

EXTEND AND AMEND THE EXPORT CONTROL ACT OF 1949

HEARING
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE
EIGHTY-NINTH CONGRESS
FIRST SESSION
ON
H.R. 7105 and S. 1896

BILLS TO PROVIDE FOR CONTINUATION OF AUTHORITY FOR
REGULATION OF EXPORTS, AND FOR OTHER PURPOSES, AND
TO AMEND SECTION 3 OF THE EXPORT CONTROL ACT OF 1949

JUNE 16, 1965

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Committee on Banking and Currency



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EXTEND AND AMEND THE EXPORT CONTROL ACT OF 1949

WEDNESDAY, JUNE 16, 1965

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met at 10:15 a.m. in room 5302, New Senate Office Building, Senator A. Willis Robertson (chairman of the committee) presiding.

Present: Senators Robertson, Douglas, Proxmire, Williams, Neuberger, and Hickenlooper.

The CHAIRMAN. The committee will please come to order.

We have before us a bill to extend the Export Control Act which has passed the House. The extension of this law will probably cause no great trouble in our committee or in the Senate, because everybody wants to continue the control of certain types of exports which will expire this month, otherwise people might be selfish enough to ship in behind the Iron Curtain items that would be very harmful to us from a military standpoint. An indefinite extension of the act along with some noncontroversial amendments, was recommended by the administration in a bill, S. 1332, which was referred to this committee. The agency reports on this bill will be included in the record at this point.

(The agency reports follow:)

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,
Washington, D.C., March 26, 1965.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of Defense with respect to S. 1332, 89th Congress, a bill to provide for continuation of authority for regulation of exports, and for other purposes.

The bill would extend indefinitely the Export Control Act of 1949, as amended (50 U.S.C. App. 2021-2032), which otherwise would expire on June 30, 1965. It would also amend section 5 of the act to amplify existing noncriminal remedies for violations of the Export Control Act.

Since the need for control over the export of strategic commodities probably will continue for the foreseeable future, the Department of Defense recommends enactment of S. 1332.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the committee.

Sincerely,

L. NIEDERLEHNER,
Acting General Counsel.

2 **EXTEND AND AMEND THE EXPORT CONTROL ACT OF 1949**

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., April 5, 1965.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 1332, to provide for continuation of authority for regulation of exports, and for other purposes.

The proposed legislation would amend the Export Control Act of 1949, as amended (50 U.S.C. App. 2021-2032), by extending indefinitely the authority of the President (now exercised by the Department of Commerce pursuant to Executive Order No. 10945 and Executive Order No. 11038) to regulate exports from the United States to the extent necessary to safeguard our national security and domestic economy and to further our foreign policy. The present authority will expire on June 30, 1965. The proposed legislation would also amend section 5 of that act (50 U.S.C. App. 2025) to expand existing administrative techniques for enforcement of the act by authorizing imposition of a civil penalty up to \$1,000, either in addition to, or in lieu of, any other sanction already authorized under the act and would permit the compromise and settlement of administrative proceedings under the act. It contains specific language to insure that the authority of the Bureau of Customs relating to the illegal exportation of war materials (22 U.S.C. 401) would remain unimpaired.

The Department favors the enactment of the proposed legislation.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

FRED B. SMITH,
Acting General Counsel.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., April 26, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate.

DEAR SENATOR ROBERTSON: This is in reply to your request for the Department's comments on S. 1332, a bill to provide for continuation of authority for regulation of exports, and for other purposes.

This legislation would extend indefinitely the Export Control Act of 1949, as amended, which is now scheduled to expire on June 30, 1965. The bill would also amend section 5 of that act to amplify existing noncriminal remedies for violation of the Export Control Act.

The Department favors enactment of this bill.

The Department has a significant interest in maintaining control on the export of agricultural commodities in short supply. In addition, the Department also has a similar interest with regard to exports of advanced agricultural technology (machinery, technical data, or agricultural commodities) to the U.S.S.R. and to other Communist countries. We feel, therefore, that our national agricultural interests are best served by the maintenance of control on these exports.

