BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS APRIL 27-30 AND MAY 1-19, 1953]

O. R. Strackbein, chairman, the National Labor Management Council on Foreign Trade Policy and chairman, Nationwide Committee of Industry, Agriculture, and Labor on Import-Export Policy (pp. 7-51 and 87-92):

Witness represents about 75 associations and organizations, including "industries and branches of agriculture that are basic to our national economy and national security and employ directly 4 to 5 million people."

"Today the principal tariff-adjusting function of the Tariff Commission lies in administration of the escape clause. No longer is a mathematical formula employed. * * * Two Commissioners, holding to diverse political and economic philosophies, very frequently arrive at a different judgment from the same set of facts. Of the 16 cases acted upon by the Commission under the statutory escape clause, 11 cases have been rejected. In 6 of these 11 cases the decision was strictly on party lines." * * *

"* * * other agencies * * * are composed of an odd rather than an even number of members. The Tariff Commission should follow these examples, * * * for a commission of seven members. We support this provision."

"Instances may be found where the financial position of an industry is protected by the very process of laying off employees and curtailing the workweek. The workers thus suffer injury before financial losses by the industry are incurred."

"We may summarize the situation as follows:

"1. The tariff was cut deeply without the benefit of adequate data to determine how far it might safely be cut. 'Calculated risks' were taken.

"2. Duties were reduced in wholesale fashion during a period when the effects of the reductions could not be tested adequately.

"3. The escape clause was introduced professedly to provide a means of correcting errors committed in the wholesale tariff reduction process.

"4. Relief under that clause has been the exception rather than the rule; and the operation of the clause has been slow and cautious in very sharp contrast with the swift pace of the tariff-reduction procedure.

"5. The relatively infrequent recourse to the escape clause during the first 8 years of its existence was interpreted as evidence that our industry had suffered only slight injury.

"6. When the number of applications rose sharply in 1951 and 1952, alarm was expressed (by our State Department) over the effect produced upon European countries. The 'calculated risks' were forgotten. The fair words about a remedy against error were thrown to the wind. Injury, it began to be explained, must be expected, and, in any event, the general good of the country must be given greater weight than the interests of small, 'local, selfish groups.' Finally, the mask comes off and rechanneling of capital and relocation and retraining of

employees in disrupted industries was openly advocated. The shell game had been exposed."

E. V. Gumpert, Harley-Davidson Motor Co., Milwaukee, Wis.
(pp. 52-68) :

"* * * our favoring of the Simpson bill (H. R. 4294) does not mean that we object to increased imports. As a matter of fact, we favor increased general imports so long as the imports do not seriously injure American industry and labor."

"After World War II we weren't allowed to ship a single Harley-Davidson motorcycle to New Zealand, to India, to Malaya, and, self-evidently, to Great Britain. We were completely barred from the British Empire with the exception of Canada * * *"

"The Simpson bill recommends that the Tariff Commission be increased from 6 to 7 members * * *. We are 100 percent in favor of this provision."

"The old Trade Agreements Act has definitely worked to our disadvantage. We favor the Simpson bill (H. R. 4294) because, for the first time, it has provisions that will give adequate relief to American industries that have been hurt by excessive imports of their commodities."

John F. Linehan, Seafood Producers Association of New Bedford, Mass. (pp. 68-71) :

"* * * certain disaster will befall our industry in the near future unless corrective action is taken by our Federal Government to rectify the ruinous effect that the Trade Agreements Act has had on our American industry."

"Only last year there were 13 filleting plants operating in New Bedford. Today there are 7 and only 3 are working on full-employment basis."

"In that bill (H. R. 4294) is the protection of American industries against ruination by a flood of imported goods produced in foreign countries by cheap, low-living-standard labor."

Edward F. Vonderahe, American Knit Handwear Association, Gloversville, N. Y. (pp. 71-78) :

"During the 5 postwar years, 1948 through 1952, imports increased rapidly from 45,000 to 921,000 dozen pairs—the highest in history. * * * in 1952 imports reached 47.3 percent—again the highest in history."

"American production is down 18 percent from the first 2 months a year ago. Naturally, unemployment is commensurate. And imports? The Bureau of the Census for January-February shows imports up 83.6 percent over the first 2 months a year ago. Last year was the biggest in our import history, but the figures indicate that we haven't seen anything yet."

"The new language (of H. R. 4294) is a clear expression of congressional intent for the guidance of the Tariff Commission in peril-point and escape-clause investigations. The present wording is too narrow for a true determination of injury and fails to emphasize an industry's importance to national security."

Patrick J. McHugh, Atlantic Fishermen's Union (pp. 78-83) :

"Imports have increased 1,000 percent since 1930 and have even trebled since 1947. In 1952, they amounted to 107 million pounds. This represented 45 percent of the total American market. It was an increase of 20 million pounds over imports for 1951. At the same time, domestic production declined 20 million pounds in 1952 from 1951 to a total of 128 million pounds."

"Our experience with the Tariff Commission was such that we believe that the law, which sets forth the escape-clause and its administration, should be amended. If it is not amended so that we will have a chance of obtaining relief, then the only other possibility lies in legislation by Congress. The alternative to these possibilities is the relentless destruction of the New England fisheries."

"The Tariff Commission setup needs to be changed. If the Commission is ever to function positively, it should have an odd rather than an even number of members. * * * I can tell you now that if the Commission is left at 6 members, 3 from each party, it might as well be abolished as far as any timely relief for domestic industry is concerned."

Mason Case, Pacific Coast Fish Producers Institute, California Commercial Fishermen's Association, Five Star Fish and Cold Stor-

age of San Diego, and Fishing Vessel Owners Association of Seattle, Wash. (pp. 83-86) :

"After our recent experience in requesting our Government for well-deserved aid which was not forthcoming, we feel the present law is not satisfactory."

"It seems only sensible to add one member to the Tariff Commission and avert a tie decision due to prejudice or political affiliation."

"We urge that the Simpson bill be reported favorably."

James Waugh, Cannery Workers Union of the Pacific, A. F. of L. (pp. 86-87) :

"We firmly believe that an industry in order to obtain relief under the present escape clause and the present administrative setup of the Tariff Commission must be virtually bankrupt before there would be any hope of getting relief from that source. The Simpson bill was especially designed to improve the administration of the escape clause under the Tariff Commission. The bill was not hastily thrown together, but is the result of several years of experience and of close study and discussion."

"I want to say as plainly as I can that we believe that extension of the Trade Agreements Act in its present form would expose us dangerously to the possibilities of serious injury without any reasonable hope of timely relief."

Hon. T. Millet Hand, a Representative in Congress from the State of New Jersey (pp. 93-98) :

"* * * I do not want Congress to get back into the detailed methods of writing tariff legislation. I do not believe that any of us want that. But, on the other hand, I do want the Congress to reserve unto itself its constitutional right and duty to deal with tariff questions when they come up and should be dealt with."

"I have a special interest in this as well as a general interest, I think, and that is because my district is one of the larger glass-manufacturing industries in the country, and I have seven or eight thousand workers, a great many of whom are faced with a constant threat if the tariff is arranged so that import, for example, from Czechoslovakia can come in almost without limit."

"I do not feel that we ought to get back into a situation where we are writing the details of tariff legislation, but I do think we ought to reserve our right to protect the country and the industries of the country against harm."

"The dairy farmers that I represent, of which there are some 300,000, are very much interested in the proposals to amend the Trade Agreements Act, and the administration proposals to extend it without any change, or without any material change."

"One of our major interests in the tariff situation and in the import situation revolves around the fact that we have in this country a price-support program which is in operation for the dairy farmers, and under which our prices are being supported at 90 percent of parity."

"For many years there has been, in our view, a conflict in our domestic farm-policy goals and our foreign-trade-policy goals. Under the Trade Agreements Act, efforts have been made to reduce tariffs and to free international trade of some of the restrictions and barriers affecting it. On the other hand, in our domestic foreign policy we have all been striving toward achieving the goal of parity prices for farmers. These programs so far have never been correlated from a policy point of view, so that we find some of the departments of the executive branch going in one direction and other departments going in another. * * *"

"Our experience with regard to operations under section 22 in the past has not been satisfactory. We do not wish to infer at all that this administration is not going to sincerely try to administer section 22 in a proper fashion. Nevertheless, section 22 is a cumbersome mechanism. It involves going through long-drawn-out procedures, and the like of that; * * *"

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Otte M. Reed, National Creameries Association, St. Paul, Minn.
(pp. 98-108) :

"The dairy farmers that I represent, of which there are some 300,000, are very much interested in the proposals to amend the Trade Agreements Act, and the Administration proposals to extend it without any change, or without any material change.

"One of our major interests in the tariff situation and in the import situation revolves around the fact that we have in this country a price-support program which is in operation for the dairy farmers, and under which our prices are being supported at 90 percent of parity.

"For many years there has been in our view a conflict in our domestic farm policy goals and our foreign trade policy goals. Under the Trade Agreements Act, efforts have been made to reduce tariffs and to free international trade of some of the restrictions and barriers affecting it. On the other hand, in our domestic foreign policy we have all been striving toward achieving the goal of parity prices for farmers. These programs so far have never been correlated from a policy point of view, so that we find some of the departments of the executive branch going in one direction and other departments going in another.

"Our experience with regard to operations under section 22 in the past has not been satisfactory. We do not wish to infer at all that this Administration is not going to sincerely try to administer section 22 in a proper fashion. Nevertheless, section 22 is a cumbersome mechanism. It involves going through long-drawn-out procedures and the like of that * * *."

Edwin L. Morris, Tuna Research Foundation, Long Beach, Calif.
(pp. 136-145) :

* * * This is a business of \$150 million yearly, which gives direct employment to 30,000 workers. Representing that organization, I am appearing in support of H. R. 4294, in that it attempts to cure certain defects in the Reciprocal Trade Agreements Act which have been harmful to the canned-tuna industry of this country. * * *

"Wholesale concessions made in haste and without careful consideration and consultation with industry, as represented by some existing trade agreements, contain inequities that have proved damaging. The principles of H. R. 4294 will

give the legitimate interests of domestic industry and labor greater recognition in any new agreement that may be negotiated, and make rectification of injury suffered in previously negotiated agreements more readily attainable. This we consider to be essential. * * *

"In 1943 a trade agreement with Mexico became effective which reduced the duty on canned tuna in oil from the existing rate of 45 percent to 22½ percent. Mexico was not a factor in the canned-tuna business; * * *

"In 1943 a trade agreement was negotiated with Iceland. Despite the fact that Iceland neither catches, processes, nor consumes tuna, tuna canned in brine was thrown into a basket category of fish upon which the duty was reduced from 25 percent to 12½ percent. As a result, Japan switched the bulk of its exports to us from tuna canned in oil at 45 percent to tuna canned in brine at 12½ percent. * * *

"In view of the above experience, it is our considered opinion that the adoption of the principles involved in H. R. 4294 will tend to prevent recurrence of similar acts injurious to the domestic tuna industry, and we therefore recommend the inclusion of these principles in the extension for 1 year of Reciprocal Trade Agreements Act. * * *

"Our thinking is that under existing legislation we haven't fared very well. We feel that the further restrictions or safeguards included in the Simpson bill will place us in a little more favorable position, not only to rectify the injury that has been done but to prevent additional injury. * * *

"We also favor that part of the bill which provides an increased number of tariff commissioners rather than an even number. * * *

"We are trying to do business with long-range planning while we sit under the sword of Damocles."

Warren S. Smith, the Hat Institute, Inc., New York, N. Y. (pp. 145-148):

"The hat industry is one of the very few given relief under the escape-clause procedure. It was found by the Tariff Commission, after investigation and a public hearing, that as a result of unforeseen developments and of concessions granted in a trade agreement certain women's fur felt hat bodies were being imported into the United States in such relatively increased quantities and under such conditions as to cause serious injury to the domestic industry.

"Figures show an average volume of imports at foreign value for the last 10 years of nearly \$34 million per year. Obviously, any increase in imports of the finished product will automatically result in a corresponding decrease of these raw material imports. * * * We speak, therefore, in favor of legislation to extend the reciprocal-trade program preferably as provided in H. R. 4294."

O. Keith Owen, National Association of Hothouse Vegetable Growers, Terre Haute, Ind. (pp. 148-151):

"All hothouse vegetable growers in this country are vitally interested that H. R. 4294, as introduced by Representative Simpson, be passed by Congress.

"The industry directly employs about 50,000 people. Many other thousands are indirectly employed in such allied fields as the coal, fertilizer, shipping container, and transportation industries, all furnishing services and raw materials necessary to produce hothouse vegetables.

"It is estimated that all the hothouses in this country are worth \$500 million today. We produce about \$100 million worth of fresh vegetables a year.

"Prior to 1934, when the Reciprocal Trade Agreements Act went into effect, there was a flourishing and substantial hothouse vegetable industry in this country originated in New England. This business has been virtually destroyed by imports of fresh cucumbers and tomatoes. Since 1934 many hothouses in other sections of the country have been forced out of business by foreign competition.

"I feel that H. R. 4294 is definitely a step in the right direction. It will give domestic producers, who, like ourselves, are being seriously injured by low-priced foreign imports, a far greater opportunity to ask for and receive protection. It is a step in the right direction of halting the downward trend of tariffs, always at the expense of domestic industries."

Dr. Cary R. Wagner, Synthetic Organic Chemical Manufacturers Association of the United States, Washington, D. C. (pp. 152-158) :

"The association is composed of 87 manufacturers of organic chemical products, representing approximately 90 percent of the organic chemical industry with an annual payroll in excess of \$218 million.

"Our concern is that our industry should remain healthy not only for peacetime needs but always ready for instant and effective use in the event of continued, and possibly even greater, national emergency. For that reason we appear here today in support of certain parts of H. R. 4294, the Simpson bill.

"Since World War II, unfortunately, our industry has been exposed to serious threatened injury. The State Department at the Torquay conference, over our protest, reached an agreement with Germany reducing by almost 50 percent the prevailing duty on most of our products.

"The so-called escape clause as utilized by the President prior to the passage of the 1951 act carried little substantive force and, as administered, afforded no protection. The 1951 Trade Agreements Extension Act was a tremendous improvement.

"Under the 1951 act it is possible, as we construe it, to have serious injury to a particular company or a segment in a particular industry and still have no relief under the escape-clause procedure. We believe it is essential that all workers, all companies, large and small, and segments of the industry should be protected against cheap labor conditions abroad. Otherwise, the injured will go unattended. Accordingly, we support the amendments in the Simpson bill which clarify this point.

"We feel that action should be taken immediately because we are already suffering a great deal of damage as a result of these Torquay concessions."

H. L. Coe, Bicycle Institute of America, Washington, D. C. (pp. 158-167) :

"The experience of the bicycle manufacturers and their efforts to prevent foreign producers from ultimately taking over the United States industry, we believe clearly demonstrate the necessity for a change in the operation of the trade-agreements program. It is evident the operations of the peril-point provisions and the escape clause, as interpreted by the Tariff Commission, will be effective only after imports have practically destroyed the domestic industry involved."

"We do not believe that this was the intent of Congress when the peril-point provisions and the escape clause were incorporated in the act, and for that reason, urged that the features of 4294 be incorporated in the extension of the act.

"Some 80,000 workers derive full or part-time employment in the production, distribution, and sale of bicycles and bicycle accessories. There is hardly a town or village in the country so small that it does not have at least one bicycle shop.

"Under present regulations it is impossible for the American bicycle industry to compete on a fair basis with imports of foreign manufacturers who have all the advantages of greater production, the best of modern equipment, and techniques, and a far lower wage scale than the domestic industry.

"There are self-evident reasons, beyond the control of the American bicycle manufacturers, why the foreign producers recently have been able to take over such a greatly increased proportion of the United States market. The answer is simple. The foreign companies are mass producers of bicycles, with all the advantages of large volume. The British industry, for example, alone exports more units than are produced in the United States. The American industry ranks fourth among the world's leading bicycle producers.

"The plants of foreign manufacturers are modern and well equipped, and employ the best of techniques.

"They are protected in their own domestic market by high tariffs and other restrictive procedures to the point that the United States Department of State reports, 'Of all the bicycles in Great Britain, 100 percent may be said to be British made.' In many cases, the foreign industries are favored by governmental subsidies and aids of one kind or another.

"According to the research of bicycle labor unions, American workers receive more than 4½ times the wages of their foreign counterparts, and it cannot be maintained that the labor in well-run foreign plants is markedly less efficient than our own. This is a factor which no amount of American ingenuity or know-how can overcome,

"In spite of the clear evidence of the advantage of foreign manufacturers, the United States Government has consistently reduced the tariff on bicycles. Favored with the 50-percent allowable tariff reduction in 1939, Great Britain and other nations were granted another full 50 percent on lightweights in 1948 at Geneva. Then the British and others gratuitously applied the equivalent of another 30-percent reduction through the devaluation of their currencies in 1949. Is it any wonder importers have been able to undersell American producers in the home market * * *?"

"Summing up, we believe H. R. 4294 offers many improvements to the present Trade Agreements Act and, as such, the American bicycle industry supports it wholeheartedly. It is sincerely hoped that it will be considered favorably by the House Ways and Means Committee.

"I think that we have appeared before every regulatory body that is set up to consider this question in the last 10 years, consistently. We have appeared before the Committee on Reciprocity Information, and we had a hearing last year before the Tariff Commission, bringing out the facts we have presented today, forecasting the probable development of what the imports might become, and I am sorry to say that we got absolutely no relief of any kind or description.

"I haven't found anything that sounds like reciprocity in the operation of this act."

James C. Jacobson, Volland & Sons, Inc., New Rochelle, N. Y. (pp. 167-170) :

"The total annual sales volume of analytical balances in the United States is probably around \$2 million.

"Up to the Torquay conference, the tariff on balances was 40 percent, and in September 1951, at the Torquay conference, it was reduced to 30 percent. It is interesting to note some of these import figures: 1937, \$45,064; 1938, \$44,008; 1948, \$44,338; 1949, \$124,455; and in 1952, \$338,894; this is an industry which probably can't have a larger total demand than about \$3 million, in the United States.

"In the United States, the average for workers in scientific instruments, as taken from manufacturers of scientific instruments, is \$2.15 an hour. The average for workers in general manufacturing operations, in accordance with the statistical office of the United Nations, is \$1.74. As against that, in the United Kingdom, it is 45.1 cents. In Western Germany, it is 37.6 cents. In France, it is 35.3 cents. In Japan, it is 20 cents, and in Italy, 24 cents.

"Discontinuance of United States balance manufacture would be technologically disastrous and would be a genuine impairment of national security. On the other hand, if the European industry took over the entire United States demand, say around \$2 million to \$3 million, the number of dollars gained for Europe would be insignificant, while a tiny but very essential and critical segment of our economy would be wrecked."

Edward J. Volz, International Photoengravers' Union, AFL, New York, N. Y. (pp. 170-172) :

"The membership of this organization of photoengravers is approximately 18,000 craftsmen, but hundreds of additional employees are engaged in highly skilled processes involved in producing photoengraved plates.

"We urge you to approve the pending bill, H. R. 4294, because we believe that it will make the administrative machinery under the escape clause more responsive to the needs of American industry and labor. Judging from the results of the past year or two, certainly the employees in an industry that is suffering from import competition have little hope of gaining relief in time to protect their wage standards and employment. The Simpson bill would represent a marked improvement over the present law in that respect. It was drawn up against a background of knowledge and experience in this field, and we think that it should be adopted."

James H. Casey, Jr., National Association of Leather Glove Manufacturers, Inc., Gloversville, N. Y. (pp. 172-180) :

"I am representing the manufacturers of leather gloves in the United States. I also have with me, which I will introduce into the record, letters from the unions, representing labor in the leather-glove industry, and from the tanners in the United States, who make, exclusively, leather for gloves.

"We would like to point out, however, to the committee, that you should not associate a handicraft industry with an inefficient industry. We are much in the same position as a painter or a sculptor who works by hand.

"We have been very concerned about the action taken by the United States Treasury Department in the Tariff Act. About a year and a half ago, we called to the attention of the Bureau of Customs the fact that in France, the French Government announced that it would rebate to various industries a certain amount of the social taxes that various industries paid. Among the industries selected was the glove industry.

"The Government announced at that time that they would rebate approximately one-half of the taxes to the glove manufacturers.

"We called this to the attention of the Bureau of Customs, who notified us that investigation was going to be made to see to what extent this practice was being engaged in. Over a year has passed, and since that time we have heard nothing from the Bureau.

"We have constantly, consistently, day in and day out asked the Bureau of Customs to invoke that section of the act, to no avail.

"The escape-clause procedure is cumbersome and awkward. I don't know if you know this or not. I don't believe that if five escape-clause applications were presented tomorrow morning to the Tariff Commission, they have got the money to conduct an investigation. I believe they are just about broke over there. And that is one of the reasons today why we are seeing such slow action on these escape clauses. They haven't got the money or enough personnel to work with."

William F. Dalzell, Fostoria Glass Co., Moundsville, W. Va. (pp. 181-187) :

"About 75 percent of the dollar volume of this type of ware is produced by association members and from what I have been able to ascertain, I believe that the entire industry approves of the changes proposed in H. R. 4294 regarding the administration of the Trade Agreements Act and also in regard to increasing the Tariff Commission to 7 members, selected on the basis of their qualifications for analyzing and declaring fair tariff rates and making injury determinations.

"The production of hand-made blown tumblers, steamware, and other tableware, etc. was \$16,312,000 in the same year. Here then is a group of manufacturers producing less than 5 percent of the total pressed and blown ware made in United States yet they have to feel the impact of more than 40 percent of the imports and can export only 1½ percent.

"The hand-blown and pressed table stemware and art section of the glassware industry is composed of approximately 30 companies employing about 8,000. These manufacturers produce hand-made table, stemware, and artware solely.

"We feel that we have liberally shared the market with foreign manufacturers just as much as we possibly can and in evidence we point to a case which is now pending in the United States Tariff Commission to determine the extent of injury to the hand-blown glass table, stem, and ornamental ware industry. The Tariff Commission findings in this case if judged under the proposed changes in H. R. 4294 would, in our opinion, be much fairer than were they made under the existing act.

"Members of this organization believe that the Tariff Commission should be composed of seven qualified persons appointed by the President and approved by the Senate. This odd number would minimize the chances of 3-to-3 ties which always are unfavorable to domestic manufacturers seeking relief.

"Since the present act applied to industry, the members of the United States Tariff Commission in some instances apparently have had difficulty in determining if an applicant seeking relief was an industry within the intent of the present act.

"Sixty-five to seventy percent of our production costs are in labor, and it is quite a problem to offset that with the cheap European labor."

Lamonte Graw, Florida Fruit and Vegetable Association, Orlando, Fla. (pp. 187-193) :

"In brief, the Florida vegetable industry has suffered severe foreign competition for a number of years, principally from Mexico and Cuba. The segment of the industry that is vitally affected at present produces around \$40 to \$50 million

worth of products per annum and employs some 20,000 to 30,000 people. Obviously, that means that probably a hundred thousand citizens of Florida are affected by it.

"At the last session of Congress, when the Trade Agreements Act was last renewed, our peculiar situation was recognized by the insertion of section 8 (a)."

Here is a clear-cut case in which the domestic industry had documented its case; the Congress had recommended remedial action and had provided machinery therefore; the Secretary of Agriculture had carried out his initial responsibility of endorsing the idea and recommending the procedure to be followed; and, both the foreign and domestic producer groups had urged CRI to approve the program. Certainly there was every reason to believe that such a plan would be approved—and quickly.

Almost a year has elapsed since the hearings. Not one word has been heard from the Committee for Reciprocity Information. Conferences with Department of State officials under the former administration brought evasive answers—but at the same time developed discussion which has convinced this association that the program bogged down because the Department of State was continuing to oppose any quota program, despite the wishes of the Congress, and of the affected groups. Objections were offered by State as to why the program could not be put into effect—but the valid answers to these objections were apparently given no consideration. Informed authorities believe that any one of the objections could be properly met, and a sound program put into effect—if the Department gave its approval.

Thus the results to date are: Zero.

It is the considered opinion of the members of the Florida Fruit and Vegetable Association that the enactment of H. R. 4294 at this time is essential, since we have not been able to obtain any remedy under existing laws.

Early enactment of H. R. 4294 would enable us to resume efforts to bring about orderly marketing of fresh vegetables from Florida, Mexico, and Cuba.

The statements contained in this brief and the support of H. R. 4294 are endorsed by the 13,000 farm families who belong to the Florida Farm Bureau.

J. M. Jones, National Wool Growers Association, and Allied Wool Industry Committee, Salt Lake City, Utah (pp. 195-211) :

"The National Wool Growers Association is a voluntary and unincorporated organization of wool growers formed to protect the interests of the sheep industry and attempts to speak for the large majority of the four-hundred-thousand-odd wool and mohair growers of this country."

"The impact of imports into the United States of shorn wool has been multiplying so rapidly that a continuation of the practices, made possible by the present Trade Agreements Act, is threatening to wipe out the sheep industry of the United States as an important agricultural and livestock industry."

"There is no question about the immediate emergency need for action if we are to save our industry. In the past 20 months, wool prices have dropped 51 percent."

"The 51-percent drop in wool prices is not a figure based upon the highest point of the market in the past few years but simply a percentage of what has happened to this industry in the past 20 months. Producers and handlers of wool and lamb are in the middle of a depression, and nobody knows it except them and their bankers."

"In 1940, just before Pearl Harbor, importation of foreign wool amounted to 38 percent of domestic production and a strong American industry was ready to produce needed apparel wool for the Armed Forces. Now, 12 years later, after the lowering of tariffs under the trade agreements which compounded the damaging effect of other economic factors, foreign wool imports in 1952 amounted to 72 percent of the domestic consumption of the United States."

"The 1950-51 Yearbook of the United States Department of Agriculture says on page 489:

"We want to keep our wool industry vigorous because wool is essential to our national health and security; the Armed Forces consider wool a strategic and essential material."

"The solution to our problem lies in the immediate discontinuance of the present trade-agreement program as it has been carried out under the present Trade Agreements Act,"

"We endorse section 14 of H. R. 4294 which adds a seventh member to the Tariff Commission. Certainly with this bipartisan arm of the Congress, we feel it imminent unfair that a petitioner for relief from unfair foreign competition could find himself, in effect, ruled against because of a deadlock between an even number of commissioners. When the Tariff Commission deadlocks today, the petition is lost. To insure the intent of Congress that a decision be reached by the Tariff Commission on these matters, we feel it is necessary to add a seventh member."

Ames Stevens, National Association of Wool Manufacturers, Lowell, Mass. (pp. 212-224) :

"The National Association of Wool Manufacturers has opposed the trade-agreements program since its inception. It still opposes the program as we have known it on what it believes to be good and sufficient grounds. However, it will be our purpose now to confine ourselves to the single question of a 1-year extension and the manner and nature of that extension, if there is to be one. It is our understanding that the administration has requested an extension for 1 year in order to have the opportunity to reexamine the entire question of our foreign-trade policy. We assume that in the course of such study appropriate agencies will be established, before which we will have opportunity to record our views. On that basis, permit me to advocate, on behalf of the association, the passage of H. R. 4294 through section 12, the only sections having direct bearing on the wool textile industry."

"Because of these multiple-exchange systems, Uruguay and Argentina in 1952 were able to sell in the American market a total of 15,821,000 pounds of tops, equivalent to about 18 percent of the American production of tops made on commission for sale in the open market."

"In the face of currency schemes which neutralize our tariffs, it is futile to regard any tariff rate as affording any positive assurance to American producers. So long as subsidy practices are permitted to nullify our rates, then no matter how high these rates might be they are meaningless if foreign countries are permitted to subsidize their products through currency manipulation. The failure to invoke the countervailing duty statute in the face of widespread subsidy practices cannot help but encourage those countries to continue to seek trade advantages in this market through various schemes of currency manipulation."

"Our industry is in the greatest distress, that it has been in my knowledge of the business, extending some 34 years."

"I believe under the Reciprocal Trade Agreements Act the reduction in the ad valorem rates has been so great as to do irreparable damage to our section of the industry."

Antonio Fernandez, Member of Congress at Large from New Mexico (pp. 224-225) :

Supports section 13 of H. R. 4294.

No direct statement with reference to the provisions of H. R. 5495.

Fred G. Singer, Manufacturing Chemists Association, Washington, D. C. (pp. 225-238) :

"* * * In view of the 1 year of foreign economic policy, promised by the President, we agree with the 1-year extension of the President's authority, under the Trade Agreements Act, as extended and amended, beginning June 12, 1953. * * *"

Approved the following sections and subsections:

* * * Section 6 (a) (1) which would shorten the period within which the Tariff Commission is to complete its report and recommendations to the President from 1 year to 6 months.

Section 14: This would increase the number of Commissioners in the Tariff Commission from 6 to 7 and would increase the term of office of a Commissioner from 6 to 7 years. * * *

Objected to the following:

"The sections and subsections which carry through the bill the theme that the factfindings of the United States Tariff Commission and its recommendations be made binding on the President, and by inference on the Congress, in peril-point, escape-clause, agricultural commodity, unfair competition, and cost-of-production investigations. We consider such an increase in the Tariff Commission's power unreasonable and unwarranted."

Thomas D. Rice, Massachusetts Fisheries Association, Inc., Boston, Mass. (pp. 238-243) :

"* * * I petition first that the peril-point and the escape-clause provisions of the present act be retained, subject to the modifications contained in H. R. 4204. * * *

"* * * I support the suggestion which would reduce from 1 year to 6 months the time within which the Tariff Commission must make its report under the escape-clause procedure. * * *

"* * * My industry endorses the provision of the bill which makes it mandatory on the President to follow the peril-point and escape-clause recommendations of the Tariff Commission. * * *

"* * * My industry feels that the amendments set forth in H. R. 4204 constitute a start in the right direction. We therefore heartily recommend and urge its unanimous approval and adoption. " * * "

Harry H. Cook, American Flint Glass Workers Union, AFL, Toledo, Ohio (pp. 243-253) :

"We earnestly request that you support and report favorably on H. R. 4204, known as the Simpson bill. We have in recent years been in a position from which we could and did observe the administration of the escape clause of the trade-agreements law.

"What we have observed has been very discouraging. The Tariff Commission in its majority expression has rejected two-thirds of the applications brought before it. The President killed 50 percent of the remainder, so that, as far as a remedy is concerned, the present escape clause, as it has been administered, is simply a farce.

"Over half of the applications that were rejected by the Commission were decided on party lines. Thus, the bipartisanship of the Commission is no help."

George P. Byrne, Jr., United States Wood Screw Service Bureau, New York, N. Y. (pp. 253-271) :

"We believe that the new wording (in the Simpson bill) relating to injury is desirable, and that the elimination of the word 'serious' together with some of the other changed wording there may better indicate to the Tariff Commission, the State Department, and other agencies of the Government that have to do with this matter, the intention of Congress. * * * We believe that the wording in the Simpson bill is perhaps the best that can be had * * * therefore, we are wholeheartedly supporting it."

L. B. McKinley, Bausch & Lomb Optical Co., Rochester, N. Y. (pp. 271-278) :

"In 1950 Japanese imports of binoculars increased to 80,000, in 1951 to 118,000, and in 1952 to 168,000, our percentage of the market in those years being 25, 23, and 18 percent.

"In 1948, the company had 345 employees making microscopes. In 1949 this number dropped to 272 and in 1950 to 153. In 1952 there were 176 so employed.

"* * * a continuation of the Trade Agreements Act in its present form will offer no solution to the problem. There is a possibility that if H. R. 4204 is passed the industry will obtain some relief.

"* * * export sales of Bausch & Lomb microscopes for the past 5 years, expressed in percentages, taking 1948 as 100 percent: 1948, 100 percent; 1949, 32 percent; 1950, 21 percent; 1951, 9 percent; 1952, 2.5 percent."

Edwin R. Metcalf, Cordage Institute, New York, N. Y. (pp. 286-293) :

"The hard-fiber cordage and twine industry is presently comprised of 17 companies operating 22 plants in 11 States. In addition there are six State prisons manufacturing cordage and twine. All of the raw fibers used by the industry, namely, abaca, sisal, and henequen, are imported duty free. No hard fibers are grown in this country on a commercial basis. The products of the industry are rope, baler twine, binder twine, and industry and fishing twines.

"The maintenance of sufficient capacity in the industry to rotate this fiber at the present time, let alone in time of war, becomes of the greatest importance,

and this cannot be accomplished by the domestic industry unless it is assumed of a substantial share of the domestic market. Exports by the domestic industry are practically nil.

"Baler twine and binder twine which presently comprise more than 50 percent of the United States industry's production may be imported free of any duty whatsoever. Because of the granting of the successive tariff concessions, the balance of the products, rope and tying twines, are inadequately covered by duty. As a result, there has been a trend toward increased imports of rope and twine manufactured by cheap foreign labor. This trend constitutes a real threat against the future of the industry and its ability to function as an adjunct to the national-defense structure. In addition to jeopardizing the national defense through loss of capacity to manufacture essential materials in time of war, the drop in peacetime production must bring failure to properly rotate the stockpile which will lose the taxpayer millions of dollars and will seriously prejudice the quality of the stockpile."

* * * * *

Favors: (1) Inclusion of "impairment of the national security" among the criteria for consideration by the Tariff Commission in passing upon applications for relief or proposed tariff concessions; (2) that the findings of the Tariff Commission be made final; (3) "serious injury" in the criteria be changed to "injury"; (4) controlled pricing of raw materials to discriminate against United States industry in favor of foreign industry (e. g., discriminatory pricing of henequen in Mexico) should be considered an unfair import practice in Tariff Commission determinations; (5) discriminatory taxing (e. g., lower taxes on manufacture of henequen in Mexico for export to the United States) should be included in antidumping and countervailing duty provisions.

Walter W. Maule, Mushroom Growers Cooperative Association, Kennett Square, Pa. (pp. 294-295) :

"The cultivated-mushroom industry in the United States represents an investment of more than \$50 million. It gives employment to about 14,000 persons. Commercial mushroom production occurs in at least 25 States; however, Pennsylvania, New York, Illinois, Delaware, Ohio, California, Washington, Oregon, and Michigan account for at least 80 percent of the annual production of about 70 million pounds. About one-third of the annual crop is marketed in fresh form; two-thirds of the crop is processed either as canned mushroom or as mushroom soup. Mushrooms are generally a seasonal crop. Canning permits year-round marketing in processed form; it also allows for distribution in all markets of the United States.

* * * * *

"The farmer who grows the mushrooms has become increasingly dependent upon the processor as an outlet for a large part of his crop. The success of the processor in marketing the annual pack is largely dependent upon the competitive situation in the various markets. Three times, under the Reciprocal Trade Treaty Act, the Government has made drastic reductions in the duty on canned mushrooms, as shown below :

"1930 act, 45 percent ad valorem and 10 cents per pound.

"1936 act, 25 percent ad valorem and 8 cents per pound.

"1948 act, 15 percent ad valorem and 5 cents per pound.

"1951 act, 12½ percent ad valorem and 4 cents per pound.

"World unrest kept mushroom imports at a low level for a decade; however, since the last tariff reductions were made, the 1952 imports more than doubled those of the preceding year, and imports for the first 2 months of 1953 indicate that this year canned-mushroom imports will exceed those of any of the past 20 years."

"We feel that the mushroom industry deserves better treatment than it has received. Because of this belief, the board of directors have authorized this statement and urge the passage of H. R. 4204, with amendments which afford an avenue of relief from low-priced imports."

"* * * imports have increased very drastically, and with the increase in the imports, the price of the imported product has regularly declined."

J. B. Park, Brandywine Mushroom Corp., Kennett Square, Pa. (pp. 295-302) :

Added only the following to the information submitted by preceding witness: The French Government subsidizes exporters so French canned mushrooms can undersell the United States product.

Jack Citronbaum, Luggage and Leather Goods Manufacturers of America, Inc., New York City (pp. 296-302):

This organization represents the United States manufacturers of luggage and leather goods who produce approximately 95 percent of the total value of such products.

The statement, which contained no specific reference to the provisions of H. R. 5495, urged an increase, or at least no reduction, of the existing tariff rates applicable to the products of its members.

Charles W. Holman, National Milk Producers Federation (pp.

"I am secretary of the National Milk Producers Federation, the oldest and largest agricultural commodity organization in the United States. Our group consists of 94 farmer-owned cooperatives and some 600 submember associations with a combined membership of approximately 460,000 dairy farm families in 46 States. The volume of milk and cream sold or manufactured in various forms by these cooperatives exceeds 22 billion pounds a year. That is more than one-fifth of all milk and cream leaving United States farms in commerce, and is equal to two-thirds of all international trade in dairy products.

"I am appearing in connection with pending hearings on H. R. 4294 and other bills. It is not my purpose to discuss the details of any particular bill but to present to this committee the general position of our organization with regard to the problem of continuing adequate import controls on competitive dairy products.

"1. We believe that section 104 of the Defense Production Act provides the best liberal treatment of the import problem despite statements to the contrary. This section does not provide for any discriminatory action against any foreign country. Under its past maladministration an exceedingly high level of dairy imports have been allowed to come into this country at a time when it has become necessary for the Federal Government to purchase very large quantities of storable dairy products because of unmarketable surpluses upon the domestic market. Such a condition can be improved by a sincere, sympathetic administration.

"2. We support section 22 of the Agricultural Adjustment Act with amendments which would enable it under proper administration to accomplish the objective of necessary protection against competitive dairy imports.

"3. We support the principles of section 4 of the bill [4294], relating to mandatory peril-point provisions.

"4. We support the objective of the bill in seeking to speed up administrative action. Certainly 6 months is enough time for the Tariff Commission to make any investigations of this character and emergency action by the President should be made possible within 2 weeks after a problem of this character has been brought to his attention.

"The National Milk Producers Federation subscribes to the President's recommendation that the Reciprocal Trade Agreements Act be renewed for 1 year only while our whole international trade policy is being reviewed. Many things have happened in international trade as a whole, and particularly to world trade in specific commodities during the past 20 years. The time has come for a thorough review, reappraisal, and reorientation of our foreign trade policies and methods.

"The National Milk Producers Federation realizes that foreign market outlets are necessary to many of our major industries if they are to continue to operate at near capacity and maintain a high level of employment. The federation realizes that if countries are to import from us they must have market outlets here for goods that will offer them a means of payment; but at the same time we insist that the articles which they supply us must be those that we need and want. In this, our policy should be to encourage the importation of items which we can use, rather than add to surpluses which we are hard put to find a means of disposal.

"During the past 20 years our domestic tariffs, through a series of international agreements, have been reduced until the ratio of duties collected to the dollar value of all dutiable imports has dropped from 50 percent to 12½ percent in 1951. This international policy has been attended by domestic policies that have resulted in farm wage rates rising to four times their 1935-39 levels while dairy product prices received by farmers increased only one-half that amount. In view of these conditions that have led to an inflated price level for the economy as a whole, Congress has enacted price supports for agricultural products in excess of world prices.

"Our testimony will show that, without preventive action, imports of dairy products would be of such magnitude that they would greatly contribute to the burden of our domestic price-support program, and in the case of certain articles substantially reduce the volume processed in the United States. The reasons for these conclusions are simple and direct:

"1. Domestic production of dairy products is in excess of market requirements and is currently resulting in large Government price-support purchases.

"2. Our domestic support program is supporting dairy product prices at levels substantially above world market prices.

"3. Currency devaluations of foreign countries and reduced domestic tariff rates have rendered our tariffs ineffective.

"4. Uncontrolled imports of certain dairy products produced domestically, and at prices below existing support of market levels, tend to force domestic producers out of the competitive market for milk supplies, and thus drastically reduce domestic production of those products.

"5. In recent years, approximately 35 billion pounds of milk equivalent have been entering international trade in the form of various dairy products. This quantity has been growing and is constantly seeking new market outlets. An open market, supported at above world prices, would be a prime target for such a tremendous volume of potential imports.

"6. Import controls of dairy products are necessary as a countervailing measure to currency devaluation of foreign countries and a domestic price level considerably above world prices for dairy products."

The Trade Agreements Act has been very badly mauled by administrative policy since it was enacted. We welcome a complete study of trade policy as suggested by the President but want to retain section 104 of the Defense Production Act in which Congress has set up standards to guide the Secretary of Agriculture. We have grave doubts whether it will be possible to obtain the necessary speed and efficiency under section 22.

Every trade agreement should be subject to congressional ratification of some type.

Any prosperity coming to the United States dairy industry has been in spite of the Trade Agreements Act rather than because of it.

We favored the order of 90 percent of parity for butter to keep it on the level with feeds and other agricultural products. The approximate cost of the 1952-53 price-support program for dairy products was \$161 million.

Edward L. Torbert, Vitrified China Association, Inc., Syracuse, N. Y. (pp. 353-359):

"Section 6 (a) 1: We applied to the Tariff Commission for escape-clause action on February 11, 1952. The adverse decision by a 4-man Commission was announced 1 year later, on February 6, 1953. This is an unreasonable length of time for action on such an application, and when we reapply before a full Commission we hope the 6-month limit provided in section 6 (a) 1 of this will be in effect."

"Section 14: We favor increasing the Tariff Commission to 7 members, avoiding the stalemate of 3-3 decisions under the added responsibilities placed upon the Commission by this bill."

Joseph M. Wells, The United States Potters Association, East Liverpool, Ohio (pp. 360-370):

"We also support the proposed amendment reducing from 1 year to 6 months the time within which the Tariff Commission must make its report under the escape-clause procedure."

George B. Zahniser, Shenango Pottery Co., New Castle, Pa. (pp. 370-374):

Witness complains about imports of chinaware.

"Let a 7-man Commission of experts, the United States Tariff Commission, gather the facts from each industry affected, and give them the power to decide the fair thing to do. Let us take the tariff-rate setting out of the hands of so-called diplomats and professional economists. Let us pass House bill 4204."

F. E. Mollin, American Cattlemen's Association, Denver, Colo. (pp. 374-381) :

(For 1-year extension; for 7-man Commission.)

"We strongly urge acceptance of proviso for appointment of seventh commissioner. It seems rather futile to leave matter in such shape there are constantly recurring split decisions.

"We think it of the utmost importance that the provisions of the extension act for the protection of American industries, labor, and agriculture should be strengthened. We have no sympathy for those who advocate free trade, either as a manifestation of good will toward all, at the expense of Uncle Sam, or for the selfish purpose of encouraging greater imports of foreign products, either industrial or agricultural, in order that we may export more surplus products from this country. I see no gain to the United States in robbing Peter to pay Paul. Any legitimate increase in foreign trade on products that are not highly competitive should, of course, be encouraged. These free traders, however, who advocate acceptance of imported manufactured products, even to the extent of closing up domestic plants and putting thousands of laborers out of work and then suggest that every effort should be made to find them new jobs, are, in my opinion, not even entitled to be considered true Americans.

"We also favor section 14, which would add 1 member to the Commission and thus avoid the strong possibility of a tie vote in the action of a 6-man Commission.

"Our industry, as I am sure you all know, has taken a severe licking in prices during the past 6 months. It seems almost unbelievable that such a tremendous price decline could occur in a period of general prosperity and with practically full employment at the highest wages ever paid anywhere.

"We are firmly convinced that the economy of this country will not stand any further major tariff reductions; instead the tendency should be, with bankruptcies and business failures on the increase, to give added protection to American industry, labor, and agriculture, and we solicit your earnest consideration in the final draft of this bill to that end."

William S. Bennet, New York, N. Y. (pp. 381-393) :

Witness in favor of bill because it is a step towards reviving the protective tariff system for the United States. Gives an historical account of our protective tariff. No comments on provisions now in H. R. 5495.

Charles B. J. Molitor, the American Lace Manufacturers Association, Providence, R. I. (pp. 393-401) :

Witness complains about tariff reductions on lace manufactures made under the trade agreements program. This together with currency devaluation is said to have led to ruinous competition from imports, especially from France.

"While we are opposed to the trade agreements method of tariff adjustments, for practical reasons, we concur with our President in the extension of this program for 1 year, as set forth in this bill, with modifications."

Frederick Dixon, Amalgamated Lace Operatives of America, Lovers Section, Philadelphia, Pa. (pp. 401-404) :

Witness complains about imports of lace manufactures and attributes it to the wide disparity of wages paid by competing producing nations. No comments on provisions now in H. R. 5495.