With respect to the imposition of the civil penalty, the Department of Agriculture defers judgment on this section of the bill to those agencies with primary responsibilities in such matters.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

DEPARTMENT OF STATE,
Washington, June 15, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR MR. CHAIRMAN: You have asked for the Department's comments on S. 1332, to provide for continuation of authority for regulation of exports, and other purposes. The proposed legislation would—

(1) Extend indefinitely the Export Control Act of 1949, as amended, by repealing section 12.

(2) Expand existing administrative techniques for enforcement of the act by authorizing imposition of a civil penalty up to \$1,000, either in addition to or in lieu of any other liability or penalty which may be imposed under the act.

The Department of State supports the extension of the Export Control Act beyond its expiration date of June 30, 1965. Experience has shown that the act provides flexible authority for the President to exercise necessary controls over strategic exports from the United States. It has also served, when appropriate, as a trade permissive statute, subject to the President's judgment as to our national security objectives and our overall national interests. These two uses of the act are important to the achievement of our foreign policy objectives.

President Johnson has said, "We wish to build new bridges to Eastern Europe: bridges of ideas, education, culture, trade, technical cooperation and mutual understanding for world peace and prosperity." Bridges of improved relations and of trade have been built with Yugoslavia and with Poland. Rumania is expanding its trade and is taking steps to improve its relations with the United States. There are evidences in most of the other Eastern European countries of efforts to reduce their economic dependence on the Soviet Union and to increase their trade and contacts with the United States and other free world countries.

In the Department's view, it is essential that the President continue to have the authority to use trade as a flexible instrument of policy and thus be able to take advantage of opportunities that arise or can be created in this area.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

Sincerely yours,

DOUGLAS MACARTHUR II,
Assistant Secretary for Congressional Relations.

The CHAIRMAN. What we really have to consider is not the discontinuance of previous controls but certain changes which are being recommended in the control program.

Some of our colleagues favor changing the provision for a certain portion of our wheat to be shipped in American ships on the ground that foreign ships would haul it cheaper and farmers would be helped if they could get cheaper transportation. That is opposed by the administration.

We have a proposal for the benefit of manufacturers of walnut veneer to put quotas or an embargo on the export of walnut logs, which would eliminate the farmers' market for the sale of walnut logs and not give them the advantage of world prices. Of course, the average farmer sells on the world market and always has and always will except where we put a support price and that never worked very well. When you put a support price, you put a restriction on production and sometimes it is a stabilization in poverty. For example, Flue-cured or burley tobacco is limited to one-half an acre in Virginia, and at these times, if that is the only money crop, you can't get anywhere at that price.

The administration is against putting an embargo on against the shipment of walnut logs, but there are some who want the Congress to

use its power to give preference to the manufacturers of lumber over the farmer who grows the walnut trees. That is a real difference in viewpoint.

This proposal is included in S. 1896, which will be inserted in the record at this point, along with the agency reports on that bill.
(The bill and the agency reports follow:)

89TH CONGRESS
1ST SESSION

S. 1896

IN THE SENATE OF THE UNITED STATES

MAY 4, 1965

Mr. HARTKE introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To amend section 3 of the Export Control Act of 1949.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 3 of the Export Control Act of 1949, as amended
4 (50 App. U.S.C. 2023), is amended by adding at the end
5 thereof a new subsection as follows:
6 “(d) The authority conferred by this section shall be
7 exercised with respect to any materials or commodities
8 which are in short supply or in danger of becoming in short
9 supply (1) in all cases where it is determined by the Presi-
10 dent that there is excessive drain and inflationary impact
11 due, to a substantial degree, to abnormal foreign demand,

2

1 (2) without consideration of other policies or standards not
2 set forth in this Act, and (3) without regard to whether
3 such materials or commodities are essential or critical or
4 have significance to the national security. In addition, the
5 standards set forth in this Act shall in any case be deemed to
6 be met and the authority conferred by this section shall be
7 exercised whenever (i) exports of such materials or com-
8 modities by volume, as shown by the latest Government
9 figures or reasonable estimates, are at least five times greater
10 on an annual basis than they were in 1955, and (ii) a sub-
11 stantial number of other nations impose controls or em-
12 bargoes on exports, either in processed or unprocessed form,
13 of such materials or commodities, or of materials or com-
14 modities reasonably comparable thereto."

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., June 16, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in reply to your request for the views of this Department with respect to S. 1896, a bill to amend section 3 of the Export Control Act of 1949.

The bill would add the following provision to section 3 of the act:

"(d) The authority conferred by this section shall be exercised with respect to any materials or commodities which are in short supply or in danger of becoming in short supply (1) in all cases where it is determined by the President that there is excessive drain and inflationary impact due, to a substantial degree, to abnormal foreign demand, (2) without consideration of other policies or standards not set forth in this act, and (3) without regard to whether such materials or commodities are essential or critical or have significance to the national security. In addition, the standards set forth in this act shall in any case be deemed to be met and the authority conferred by this section shall be exercised whenever (i) exports of such materials or commodities by volume, as shown by the latest Government figures or reasonable estimates, are at least five times greater on an annual basis than they were in 1955, and (ii) a substantial number of other nations impose controls or embargoes on exports, either in processed or unprocessed form, of such materials or commodities, or of materials or commodities reasonably comparable thereto."

In introducing the bill, Senator Hartke clearly indicated that the bill was intended to reverse this Department's decision to terminate export controls on walnut logs. (Congressional Record, May 4, 1965, p. 8981.) The Department is opposed to the imposition of export controls on walnut logs at the present time for the reasons given by Secretary Connor in his opinion of February 12, 1965, and at the hearings before the Senate Commerce Committee on March 31, 1965; and on this ground alone the Department would be opposed to this bill.

In addition, although this amendment was conceived for a narrow and objectionable purpose, it is couched in broad terms of general applicability, which we believe would impair the achievement of the broad policy objectives of the act. In certain situations defined in clauses (i) and (ii) of the proposed amendment, the executive branch would be precluded from relying upon two of the basic policy standards now set forth in the act—to further foreign policy and national security. The major effect of the bill would thus be to deprive the executive branch of the broad flexibility needed for sound administration of the act by providing specific tests that would override the basic policy standards of the act.

One striking example of the possible effect of prohibiting reliance upon the basic policies of the act is suggested by clause (i) of the bill. Foreign policy and national security are now closely related to the President's program to correct our unfavorable balance of payments, including measures to increase our volume of exports. Yet, in a manner directly contrary to that program, part of the test which automatically requires the imposition of controls would be met when exports of a material increased five times by volume over their 1955 level. A partial list of materials which presently meet this part of the test is attached to give some indication of the trade which could be affected. We would expect this list to be lengthened over the coming years as a growing U.S. economy increases its exports in response to the President's program and the needs of an expanding world population. Eventually, a great many materials will probably be exported at rates in excess of five times their 1955 volume. Each such material would meet the test of clause (i).

The second part of the proposed overriding test, clause (ii)—concerning controls imposed on a reasonably comparable material by a substantial number of countries—is also undesirable. Since countries usually have different economic needs and resources, they are normally interested in controlling exports of different products. A situation could well arise in which a substantial number of countries control exports of materials of which they had an inadequate supply and of which the United States had a surplus. If the United States had increased exports of its surplus five times by volume since 1955, both parts of the bill's test would be met and the United States would have to impose controls on such exports. Thus, expanding export sales would be curtailed, a U.S. surplus would be unused, and the world demand would remain unsatisfied.

In addition to the major problems noted above, several other elements of the bill indicate that the specific overriding tests might have a practical effect on the export control program even greater than the major policy standards of the act. Under this bill, it is possible that a great many materials which had just begun to be exported in substantial volume around 1955 would be covered by clause (i). The bill is unclear on whether all materials entering the export trade since 1955 automatically would be covered by clause (i) or whether only those materials which were in the export trade in 1955 are covered. It is also likely that clause (ii) would be frequently met because of the limited similarity between the foreign-controlled item and the U.S. export which is proposed by the test of a "reasonably comparable" product whether "processed or unprocessed." Clauses (i) and (ii) would also impose a substantial administrative burden on the Department as it would be necessary to maintain a continuous cross-check of all materials and commodities in processed and unprocessed form and of all foreign export controls. If an operation of this type is at all feasible, it would undoubtedly be both costly and difficult.