L. Blaine Lilienuist, Western States Meat Packers Association, Inc. (pp. 408-411) :

Witness pleads for protection from a flood of cheap meat and livestock entering the United States market.

"In order to eliminate tie votes in the future we favor the provision beginning on page 21, line 11, of H. R. 4294, which states that the Tariff Commission shall be composed of 7 commissioners appointed by the President by and with the advice and consent of the Senate."

Richard H. Anthony, American Tariff League, New York, N. Y. (pp. 413-427) :

* * * "It is no news to this committee that the league would like to see an end of the trade-agreement approach and, in its stead, the creation of a system

whereby tariff-setting would be the responsibility of a qualified commission or agency, independent of the executive branch, and operating under the guidance and control of Congress."

"The bill provides for a 7-man, instead of the present 6-man, Tariff Commission. The league favors this change."

With reference to peril-point finding on import duty for petroleum witness states:

"If there had been a 7-man Tariff Commission, as H. R. 4204 proposes, the 3 to 3 split, which made the Commission action inconclusive, could have been avoided. Regardless of the merits of any particular case, a definite finding is preferable to an ambiguous one."

"To minimize evenly split decisions of the Tariff Commission, the proposal in H. R. 4204 to make it comprise 7 Commissioners, rather than 6 as at present, ought to be applauded by all, no matter what tariff philosophies they hold. Administratively it makes good sense to resolve disagreements, no matter which side is favored."

"Our complex tariff structure has become entangled in the trade-agreements machinery. The league recognized the advisability of legislating within the scope of the trade-agreements program pending the study and revision of our basic tariff and trade policies. However, it is important to reassert and make effective the principle that the United States has always reserved the right to avoid injury to American producers through the workings of the trade-agreements program and the right to withdraw or modify any tariff concession in a trade agreement that causes or threatens such injury."

"The view that an entire industry must be on the road to ruin before it can get tariff relief has convinced most domestic producers that filing escape-clause applications, even under the most meritorious circumstances, is a waste of time. They read in Government and private studies that they are expected to sacrifice themselves in order to bring more business to our importing and exporting industries. They are to turn their employees out onto the dole, to be trained for different jobs in some other geographical area. They are to pocket their losses and retire, if they cannot muscle into some other line of business. They and their workers are expected to be pawns in a foreign economic policy as yet unformulated, much less put into effect. They are disheartened."

"Action in the field of antidumping and countervailing duty procedures has fallen into comparative disuse in recent years. We believe it should be revived. Dumping and export subsidies are practices that should be discouraged."

"For the sake of continuity and emphasis it seems to us that Congress ought either to add to H. R. 4204 the caveat which was included in the 1951 Extension Act, or to state in H. R. 4204 that Congress confirms that caveat, which reads:

"The enactment of this act shall not be construed to determine or indicate the approval or disapproval by the Congress of the executive agreement known as the General Agreement on Tariffs and Trade."

O. G. Williams, Clock Manufacturers Association of America, Inc.,
New Haven, Conn. (pp. 428-453):

"We are not opposed to continuation of the trade agreements program.

"It is our conviction that in the past the Trade Agreements Act and program have been so written and administered as to cause and permit continuing serious injury to our industry, contrary to the plainly expressed purpose of Congress.

"* * * our industry's experience clearly shows that if Congress intends that trade agreements shall not become the means of inflicting serious injury and causing destruction among American producers, specific guides and safeguards for the administration of the program must be clearly spelled out in the law.

"Past administration of the trade agreements program has been such that it has enabled foreign watch manufacturers to seize nearly two-thirds, and complete control, of the American market. Last year's denial of escape-clause relief * * * not only perpetuated the Swiss seizure of the market, but paved the way for still greater dominance by imports and still further decline in the share of the market supplied by American producers.

"We favor the provisions of H. R. 4204 * * *. We favor particularly the provisions which empower the Tariff Commission to make decisions * * *.

"We do not believe we should be sacrificed for prosperity abroad or for export markets.

"We further endorse the provision for reducing the time for investigation and decision from 1 year to 6 months * * *.

"* * * membership of the Commission should be increased to 7. * * * It may be said that since the Commission is a bipartisan body, if its membership were increased to 7 the majority would always reflect the views of the administration in power at the time. We are satisfied that this would not be the case, having regard to the integrity and independence of the Commission, especially if clothed with the responsibility of making decisions and not merely recommendations.

"The domestic watch and clock industry is peculiarly vulnerable to foreign competition. The labor content * * * of a watch is 80 percent or higher. Wage rates in the foreign watch and clock industries are but a fraction of the wage rates paid in the domestic industry. Notwithstanding the lower wage rates prevailing abroad, there is no discernible difference between the productivity of foreign and domestic labor employed in the watch and clock industry.

"The American clock and watch industry simply cannot stand up against floods of imports from foreign countries which are adequately protected and encouraged by their own governments. We feel a most serious sense of responsibility in this situation with our contribution to the defense program."

James G. Shennon, American Watch Manufacturers Association, Elgin, Ill. (pp. 453-474) :

"Basically we support the extension of the Trade Agreements Act * * *. We agree that the Trade Agreements Act should be extended for 1 year.

"We believe * * * that any extension of the Trade Agreements Act should contain provisions to safeguard essential defense industries and to provide an effective, workable escape procedure.

"* * * In August of 1952 Mr. Truman turned down the recommendation of the Tariff Commission [on watches, watch movements, watch cases and watch parts]. It seems clear from the President's letter that he was not influenced by the criteria established by the escape clause in the present law, and did not feel himself bound by the findings of facts made by the Tariff Commission. * * * we believe that the statute should be revised to prevent a repetition of such disregard of the intent of Congress.

"We also agree with reducing the time permitted to the Tariff Commission to consider an appeal under an escape clause, as well as the time permitted for presidential action.

"The American industry has been slowly but steadily losing the battle with the lower-cost Swiss imports ever since the reductions of custom duties on these imports pursuant to the 1936 trade agreement with Switzerland. We had approximately 50 percent of the domestic market when the trade agreement program started in 1936 * * * in 1952, 23 percent.

"We have stated repeatedly in the past that this industry would eventually be forced to shift over to the importing of watch movements, or to the manufacture and sale of other products to preserve the equity of our shareholders and the jobs of our employees. This has now come true.

"We do not think we can maintain sufficient watch manufacturing capacity and skills to meet military requirements unless at least the duties recommended by the Tariff Commission's 1952 report are put into effect."

John J. Lerch of New York City, representing American Glassware Association; the Candle Manufacturers Association; Collapsible Tube Manufacturers Association; the Industrial Wire Cloth Institute; National Building Granite Quarries Association, Inc.; Rubber Footwear Division, the Rubber Manufacturers Association, Inc.; Toy Manufacturers of the U. S. A., Inc.; Twisted Jute Packing & Oakum Institute; United States Potters Association; Velveten Industry (pp. 476-496) :

Mr. Lerch points out that he has consistently opposed the Trade Agreements Act from its inception in 1934; he regards the act as being unconstitutional. Some of the reasons for his support of the Simpson bill are quoted below :

"It is our view that the remedies sought to be provided in the act of 1951 have been ineffective and have supplied no facts upon which an intelligent survey could be based. We feel that in the provisions of H. R. 4294, which attempt to amend the act so as to make these remedies effective before the expiration of the year's extension, the President's investigating body would have facts upon which to base intelligent conclusions as to the effectiveness of these remedies.

"Because of the low cost of its manufacture abroad, the importation of every competitive article into the United States displaces at least one American-made article, and in many instances as many as half a dozen foreign-made articles can be imported before the cost of a single American-made article is exceeded.

"The constant shrinkage of our export markets and the immediate increase of imports by the United States because of greatly reduced tariffs, would more logically force one to conclude that our exports will shrink or disappear while imports will increase to the detriment of our labor and capital investment."

Marx Lewis, United Hatters, Cap, and Millinery Workers International Union, New York City (pp. 496-502) :

"In common with organized labor, as represented by the American Federation of Labor, we are in favor of an extension of the reciprocal-trade treaties and a policy which encourages trade between the nations of the world. We believe, however, that it is not necessary, in the furtherance of this policy, to destroy industries that are so situated as to be unable to absorb unlimited imports, particularly when such destruction would not be accompanied by any corresponding or tangible benefits to foreign producers.

"We see nothing dangerous in making it mandatory on the President to follow the peril-point recommendations of the Tariff Commission, or in reducing from 1 year to 6 months the time within which the Tariff Commission must make its report under the escape-clause procedure."

Further testimony of this witness related primarily to the Escape Clause case presented to the Tariff Commission and to the tariff adjustment granted to the industry, which Mr. Lewis considered satisfactory.

Representative Wesley A. D'Ewart of Montana (pp. 502-503) :

Mr. D'Ewart's statement, introduced by the Chairman, relates primarily to the Escape Clause investigation of mustard seed, from which he draws several conclusions regarding the Simpson bill, one of which is:

"I therefore urge that the committee adopt the provision of the Simpson bill establishing a 6-month deadline for action on these applications."

John T. Noonan, American Textile Machinery Association (pp. 504-507) :

Mr. Noonan proposed an amendment to section 7 (b) of the Trade Agreements Act which would make irrelevant to the Commission's decision the earnings, employment, etc., on products produced by the industry other than those products under consideration.

"It is not only essential, as we view it, that the Commission be directed to look at the factors that have been enumerated as applied to the particular product which is being injured; we think it is essential that the Commission also be instructed that if injury is found when these factors are considered, it is not the intention of Congress that that injury should be deemed to be negated by a finding that there has been an increase in sales or an increase in production or an increase in profits on some entirely domestic line of business unaffected by the import of a foreign item."

H. Warner Dailey, Pin, Clip, and Fastener Association of New York City (pp. 507-528) :

After stating the case for the association, regarding a request for an escape-clause investigation (which was later withdrawn), Mr. Dailey stated:

"Certainly there has been no indication that American industries could expect any better treatment from the present State Department than from past administrations if the law should be extended as it is with an implied congressional approval of the manner in which the law has been administered in the past. It is abundantly clear that our only hope for relief lies in Congress.

"For these reasons we are specifically opposed to any extension of the Trade Agreements Act in its present form."

John J. Carr, Risdon Manufacturing Co., Naugatuck, Conn. (pp. 528-530) :

Mr. Carr restated the case for the pin manufacturers, supporting his contention that the industry has been injured by imports.

Walter W. Mueller, Penzel, Mueller & Co., Long Island, N. Y. (pp. 530-534):

"The present proposed legislation enables the United States Tariff Commission to discover injury to American industries prior to these industries being destroyed through foreign imports. Furthermore, it removes the question of relief, incidental to the injuries sustained, out of the scope of political expediency. It makes the determination of injury and the granting of relief therefrom, the responsibility and decision of a truly impartial quasi-judicial body. Also the proposed legislation restores to the United States Tariff Commission the responsibility of an effective, rule-making arm of the Congress of the United States and reverses its present function of being merely a statistical and recommending body to which it has at present been reduced by the Trade Agreements Act.

"It seems essential that the United States Tariff Commission itself should be composed of an uneven number of Commissioners. The present membership composition of the Commission has resulted in more than a score of so-called tie decisions. Only through the enactment of the proposed legislation can American industries be assured of an impartial decision on the merits of application for tariff relief and thereby prevent the ultimate destruction of our century-old industry."

James J. Duffy, International Brotherhood of Operative Potters, East Liverpool, Ohio (pp. 534-536):

"We favor H. R. 4204 because it would improve the possibility of obtaining relief from the injury that we are experiencing from imports."

"We also support the reduction in the 1-year period allowed the Tariff Commission to make its findings. Six months offers adequate time, provided, of course, that the Tariff Commission has a sufficient staff to handle its workload. In recent years the staff of the Commission had declined while the workload has increased. This condition should be remedied."

"Another provision of H. R. 4204 that we support is the one that would change the Commission from an even to an odd number. We understand that all other ratemaking commissions have an odd number of members, and this makes sense. An even number of members leads too easily to a stalemate. The Interstate Commerce Commission, the Federal Power Commission, and the Federal Communications Commission, all have an odd number of members."

"In recent months the Tariff Commission has divided along party lines six times. This does not bode well for those who apply for relief. A deadlock means that no remedy is forthcoming. Certainly it is not good policy to set up a commission that, instead of doing positive work, ends nearly half the time in a deadlock. This represents a waste of time and money and is unfair to those who apply to the Commission for relief against injury from import competition."

"To have three Commissioners tell you that you are not injured, nor threatened with injury, while three others, who have heard the same testimony and read the same reports, say that you are being injured, or threatened with injury, does not result in much faith in the public agency that divides in such a manner."

"We urge you, therefore, to provide that the Tariff Commission be given an odd number of members, as provided in H. R. 4204."

Edward W. Wooton, the Wine Institute, San Francisco, Calif. (pp. 536-546):

After discussing the domestic wine industry and its competitive situation regarding imports, Mr. Wooton discussed the Simpson bill. Some of the statements he made in this connection are as follows:

"H. R. 4204 goes directly to the heart of this difficulty. It proposes that the question of domestic injury be left as a question of fact to the determination of the Tariff Commission, and that, once the question of fact has been arrived at, it be followed without disturbance and without reversal for any reason, no matter how potent, not germane to the specific question of injury."

"With regard to section 14 (changing the membership of the committee from 6 to 7), we should like to point out that the Tariff Commission, under the present law, and under the proposed bill, is performing semijudicial functions (as distinguished from its original purely investigatory functions) and that the lodging of such functions in an odd number instead of an even number of members is established practice both in the courts and in Federal and State semijudicial administrative agencies. This practice minimizes split decisions, which are never

satisfactory, either to the winning or losing party, because such decisions turn on burden of proof and not on the merits."

"All this bill does is to prevent material damage to important segments of the American economy while a sound solution is being found for the long-term problem."

"We respectfully urge the committee to separate the long-term problem from the immediate problem and to favorably report this bill before it is too late."

Congressman August H. Andresen, representing the First District of Minnesota (pp. 757-778) :

* * * Present tariff laws mean little in protecting American producers. Nearly every country has exchange restrictions, licenses, and do not permit imports if they are self-sufficient.

Supplied a list of import restrictions of specified dairy exporting and importing countries.

* * * For agricultural commodities, particularly dairy products, fats and oils, and price-supported commodities, a quota system applicable to imports is essential.

* * * Under the present United States tariff butter from foreign sources can be delivered to the United States for 20 cents per pound under the support price.

* * * Recommends the continuance of section 104 in whatever bill is used to extend the Reciprocal Trade Act.

* * * Recommends the following amendment to section 8 of the Reciprocal Trade Agreements Extension Act :

"In the exercise of the authority conferred in this section, full consideration shall be given to (1) domestic production and consumption requirements, (2) the impact of imports of any agricultural commodity or products thereof on (a) normal marketing and storing of domestic products, (b) on any Government support or other program or (c) on the Government objective of achieving full parity prices for domestic agricultural commodities or products thereof in the market place: *Provided*, That notwithstanding the provisions of section 22 of the Agricultural Adjustment Act, as amended, or any other law, the President, upon the recommendation of the Secretary of Agriculture, may (1) order further limitation on the quantity of imports of any such agricultural commodity or products thereof, or total suspension of imports of any agricultural commodity or products thereof, to meet the emergency situation and (2) proclaim the continuance of the emergency action, herein authorized, as long as the emergency continues to exist: *Provided further*, That any interested party may file an application for investigation, with respect to any agricultural commodity or any products thereof, under section 7 of the Trade Agreements Extension Act of 1951 or under section 22 of the Agricultural Adjustment Act, directly with the Tariff Commission and upon the filing of such application the Tariff Commission shall conduct an investigation and report its findings to the President within 25 days in the case of any perishable agricultural commodity or any products thereof or within 60 days in the case of any other agricultural commodity or any products thereof."

Herschel D. Newsom, National Grange (pp. 778-783) :

* * * Recommends a 1-year extension of the Reciprocal Trade Agreements Act without amendment.

Endorses the need of a commission to make a study of the trade policies of the United States.

Lloyd C. Halvorson, National Grange (pp. 783-796) :

* * * Trade-agreements program should do more to open foreign markets for United States products. Western Europe must earn dollars for our exports or she will trade elsewhere.

* * * Trade, not aid, will reduce United States tax burden and increase our standard of living.

* * * In 1951, about 10 percent of our agricultural production (cotton, 51 percent; wheat, 46 percent; rice, 42 percent; tobacco, 25 percent; peanuts, 14 percent) was exported. A decline in the export market will severely depress the agricultural economy.

* * * Favors strengthening section 22.

John C. Lynn, American Farm Bureau Federation (pp. 796-812) :

* * * Favors commission to study international trade * * * finding outcome of preceding study, recommend the following:

"1. Extension of RTAA for 1 year on following conditions: (a) that immediate action be taken to negotiate reciprocal reduction of United States duties in excess of 25 percent ad valorem in return for concessions to be obtained from other nations; (b) procedures be established for prompt action under section 22 and the escape-clause action within 25 days for perishables and within 120 days for storable commodities, with authority given to the Secretary to take interim action to safeguard producers finding outcome of Tariff Commission study and Presidential action; and (c) adequate staff and appropriations to the Tariff Commission."

"* * * Agriculture has vital interest in maintenance and expansion of our export markets."

Ernest Falk, Northwest Horticultural Council, Yakima, Wash., (pp. 812-824) :

* * * Supports extension of Reciprocal Trade Agreements Act for 1 year with following qualifications:

1. Strengthening of section 22.
2. Revitalize section 336.

* * * Expansion of export markets vital to fruit-growing industries of the United States.

Mr. John Breckenridge, Northwest Nut Growers, California Almond Growers Exchange, California Walnut Growers Association, and Sunkist Growers, Washington, D. C. (pp. 824-841) :

* * * Does not believe exports should be increased at expense of excessive and unnecessary imports. Favors procedural changes in section 7 with respect to emergency treatment of perishable agricultural commodities which would enable direct application by producers to the Tariff Commission. Findings of Tariff Commission under section 8 should be final and binding.

* * * Opposes creation of a presidential commission to study foreign trade.

Homer L. Brinkley, National Council of Farmer Cooperatives (pp. 841-846) :

* * * Favors extension of Trade Agreements Extension Act for 1 year only and the establishment of a commission to study international economic problems.

* * * Tariff Commission findings with respect to ratification of trade agreements, adjustments of tariffs, and peril points.

* * * Time for escape-clause investigations should be shortened.

Messrs. B. W. Fairbanks and Robert J. Remaley, American Dried Milk Institute (pp. 846-880) :

* * * Presented a detailed statement and statistics relating to foreign trade and the domestic dried-milk industry.

* * * Favors an amendment in section 8 to amend section 22 of the Agricultural Adjustment Act providing for the complete restriction of dry-milk products when domestic production is adequate for domestic needs.

Walter W. Cenerazzo, national president, American Watch Workers Union, Waltham, Mass. (pp. 881-889) :

Has appeared before this committee periodically for a period of over 10 years. Is opposed to Reciprocal Trade Act because it is without adequate protection to workers.

Recited history of escape-clause action on watches and watch parts in 1952 before Tariff Commission. Commission recommended 50-percent increase in duty (Ryder and McGill dissenting). President rejected recommendation of majority.

Favors increase in number of Commissioners to seven.

Favors portion of Simpson bill which will make it mandatory upon the President to put into effect the recommendations of the Tariff Commission.

M. C. Firestone, representing Wallpaper Craftsmen and Workers of North America AFL, York, Pa. (pp. 889-894) :

Testimony concerns principally "print cutters" who make the rollers used in printing wallpaper.

This is a very old union (organized in 1883) composed of skilled workmen. A training period of 5 years is required as a prerequisite to certification as a print cutter. Union has lost no part of industry through labor strife; represent about 85 percent of all workers (about 5,000) in wallpaper-manufacturing business.

Imports of wallpaper has increased over 500 percent during the past 15 years. In 1950 imports are estimated to have replaced 15 percent of domestic output. Today that figure is between 25 to 30 percent.

Prior to 1921 print cutters were continuously employed when employers were not permitted to use rollers without the union stamps. In 1921 the union-stamp clause was withdrawn from the union contract. In 1937 the union stamp-clause clause was reinstated. In 1947 under the Labor-Management Relations Act employers again eliminated the union-stamp clause from the union contract and foreign print rollers and larger quantities of wallpaper were imported.

The industry has not requested relief under the ascape clause but was represented before the Committee for Reciprocity Information in 1947 and 1950.

Hon. Charles W. Vursell, Representative in Congress from the State of Illinois (pp. 919-921) :

He spoke in favor of H. R. 4688 to limit imports of oil and petroleum products to about 10 percent of United States consumption. This bill he stated, does not run counter to the President's request for extension of the Trade Agreements Act.

We are importing now over a million barrels of oil a day or about 14 percent of our consumption.

Clyde M. Foraker, Ohio Oil & Gas Association, Columbus, Ohio, (pp. 924-927) :

In Ohio, Corning grade oil, which is nearly half of the Ohio production of crude, competes with Mid-Continent oils. They are affected by the competition of imports. The best interests of the United States in peace and war is served if the domestic industry is kept healthy.

(No statements on provisions of H. R. 5495.)

Russell B. Brown, Independent Petroleum Association of America (et al.), Washington, D. C. (pp. 927-948) :

Favors: (1) 1-year extension of Trade Agreements Act, (2) strengthening of escape-clause procedure, (3) strengthening peril-point procedure, (4) establishment of Tariff Commission as final authority on peril-point and escape-clause findings, etc., and (5) strengthening Antidumping Act.

Favors limitation of imports of crude petroleum and products to 10 percent of United States demand. Historically we have been able to meet our peace- and wartime needs from domestic sources. We can continue to do so or we can adopt policies that will make it impossible to maintain domestic supplies of oil. It would be unsound and dangerous to increase reliance on foreign sources. About 250,000 are employed in the United States oil industry.

Charlton H. Lyons, Independent Petroleum Association of America, Shreveport, La. (pp. 948-954) :

Favors limitation on imports of petroleum products to 10 percent of domestic consumption. In our foreign relations and foreign trade policies we should be as helpful to other nations of the free world as our resources and our national interest will permit. The policy on petroleum imports should encourage exploration and development of domestic oil industry to meet needs of Nation.

(No statements on provisions of H. R. 5495.)

J. P. Coleman, president, National Stripper Well Association, Wichita Falls, Tex., and authorized to represent Panhandle Producers

and Royalty Owners Association and the North Texas Oil & Gas Association (pp. 956-962) :

About 70 percent of all oil wells in the United States are stripper wells producing less than 10 barrels each per day. This class of well accounts for about one-sixth or one-seventh of the total domestic production of crude oil. Interstate Oil Compact Commission estimates that there are over 3 billion barrels of oil recoverable from this type of well by secondary recovery methods such as waterflooding. This will be done if price of crude justifies the expense. Continental United States reserves amount to about 83 billion barrels. Production is at the rate of 7 million barrels per day (capacity about 8 million) and imports about 1.1 million barrels per day.

Small producers are alarmed at consistent rise in imports.

In Texas in the past 5 months production has been cut back 350,000 barrels per day and 260 drilling rigs are shut down.

Oil properties are an important source of tax revenue in Texas. State officials estimate a 20 million loss in taxes due to above-mentioned cutback.

Oil imports are not like other imports when the goods of one country are exchanged for those of another. In the oil industry we have American companies producing oil abroad with American money, American drillers, and machinery and equipment.

"In 1946, the 5 largest oil companies, which are also the 5 largest importers of foreign oil, produced 57 percent of their oil in the United States and 43 percent in foreign countries. Since that time they have gradually increased their foreign production until in 1952 they produced 63 percent of their oil in foreign countries and only 37 percent in the United States. In 1946, we took heart because we felt, that is, the independent producers felt that the predominant interest of the largest importers was still their United States production. Now we see that their principal interest is in foreign lands. In fact, in 1952, the Standard Oil Co. of New Jersey, the largest oil company in the world and the largest importer, produced 74 percent of their oil in foreign lands, and 66 percent of the company's net income was earned through foreign operations."

Suggests a quota of 10 percent of domestic production.

J. R. Butler, J. R. Butler & Co., Houston, Tex. (pp. 963-968) :

Requested Congress to pass legislation restricting imports of oil.

No direct statement with reference to the provisions of H. R. 4595.

A. S. Ritchie, Kansas Independent Oil & Gas Association, Wichita, Kans. (pp. 968-972) :

Supports restriction on imports of oil to 10 percent of domestic consumption.

No direct statement with reference to the provisions of H. R. 5495.

J. P. Jones, the New York State Oil Producers Association, the Bradford district, Pennsylvania Oil Producers Association, and the middle district, Pennsylvania Oil Producers Association, Bradford, Pa. (pp. 972-975) :

Protested the excessive imports of foreign oil as a dangerous threat to the segment of the domestic oil industry he represented. Requested that reasonable controls be established over oil imports.

No direct statement with reference to the provisions of H. R. 5495.

B. L. Majewski, the Great American Oil Co., Chicago, Ill (pp. 976-1005) :

Supports the establishment of a legislative quota that would restrict imports of oil to 10 percent of the domestic consumption.

No direct statement with reference to the provisions of H. R. 5495.

H. B. Fell, Simpson-Fell Oil Co., Ardmore, Okla. (pp. 1006-1014) :

Requested that Congress place restrictions on imports of crude oil and products into the United States.

No direct statement with reference to the provisions of H. R. 5495.

Will E. Neal, Representative, Fourth Congressional District of West Virginia (pp. 1015-1017) :

Supports section 13 (a) (2) of H. R. 4294.

No direct statement with reference to the provisions of H. R. 5495.

Robert C. Byrd, Representative in Congress from the State of West Virginia (pp. 1017-1020) :

Supports H. R. 4294, principally the section which will establish a 10-percent quota on imports of crude petroleum.

James E. Van Zandt, Representative, 20th Congressional District of Pennsylvania (pp. 1020-1029) :

Supports the reciprocal trade agreement, provided that such agreements retain the peril-point amendment.

Urges a 5-percent quota limitation of foreign residual oil.

C. M. Bailey, Representative, 3d Congressional District of West Virginia (pp. 1029-1056) :

Endorsed the following sections of H. R. 4294 :

1. One-year extension of the Trade Agreements Act.

2. Enlarging the Tariff Commission to seven members.

3. Reducing the one-year limitation in which the Tariff Commission is required to complete its escape-clause investigations to 9 months.

4. Section 13; placing import quota on foreign residual fuel oil.

* * * The Simpson bill is intended to accord equal treatment (of the vast segment of American small business) with other groups receiving more favorable consideration under the Reciprocal Trade Agreements Act.

Frank W. Earnest, Jr., Anthracite Institute, Wilkes-Barre, Pa. (pp. 1167-1172) :

No remarks applicable to H. R. 5495.

Industry is concerned over imports of residual fuel oil replacing domestically mined coal as fuel.

Hon. James S. Golden, Representative in Congress for the Eighth Congressional District of Kentucky (pp. 1057-1060) :

"* * * there are approximately 30,000 coal miners in my district, and my best estimation is that because of the importation of foreign fuel oil there are 15,000 coal miners out of work."

The bituminous coal-mining sections of southeast Kentucky are "in a depression." The production of coal is off between one-third and one-half of what is produced there in normal times and is very much under what it produces in prosperous times.

The bituminous-coal industry of this country is "a basic necessary industry"; if it is allowed to collapse, the steel industry and the railroad industry will be vitally affected.

"It is estimated that the increased importation of residual fuel oil in the last few years has displaced each year 31 million tons of coal, that it has caused the loss of revenue to the coal companies of more than \$150 million each year, that it has caused the men who work in the mines the loss of more than 4 million man-days of work in each year, and that it has caused the miners to lose more than \$75 million in wages each year."

Because the railroads of the country do not have the coal to haul as freight, "it is estimated they are losing \$85 million in freight revenues and that railroad employees are losing \$41 million in earnings and wages on account of the displaced and lost coal markets."

Hon. Carl D. Perkins, Representative in Congress for the Seventh Congressional District of Kentucky (pp. 1060-1064) :

The coal miners and coal industry in eastern Kentucky are "very much concerned about the uncontrolled importation of residual fuel oil from the Venezuelan area."

"I am here today testifying in favor of the legislation [H. R. 2973] that I, along with numerous other Members of Congress introduced, and also the provision in House bill 4294, introduced by Representative Simpson of Pennsylvania, which limits the importations of residual fuel oil."

"This action is required to check tremendous increases which have occurred in the importation of residual fuel oil for consumption in the Atlantic seaboard area. To make matters worse, these imports fluctuate extremely and erratically, causing further disruptive effects upon our domestic fuel economy, the production of coal, and employment of our miners."

If the Venezuelan refineries, which are operated largely by American companies, "are permitted to continue the easy course of dumping their surplus residual fuel oil on a distress basis in the American market, they will not be under the necessity" to make "constructive adjustments to changed conditions in the world's oil economy."

Hon. Leon H. Gavin, Representative in Congress for the 23d District of Pennsylvania (pp. 1064-1066) :

"The coal industry of my State has voiced complaints of injury and demands that swift congressional action be taken to adjust this situation and afford them some relief * * *"

"Recognizing the devastating effect upon the coal industry of Pennsylvania and the independent oil producers of the Nation, Representative Richard M. Simpson introduced H. R. 4294. I trust the committee will give favorable consideration to this bill and report it without changes so that it can be fully and carefully debated by the House."

"The imports of residual fuel oil in 1952 represents the equivalent loss of some 81 million tons of coal." On a cumulative basis, the total of unmined coal displaced by the fuel oil imports during recent years; represents large losses of income incurred by the coal-mining industry, of man-days of work and wages by the miners, of freight revenues by the railroads, and of tax revenues by the Government.

Hon. William C. Wampler, Representative in Congress for the Ninth Congressional District of Virginia (pp. 1066-1072) :

"On February 19 I introduced H. R. 3317, which is a bill to establish quota limitations on imports of foreign residual fuel oil. Section 13 (a) (2) of H. R. 4294, now under consideration, provides for substantially the same action as does my bill."

"It is my considered judgment that the enactment of this legislation will remedy a situation that is vitally affecting the economic life of my congressional district and other coal-producing areas of this Nation."

The American coal industry does not seek any special favors. "It is asking only for the opportunity to compete on a fair basis—a position it does not enjoy with the importation of foreign residual fuel oil. And the unfair competition of this oil is creating an economic crisis not only for the coal industry, but for entire mining areas and for the States in which those mining areas lie."

Hon. Richard H. Poff, Representative in Congress for the Sixth Congressional District of Virginia (pp. 1073-1074) :

"* * * I appear to endorse the objective of section 13 of H. R. 4294. That objective, as I see it, is to equalize the competitive factor between a cheap foreign import and a basic domestic product. I am not personally qualified to say whether the proper method of achieving the objective is by way of increased tariff, by way of quota limitations or by way of a combination of the two. However, I am wholly convinced that the objective must be accomplished, and I am content to leave to the good judgment and broad experience of this committee the means by which it should be accomplished."

"Primarily, the objective must be accomplished because it is in the interest of the national welfare and security. The unrestrained importation of foreign residual oil is striking at the vitals of two of our Nation's most critical industries: Coal mining and rail transportation."

Hon. Edward J. Bonin, Representative in Congress for the 11th Congressional District of Pennsylvania (pp. 1074-1075) :

"I wish to testify in behalf of this section of the Trade Agreements Extension Act of 1953, which would establish quota limitations on imports of foreign residual fuel oil."

"In my district, Luzerne County—marked as a distressed labor area—are 28,000 male unemployed workers and this legislation is the first ray of hope that something may be done to relieve the plight of the coal miners and the coal industry * * *."

"My bill, H. R. 3061, would limit the total quantity of residual fuel oil importation, in any calendar quarter of any year, to 5 percent of the domestic demand for the corresponding calendar quarter of the previous year, as determined by the Bureau of Mines. In my opinion, it would be a step forward toward correcting hardships to the coal industry by oil imports and that is the reason for my statement here today."

Hon. Harley O. Staggers, Representative in Congress for the Second Congressional District of West Virginia (pp. 1075-1077):

"Three times in the past 2 months I have urged Congress to take action on the subject of importing cheap residual fuel oil into our country. We can no longer avoid action on this important legislation, as our national economy and security is at stake."

"In my district and State, the coal mining and related industries are suffering great losses in revenue, and thousands of coal miners and railroaders have been thrown out of work. This distress is now spreading to equipment manufacturers and suppliers, as well as to business houses in coal-producing areas."

Hon. John P. Saylor, Representative in Congress for the 22d Congressional District of Pennsylvania (pp. 1077-1079):

"With this statement the witnesses testifying in support of H. R. 4204 rest our case before this committee. In your hands is the economic fate of thousands of American families. Your decision will also determine the immediate destiny of an industry upon which the safety of this Nation must rely in times of emergency."

"If you prescribe that the Congress adopt the remedial provisions included in this bill, our miners, railroaders, and other workers and residents of coal and shipping communities will once again be able to look to the future with hope and confidence."

"If, on the other hand, H. R. 4204 is emasculated to the extent that no legislative relief against residual oil imports is provided, what remains of this measure may rightfully become known as the Trade Disagreements Act of 1953 for those who toll in our native land."

Mr. Tom Pickett, National Coal Association, Washington, D. C. (pp. 1080-1084):

This trade organization of the bituminous coal mine owners and operators in the 28 coal-producing States represents more than 65 percent of the commercial bituminous coal production in the United States.

"My purpose in appearing today is to express the unanimous views of the bituminous coal mine owners and operators with respect to the Simpson bill, H. R. 4204. Generally speaking, we endorse the principles contained in H. R. 4204, but particularly support section 13 (a) (2) of the bill."

"The bituminous coal industry has suffered incalculable damage by the inroads against its legitimate markets due to the excessive imports of foreign residual fuel oil since 1948.

"Concern over the foreign residual fuel oil problem has become so great that 24 Members of the Congress have introduced bills providing for a quantitative limitation on such imports." (A list of the bills referred to is included in the record.)

"We are particularly glad to note that the same limitation principles contained in those bills are to be found in section 13 (a) (2) of the Simpson bill which is now under consideration."

"* * * Legislation is the only effective answer to the problems facing the industries adversely affected by excessive residual oil imports."

"* * * no relief * * * through Tariff Commission procedures * * * could be obtained that would in any way represent a solution to our problem," because

"First, Tariff Commission investigations usually require 1 year to complete, whereas it is imperative that we secure immediate remedial action."

"Second * * * the Tariff Commission would be limited by law to recommending * * * a rate of 15¼ cents, one that is "wholly inadequate to afford necessary protection."

"Third, even if full restoration of the 1932 rate of 21 cents were possible, it would not solve our problem because the foreign oil producers and importers can absorb that amount without noticeable effect upon either the price or volume of imports."

"Fourth, language in the present law makes it impossible for us to justify action by the Tariff Commission because the escape clause remedy must be predicated upon a showing that the damage results from the trade concession complained of. The damage we have suffered has not been due to a trade concession, as such, but is the result of the great volumes of imports which have been flooding the country since 1948, irrespective of whether the applicable tariff rate is 5¼ cents, 10½ cents, or 21 cents."

Dr. Ford K. Edwards, National Coal Association, Washington, D. C. (pp. 1084-1145):

"My purpose in appearing here is to urge this committee to approve and adopt those provisions of section 13 (a) (2) of Mr. Simpson's bill (H. R. 4294), which would limit the quantity of residual oil which may be imported into this country to 5 percent of the domestic demand for residual oil."

Dr. Edwards' oral statements were developed on the basis of, and with reference to, a lengthy and detailed prepared statement dealing with the difficult situation of the domestic coal industry and the "relentless pressures" placed upon it by the practices of the international oil companies, whereby they "have lifted the east coast residual fuel-oil imports far beyond any reasonable sense of proportion to the growth of the energy demands in this market."

George A. Lamb, Pittsburgh Consolidated Coal Co., Pittsburgh, Pa. (pp. 1145-1155):

"The bituminous-coal industry wants a fair competitive opportunity in the fuel market. It believes that the importation of residual fuel oil has involved unfair as well as unsound practices. I appear before your committee as a representative of this industry to demonstrate the unfairness and unsoundness of these import practices. Bituminous coal asks relief from these practices through a limitation of the volume of residual-oil imports."

Harold Keeler, Commissioner of Commerce, State of New York (pp. 1155-1157):

Mr. Keeler's statement on "oil imports" was made a part of the record.

"The Simpson bill (H. R. 4294) contains a number of provisions which are opposed to the best interests of the United States. The relationship of this bill to matters of national policy, our relations with other free nations, and the overall economic effects of the various provisions have been adequately presented by others. I should like to confine my remarks to the proposal to impose import quotas for crude petroleum and residual fuel oil by adding a new section 322 to the Tariff Act of 1930, as amended."

"This is a type of restrictive legislation which is designed to aid particular industries or sections of the country; but which, in doing so, injures other industries or other sections of the country."

Rolla D. Campbell, Island Creek Coal Co., Huntington, W. Va. (pp. 1157-1166):

"Today I appear for the southern coal producers whose mines are located south of the Ohio and Kanawha Rivers. But much of what I have to say will apply equally well to other coal-producing regions. My purpose in appearing here is to urge this committee to approve and adopt those provisions of section 13 (a) (2) of Mr. Simpson's bill (H. R. 4294) which would limit the quantity of residual oil which may be imported into this country to 5 percent of the domestic demand for residual oil."

W. D. Johnson, Order of Railway Conductors and also on behalf of the Brotherhood of Locomotive Firemen and Enginemen, Washington, D. C. (pp. 1172-1175):

"President Eisenhower's request for an extension of Reciprocal Trade Agreements Act should be granted, provided, however, in so doing the safeguards suggested by him are included."

Continued heavy imports of residual fuel oil would be injurious to our domestic coal-mining industry.

Thomas Kennedy, United Mine Workers of America, Washington, D. C. (pp. 1175-1180):

"Those who favor continuance of the reciprocal trade agreements without change point out the difficulties which may confront the people in Europe and elsewhere if there is any tightening of trade relations, and no doubt consideration should be given to such factors. However, by the same token some consideration, in fact a great deal of consideration, should be given to Americans and to the American economy."

"In our judgment the recent suggestion for the appointment of a commission to study the question is simply an obstacle placed in the way of an early solution of this problem and the theory of creating a commission, in our opinion, is just another postponement of the settlement that must eventually come to pass for the protection of Americans and the American economy."

Opposed continued high imports of residual fuel oil.

R. L. Ireland, Pittsburgh Consolidated Coal Co., Cleveland, Ohio (pp. 1180-1183):

"I agree heartily with Mr. Kennedy that more commissions will not serve the purpose."

Opposed to continued heavy import of residual fuel oils.

C. J. Potter, Rochester & Pittsburgh Coal Co., Indiana, Pa. (pp. 1183-1185):

No remarks applicable to H. R. 5495.

Opposed continued heavy imports of residual fuel oil.

B. E. Urheim, American Retail Coal Association, Chicago, Ill. (pp. 1185-1188):

No comments applicable to H. R. 5495.

Opposed heavy imports of residual fuel oil.

Harry See, Brotherhood of Railroad Trainmen, Washington, D. C. (pp. 1188-1191):

No comments applicable to H. R. 5495.

Opposed continued heavy imports of residual fuel oil.

Elmer E. Batzell, on behalf of Independent Refiners Association of America, Washington, D. C. (pp. 1191-1203):

No comments applicable to H. R. 5495.

Opposed heavy importation of residual fuel oil.

James M. Symes, the Pennsylvania Railroad Co. (pp. 1205-1211):

No comments applicable to H. R. 5495.

Opposed heavy importation of residual fuel oil.

Stuart T. Saunders, Norfolk & Western Railroad Co., Roanoke, Va. (pp. 1211-1213):

No comments applicable to H. R. 5495.

Opposed continued heavy importation of residual fuel oil.

Horace L. Walker, Richmond, Va., appearing on behalf of the Chesapeake & Ohio Railway Co. (pp. 1213-1221):

No comments applicable to H. R. 5495.

Opposed continued heavy imports of residual fuel oil.

B. Brewster Jennings, Socony-Vacuum Oil Co., Inc., New York, N. Y. (pp. 1221-1231):

No comments applicable to H. R. 5495.

In favor of importation of residual fuel oil.

Irving J. Fain, Apex Tire & Rubber Co., Pawtucket, R. I. (pp. 1231-1240) :

"I urge the committee to favor a program of unshackling trade, rather than a shackling of it."

Testified in favor of continued imports of residual fuel oil, lead, and zinc.

Sidney A. Swansburg, Gulf Oil Corp. (pp. 1240-1256) :

"It is my view that President Eisenhower's recommendation that the Reciprocal Trade Agreement Act be extended without amendment at this time for a year, is an extremely desirable course."

In favor of continued importation of residual fuel oil.

Eugene Holman, Standard Oil Co. of New Jersey (pp. 1256-1282) :

"The Standard Oil Co. of New Jersey favors extension of the Trade Agreements Act. While I recognize that there may be some disagreement as to its effects, our experience is that the act has worked well. Certainly, with our country enjoying its greatest prosperity, it is hard to see how the act and the agreements made under it can be regarded as having injured our domestic economy. On the contrary, they have helped expand world markets for American goods and commodities. They have helped other nations to expand the markets for their goods and commodities. And they have contributed importantly to strengthening the free world's economy, and that is a major element of defense against communism."

"This is not to say that the act has solved all problems. But progress is being made in the right direction, and the Trade Agreements Act alone has, in our opinion, created conditions conducive to solutions. Other nations, of course, must reciprocate by eliminating some of their high tariffs, quota systems, and other discriminations before international trade can make the great contribution to peace and general welfare of which it is capable."

"* * * Certainly, it is far more satisfactory to expand the exchange of goods and to provide opportunities for other countries to earn their way through sales of their goods and services in payment for those they require from us, than it is to continue large foreign-aid programs."

"Quota restrictions on oil imports would harm the United States and its citizens as well as other oil-producing nations."

(No other direct statement on provisions now in H. R. 5495.)

R. G. Follis, Standard Oil Co. of California (pp. 1282-1288) :

"Our company is opposed to the adoption of the Simpson bill insofar as it bears on quota limitations that may be imposed on petroleum imports."

"* * * we have some 25 percent of remaining discovered reserves, and we currently are producing over half of the world's oil."

"Stated in other words, the extreme energy and ingenuity of American industry have already uncovered many times the reserve per square mile of possible territory as compared with the rest of the world. Yet, we are producing our present proved reserves more than five times as fast as the very large reserves of the Middle East."

"To impose import quotas against the principal products which * * * friendly nations sell us could only result in tearing down rather than building up their good will toward us. It could well lead to creation of artificial barriers against the many American commodities they now purchase."

"The American consumers of petroleum products—the public, industry, and the military services—have the greatest possible stake in this proposed legislation. It is simply not in the interests of these millions of consumers to set up artificial import barriers. The consumer fares best, as to the prices he pays for finished products, when all potential raw material sources can seek a market in all potential consuming areas. If heavy restrictions were placed on imports—be it quotas, higher tariffs or other controls—it should be obvious that artificial forces would be exerted in the direction of higher prices for crude oil and its products beyond those inherent to a free market."

(No direct statement on provisions now in H. R. 5495.)

J. W. Foley, the Texas Co. (pp. 1288-1295) :

"* * * If a slump exists—or more than a slump—it could be a matter of extreme importance to this country, but the facts do not seem to warrant pessimism."

"The Texas Co. yields to none in its recognition of the importance of domestic [oil] resources. About 80 percent of its total assets are located in the United States. Other domestic oil companies importing from foreign countries are more or less in the same position."

"It would certainly be unwise for any of these companies to do anything in the field of imports which would impede the development of their own important domestic holdings."

"Just as unwise, in my opinion, would be the proposed governmental regulation of imports, which could react to impede the industry's ability to cope with the country's ever-increasing demand for petroleum products. The industry's prospecting effort in the United States, despite the enormous sums spent, has not in the last few years met with success commensurate with the effort. It is too soon to determine whether or not this is a temporary condition, but it does suggest that caution be exercised when tampering with the Nation's supply of crude oil."

"The United States cannot afford to take any action which will jeopardize the security of the foreign concessions that have been developed, nor can she afford to depress the economies of the foreign nations who are her allies in the free world."