Although less automatic in concept and probable operation than the provisions discussed above, the remainder of the bill would also tend to narrow the scope of executive branch discretion in the administration of the Export Control Act. We believe that the history of this often-extended act amply supports repeated congressional determinations that the executive branch should have broad discretion to interpret the basic policy objectives of the Congress.

For these reasons, the Department believes that S. 1896 is fundamentally inconsistent with the structure and purpose of the Export Control Act and opposes its enactment.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of our report from the standpoint of the administration's program.

Sincerely,

ROBERT E. GILES.

DEPARTMENT OF STATE,
Washington, June 16, 1965.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR MR. CHAIRMAN: The Department of State desires to submit its views regarding S. 1896, a bill to amend section 3 of the Export Control Act of 1949. This Department understands that S. 1896 would, in effect, require the President to impose controls whenever exports of any material or commodity are five times greater than the 1955 level and when a substantial number of other nations restrict exports of that material or commodity.

Determinations made under the Export Control Act involves considerations relating to national security, foreign policy, and the condition of our national economy. The factors underlying these considerations are constantly changing. Thus, in making determinations under the act, the President should be free at all times to assess all relevant considerations in the light of changing circumstances. The Department of State, therefore, believes that it is highly important that the President not be compelled to take action under the Export Control Act on the basis of an arbitrary arithmetical formula unrelated to changing conditions, as would be the case under S. 1896.

The United States is concerned about its balance-of-payments position. The President has called upon American producers to increase their exports by all reasonable means to help solve the payments problem. Under the proposed legislation, however, some American producers could have their export efforts frustrated by application of a rigid formula unrelated to any determination of the need to limit exports. The proposed amendment might therefore impose an unwarranted impediment to the administration's efforts to improve the balance-of-payments situation.

Also, imposition of export controls under the terms of S. 1896 would be inconsistent with obligations of the United States under the General Agreement on Tariffs and Trade. In Article XI of that agreement, the United States and the other signatory countries have agreed not to impose quantitative limitations on their exports, subject to certain general exceptions described in the agreement involving special circumstances. The United States sought the inclusion of this provision to safeguard our access to foreign materials and commodities needed by American producers and consumers and thus has an important stake in maintaining its validity. Action under S. 1896 would be likely to violate the general prohibition against export restrictions as it would require the imposition of controls even though the specified exceptional circumstances do not exist.

For the foregoing reasons the Department of State strongly recommends against the enactment of the proposed legislation.

The Bureau of the Budget advises that from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the committee.

Sincerely yours,

DOUGLAS MACARTHUR II.
Assistant Secretary for Congressional Relations.

The CHAIRMAN. Then, we have another proposal, and that is to go beyond the language of the House bill in a program affecting the Arab nations, who I understand are now trying to impose some kind of boycott upon people in this country who ship to Israel. That is a rather inflammatory matter.

The House bill, H.R. 7105, contains a provision on this matter. The State Department is very much opposed to adopting the stronger lan-

guage that is contained in S. 948, and probably will be proposed to our committee. The subcommittee has held hearings on this bill which have been printed and have been made available by the committee. No public witnesses on this point are scheduled, but we will expect to hear from Secretary Connor about the House language on this point. (H.R. 7105 follows:)

89TH CONGRESS
1ST SESSION

H. R. 7105

IN THE SENATE OF THE UNITED STATES

JUNE 9, 1965

Read twice and referred to the Committee on Banking and Currency

AN ACT

To provide for continuation of authority for regulation of exports,
and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 12 of the Export Control Act of 1949 (50
4 U.S.C. App. 2032) is amended by changing "1965" to
5 read "1969".

6 SEC. 2. Section 5 of the Export Control Act of 1949
7 (50 U.S.C. App. 2025) is amended by adding at the end
8 thereof the following new subsections:

9 "(c) The head of any department or agency exercising
10 any functions under this Act, or any officer or employee of
11 such department or agency specifically designated by the

2

1 head thereof, may impose a civil penalty not to exceed
2 \$1,000 for each violation of this Act or any regulation, order,
3 or license issued under this Act, either in addition to or in
4 lieu of any other liability or penalty which may be imposed.