(No direct statement on provisions now in H. R. 5495.)

C. W. Duncan, Libby, McNeill & Libby (pp. 1295-1296) :

"My company is a general canner of meat, fruit, and vegetable products. For over 70 years we have been one of the principal exporters of American canned foods, starting with the company's first product, canned corned beef, and now exporting a relatively complete line of canned foods, which are sold all over the world wherever dollar exchange and other conditions permit."

"My statement very briefly deals only with section 13 of the proposed bill, and the impact of that section on American agriculture. I will limit my comments to its effect on agricultural exports to only one country, using as an example Venezuela."

"At the present time my company is one of the principal exporters of canned foods to Venezuela, and that country is today one of the best foreign markets for American canned goods."

"* * * The availability of export markets for surpluses of canned foods may well result in the difference between a profit and a loss for the canners and for the farmers and growers supplying the raw materials."

"Other sections of the bill make changes in the peril-point and escape-clause provisions, and in the proceedings under section 22 of the Agricultural Adjustment Act. These changes are designed to protect American agriculture against injurious imports of agricultural products. While these changes are not involved in section 13 now under consideration, I urge the committee not to lose sight of the fact that American agriculture can also be seriously injured by any provision that has the effect of cutting off its exports."

(No direct statement on provisions now in H. R. 5495.)

Arthur T. Proudfit, Creole Petroleum Corp. (pp. 1297-1301) :

"The petroleum industry provides about two-thirds of the total Venezuelan Government income. Therefore, the economy is substantially dependent on the condition of the petroleum industry."

"Venezulan crude oil and products derived from it in Venezulan and Netherlands West Indies refineries represent a substantial portion of total United States oil imports. If the restrictions proposed in H. R. 4294 were imposed today, United States imports of heavy fuel oil would be restricted to about 76,000 barrels per day as compared to 351,000 barrels daily in 1952. On the other hand, imports of crude oil and other products would be permitted in a volume which would actually exceed the 1952 volume."

(No direct statement on provisions now in H. R. 5495.)

Jerry Voorhis, Cooperative League of the United States of America (pp. 1301-1305) :

"The league is a business association and educational agency for cooperative and mutual-type businesses in the United States. Our membership includes regional wholesale farm supply and consumer cooperatives, mutual insurance companies, and national associations of credit unions and rural electric cooperatives."

"We are here today to support continuance of the reciprocal trade agreements

program and to compliment the present administration on its wisdom in supporting the continuance of this program. We believe that on balance this reciprocal trade agreements program constitutes a sound, sane, and sensible approach to the urgent problem of increasing, over admittedly great obstacles, mutually advantageous trade among the nations without serious economic dislocations in any of them."

"* * * a simple extension of the reciprocal trade agreement program is certainly to be recommended."

(No other direct statements on provisions now in H. R. 5495.)

Walter Raleigh, New England Council (pp. 1305-1309) :

"The New England Council, by an affirmative vote of its members, 718 to 162, approves the extension of the present Reciprocal Trade Agreements Act."

"The New England Council is made up of about 3,000 dues-paying industrialists and others from the 6 New England States."

(No other direct statement on provisions now in H. R. 5495.)

Joseph W. Foss, American Chamber of Commerce of Venezuela (pp. 1309-1314) :

"The American oil interests in Venezuela are presenting their views to your committee. I represent American businessmen in Venezuela not associated with the petroleum industry there, and our chamber has received no financial support from any of the oil companies. Nevertheless, since the entire economy of Venezuela and, consequently, the welfare of those promoting American business there, is dependent on this basic industry, our interests are also dependent on its welfare. Approximately 70 percent of the total Venezuelan Government income is derived directly or indirectly from the oil industry."

"It is our strong recommendation that there be no legislation to impair the present excellent commercial relationship between the United States and Venezuela."

(No direct statement on provisions now in H. R. 5495.)

Arthur W. Bittenheim, Venezuelan Chamber of Commerce of the United States (pp. 1314-1340) :

"Over 95 percent of Venezuela's foreign exchange comes directly or indirectly from petroleum exports. * * * Our members believe the trade agreement provides a firm basis on which they can make long-term plans for better service to their Venezuela customers and clients."

"We earnestly believe that a strong, vigorous export trade is essential to employment for people of every trade and profession. * * * Is it wise to legislate against importing necessary supplies at the expense of our export trade?"

"Therefore, we urge you to oppose the Simpson bill since it will :

"1. Harm the economy of Venezuela, a friendly nation that has always co-operated with us in war and peace.

"2. Violate a trade agreement, entered into in good faith by Venezuela.

"3. Benefit only a special group of our own population.

"4. Injure the export trade of our country as a whole."

(No direct statement on provisions now in H. R. 5495.)

Otis H. Ellis, National Oil Jobbers Council (pp. 1340-1359) :

"The National Oil Jobbers Council is composed of 25 State associations of independent jobbers and distributors of an independent jobber or distributor of petroleum products and, for that reason, it might be well to define this operation. An oil jobber is a marketer of petroleum products primarily engaged in wholesale distribution, although some jobbers also engage in the operation of filling stations and substantially all of them engage in the retail distribution of household fuel oils. The term 'jobber and distributor' is used synonymously in industry nomenclature."

"The National Oil Jobbers Council particularly opposes that portion of the so-called Simpson bill, H. R. 4294, which would either easily permit or specifically require imposition of restrictions on imports of crude oil or petroleum products."

"* * * we are of the opinion that existing laws are adequate for our current needs insofar as oil imports are concerned."

(No direct statement on provisions now in H. R. 5495.)

J. P. Gwaltney, North Carolina Oil Jobbers Association, Durham, N. C. (pp. 1359-1362) :

Witness is opposed to unreasonable restrictions on imports of oil. Is in favor of extension of Reciprocal Trade Agreements Act, but has no other comments on provisions now in H. R. 5495.

Clint Elliott, Arkansas Independent Oil Marketers Association, Inc., Pine Bluff, Ark. (pp. 1362-1364) :

Witness is opposed to restrictions on oil imports—no comments on provisions now in H. R. 5495.

William E. MacKay, National Biscuit Co. (pp. 1364-1366) :

Witness is opposed to import quotas on crude petroleum and residual fuel oil. No comments on provisions now in H. R. 5495.

Alexander Purdon, National Federation of American Shipping, Inc. (pp. 1366-1368) :

Witness is opposed to restrictions on oil imports. No comments on provisions now in H. R. 5495.

John F. Kennedy, United States Senator from Massachusetts (pp. 1369-1381) :

* * * I favor a straight extension of the present Reciprocal Trade Agreements Act, as a necessity for the prosperity of our Nation and the free world. I am opposed to quotas and other excessive limitations upon the importation of lead, zinc, and crude petroleum * * *.

No other comments on provisions now in H. R. 5495.

Thomas J. Lane, United States Representative from Massachusetts (pp. 1381-1385) :

Witness is opposed to restrictions on imports of oil. No comments on provisions now in H. R. 5495.

Donald M. Sullivan, Independent Oil Men's Association of New England, Inc., Boston, Mass. (pp. 1385-1389) :

Witness is opposed to import restrictions on oil. No comment on provisions now in H. R. 5495.

John P. Birmingham, White Fuel Corp., South Boston, Mass. (pp. 1389-1392) :

Witness is opposed to restricting imports of crude and residual oil. No comments on provisions now in H. R. 5495.

John J. Gill, Petroleum Heat & Power Co. of Rhode Island, Providence, R. I. (pp. 1393-1399) :

Witness is opposed to restrictions on imports of fuel oil. No comments on provisions now in H. R. 5495.

Martin J. Ryan, Buckley Bros., Inc., Bridgeport, Conn. (pp. 1399-1402) :

Witness is opposed to restrictions on the importation of residual fuel oil. No comments on provisions now in H. R. 5495.

Arnold Dubb, Port Petroleum Corp., Green Island, N. Y. (pp. 1403-1404) :

Witness is in favor of extending present Reciprocal Trade Agreements Act for 1 year without changes. No comments on provisions now in H. R. 5495.

Earl B. Saunders, Independent Gasoline & Oil Co., Rochester, N. Y. (pp. 1405-1406) :

Witness is opposed to import restrictions on residual oil. No comments on provisions now in H. R. 5495.

Tom Wallace, The Louisville Times and Inter-American Press Association (pp. 1406-1410) :

Witness is opposed to restricting imports of residual oil. No comments on provisions now in H. R. 5495.

William A. Weber, Alcoa Steamship Co., Washington, D. C. (pp. 1411-1413) :

Witness is opposed to establishment of import quotas for crude petroleum and residual oil. No comments on provisions now in H. R. 5495.

J. A. Walstrom, Shell Caribbean Petroleum Co., New York, N. Y. (pp. 1413-1419) :

Witness is opposed to quotas on the importation of crude petroleum and petroleum products. No comments on provisions now in H. R. 5495.

Fred Brummer, Gillespie & Co., New York, N. Y. (pp. 1419-1426) :

Witness is opposed to restricting imports of oil from Venezuela. No comments on provisions now in H. R. 5495.

Richard B. Kline, Burke Steel Co., Rochester, N. Y. (pp. 1426-1430) :

Witness is opposed to any legislation that would serve to hamper imports of crude oil or of residual oil. No comments on provisions now in H. R. 5495.

George De Sola, De Sola Bros., Inc., New York, N. Y. (pp. 1430-1433) :

Witness is opposed to limitations on oil imports from Venezuela. No comments on provisions now in H. R. 5495.

George C. Seybolt, William Underwood Co., Watertown, Mass. (pp. 1433-1436) :

Witness is opposed to restricting the importation of crude petroleum and residual fuel oil. No comments on provisions now in H. R. 5495.

Harry B. Hilts, Atlantic Coast Oil Conference, Inc. (pp. 1436-1442) :

Witness is opposed to restrictions on the importation of crude oil and petroleum products. No comments on provisions now in H. R. 5495.

Charles A. Lockard, Empire State Petroleum Association, Inc., New York, N. Y. (pp. 1442-1443) :

Witness is opposed to quota restrictions on crude oil and residual fuel oil and favors extension of Reciprocal Trade Agreements Act for 1 year without change. No comment on provisions now in H. R. 5495.

Richmond F. Meyers, Mid-Hudson Oil Co., Poughkeepsie, N. Y. (pp. 1443-1445) :

Witness is opposed to restricting imports of crude and residual oils. No comments on provisions now in H. R. 5495.

R. H. L. Becker, Oil Heat Institute of America, New York City (pp. 1445-1449) :

"H. R. 4294, which seeks to establish and use controls on any commodity is detrimental for future American economy as it interferes with free competitive enterprise."

No direct statement with reference to the provisions now in H. R. 5495.

E. W. Beyer, Olympic Radio & Television, Long Island City, N. Y. (pp. 1449-1451) :

"* * * strongly opposed to that part of Simpson bill which contemplates establishing restrictions upon imports of oil from Venezuela."

No direct statement with reference to the provisions now in H. R. 5495.

Hon. Wayne N. Aspinall, Representative, Fourth District, Colorado (pp. 1467-1470) :

"* * * supports section 13 of H. R. 4204."

No direct statement with reference to the provisions now in H. R. 5495.

Hon. Ed Edmondson, Representative, Second District, Oklahoma (pp. 1471-1476) :

"* * * a variable tariff (on lead and zinc) appeared to most representatives of the industry as the most promising long-term solution to the problem."

No direct statement with reference to the provisions now in H. R. 5495.

Hon. William A. Dawson, Representative, Second District, Utah (pp. 1475-1479) :

"The protection the law provides for the zinc and lead miner is needed immediately to relieve economic misery * * *."

No direct statement with reference to the provisions now in H. R. 5495.

Hon. Clinton B. Anderson, Senator, New Mexico, on behalf of Joseph H. Taylor, Peru Mining Co., and New Mexico Mining Association (pp. 1480-1484) :

"* * * a stabilizing sliding scale import tax such as H. R. 4204 provides, is needed promptly to save the lead-zinc mining industry."

No direct statement with reference to the provisions now in H. R. 5495.

Hon. William S. Hill, Representative, Second District, Colorado (pp. 1484-1490) :

"* * * I am appearing before this committee in support of H. R. 4204."

No direct statement with reference to the provisions now in H. R. 5495.

Hon. John J. Rhodes, Representative, First District, Arizona (pp. 1490-1493) :

"* * * I appear on behalf of lead and zinc provisions of H. R. 4204."

No direct statement with reference to the provisions now in H. R. 5495.

Otto Herres, Combined Metals Reduction Co. and National Lead and Zinc Committee (pp. 1493-1536) :

"* * * constructive legislation is needed without delay for the preservation of the lead and zinc mining industry."

No direct statement with reference to the provisions now in H. R. 5495.

George W. Haycock, United Steelworkers of America, representing lead and zinc mines in Utah (pp. 1537-1542) :

"* * * the insecurity of people in Utah connected directly or indirectly with the mining of nonferrous metals, especially lead and zinc, has now reached such proportions that unless adequate immediate relief is forthcoming in one way or another, they will have to try to seek other employment. Unfortunately, such other employment is not available in the vicinity of these mines, and the only alternative would be a mass migration * * *."

No comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by the lead and zinc provisions of H. R. 4204.

Hon. Douglas R. Stringfellow, First District, Utah (pp. 1542-1547) :

"I am not in accord with any policy or view which would allow some of our vital and critical industries to fold up and collapse while we sat idly by on our legislative hands, waiting for the year evaluation period to elapse. * * * We here in Congress must make up our minds whether we are going to encourage or destroy the domestic production of lead and zinc."

"Income from raw material production is just as vital to the economies of Utah, Montana, Idaho, Tennessee, and Oklahoma, as it is to Peru, Africa, or Mexico."

"It is estimated that 1 man employed in a raw materials producing industry indirectly creates employment for 4 others in his community."

"* * * Under present conditions, however, the domestic producer cannot long continue to produce lead-zinc."

Cecil A. Fitch, Jr., vice president and general manager, Chief Consolidated Mining Co., Eureka, Utah, and president Utah Mining Association, Salt Lake City, Utah (pp. 1547-1550) :

"Fundamentally, the problem we face today is whether or not we are going to continue to have a domestic mining industry.

"We believe that we are entitled to as much protection as those who manufacture products from our metals."

No comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by the lead and zinc provisions of H. R. 4294.

Hubert S. Palmer, Colorado Mining Association, Denver, Colo. (pp. 1550-1556) :

"The slaughter of our domestic mines continues at an unprecedented rate. In 1940 there were 8,246 producing metal mines in the Western States. By 1948 this number had decreased to 2,244 and today all indications are that there are fewer than a hundred actually operating on a commercial basis.

"* * * that policies of our Government shut down this mine—not lack of ore bodies, inefficiency of operation, nor the contention that this operation is a marginal operation.

"To delay consideration of our plea for a year is to destroy us."

No comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by the lead and zinc provisions of H. R. 4294.

W. Lunsford Long, Haile Mines, Inc., Tungsten Mining Corp., and Manganese, Inc., Warrenton, N. C. (pp. 1556-1559) :

"* * * as the representative of our company and the industries producing tungsten and manganese in this country, I am appearing here to ask you to do what I have asked this committee to do several times in the past, and that is, in considering the extension of the Reciprocal Trade Treaty program, to put in any bill looking to that end that your committee may see fit to recommend for enactment, a provision excluding from its operation the strategic and critical metals necessary to the defense of this country as certified by the Munitions Board, or whatever agency of the Government is currently in charge of that certification."

Roy Kopp, Wisconsin, Illinois, and Iowa zinc and lead producers, Platteville, Wis., (pp. 1559-1565) :

"The American zinc-lead miner cannot survive unless relief is forthcoming almost immediately. Well over half of the mines in my district are now closed. I am informed that about half of the lead and zinc mines of the Nation are down. * * * our mines cannot be turned on and off as a water faucet. When the faucet is closed, in many cases it will never be turned on again."

No comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by lead and zinc provisions of H. R. 4294.

Harold L. Childress, Tri-State Zinc & Lead Ore Producers Association, Baxter Spring, Kans. (pp. 1565-1567) :

"Today we find our area in a depressed condition; in fact, we seem to be in a real depression, for there are at least 83 mines shut down and more closing almost daily. In addition, at least 15 mines have reduced operations. The mines which have already closed do not by any means give the final score. I firmly believe that unless relief from the present low price is gained from some source, that the entire district with almost no exception will be forced to shut down."

No comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by lead and zinc provisions of H. R. 4294.

Thomas Kaiser, small operators of the Tri-State Lead & Zinc Ore Producers Association, Trece, Kans. (pp. 1567-1579) :

The witness made no comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by the lead and zinc provisions of H. R. 4294.

"I talked to the unemployment man at Miami, Okla. There are 3 States concerned there, and there are 3 unemployment offices. He told me that there were

2,000 miners out of work directly who were employed in the mines, and easily another 2,000 indirectly, drifting about over the country trying to find work somewhere else."

William I. Powell, American Mining Congress, Washington, D. C. (pp. 1579-1584) :

"We recommend, therefore, that Congress exercise the authority over tariffs to be administered for the welfare of the American people and provide reasonable protection when needed against competition from low foreign wages and depreciated currencies.

"We endorse the principle of a flexible tariff."

"We further believe that in order to afford reasonable protection from injurious imports the President should be required to follow the recommendations of the Tariff Commission.

"The impact of dumped oil is being felt not only in the coal industry, but also by the domestic oil industry and by the Nation's railroads as well. Unrestricted flow of this residual fuel oil has and will continue to literally drown a large segment of our essential domestic industry.

"Scores of our mines are closed down, and many others are operating at a loss.

"Closing down of our lead-zinc mines causes unemployment running into the thousands. Whole communities are stranded when wage earners are deprived of a livelihood. There is an inevitable uprooting and dispersal of skilled miners with the resultant weakening of our national defense."

No comment relative to provisions now in H. R. 5495. Testimony was confined to provisions in H. R. 4204 respecting escape-clause procedure, peril point, foreign residual fuel oil, lead and zinc, and strategic and critical materials.

N. W. Rice, United States Smelting, Refining & Mining Co., New York, N. Y. (pp. 1584-1585) :

No comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by the lead and zinc provisions of H. R. 4204.

"At present prices many of our mines are shutdown and very many are operating at a loss in the hope of a better market. As a result our dependence upon production outside of our own control is increasing rapidly. Unless we are to become almost entirely dependent upon foreign production we must take a price at which domestic mines can operate and we must have it soon; lead and zinc production in the United States is from underground mines which cannot be turned off and on like a faucet, and if once allowed to flood and cave, it is problematical if they can ever be reopened. Demand at present is good and improvement can only come by protecting the market from excessive supplies dumped by foreign producers."

Berkley Jones, Minerva Oil Co., St. Louis, Mo. (pp. 1585-1589) :

The witness made no comment relative to provisions now in H. R. 5495. Testimony was confined to problems of the fluorspar industry.

"The increase in imports of fluorspar is tremendous and far outstrips the rise in consumption. * * * This flood of imports from Mexico is made possible by an inequality in the tariff law whereby the highest grade, and therefore highest value, fluorspar comes in under a duty which is 75 percent less than the duty on the lower quality fluorspar."

C. O. Anderson, Ozark-Mahoning Co., Tulsa, Okla. (pp. 1589-1596) :

The witness made no comment relative to provisions now in H. R. 5495. Testimony was confined to trade in fluorspar. Proposed an amendment to H. R. 4204 which would limit imports of fluorspar.

"* * * In the period 1945 to 1949, imports averaged 28 percent of domestic production. In 1952, imports soared to 108 percent of domestic production.

"* * * we urge that imports be restricted sufficiently to permit domestic industry to maintain itself in an active and aggressively developing condition, virile enough to have a soundly anchored base for meeting any national emergency."

J. Carson Adkerson, American Manganese Producers Association, Woodstock, Va. (pp. 1597-1600) :

Witness pointed out that most of the domestic mines closed in the 1930's when Russia dumped manganese.

The witness made no comment relative to provisions now in H. R. 5495. Testimony was confined to problems respecting manganese ores.

David Laine, American Die Casting Institute, New York, N. Y. (pp. 1600-1609) :

The witness made no comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by the lead and zinc provisions of H. R. 4294.

"We believe the 'adjusted base price' of 15½ cents per pound for prime western slab zinc is considerably above a fair price.

"We believe that the extra 1-cent duty imposed by section 325 (a) (1) is unnecessary and again discriminates particularly against the Canadian special high-grade slab zinc imported by the diecasters.

"We believe that the so-called sliding scale of equalization by duty, on a penny-for-penny basis, is a rigid device that will destroy any free market in zinc.

"* * * we believe that section 325 (f) 'when duty not applicable' is a provision that legislates chaos."

Robert B. Dickson, Dickson Weatherproof Nail Co., Evanston, Ill. (pp. 1609-1617) :

The witness made no comment relative to provisions now in H. R. 5495. He states, however, "In principle I am opposed to tariffs." Most of his testimony concerned the lead and zinc provisions in H. R. 4294.

"I believe that the increased import duty on lead and zinc contemplated by H. R. 4294 would result in an unnecessarily large tax on the consuming industry, only a portion of which would be returned as payment to the mines and miners who are seeking relief."

Herman Clott, International Union of Mine, Mill, and Smelter Workers, Washington, D. C. (pp. 1617-1627) :

The witness made no comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by the lead and zinc provisions of H. R. 4294.

"We do not believe high tariff duties, sliding-scale tariffs are the answer. It is our firm belief that such a program could only tend to aggravate the situation and to force the shutdown of an even greater number of our smaller producers.

"We have serious doubts whether even a sliding-scale tariff would give enough protection to the high-cost producers.

"Therefore the program of our union calls for action directed in two ways. First, immediate short-term relief of the situation; and secondly, long-range planning and activity."

Joseph A. Costello, Ethyl Corp., New York, N. Y., (pp. 1627-1633) :

The witness made no comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by the lead and zinc provisions of H. R. 4294.

"We believe the proposed legislation is contrary to this objective.

"It will accentuate fluctuations in both the price and supply of metallic lead, will encourage speculation in lead and disrupt the operation of domestic lead consuming industries.

"It will tend to raise the general level of cost to consumers of lead products.

"It will discourage exploration for and development of new ore bodies outside of the United States and result long-range in a restriction of supply.

"It will decrease the supply of lead available for military and civilian needs in periods of national emergency."

Theodore E. Veltfort, Copper & Brass Research Association, New York, N. Y. (pp. 1633-1637) :

The witness made no comment relative to provisions now in H. R. 5495. Testimony was confined to problems covered by the lead and zinc provisions of H. R. 4294.

"The industry has been seriously hampered in the past in its competition with other materials during periods of rapidly fluctuating prices of its raw materials and would, if anything, suffer even more grievously if the prices of its

raw materials and, therefore, its own products could not be reasonably stabilized in the future. Because of this situation, the fundamental objection of this industry to the proposed sliding-scale tariff provided in H. R. 4204 is that it would tend to cause the price of zinc to vary considerably each quarter in an unpredictable manner."

Harold K. Hochschild, American Metal Co., Ltd., New York City (pp. 1637-1653) :

In opposing the provisions of the bill relating to duties on lead and zinc, the following statements were made :

"The American lead and zinc mines cannot hope to supply all the needs of American smelters and refineries. Hence, our smelting and refining industries must draw upon foreign supplies. * * * The higher the tariff on imported ores and concentrates, the more difficult it becomes for United States smelters to purchase foreign supplies."

"* * * The increase in American consumption far more than the decline in American production * * * has made us dependent on foreign lead and zinc and that dependence so far as we can see now is going to be permanent."

"In other words, over 30 percent of our lead consumption and over 26 percent of our zinc consumption had to be imported."

Senator George W. Malone, from Nevada (pp. 1655-1668) :

The following statements in opposing the extension of the trade agreement were made :

"Few seem to remember after 20 years that the original 1934 Trade Agreements Act was an emergency piece of legislation * * *."

"Many doubt the constitutionality of any act of Congress which changes the Constitution itself without referring it to the States. That is exactly what the 1934 Trade Agreements Act did do * * *. And I do not believe that the 1934 Trade Agreements Act is constitutional."

"In the absence * * * of congressional legislation extending the act * * * the constitutional responsibility for the regulation of foreign commerce reverts to the Tariff Commission which is an agent of Congress."

"* * * The Tariff Commission would then automatically have the responsibility to fix the tariffs and import fees in the regulation of foreign commerce, under existing law."

"The Constitution charges the legislative branch of the Government with this responsibility, and the Congress transferred that responsibility to the President 20 years ago as an avowed purpose of assisting in the then existing emergency."

"I am asking you not to pass legislation extending something that was obviously unconstitutional in the beginning. Allow the 1934 Trade Agreements Act to expire on June 12; let the Americans compete with foreign nations for our own American market on an even basis."

"Of course, if you are going to extend the 1934 Trade Agreements Act, you have to amend it. The Simpson bill is the best I have seen. * * *"

"The Constitution of the United States calls them duties, excises, and imposts, and they are adjusted to make up that differential of the cost of production between the wage standard of living here and abroad."

Representative Kenneth B. Keating, from New York (pp. 1668-1678) :

"* * * There can be no doubt that the legislative branch of the Government has the power to impose and to regulate tariffs on imports. The basic question in issue here is whether or not the Congress chooses to exercise its powers in this regard or to delegate them to an administrative body."

"I have introduced H. R. 4504 which is not to be confused with H. R. 4204. * * * It is 1 sentence long and it simply extends the existing law for 1 year. As the members of the committee know, this is the action requested by the President."

"The bill introduced by the distinguished gentleman from Pennsylvania (H. R. 4204) would deprive the President of the discretionary powers which he now has with regard to recommendations of the Tariff Commission and would, in effect, make the recommendations of the Tariff Commission mandatory."

"The renewal of the present Reciprocal Trade Agreements Act is not a final answer to the problem, but I believe that it is the inevitable step required to keep the situation from deteriorating until we can have the thorough study which the President has recommended of our overall foreign-trade economic policy."

Representative Frank E. Smith from Mississippi (pp. 1678-1688) :

"I appear here to reluctantly support the request of the President that the present Reciprocal Trade Agreements Act be extended for 1 year without further amendment. I think that this extension will be a step backward in the field of trade policy, for during the 2 years in which the present law has been in effect, exports of agricultural commodities have drastically declined—a market loss that has been reflected in a 25-percent reduction in the price of cotton, for instance."

"However, the bill which you have before you, the so-called Simpson bill, is far more than a step backward. It is a complete reversal, a return to the rampant protectionism which destroyed our economy in the 1920's * * *."

"The change of the Tariff Commission from a bipartisan, fact-finding group to a partisan, judicial body * * * this situation in regard to the change in the Tariff Commission, I think may be more significant and more dangerous than any other proposition that has been put before us. * * * To make sure that the fact-finding recommendations or presentations of that Commission would be accepted by the general public as nonpartisan, it was provided in the act that the membership on the Commission would be equally divided in regard to being of a political nature. This proposal to add another member to the Commission could mean only one thing: that you would have a partisan control of the Commission."

"You could elect a free-trade President, for instance, and he could appoint a Commission that would do away with all tariffs, virtually, if he felt that way. At least, he could write reports along that line."

Representative Jacob K. Javits, of New York (pp. 1688-1698) :

"Mr. Chairman, I appear today in favor of a 1-year extension of the Reciprocal Trade Agreements Act and as one of the sponsors of a bill for that purpose, H. R. 4724, which has been referred to this committee."

"* * * the fact that Congress does not go along with the President, as officially requested by the administration, for a flat 1-year extension of reciprocal trade authority until the findings of the Commission on our foreign economic policy * * * will be taken by the whole world as the beginning of a protectionist philosophy on our part, throwing out the slogan of 'trade—not aid,' and withdrawing the United States into a new kind of economic isolation."

"* * * the failure to extend the reciprocal trade agreements program in pursuance of the President's program will represent a blow to the security of the United States, * * * can throw Western Europe economically into the arms of the Soviet Union."

"* * * if you continue the law as it is, then you indicate to the world no change of policy, and I think that is really the essence of Secretary of State Dulles' reply."

Meyer Kestnbaum, Hart, Schaffner & Marx, and the Committee for Economic Development, Chicago (pp. 1698-1706) :

"The CED believes that the logical course for the United States and other nations to follow, for our mutual benefit, is a gradual and consistent policy of tariff reduction. Our opinion that trade barriers should be reduced stems from one of our most fundamental convictions. We believe that the American economy has grown to its present tremendous strength because it is free and competitive, and because it has had opportunity for constant expansion. In our view, the closer we can approach similar conditions in the world economy, the better will be the economic health of our own and other nations, and the greater the opportunity of people all over the world to improve their condition of life. We need expanding markets both at home and abroad."

"The CED believes that the authority for the reciprocal trade agreements program should be renewed, and that the American policy of trade barrier reduction should be vigorously pursued. Reducing barriers to international trade should be a basic, permanent part of American policy. The authority for reciprocal trade agreements should be renewed for a period sufficiently long to reflect that fact."

"The basic policy we have had in this country would be renewed for another year, that is to say our reciprocal trade agreements, that our long-term policy ought to look to gradual reduction of tariffs with a view to bringing aid to those industries which are most affected, and putting some pressure on those that are less effective."

A. B. Sparboe, Pillsbury Mills, Inc., and Chamber of Commerce of the United States (pp. 1706-1715) :

"The national chamber supports a 1-year continuation of the present Trade Agreements Act. This will permit a much-needed overall examination of our foreign-trade policy."

"In the postwar period, the trade agreements program has become more than ever a sign to the world that the United States is cognizant of its economic power and influence, and that this country is willing to assume somewhat more realistically the role of the world's largest creditor nation. The Trade Agreements Act has lowered the tariff rates from 1890 levels to more moderate rates on a large number of commodities."

"In general, H. R. 4204 destroys the principles of the trade agreements program. It reposes quasi-judicial powers (secs. 4, 5, 9 (b) and parts of sec. 10) in the Tariff Commission which has always been a bipartisan advisory, research, fact-finding, and interpreting agency. This bill would, in effect, put a seven-man agency in charge of a significant sector of the domestic economy and would allow it to make policy which could deeply affect the foreign relations of the United States. The chamber views such regulatory powers as not being in the interest of good government and good business. Moreover, it is questionable whether increasing the membership of the Commission to seven (sec. 14) would help the Commission perform its functions. Instead of being nonpartisan, it would involve the Commission in politics; a change in administration would necessitate a change in the majority membership, or if such change was not feasible, the administration or the Congress would be dealing with an agency making important decisions without reflecting the majority party. The decisions of the Commission should be free from political considerations; they should be based on economic facts and their interpretation."

"A 1-year extension of the present act would mean essentially the preservation of the status quo. The relatively short period of 1 year should allow little time for negotiating any major new agreements. It would, however, permit a more thorough evaluation of the effects of present tariff levels on the domestic economy and thus be of value in determining the needs of the United States and the free world in the field of international economic affairs."

William O. Cowger, Thompson & Cowger, and the Foreign Trade Club, Louisville, Ky. (pp. 1715-1722) :

"In behalf of the Foreign Trade Club of Louisville I urge you gentlemen to follow the course of action recommended by the President, extend the present reciprocal trade agreements legislation for a period of 1 year and thereby give the administration the opportunity which it deserves to consider fully the entire problem and to recommend the type of amending legislation which should be adopted."

George Z. Goetz, Reading Foreign Traders, Reading, Pa. (pp. 1722-1724) :

"The Reading Foreign Traders have resolved that they go on record with the House Ways and Means Committee as favoring the President's request for a 1-year extension of the Reciprocal Trade Agreements Act in its present form pending further study."

"In lieu of H. R. 4204, we request that Congress carefully consider legislation based on national interest rather than the interest of particular industries or groups, and in instances where the national interest must take precedence over hardship to an industry, we favor aid to that industry other than by means of protective tariffs and import quotas."

Charles E. Bingham, Committee on Foreign Commerce, New York Chamber of Commerce (pp. 1724-1738) :

"The chamber also urges that the National Government initiate an immediate study of the whole problem of foreign trade in its relationship to national security and a solvent economy, which would include a thorough revision and modernization of our tariff structure; and we advocate extending the trade agreements program to furnish a stable basis for trade during the period in which the longer range program is being developed."

"We grant that some communities and industries may be injured by a reduction in duties which, from an overall point of view, may be in the national interest. In such cases there may be a necessity for the Federal Government to consider some form of compensation to rectify such damages."

"There is a duty to protect American interests from loss which might result from foreign competition, but there is also a duty to protect even more numerous American interests from loss which will result from the curtailment of foreign markets, and there is an urgent overriding duty to protect America from the loss of allies and friendship of other free peoples in a world fraught with real and imminent peril."

"While we would prefer that some of the restrictive clauses in the present act were lessened, we believe that an interim extension of the present act without material change and the creation of a body to study the entire foreign-trade problem of our country is the best current solution."

Sherlock Davis, United States Cuban Sugar Council, Washington, D. C. (pp. 1739-1748) :

The United States Sugar Council is composed of a group of companies that own or operate sugar properties in Cuba. The stockholders of these companies are predominately United States citizens. The firms represented by the Council account for approximately 40 percent of the total output of sugar in Cuba.

"In former years the council has urged the extension of the Trade Agreements Act for periods of at least 3 years * * *. Inasmuch as the President has recommended to Congress a renewal for 1 year * * * the council supports the Presidential recommendation * * *"

"The council is strongly opposed to H. R. 4204 as introduced on March 30 because of the restrictions it would impose on the authority of the President, and the adverse effect we believe it would have on the foreign trade of the United States."

"If the present volume of United States exports is to be maintained this country must find ways of increasing its imports * * *. Present provisions of the Trade Agreements Act concerning the establishment of peril points * * * and the escape clause * * * appear to have been designed to protect domestic industries from competition from abroad regardless of the effect such protection may have on the people of the United States as a whole. The provisions completely disregard the interests of consumers and imports * * *. Operation of the escape clause encourages other nations to take retaliatory action * * *. Because of these considerations the council urges that the peril points and escape clause be omitted * * *. If this is not done, they should at least be changed so as to require consideration of the interests of consumers and exports as well as the domestic industry."

The provisions of H. R. 4204, regarding * * * petroleum, residual fuel oil, lead, and zinc would restrict imports and reduce our foreign trade * * *. In any event provisions would seem out of place in a general law providing for the negotiation of trade agreements.

The trade agreement with Cuba is a good example of increased trade resulting from trade agreements concessions; further increase in trade with Cuba and other countries would be of obvious and lasting benefit to the United States.

Peter G. Franck, Friends Committee on National Legislation, Washington, D. C. (pp. 1749-1767) :

No direct reference was made to provisions now in H. R. 5496. In commenting on the trade-agreements program, Mr. Franck affirmed his belief that " * * * the 1934 Trade Agreements Act stripped of all crippling amendments is the soundest basis for a tariff policy."

"Our country has urged other governments to work constructively toward integration of national markets, to get rid of obsolete trade barriers, especially in Europe. This endeavor is in support of general American efforts to strengthen the ties holding together the nations still willing to work with our Government for a peaceful world. Congress has recognized that financial aid and technical assistance and a gradual freeing of trade from the shackles of depression-born controls and barriers were part and parcel of a policy to pacify anxiety, fear, and despair caused by economic and political pressures of war and rearmament."

"What would have been the state of affairs in the absence of the efforts of the United States Government? There is persuasive evidence that the free world might have been thrown back to the primitivism of barter just as the

nations behind the Iron Curtain have been. Instead, there has at least been a firm commitment of nearly all great trading nations and adherence to the commitment that fixing tariffs, introducing exchange controls, import quotas, and exchange depreciation can no longer be a matter of discretionary decision by one government."

"The Trade Agreements Act, for which the past administration found bipartisan support from Congress, was based on a simple and healthy principle; namely, that the continued economic growth of the United States depends in part on a vigorous exchange of goods with other countries—that is, on an international division of labor. American exports cannot forever stay at their present high level unless imports increase in proportion or private and/or public funds continue to flow out of the United States to help borrowing countries boost their exports."

"The principle of exchange of goods helped build this Nation's economic foundation. * * * This principle involves continuous adjustment in trade channels and the kinds of goods exchanged, in response to the never-ceasing stream of new methods of production, new products, and new resources among the trading families."

"The nub lies in the efficiency of labor and in the proportion of labor cost to total cost. Our export products in general are made by the same high-priced labor as are the articles competing with imports. But they are made under favorable conditions, under skillful management. Thus they can compete successfully with similar articles in foreign countries. So, the real test in relating this equalization doctrine to the protection of wage rates is to compare efficiencies. High wages come not from tariff protection but from ample natural resources, skillful management, and efficiency—in short, the general productivity of the industry."

"The contradiction between trade policy and aid policy must come to an end. The political peace of the world is threatened by economic debility. Economic growth is hampered, if not arrested, by the restriction and regimentation of trade channels, choking the natural outlets both for the world's industrial products, raw materials, and farm products. We should heed the pleas of nations that are economically developed for 'trade, not aid.' We cannot reasonably keep on asking aided nations to find a way without aid of closing the so-called dollar gap unless we have opened the trade routes wide enough for them to export the equivalent of their import needs. No single action could be more inspiring in encouraging other countries to work toward a constructive solution to this problem than the further reduction of United States trade barriers. As a minimum the Congress should extend the Reciprocal Trade Agreements Act in the 1951 form. I urge you to do so."

Richard Frost, Detroit Board of Commerce, Detroit, Mich. (pp. 1767-1773):

No direct reference was made to the main features of H. R. 5495.

The Detroit Board of Commerce advocated extension of the Trade Agreements Act for 1 year, without change, in order to "afford the administration the opportunity of reexamining our foreign economic policy. * * * To drastically after the Reciprocal Trade Agreement Act at a time when the administration is attempting to reexamine our foreign economic policy and to develop a policy of its own would be hazardous at its best."

The Detroit Board of Commerce represents many diversified industries and businesses whose interests are closely identified with foreign trade, and the economic well-being of Detroit and the State of Michigan are dependent upon a high level of international commerce. Over 15 percent of Detroit's production finds its way into foreign markets. To many concerns, this represents the difference between profit and loss. The board believes that the present trade-agreements program is insufficient—that it makes it difficult for businessmen both at home and abroad to enter into long-range planning. The board advocates revision of the American laws to make it possible to lower duties across the board, rather than on a "piecemeal basis". It opposes the use of a "peril clause or escape clause * * * to make use of such bypasses seems to us like welshing on our agreements. It isn't good business morality."

The board also opposes the imposition of import quotas on residual fuel oil and crude petroleum, and to the imposition of additional duties on zinc, zinc oxide, ores, and concentrates. Such action would weaken our efforts to break down trade barriers in the world, increase trade barriers against the impor-

tation of American products abroad, and thus deprive American businesses of important foreign markets.

Samuel Fraser, International Apple Association, Washington, D. C. (pp. 1773-1778):

Membership in the association includes "the leading apple and pear shipping organizations, individual shippers and firms, leading growers, apple and pear cooperative associations, wholesale dealers, distributors, exporters and importers, and service organizations." Membership also extends to many foreign countries.

Mr. Fraser cited the loss of important foreign markets for apples, partly due to the dollar shortage. "To meet the loss of markets the industry has restricted production. At one time the census report showed 200 million trees. * * * Today there is estimated 40 million bearing trees and barely enough not in bearing to main 40 million trees in production. The industry has gone through 5 years of unprofitable returns and with increasing labor costs— [It is a] problem of loss of markets continuing and exchange complexities favoring importations in a crop which we have developed to supply domestic and export markets. * * * Under United ECA and other programs foreign production and foreign competition in foreign markets have increased greatly * * *"

"With the picture as it is, an extension of the Trade Agreements Act for a year, without any change, meets our approval. It is recognized that the whole matter needs careful and thorough study. We trust that in a year the [Commission on Foreign Economic Policy] may have the essential time to make the study proposed. * * * It is incumbent on the United States to be ready to show a sympathetic approach and extend our moral support and not fail to meet an opportunity to advance civilization."

Samuel Mendel, the International Fur and Leather Workers Union, New York, N. Y. (pp. 1779-1783):

No direct reference was made to provisions now in H. R. 5495.

The union represents 100,000 workers who earn a living in the fur, leather, and allied industries. Although American business as a whole has been "booming," both the leather-tanning industry and the fur industry face serious problems.

In 1930 there were 50,000 workers employed in leather tanning; today only about 42,000 are at work. The decline in employment is due chiefly to two causes: (1) The introduction of synthetic leathers on a wide scale, and (2) the failure of the production of shoes to keep pace with the overall increase in national output or income. The increase in production of shoes has scarcely kept pace with the growth of population.

In the past season, employment in the fur industry has been scarcely one-half the normal prewar level of 30,000 workers. More than 10,000 workers suffer long months of unemployment every year.

"* * * Both industries have suffered from shrinking sales and production. For both industries protection given under present tariffs is at a minimum, and cannot be reduced under present world conditions.

"Accordingly, our organization urges that tariff policy in relation to these industries be governed by the following principles:

1. That no downward adjustment be made under the Reciprocal Trade Agreements Act in tariff duties now levied on dressed or manufactured furs and leather goods.

2. That loopholes be closed in the present law which allows furs partially processed to come in duty free as raw fur skins.

This includes furs, fur plates, and manufactured furs in sections which find their way into this country duty free, which has resulted not only in the loss of hundreds of thousands of dollars to the workers in the fur industry, but the Government has lost millions of dollars in duties. This case has been fought twice by the Government. We participated in that case. The result, of course, was that they lost. There was a very powerful force, a foreign force, that seemed to be influential in bringing the disaster in this case.

3. That no tariffs or special obstruction be placed in the way of the import of the hides and skins needed for the production of the fur and leather industries of the United States.

You can't forever quarantine world poverty by tariff walls set around the boundaries of the United States of America. Only an increase in world living

standards, aided by the powerful initiative of our own Government, can in the long run protect the American workers and American industry. Any other policy will mean inevitable and ominous erosion to the living and working conditions of the millions of the American people along with rest of the human race. Our union will continue to support every measure aimed toward this goal.

E. J. Goldschmidt, Jr., Armco International Corp., Middletown, Ohio (pp. 1783-1785) :

"* * * I cannot help but feel every consideration should be given to President Eisenhower's request for a renewal of the Reciprocal Trade Agreements Act in its present form for 1 year so as to permit the necessary assembling of all the facts. I believe, in this manner only, can Congress decide better what is best for all segments of the economy of these United States of America."

Mrs. Oscar M. Ruebhausen, League of Women Voters of the United States (pp. 1785-1787) :

Mrs. Ruebhausen indicated that the league: (1) favored the extension of the Trade Agreements Act in its present form for 1 year to allow a commission to study the whole of United States foreign economic policy, (2) is opposed to the escape-clause and peril-point amendments in the present act and would like to see them modified; (3) would like to see the administration and the Congress adopt a trade policy that would be more effective than is the present Trade Agreements Act in promoting world trade and especially in encouraging United States imports.

In commenting on the league's position Mrs. Ruebhausen stated that "* * * the league would like to caution that there is danger in waiting a year before the United States formulates a new trade policy * * *. All free nations are looking to the United States * * *. Many of these nations will not take steps to liberalize their own policies until they see that the United States is willing to increase imports. The result of a protective policy may be a continued decline of American exports. Another possible result * * * is that [other countries may] look to the Soviet Union for commodities they need to keep their economy healthy."

"* * * The present act assumes that world trade is in balance and that we cannot offer a trade concession unless other nations offer trade concessions in return. What is needed by the United States is a policy that will help remove the serious imbalance of trade * * *. If this imbalance continues to exist and our foreign aid program is reduced, the United States economy and the economies of all free nations will suffer * * *. We believe that imports furnish competition and that competition is generally healthy to the American economy. If we have laws in this country against monopoly which impairs competition, then we should not at the same time have laws which assist domestic industries to obtain a monopoly of the American market."

"The league would like to see the Tariff Commission a fact-finding nonpolitical body. If the number of members on the Tariff Commission is increased from 6 to 7, we fear that partisan considerations will enter into and may come to dominate the findings of the Commission. The league believes that if the Tariff Commission's nature is changed the public might lose confidence in its studies * * *. We believe that the United States policy of expansion of world trade is one of the very best ways to work toward increased living standards and toward international cooperation to serve our mutual problems."