5 “(d) The payment of any penalty imposed pursuant to
6 subsection (c) may be made a condition, for a period not
7 exceeding one year after the imposition of such penalty, to
8 the granting, restoration, or continuing validity of any ex-
9 port license, permission, or privilege granted or to be granted
10 to the person upon whom such penalty is imposed.

11 “(e) Any amount paid in satisfaction of any penalty
12 imposed pursuant to subsection (c) shall be covered into
13 the Treasury as a miscellaneous receipt. The head of the
14 department or agency concerned may, in his discretion, re-
15 fund any such penalty, within two years after payment, on
16 the ground of a material error of fact or law in the imposi-
17 tion. Notwithstanding section 1346(a) of title 28 of the
18 United States Code, no action for the refund of any such
19 penalty may be maintained in any court.

20 “(f) In the event of the failure of any person to pay
21 a penalty imposed pursuant to subsection (c), a civil action
22 for the recovery thereof may, in the discretion of the head
23 of the department or agency concerned, be brought in the
24 name of the United States. In any such action, the court

1 shall determine de novo all issues necessary to the establish-
2 ment of liability. Except as provided in this subsection and
3 in subsection (d), no such liability shall be asserted, claimed,
4 or recovered upon by the United States in any way unless
5 it has previously been reduced to judgment.

6 “(g) Nothing in subsection (c), (d), or (f) shall
7 limit—

8 “(1) the availability of other administrative or judi-
9 cial remedies with respect to violations of this Act or any
10 regulation, order, or license issued under this Act,

11 “(2) the authority to compromise and settle ad-
12 ministrative proceedings brought with respect to viola-
13 tions of this Act or any regulation, order, or license
14 issued under this Act, or

15 “(3) the authority to compromise, remit, or miti-
16 gate seizures and forfeitures pursuant to section 1 (b)
17 of title VI of the Act of June 15, 1917 (22 U.S.C.
18 401 (b)).”

19 SEC. 3. (a) Section 2 of the Export Control Act of
20 1949 (50 U.S.C. App. 2022) is amended (1) by redesign-
21 ating clauses (a), (b), and (c) in the first sentence as
22 (A), (B), and (C), (2) by inserting “(1)” at the be-
23 ginning of the first, “(2)” at the beginning of the second,
24 and “(3)” at the beginning of the third typographical

1 paragraph thereof, and (3) by adding at the end thereof the
2 following new paragraph:

3 “(4) The Congress further declares that it is the policy
4 of the United States (A) to oppose restrictive trade practices
5 or boycotts fostered or imposed by foreign countries against
6 other countries friendly to the United States and (B) to
7 encourage and request domestic concerns engaged in the
8 export of articles, materials, supplies, or information, to
9 refuse to take any action, including the furnishing of in-
10 formation or the signing of agreements which have the
11 effect of furthering or supporting the restrictive trade prac-
12 tices or boycotts fostered or imposed by any foreign country
13 against another country friendly to the United States.”

14 (b) Section 3 (c) of such Act is amended by changing
15 “clause (b) or clause (c) of section 2 hereof” to read
16 “section 2 (1) (B) or 2 (1) (C) of this Act”.

17 SEC. 4. (a) The first and last sentences of section 3 (a)
18 of such Act (50 U.S.C. App. 2023 (a)) are amended by
19 inserting immediately after “technical data” the following:
20 “or any other information”.

21 (b) Section 4 (a) of such Act (50 U.S.C. App. 2024
22 (a)) is amended (1) by changing “which articles, mate-
23 rials, or supplies” to read “what” and (2) by striking out
24 “thereof”.

25 (c) Section 5 (b) of such Act (50 U.S.C. App. 2025

**STATEMENT OF VANCE HARTKE, A U.S. SENATOR FROM THE
STATE OF INDIANA**

Senator HARTKE. Mr. Chairman and members of the committee, I am glad to hear that fine introduction about speaking on behalf of the walnut logs. You know there is nothing closer to my heart than the walnut log, and I do think that it is beautiful wood, makes a beautiful tree, and I don't know how it ranks in regard to tobacco, but I do think that two members of the committee here today probably will find when we take up the tobacco bill, which is scheduled either for today or tomorrow, that even this committee membership here today may divide their opinion upon that important issue on the floor of the Senate.