Sally Butler, General Federation of Women's Clubs, Washington, D. C. (pp. 1787-1788) :

The federation advocated the extension of the Reciprocal Trade Agreements Act without any major changes.

No reference was made to provisions now in H. R. 5495.

Bernard B. Smith, the American Trade Association for British Woolens, New York City (pp. 1789-1795) :

No reference was made to provisions now in H. R. 5495. The witness pointed out the need for "the maintenance of a consistent policy by the United States with respect to imports." He discussed in some detail the importance to both countries of trade between the United States and the United Kingdom; the woolen industry in this country and the United Kingdom; and the rising use of manmade fibers in the United States.

Steele L. Winterer, A. & M. Karagheusian, Inc., Carpet Institute, Inc., New York City (pp. 1795-1796) :

No direct reference was made to provisions now in H. R. 5495. Mr. Winterer indicated that the institute does not oppose the President's recommendation for a 1-year renewal of the act, "because such renewal should enable the new administration to get its bearings." The witness indicated concern about any act that "would permit any further reductions in the rates of duty on wool carpets and rugs" and discussed in some detail the reasons for this concern.

Oliver Williams, New York, N. Y. (pp. 1798-1804) :

Mr. Williams is in the real-estate business in New York City. He represented no organization and appeared before the committee to support the extension of the "Trade Agreements Act with the elimination of the escape-clause 'peril point,' and comparative cost-of-production provisions" (H. R. 4294). The witness favors a liberal trade program and discussed it in some detail. No direct reference was made to provisions now in H. R. 5495.

Isador Lubin, Americans for Democratic Action (pp. 1804-1811) :

"Americans for Democratic Action urges that your committee extend the present Trade Agreements Act as requested for at least 1 year without amendment. We believe that such action is clearly in the national interest."

"The ADA favors a trade policy that is adequate to our needs as a creditor nation, a nation which wishes to be paid for its exports * * * In the postwar period from 1946 to 1952 the cumulative dollar deficit of the rest of the world with the United States amounted to approximately \$34 billion. To a very great extent, this dollar deficit has been covered by aid from the American taxpayer. A significant part of the balance of the deficit has been covered by drains on the gold and dollar reserves of our foreign customers * * *"

"They must pay for the raw materials they require to keep their industries going. And like any business firm, the only way they can pay for what they need is by selling what they produce. There certainly isn't much logic in our spending billions to help rebuild the economic strength of free nations and then, when they have reached the stage where they can pay their own way, erect obstacles to their selling goods in the United States so they can earn the dollars they need to pay for things they have to buy from us.

"At home we have practiced the doctrine of expanding production and expanding trade. We must continue to practice this policy in our international dealings. We are interested in maintaining markets for our goods. Part and parcel of this problem of marketing our goods abroad will be our willingness to permit foreign nations to earn dollars honestly and economically by allowing unhampered trade with us. Thus we will clearly demonstrate that we ourselves are prepared to practice what we preach. We will convince the free world by our deeds as well as our words, that expanded trade is a vital element in our common defense and our common achievement of world peace."

Claudius T. Murchison, American Cotton Manufacturers Institute (pp. 1811-1818) :

Mr. Murchison, speaking on behalf of the institute, "which represents about 85 percent of the country's total spindlage" stated that "in spite of the fact that we do not like this trade-agreements program as it has been administered, and have criticized it bitterly, and have seen it reach the acme of utter futility, we must concur in the recommendations of the President that the present Trade Agreements Act, as amended, be extended provisionally for another year without substantial change. We certainly could approve no change which weakens the present safeguards contained in the law, and would advocate the greatest administrative diligence in giving full effect to those safeguards."

Eric Johnston, Motion Picture Association of America, Washington, D. C. (pp. 1819-1822) :

"I come before your committee to urge enactment of President Eisenhower's request to extend the Reciprocal Trade Agreements Act for another year, as proposed in bills introduced by Representatives Keating, Cooper, Javits, Hyde, Frelinghuysen, and Ford.

"I also strongly endorse the President's request that Congress set up a special commission to survey reciprocal-trade agreements and other phases of foreign trade, and to make recommendations on future legislation."

Favors development of underdeveloped regions for stabilization of free-world economy.

Motion-picture industry needs foreign markets to survive. There are no restrictions on imports of foreign motion pictures into the United States.

"In my opinion, the President's dual recommendations, one for a 1-year extension of the reciprocal-trade agreements, and the other for a comprehensive study of trade policies in the meantime, are sound and deserving. I cannot too strongly urge that Congress act favorably on both requests of the President of the United States."

Read P. Dunn, Jr., the National Cotton Council, Washington, D. C. (pp. 1822-1829) :

Mr. Dunn is director of the foreign-trade division of the National Cotton Council which is the overall organization of the six primary cotton-interest groups—the producers, ginner, warehousemen, cotton merchants, seed crushers, and cotton spinners. Approximately one-third of the country's raw-cotton production is exported, and also about one-fourth of the country's edible fats and oils.

"Adjustments in tariffs and quotas should only be made through an established and agreed upon procedure which is recognized by the other countries with whom we have trade agreements.

"We believe the Reciprocal Trade Agreements Act should be extended in its present form for a period of 1 year as an interim procedure and that in the meantime a comprehensive study should be made for the purpose of developing a broad, clear, concise, and integrated foreign economic policy.

"* * * we oppose extension in the form of the Simpson bill, H. R. 4204, because of the drastic changes which it makes in established policy."

William F. Sullivan, National Association of Cotton Manufacturers, Boston, Mass. (pp. 1829-1839) :

Mr. Sullivan is president of the National Association of Cotton Manufacturers which represents the northern cotton, silk, and synthetic-textile mills located predominantly in New England.

There are approximately 100 mills employing 70,000 workers with an annual payroll of \$190 million.

The New England cotton-textile industry has traditionally favored protection for workers and stockholders from the low-wage competition of foreign countries.

"We favor proposals for a thorough investigation and examination of current trade policy, including tariff policy through a congressional or other governmental body.

"In anticipation of such an undertaking, and in view of the statements of the administration that no change in existing tariff rates is contemplated during the next year, we favor an extension of the principles of the Reciprocal Trade Agreement Act, with certain modification for an additional year.

"Because at least a year and possibly longer may elapse before a settled trade and tariff policy becomes effective, interim legislation is of primary importance. We therefore urge that an extension of the Reciprocal Trade Agreements Act include a provision whereby, within 6 months, relief under the escape-clause provisions shall be granted when the Tariff Commission finds that imports resulting from concessions 'cause or threaten unemployment of or injury to American workers, miners, farmers, or producers, producing like or competitive articles, or impairment of the national security.'

"We also approve in principle such other amendments as grant the Tariff Commission sufficient flexibility to provide an effective remedy for injury, the use of duties to equalize costs of production, the use of countervailing duties, and the prevention of unfair practices, including dumping in import trade.

"The cotton-textile industry is also noted for its relatively high percentage of labor costs to other costs. In the fine-combed-goods field in which New England mills specialize, costs of production are as follows: Labor, 45 percent; cotton, 40 percent; overhead, 15 percent.

"The significant difference between United States and foreign competitors is the vast differences in wages. Our average hourly wage is from 200 to 1,200 percent higher than foreign competitors."

Malcolm B. Chase, Jr., Berkshire Fine Spinning Associates, Inc., Providence, R. I. (pp. 1840-1841) :

Mr. Chase, president of the Berkshire Fine Spinning Associates, represents 11 plants in New England which manufacture fine-combed cotton goods.

Supported the position of the national association and presented sample of foreign and domestic fabrics and shirt made from the fabric.

"We feel that the present reciprocal-trade treaty does not give enough relief to take care of instances such as this, and that is why we favor the strengthening of the escape-clause procedure as outlined in the Simpson bill."

Stanley H. Ruttenberg, department of education and research, Congress of Industrial Organizations (pp. 1841-1849) :

The CIO supports extension of reciprocal trade agreements program for 1 year without change, and opposes Simpson bill, and asks for a year of most intensive and thorough study and analysis of the role which reciprocal trade plays in the entire field of international economics.

"The CIO has been and remains a strong and ardent supporter of the reciprocal trade agreements program. We support its extension for 1 year without change. We do this in the hope, however, that during the coming year a most intensive and thorough study and analysis of the role which reciprocal trade plays in the entire field of international economics will be made. We have some reservations. But such reservations we have relate not to reciprocal trade, but to its place in the whole picture of international trade and development.

"The reciprocal trade agreements program, in many ways, is a program designed to help American industries and American workers. However, we must simultaneously find solutions to the problems in the American economy which are created by increased trade.

"As we move along in the United States toward the development of more trade, or as the United States continues its present reciprocal trade agreements program without the crippling amendments which are in the Simpson bill, there will be specific cases in which our domestic industries, local communities and American workers will be unfavorably affected by increased trade."

James H. Stebbins, Peruvian American Association, New York City (pp. 1849-1852) :

Mr. Stebbins represented the Peruvian American Association which is made up of firms and individuals who have an interest in maintaining and improving trade and cultural relations between the United States and the Republic of Peru.

United States now supply 56 percent of Peru's imports and purchases about 90 percent of Peru's lead and zinc.

Peru asks only that there be no artificial barriers against the flow of its products into the United States and the investment of United States capital in Peru.

"We favor the extension of the Reciprocal Trade Agreements Act for 1 year, unchanged, as recommended by the President."

Harry S. Radcliffe, National Council of American Importers, Inc., New York, N. Y. (pp. 1852-1856) :

Mr. Radcliffe represents a national organization of businessmen concerned with various aspects of our import trade.

"Our present position is that the Trade Agreements Extension Act of 1951 should be extended for a further period of 3, but preferably 5, years with a number of changes that we believe are necessary to improve its effectiveness in reducing trade barriers. We are, however, willing to postpone these recommendations in view of the President's special message to the Congress of April 7, and, therefore do endorse the proposal for a simple 1-year extension of the act at this time."

The importers' organization objects to certain provisions of H. R. 4204 as follows:

"(1) Presidential review of findings, (2) peril points, and (2) escape clause, (4) injury concept, (5) increase in number of Tariff Commissioners, (6) cost of production investigations, (7) unfair practices in import trade, and (8) anti-dumping and countervailing duties and makes suggestions relative to these objections.

"Our organization strongly endorses a 1-year renewal of the Trade Agreements Extension Act of 1951 without further crippling amendments."

Raymond H. Papernow, the American Fur Merchants' Association, Inc., New York City (pp. 1856-1862) :

Mr. Papernow is chairman of the foreign trade committee of the American Fur Merchants' Association which consists of fur dealers, brokers, and processors of furs of the United States and foreign origin.

"Since end of World War II we have found many foreign markets either closed or restricted to the importation of American furs."

"* * * we believe we have a right to ask Congress to amend the reciprocal trade-agreements law by striking out clause 11 from Public Law 50 approved on June 16, 1951."

Philip P. Gott, National Confectioners' Association, Washington, D. C. (pp. 1862-1867) :

Mr. Gott appeared in behalf of the members of the National Confectioners' Association, organized in 1884, and represents about 85 percent of the production of candy and confectionery manufactured in the United States.

The confectionery industry fosters and promotes international trade.

Oppose section 8 of H. R. 4294 which relates to section 22 of the Agricultural Adjustment Act, as amended.

"At present, there are at least five types of import quotas which obviously are designed to restrict imports."

"All of these five types of restrictions are in conflict with our free-trade philosophy of the reciprocal-trade program."

Recommend that—

"1. The Reciprocal Trade Agreement Act be extended for only 1 year with the addition of a practical and realistic provision that relief from injury due to increased imports of competitive products be made more readily available.

"2. A thorough study be made on an impartial and independent committee of all the factors relating to foreign trade.

"3. That action on section 8 of H. R. 4294 be withheld pending further study."

Millard E. Tydings, The American Watch Association, Inc., Washington, D. C., and

William Fox, The American Watch Association, Inc., New York City (pp. 1867-1891) :

Messrs. Tydings and Fox appeared in support of the extension of the Reciprocal Trade Agreements Act as now written for 1 year, and appeared in behalf of the American Watch Association, Inc.

"The American Watch Association, Inc., is a national trade body whose members are engaged in the production of finished watches in the United States. Approximately 15 percent of the watches we produce are manufactured almost entirely from domestic materials, and the rest are produced with the use of jeweled lever watch movements of quality imported from Switzerland. The imported movement is cased in American-made watch cases, and then carefully inspected, timed, and regulated. American-made bracelets or watch straps are attached, and the finished watch enclosed in attractive American gift boxes, and the merchandised. They are sold to consumers throughover 30,000 retail jewelers, department stores, and other retail outlets."

"While we do not agree with many aspects of the present provisions of the Trade Agreements Act, we support the extension of the Trade Agreements Act for 1 year, without amendment."

"We conclude this memorandum by again urging that the Reciprocal Trade Agreements Act be extended for a period of 1 year without amendment, as requested and recommended by the executive department."

M. E. Graham and Robert Canfield, American Paper & Pulp Association, Erie, Pa. (pp. 1895-1900) :

American Paper & Pulp Association represents about 80 percent of the paper producers in this country, which ranks sixth in size in all American industry.

The newest paper machine, made in the United States, is in Finland, the productivity of labor is identical.

"The paper and pulp industry of the United States believes that it is high time the country had a tariff policy, established by Congress, which under the Constitution, has the sole right and with it the duty to establish one."

I. Tariff reductions go further than Congress intended.

II. Reductions in tariff are made without any apparent reference to the different levels prevailing for different industries from which reductions are made.

III. Duties are cut without reference to an industry's existing contribution to international trade.

IV. Tariff rates are cut at the instance of one foreign country, while the benefits inure to another.

V. Rates are reduced in exchange for concessions which do not materialize.

VI. Rates are reduced without reciprocal reductions in rates on the same commodities in other countries.

VII. Reductions which could be used to negotiate the removal of other restraints on international trade are made without doing so.

VIII. No account is taken of the differences in ability of industries to compete with their foreign counterparts having lower labor rates.

Frederick J. Libby, National Council for Prevention of War, Washington, D. C. (pp. 1900-1906) :

"I am one of those who favor freer, rather than more restricted, trade with other nations. Therefore, I am speaking today against passage of the Simpson bill at this time."

"My chief criticism of these important and serious revisions of our current tariff policy is that they should wait until next year."

"The Simpson bill (H. R. 4294), now pending before the House Ways and Means Committee, represents a serious threat to American industry, agriculture, and labor and to the Venezuelan economy."

Herman Fakler and Gordon P. Boals, Millers' National Federation, Washington, D. C. (pp. 1907-1910) :

Members of the federation produce about 85 percent of the total wheat flour produced in the United States.

The flour-milling industry has supported the Reciprocal Trade Agreements Act from the beginning. Our principal interest is in the export of wheat in the form of flour from the United States.

"The Miller's National Federation supports the request by President Eisenhower for (1) a renewal of the present Reciprocal Trade Agreements Act for a period of 1 year without amendment, and (2) the establishment of a special commission to make a thorough reexamination of our whole foreign economic policy."

Bernard Weitzer, Jewish War Veterans of the United States of America (pp. 1911-1912) :

By resolution at the 57th annual convention, held October 1952, in Atlantic City, N. J., the Jewish War Veterans urged "the intensification of activities under the Reciprocal Trade Agreements Act, and respectfully request the 83d Congress to renew the Reciprocal Trade Agreements Act in a form which will make it more effective for its purpose."

Sydnor Oden and John C. White, American Cotton Spinners Association, Houston, Tex. (pp. 1912-1914) :

The foreign market has been vitally important for cotton.

"Any artificial barrier to imports of foreign goods is an equal barrier to the export of American cotton."

"A reduction of our exports would be directly adverse to the industries now producing for the export market, and injure purely domestic industries as well."

"It is better to lift imports to the level of exports than to cut or pare our exports to fit the level of imports."

By resolution the Cotton Shippers Association favors: (1) The extension of the Reciprocal Trade Agreements Act for 1 year without change; (2) the simplification of customs laws, rules, procedures, and classifications; and (3) the elimination of arbitrary quotas and restrictions on imports of cheese, fats, and oils.

E. N. Mimms, E. N. Mimms Co., Louisville, Ky. (pp. 1915-1921) :

The status quo on trade agreements should be maintained for a year longer to afford opportunity for study.

Survey by Council on Foreign Relations: Views of leading citizens in 25 cities summarized:

1. It should continue to be United States policy after June of 1953, when the Reciprocal Trade Agreements Act expires, to reduce tariffs in return for reciprocal concessions by other countries.

2. Congress should continue, after June of 1953, to delegate to the President limited power to reduce United States tariffs.

3. The new administration in Washington should regard United States foreign aid which has largely financed the United States export surplus since World War II, as a temporary program. The administration should try to maintain United States exports at a high level, but not at the expense of having the Government finance exports.

4. The United States will not be able to maintain its exports at a high level unless it increases its imports, thereby enabling countries with dollar shortages to pay for United States exports in goods and services. Further development of United States private investments abroad and increased tourist travel would result in expenditures similar to imports and in effect would be helpful in maintaining a high export level.

5. Instead of trying to maintain an excess of exports over imports, it would be preferable for the United States to achieve a balance between exports and imports.

Preston G. Wolfe, American Beverage & Supply Corp., Indianapolis, Ind. (pp. 1921-1923):

"A drop in the trade and purchasing power of a neighboring country, such as for instance, Venezuela, will be quickly felt in employment and profits of our business in Indianapolis. If this situation is multiplied by the hundreds of other similar firms throughout the United States who are also doing business with many other countries, a serious national downward trend in employment and profits could result within a short time.

"Naturally our uncertainty as to a national foreign policy has been an ideal subject to be enlarged upon by our enemies, of whom we have many. I have seen many forces at work in Venezuela to undermine our position there. I am sure that should we cast this sister nation asunder economically that we would soon awake to find communism entrenched across the Caribbean. Venezuela is an outstanding example of democracy at work in Latin America. If we knowingly lose our foothold in Venezuela, other Latin countries would fall away like the leaves in the autumn.

"We feel that today our Nation is at the crossroads in our foreign economic policy. We believe that your committee has within its hands one of the most important responsibilities ever to be entrusted to a congressional committee. Our economic relations with other nations can and unquestionably will determine the economic and political stability of the free world. As the leader in the free family of nations we are responsible for the strength and unity of our sister nations. Whenever we fail in this tremendous responsibility the Soviets will be quick to step into any weakened nations to exploit our mistakes and lack of vision."

Frank P. Lyons, National Government's Ad, Tampa, Fla. (pp. 1923-1924):

No statement on provisions of bill.

Opposes coal interests in their demand for greater restrictions on oil from Venezuela.

Favors tax reduction.

George J. Burger, National Federation of Independent Business, Washington, D. C. (pp. 1924-1930):

In the past 4 years the members of the federation have voted 4 times on questions of international trade: (1) 84 percent favored congressional investigation of trade agreements to determine damage to domestic independent business, (2) 69 percent favored restrictions on oil imports which damage United States independent oilmen, (3) 80 percent favored congressional redetermination of "peril point" provisions to give independent business better protection against low-cost imports.

All the federation wants is equality of opportunity with foreign producers.

(The following was subsequently supplied for the record:)

STATEMENT OF HON. GEORGE W. MALONE BEFORE THE SENATE
FINANCE COMMITTEE, JUNE 24, 1953

THE FOREIGN TRADE AUTHORITY

SUBSTITUTE FOR EXTENSION OF THE 1934 TRADE AGREEMENTS ACT

I think Mr. Dulles, in his testimony before the House Ways and Means Committee, put his finger right on the sore spot in pointing up the difference in philosophy in the regulation of foreign trade which, as I have said many times before this committee and before the Senate, is the constitutional responsibility of the legislative branch.

MADE PRESIDENT AN AGENT OF CONGRESS

The Congress is charged by the Constitution with regulating foreign commerce and with adjusting the duties, imposts, and excises which we commonly call tariffs and import fees.

We have in effect, through the 1934 Trade Agreements Act, made the President an agent of Congress. We have transferred that responsibility to the Executive.

I agree with the witnesses who have testified before the Ways and Means Committee of the House that it is probably unconstitutional, but no one has ever questioned it in the courts.

CONGRESS ABROGATED RESPONSIBILITY

While Congress has clearly abrogated its constitutional responsibility to regulate foreign trade, and has practically eliminated itself in fixing appropriations, yet the matter of foreign trade is the only official action I know of where it has boldly and without equivocation transferred its constitutional responsibility to the Executive.

That is exactly what Congress has done in the 1934 Trade Agreements Act.

Mr. Dean Acheson and Mr. Willard Thorp testified many times over the years, before the Ways and Means Committee of the House, and before this committee, that it was hardly possible, paraphrasing their testimony, to separate the foreign policy from the domestic economy. The 1934 Trade Agreements Act provided a method for the Executive, through the State Department, to tie the regulation of foreign trade together with the foreign policy—both handled by the President—whereas the Constitution pointedly separates them—placing the foreign trade regulation responsibility in Congress and the fixing of foreign policy in the executive branch.

The UNRRA, the Marshall plan, ECA, point 4, or Mutual Security, and the many other trick organizations make up the trade-balance deficits of the foreign nations each year by appropriating and giving to them the amount of their trade-balance deficits in cash until such time as the American markets can be divided so that theoretically there will be no trade-balance deficits.

In the wool, lead, zinc, and oil industries you have a pretty good example of what is happening. The idea behind the International Trade Organization (ITO) is not dead by any means, although Dean Acheson and Willard Thorp promised you in 1951 that they would not bring it up again.

INTERNATIONAL TRADE ORGANIZATION

I take considerable credit for killing the International Trade Organization. I took the Senate floor during the past 6 years every time I had the least excuse to explain what this Organization was.

Again I shall explain, not that the members of this committee do not know what it is, but sometimes in the rush of business they forget.

The International Trade Organization composed of 57 nations who would meet at least once each year and estimate the production and the consumption of the world and divide it among the nations of the world on the basis of need, which of course meant the last of the United States of America as we know it, at least with reference to the maintenance of our living standard.

They were pointing, of course, to "one economic world" which would naturally be followed by a "one political world."

INTERNATIONAL MATERIALS CONFERENCE

Immediately thereafter they formed what was called the International Materials Conference. The International Materials Conference was to take the place of the ITO but since it would lack the sanction of Congress and did not have as many members as the International Trade Organization would have had at the time, it was to fill in until they could create a favorable climate for the ITO. If my memory serves me correctly there were 28 nations included in the IMC. They were to get together and estimate the production and the consumption of the world to divide the trade of each nation so that theoretically there would be no trade-balance deficits. That is still operating while you sleep.

WAITING THE TIME

In my humble opinion, they are awaiting the time when they can create a favorable climate to bring up the International Trade Organization again and get the sanction of Congress.

THE MEXICO CITY CONFERENCE

Last September while most of us were busy with the campaign, they had, in Mexico City, an international conference of 54 nations led by our own State Department. They are semisecret conferences—only invited delegates may attend.

No one is invited except the departments of the governments who favor the division of the markets of the United States with the nations of the world.

THE UNITED STATES HAS THE ONLY NEW MONEY IN THE GAME

The United States occupies a peculiar position. We are the only nation with new money or new markets to divide, so if we, for any reason, quit a conference the conference is over because we are the only ones putting anything into the game.

When they left Mexico City—and on this I can produce definite documentation—the sterling-bloc countries represented by England voiced for the first time the very thing the Junior Senator from Nevada said on the Senate floor numerous times, and before committees many more times, that the grants to Europe were to make up their trade-balance deficits while we were dividing our markets under the so-called reciprocal trade and then make the divisions permanent through ITO.

So a definite proposal was made—and I want you to understand they are considering it now, that they took this proposal home to study—at the end of each year, each nation, meaning us, of course, which had sold more goods to any foreign nation than they had purchased would make up the difference in cash.

That may seem ridiculous to you. It is so ridiculous that they can get away with it. So I say to you that you are considering today only one phase of the question—which should be considered as a whole—and we should be given an opportunity to question witnesses.

You will be considering the \$6 billion grant or whatever amount that comes to the Senate floor as a continuation of the second phase of tying together the domestic economy and the foreign policy which the Constitution of the United States pointedly separates.

DULLES ECHOES ACHESON

You have not heard the last of it. You will get a substitute for ITO thrown at you, but it is held in abeyance until your appropriation is made for this year, to make up the present trade-balance deficits.

So, I say to you that Dulles echoed Mr. Dean Acheson's and Willard Thorp's plan when he said that the domestic economy and the foreign policy are so bound together that it is impossible to separate the two. It is not impossible now but it could well become so, if the administration continues on its course. As a matter of fact, he represents the same old line as Dean Acheson and Willard Thorp; that same school of thought that they want to bind the domestic economy and the foreign policy definitely together so that the economies of all the nations of the world are bound together and will eventually be reduced to an average by the United States making up trade-balance deficits of the foreign countries through annual payments in cash and in dividing the markets of this Nation with them and bringing about a one economic world.

I have studied the matter for 15 years as an industrial engineer and for 7 years as a Member of the Senate.

I point out that great danger which is only emphasized by Senator Carlson, Senator Kerr, Senator Johnson, and others in their own particular fields of experience. The Senate has, up to now, shown no indication of seeing the economic danger to this Nation—the foreign nations are simply picking us like a plump goose. Our people at home see it—in Washington for some reason the picture is obscured.

SEVEN MEMBERS FOR THE TARIFF COMMISSION

Mr. Chairman, I intend to vote for the increase in the Commission for the very simple reason that, in my opinion, the seriousness of a tie vote has been overly emphasized in this committee as it was overly emphasized in the House.

I have had no chance to review the hearings. I think it is unwise to vote on such important policies without at least the chance to review the testimony.

But if we are going to vote on an increase in membership of the Commission, there are two different philosophies represented in the Commission just as there are two different philosophies in Congress and in this committee, at least, I hope there are still two philosophies.

WORRIED ABOUT FOREIGN NATIONS

Some witnesses are concerned, especially Cabinet members at what foreign nations might think. Such nations might think we are not going to continue to divide our markets with them if we do not extend the Trade Agreements Act, although all of the trade agreements remain in full force and effect. Failure to extend the act would mean that the constitutional responsibility to fix import fees and tariffs and regulate foreign commerce would be returned to the Tariff Commission, an agent of Congress, and that there then would be no weight of congressional action either way, and that the study group would work for 1 year in determining the major foreign-trade policy with no pressure or influence thrown either way.

However, the Cabinet officers are very concerned about the feeling of foreign nations that have an opportunity to get some of our markets.

In our domestic business organizations, they are all very concerned over the fact they either will be out of business or terribly hurt by another year's extension; by not extending the regulation of foreign commerce it would revert to the Tariff Commission, an agent of Congress. The Tariff Commission would then have authority to give relief through adjusting the flexible duties and tariffs without regard to the State Department, or in fact any part of the executive branch, which has no particular knowledge of business. The Constitution pointedly put that responsibility in the legislative branch. The Tariff Commission could adjust the tariff on any product not covered by trade agreements.

PERTURBED ABOUT OUR OWN WORKERS AND INVESTORS

Mr. Chairman, I am more concerned with the condition of our own workers and small-business organizations and the individuals who are still in business in this Nation than I am about what Belgium or Chile or England might think about the policy of Congress. They are not charged with fixing the domestic economic policy. The Constitution does charge the Congress with that responsibility.

STATE DEPARTMENT NO INTEREST IN DOMESTIC ECONOMY

It as been pointed out that the Tariff Commission has always been a fact-finding body. Mr. Chairman, it has always been charged with the responsibility of factfinding and of acting upon the facts until Congress made it a stooge of the executive branch of the Government.

Many of the members of the Commission itself have evidently been influenced by the free-trade philosophy of the State Department, which has apparently had no interest in the domestic industry whatever, but is in fact engaged in remaking the industrial map of the United States of America.

I want to say that for these reasons I will vote, in any case, for the additional member.

Mr. Chairman, I would like to note for the record that regardless of any report that might be made by any Commission set up jointly between the President of the United States and Congress, that Congress has the final authority and responsibility of fixing the number of members on the Tariff Commission.

I would like also to say that the Congress of the United States did abrogate their constitutional authority through the 1934 Trade Agreements Act and did make the President of the United States, in effect, an agent of Congress with complete and total responsibility to regulate foreign trade—just as the Reichstag transferred its responsibility for regulating the affairs of the German Government.

I would like also to have the record show that out of the 50 applications for relief under the escape clause, 3 were actually granted relief, and the Junior Senator from Nevada attributes it to the prevailing philosophy of the executive department to divide the markets of this Nation with the nations of the world.

I now offer as a substitute to H. R. 5495, my bill introduced on June 18, Senate bill 2164, which provides for a foreign-trade authority title instead of the title "Tariff Commission," although there would be very little change in the structure from the now effective Tariff Commission. It more properly designates the field of its work.

Senate bill 2164 would create a Foreign Trade Authority as an agent of Congress, with the constitutional responsibility of Congress to regulate duties, imposts, and excises, commonly known as tariff and import fees, and to regulate foreign trade.

FAIR TRADE—REVERT TO CONSTITUTIONAL GOVERNMENT

This Foreign Trade Authority created by S. 2164 and given the constitutional responsibility as an agent of Congress, as the Tariff Commission now is, to adjust the duties, imposts, and excises, commonly referred to as tariffs and import fees on the basis of fair and reasonable competition, would establish fair trade with foreign nations.

The procedure is set out in detail in the bill, giving the authority full latitude to regulate and adjust the duties, imposts, and excises now commonly known as tariffs and import fees on a basis of fair trade with foreign nations, and to consider the manipulation of the currencies of foreign nations for trade advantage and the subsidizing of exports through juggling costs.

For a specific example, when raw wool is sold by the Argentine to the United States the dollars are transferred to the Government on a certain specific exchange value. It is a lower exchange-rate value than if they would manufacture the wool into processed goods and then sell the manufactured goods to this Nation. They receive in dollars a higher exchange value when processed.

In other words, it is in effect a subsidization of manufactured products.

THE FLEXIBILITY OF TARIFF

There are hundreds of similar cases. It would give the reorganized Tariff Commission, in my bill, called the Foreign Trade Authority, full responsibility to readjust such duties, imposts, and excises called tariffs or import fees, on its own motion, upon request of Congress, upon request by the President, or upon request by any industry and to deal with the continual changing economic picture of the United States as compared with the economy of foreign nations.

As the living standard of the world improved, such duties or tariffs would be adjusted downward, and whenever the foreign standard of living approximated our own standard of living wage, free trade would be an almost automatic and immediate result.

My bill, S. 2164, also provides, Mr. Chairman, that if a negative joint resolution is passed by the Congress within 60 days on any particular rate or rates fixed by the Foreign Trade Authority as substituted for the Tariff Commission, then that particular rate does not go into effect.

With that short explanation, realizing the time is short and that hearings have been denied—and that there is no time for the study of my bill, I offer Senate bill 2164, introduced by the Junior Senator from Nevada on June 18, as a substitute for the pending measure.

[S. 2164, 83d Cong., 1st sess.]

"A BILL To amend the Tariff Act of 1930, and for other purposes

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

"DECLARATION OF POLICY

"SECTION 1. It is declared to be the policy of the Congress—

"(a) to facilitate and encourage the importation into the United States of foreign goods and products in quantities sufficient to supply the needs of the United States economy;

"(b) to foster and provide for the export of the products of American industry and agriculture in quantities sufficient to pay for the needed imports.

"(c) to develop and promote a well-balanced, integrated, and diversified production within the United States so as to maintain a sound and prosperous national economy and a high level of wages and employment in industry and agriculture;

"(d) to provide necessary flexibility of import duties thereby making possible appropriate adjustments in response to changing economic conditions;

"(e) to assure the accomplishment of these objectives by returning to and maintaining hereafter in the United States the control over American import duties now subject to international agreements.

"RESTATEMENT OF EXISTING IMPORT DUTIES

"SEC. 2. Title I, paragraphs 1 to 1559, inclusive, of the Tariff Act of 1930 are hereby amended by repealing the classifications and rates therein contained and substituting therefor the classifications and rates obtaining and in effect on June 12, 1953, by reason of proclamations of the President under section 350 of the Tariff Act of 1930 or otherwise.

"FORMATION OF FOREIGN TRADE AUTHORITY

"SEC. 3. Title III, part II, section 330, of the Tariff Act of 1930 is hereby amended to read as follows:

"SEC. 330. ORGANIZATION OF THE FOREIGN TRADE AUTHORITY

"(a) MEMBERSHIP.—The United States Tariff Commission shall be reorganized and reconstituted as the Foreign Trade Authority (hereinafter referred to as the "Authority") to be composed of six directors to be hereafter appointed by the President by and with the advice and consent of the Senate. The original directors of the Authority shall be the same persons now serving as Commissioners of the United States Tariff Commission, each such person to serve as a director of the Authority until the date when his term of office as a Commissioner of the United States Tariff Commission would have expired. Thereafter the term of office of any successor to any such director shall expire six years from the date of the expiration of the term for which his predecessor was appointed except that a director appointed to fill a vacancy occurring for any reason other than the expiration of a term as herein provided shall be appointed only for the remainder of the term which his predecessor would otherwise have served. Directors shall be eligible for appointment to succeed themselves if otherwise qualified therefor. No person shall be eligible for appointment as a director unless he is a citizen of the United States, and, in the judgment of the President, is possessed of qualifications requisite for developing expert knowledge of tariff problems and efficiency in administering the provisions of this Act. Not more than three of the directors shall be members of the same political party, and in making appointments members of different political parties shall be appointed alternately as nearly as may be practicable.

"(b) CHAIRMAN, VICE CHAIRMAN, AND SALARY.—The President shall annually designate one of the directors as Chairman and one as Vice Chairman of the Authority. The Vice Chairman shall act as Chairman in case of absence or disability of the Chairman. A majority of the directors in office shall constitute a quorum, but the Authority may function notwithstanding vacancies. Each director shall receive a salary of \$15,000 a year. No director shall actively engage in any business, vocation, or employment other than that of serving as a director."

"APPOINTMENT OF SECRETARY

"SEC. 4. Title III, part II, section 331 (a), of the Tariff Act of 1930 is hereby amended to read as follows:

"(a) **PERSONNEL.**—The Authority shall appoint a secretary who shall receive compensation in accordance with the Classification Act of 1949, and the Authority is hereby empowered to employ and, in accordance with the Classification Act of 1949, fix the compensations of such special experts, examiners, clerks, and other employees of the Authority as it may find necessary for the proper performance of its duties.'

"ADMINISTRATION OF TRADE AGREEMENTS

"SEC. 5. Title III, part II, of the Tariff Act of 1930 is amended by adding at the end of section 331 the following new section:

"SEC. 331A. ADMINISTRATION OF TRADE AGREEMENTS.

"(a) All powers vested in, delegated to, or otherwise properly exercisable by the President or any other officer or agency of the United States in respect to the foreign-trade agreements entered into pursuant to section 350 of the Tariff Act of 1930 are hereby transferred to, and shall be exercisable by the Authority, including, but not limited to, the right to invoke the various escape clauses, reservations, and options therein contained, and to exercise on behalf of the United States any rights or privileges therein provided for the protection of the interests of the United States.

"(b) The Authority is hereby authorized and directed—

"(1) to terminate as of the next earliest date therein provided, and in accordance with the terms thereof, all the foreign-trade agreements entered into by the United States pursuant to section 350 of the Tariff Act of 1930;

"(2) to prescribe, upon termination of any foreign-trade agreement, that the import duties established therein shall remain the same as existed prior to such termination, and such import duties shall not thereafter be increased or reduced except in accordance with the Tariff Act of 1930, as amended by this Act.'

"PERIODIC ADJUSTMENT OF IMPORT DUTIES

"SEC. 6. Title III, part II, section 336, of the Tariff Act of 1930 is hereby amended to read as follows:

"SEC. 336. PERIODIC ADJUSTMENT OF IMPORT DUTIES.

"(a) The Authority is authorized and directed from time to time, and subject to the limitations hereinafter provided, to prescribe and establish import duties which will, within equitable limits, provide for fair and reasonable competition between domestic articles and like or similar foreign articles in the principal market or markets of the United States. A foreign article shall be considered as providing fair and reasonable competition to United States producers of a like or similar article if the Authority finds as a fact that the landed duty paid price of the foreign article in the principal market or markets in the United States is a fair price, including a reasonable profit to the importers, and is not substantially below the price, including a reasonable profit for the domestic producers, at which the like or similar domestic articles can be offered to consumers of the same class by the domestic industry in the principal market or markets in the United States.

"(b) In determining whether the landed duty paid price of a foreign article, including a fair profit for the importers, is, and may continue to be, a fair price under subdivision (a) of this section, the Authority shall take into consideration, insofar as it finds it practicable—

"(1) The lowest, highest, average, and median landed duty paid price of the article from foreign countries offering substantial competition;

"(2) Any change that may occur or may reasonably be expected in the exchange rates of foreign countries either by reason of devaluation or because of a serious unbalance of international payments;

"(3) The policy of foreign countries designed substantially to increase exports to the United States by selling at unreasonably low and uneconomic prices to secure additional dollar credits;

"(4) Increases or decreases of domestic production and of imports on the basis of both unit volume of articles produced and articles imported, and the respective percentages of each;

"(5) The actual and potential future ratio of volume and value of imports to volume and value of production, respectively;

"(6) The probable extent and duration of changes in production costs and practices;

"(7) The degree to which normal cost relationships may be affected by grants, subsidies (effected through multiple rates of export exchange, or otherwise), excises, export taxes, or other taxes, or otherwise, in the country of origin; and any other factors either in the United States or in other countries which appear likely to affect production costs and competitive relationships.

"(c) Decreases or increases in import duties designed to provide for fair and reasonable competition between foreign and domestic articles may be made by the Authority either upon its own motion or upon application of any person or group showing adequate and proper interest in the import duties in question: *Provided, however*, That no change in any import duty shall be ordered by the Authority until after it shall have first conducted a full investigation and presented tentative proposals followed by a public hearing at which interested parties have an opportunity to be heard.

"(d) The Authority, in setting import duties so as to establish fair and reasonable competition as herein provided, may, in order to effectuate the purposes of this Act, prescribe specific duties or ad valorem rates of duty upon the foreign value or export value as defined in sections 402 (c) and 402 (d) of the Tariff Act of 1930 or upon the United States value as defined in section 402 (e) of said Act.

"(e) In order to carry out the purposes of this Act, the Authority is authorized to transfer any article from the dutiable list to the free list, or from the free list to the dutiable list.

"(f) Any increase or decrease in import duties ordered by the Authority shall become effective ninety days after such order is announced: *Provided*, That any such order is first submitted to Congress by the Authority and is not disapproved, in whole or in part, by concurrent resolution of Congress within sixty days thereafter.

"(g) No order shall be announced by the Authority under this section which increases existing import duties on foreign articles if the Authority finds as a fact that the domestic industry operates, or the domestic article is produced, in a wasteful, inefficient, or extravagant manner.

"(h) The Authority, in the manner provided for in subdivisions (c) and (f) in this section, may impose quantitative limits on the importation of any foreign article, in such amounts, and for such periods, as it finds necessary in order to effectuate the purposes of this Act: *Provided, however*, That no such quantitative limit shall be imposed contrary to the provisions of any foreign trade agreement in effect pursuant to section 350 of the Tariff Act of 1930.

"(i) For the purpose of this section—

"(1) the term "domestic article" means an article wholly or in part the growth or product of the United States; and the term "foreign article," means an article wholly or in part the growth or product of a foreign country;

"(2) the term "United States" includes the several States and Territories and the District of Columbia;

"(3) the term "foreign country" means any empire, country, dominion, colony, or protectorate, or any subdivision or subdivisions thereof (other than the United States and its possessions);

"(4) the term "landed duty paid price" means the price of any foreign article after payment of the applicable customs or import duties and other necessary charges, as represented by the acquisition cost to an importing consumer, dealer, retailer, or manufacturer, or the offering price to a consumer, dealer, retailer, or manufacturer, if imported by an agent.

"(j) The Authority is authorized to make all needful rules and regulations for carrying out its functions under the provisions of this section.

"(k) The Secretary of the Treasury is authorized to make such rules and regulations as he may deem necessary for the entry and declaration of foreign articles with respect to which a change in basis of value has been made under the provisions of subdivision (d) of this section, and for the form of invoice required at time of entry.

"AMENDMENT OF SECTION 337

"SEC. 7. Title III, part II, section 337, of the Tariff Act of 1930 is hereby amended as follows:

"(a) Subdivision (a) thereof by striking out the word 'President' and substituting therefor the word 'Authority.'

"(b) Subdivision (b) thereof is hereby repealed.

"(c) Subdivision (d) thereof is hereby repealed.

"(d) Subdivision (e) thereof is hereby amended to read as follows:

"(e) EXCLUSION OF ARTICLES FROM ENTRY.—Whenever the existence of any such unfair method or act shall be established to the satisfaction of the Authority, it shall direct that the articles concerned in such unfair methods or acts, imported by any person violating the provisions of this Act, shall be excluded from entry into the United States, and upon information of such action by the Authority, the Secretary of the Treasury shall, through the proper officers, refuse such entry.'

"(e) Subdivision (f) thereof is hereby amended to read as follows:

"(f) ENTRY UNDER BOND.—Whenever the Authority has reason to believe that any article is offered or sought to be offered for entry into the United States in violation of this section, but has not information sufficient to satisfy it thereof, the Secretary of the Treasury shall, upon its request in writing, forbid entry thereof until such investigation as the Authority may deem necessary shall be completed; except that such articles shall be entitled to entry under bond prescribed by the Secretary of the Treasury.'

"(f) Subdivision (g) thereof is hereby amended to read as follows:

"(g) CONTINUANCE OF EXCLUSION.—Any refusal of entry under this section shall continue in effect until the Authority shall find and advise the Secretary of the Treasury that the conditions which led to such refusal of entry no longer exist.'

"CONTINUANCE OF PERSONNEL, FUNDS, ACTIONS, AND SO FORTH

"SEC. 8. Section 339 of the Tariff Act of 1930 is hereby amended to read as follows:

"SEC. 339. EFFECT OF ENACTMENT.

"(a) All personnel, property, records, balance of appropriations, allocations, and other funds available (or to be made available) to the United States Tariff Commission shall be transferred to the Authority for use in connection with the exercise of its functions; and such transfer shall not operate to change the status of the officers and employees transferred from the Commission to the Authority. No investigation or other proceeding pending before the Commission at such time shall abate by reason of such transfer but shall continue under the provisions of this Act.

"(b) Wherever in the Tariff Act of 1930, or in any other law, the terms "United States Tariff Commission" or "Commission" occur, such terms shall be construed to mean the "Foreign Trade Authority" and the "Authority", respectively.'

"REAPPLICATION OF SECTION 516 (O)

"SEC. 9. Section 17, subsection (c), of the Act of June 25, 1938, chapter 679, is hereby repealed.

"STATISTICAL ENUMERATION

"SEC. 10. Title IV, part III, section 484 (e), of the Tariff Act of 1930 is hereby amended to read as follows:

"(e) STATISTICAL ENUMERATION.—The Chairman of the Foreign Trade Authority is authorized and directed to establish from time to time, after consultation with the Secretary of the Treasury and the Secretary of Commerce, a statistical enumeration of imported articles in such detail as he may consider necessary and desirable to effectuate the purposes of this Act. As a part of each entry there shall be attached thereto or included therein an accurate statement giving details required for such statistical enumeration. The Secretary of Commerce is hereby authorized and directed to make such reasonable and proper digests from, and compilations of, such statistical data as the Chairman requests. In the event of a disagreement between the Chairman and the Secretary of Commerce, as to the reasonable and proper nature of any request the matter shall be referred to the President whose decision shall be final.'

"REVISED TEXT OF TARIFF ACT

"SEC. 11. The Authority, as soon as practicable, shall prepare and cause to be printed as a public document available for public distribution a complete revised text of the Tariff Act of 1930 as amended.

"EFFECTIVE DATE

"SEC. 12. This Act shall take effect as of June 12, 1953."

The Senate bill 2164 provides for a Foreign Trade Authority which is actually a reorganized Tariff Commission; it provides for the adjustment of flexible duties and tariffs on the basis of fair trade with foreign nations—that is, on the basis of fair and reasonable competition. It will be offered on the Senate floor as a substitute for the provision in H. R. 5495 providing for the extension for 1 year of the 1934 Trade Agreements Act.

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