Mr. Chairman, I am pleased to have the opportunity of appearing before this committee and to speak on behalf of a bill before you which is closely related to the measure you are considering. That bill, S. 1896, would amend the act whose extension you are considering by adding at its end a new subsection, which would spell out clearly the use of the act under certain conditions as a means of aiding the preservation of commodities in short supply, or in danger of becoming in short supply, without regard to their strategic value.

The reason for the introduction of this legislation is the apparent lack of clarity of interpretation of the present act as it relates to the export of black walnut, an exclusively American commodity in great world demand and in clear danger of becoming in short supply as veneer-size trees are being cut down and used more rapidly than they mature.

In order that your committee may be more familiar with the situation, concerning which the Commerce Committee recently held 2 days of hearings, me sitting as chairman, I would like to give you the background which I believe fully indicates the need for an amendment which I propose.

On February 14, 1964, the then Secretary of Commerce Hodges, after about 2½ years of study, issued an export control order for a 1-year period as a part of a program to protect the black walnut which, as I have said previously, is in great demand, not only by domestic furniture manufacturers as one of our choicest woods, but also by the foreign market. As evidence was presented before the Commerce Committee, it is plain that without check we shall be reduced within a few years to annually maturing trees with no other reserve.

The estimates there vary from approximately 7 years, which was the best estimate I had, I think, to which the Secretary of Commerce indicated possibly 10 years.

Now, Secretary Hodges was clearly acting in accord with the Export Control Act, which provides for its imposition—and I quote—“to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand,” both of which circumstances were present at that time. Further, the act says that “The Congress declares that it is the policy of the United States to use export controls” under the specified circumstances, rather than simply saying that the Secretary “is authorized” to do so.

The then Secretary Hodges tied to the 1-year control order a condition that domestic use should also be reduced. By voluntary action in cutting a thinner veneer, a process whose implementation required a period of some weeks, the industry made a reduction of some 4 million board feet in domestic use. Secretary Connor, however, in a statement of February 13 of this year declined to renew the expiring controls under the act. His reasons included failure of the domestic industry to meet its target fully for domestic conservation and alleged that this was a requirement of GATT. The Department release on the matter refers to walnut as a "nonstrategic item," and a letter addressed to me by the Secretary on February 26 states that—

Our export control laws are today maintained primarily to regulate trade in strategic materials.

The amendment which I have offered in S. 1896 grows directly from my belief that such an interpretation was not the intent of Congress. My amendment would make that intent more explicit and make it clear that short supply controls are to be imposed when the conditions set out in the act are met, without any consideration of extraneous conditions which are not set forth therein. I base this judgment of the intent of Congress on the legislative history of this act, which includes this statement by your own committee in your report on the 1962 bill which continued the act. And here I quote again:

The act is not limited to strategic materials or to critical material or to essential commodities. It will support a total embargo or the mildest of restrictions. The requirements of foreign policy, national security, and domestic shortages are the only test.

My amendment specifies that the authority of the act "shall" be exercised whenever, first, that the President determines that there is excessive drain and inflationary impact substantially due to abnormal foreign demand—a situation which presently exists, as the hearing record shows, in the case of walnut logs; second, without consideration of policies or standards not set forth in the act; and third, without regard to strategic national security criteria.

I might say that the second provision is included in order to make clear that in applying the act, for instance, it is not a valid argument against its use to claim that a domestic arrangement not specified in the act, making it contingent on reduction of home usage, should be controlling.

The remainder of my proposal spells out even more explicitly the standards to govern application. It says that the conditions of the act shall be considered as met and any case where one, the volume of exports is at least five times greater than it was in 1955, and two, where a substantial number of other nations impose controls or embargoes on exports of the same or comparable commodities which, incidentally, is a case in a large number of nations.

Admittedly, Mr. Chairman, this clarification would be most useful in the immediate situation with regard to walnut logs as a guideline which might, I would hope, convince the eminent Secretary of Commerce, who is here with us this morning, that it is his duty to reimpose export controls under the act upon this short-supply commodity. I might add that from all sections of the country, as the hearing record shows, there comes testimony that there is a great and valid need to do so.

But although this proposal grows out of a specific situation, I believe that it can stand on its own merits with reference to the act and as a guide for its application without ambiguity in any other situation which may arise in the future to which application of the act may be considered.

I would hope, Mr. Chairman, that before the conclusion of your deliberations on the bill before you, your committee will give the most serious consideration to the merit of this proposed amendment of clarification for the act. I believe this would be a most helpful addition, not only in the immediate case of our peculiarly American resource of black walnut timber, which grows nowhere else in the world, but also in the case of other commodities for whose protection the act was designed.

Mr. Chairman, I want to thank you for giving me the opportunity to appear.

The CHAIRMAN. The Chair wishes to assure his distinguished colleague that all of the members of this committee will give very serious consideration to this amendment and to that end, the chairman has forwarded to all of the members of the committee the hearings conducted by the distinguished Senator from Indiana last March, covering 213 pages on the problems of the walnut log industry.

You held your first hearings, I believe, in the great State of Indiana, didn't you?

Senator HARTKE. We held the first hearings here, and then we went to Indiana and held some there.

The CHAIRMAN. I read with interest this statement on page 21:

Mr. NORDHOFF. Mr. Chairman, Jasper, Ind., is a center of wood office and household furniture manufacturing.

In the city of Jasper there are located more than 20 large furniture manufacturing plants.

And you have the majority of all the furniture plants and things of that kind in the whole United States that use walnut?

Senator HARTKE. This is true.

The CHAIRMAN. I can understand your position very well. We have a few farmers in Virginia that probably don't have any stock in plants out there, but they do grow a few walnut trees.

Senator HARTKE. I don't think we are going to hurt those tree-growers too much.

The CHAIRMAN. You had all these hearings. What action did your committee take on this?

Senator HARTKE. We deferred to this committee, in view of the fact that this matter was within the jurisdiction of this committee.

The CHAIRMAN. You give them my thanks and tell them we appreciate that courtesy.

Senator HARTKE. Let me say to you, Mr. Chairman, I just hope that the chairman will not prejudge this case in view of this situation, and I would ask him to respectfully review the entire matter.

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

Senator NEUBERGER. Mr. Chairman, I have several questions.

Senator HARTKE. Fine.

Senator NEUBERGER. I am very interested in this legislation because we have a comparable situation regarding logs in Oregon. That isn't the only reason I am interested, but it pertains.

I am unable to answer a question in my own mind as to why, if there is a scarcity of walnut logs, there is any worry about export. Why don't these logs go to the manufacturers in Indiana? Why would the farmer choose to export them rather than to send them to Indiana?

Senator HARTKE. It is a matter of time. Manufacturers in the United States have a demand for a certain amount over a period of 1 year. They cannot take the entire supply in any 1 year. The remainder is consequently exported. The end result will be complete exhaustion of our walnut log supply within 7 years, depending on which estimates are used.

The Secretary of Commerce indicated in our hearings that the supply would not be exhausted for 10 years. The difference in estimates, of course, is of little real significance. The vital point is that within 7 to 10 years we will no longer be able to make walnut furniture.

Now, this is a normal situation in a natural resource. For any natural resource unless some conservation measures are taken the entire supply will ultimately be exhausted.

Senator NEUBERGER. Doesn't this create a single market then for these growers, so there is no competition? And if the walnut furniture manufacturers in Indiana want to be assured of supply, I should think they could go out and contract for a period of several years to purchase the output. These farmers are only interested in selling their logs at the best price they can get.

So why wouldn't they agree?

Senator HARTKE. This would sound very simple if all walnut logs were found in big groves in big tracts of land. But I think that the chairman has already indicated one of the situations.

You have farmers, for example, who want to sell individual trees. The expense in canvassing all such prospective purchases is prohibitive for the manufacture. All available logs would have to be purchased regardless of present needs in order to insure future supply.

The average walnut tree requires about 60 years to reach maturity. Today, unfortunately, many are being cut before they have reached full growth.

Senator NEUBERGER. If you still export and you make a single outlet for this, that farmer is compelled to sell at any price after he has invested—

Senator HARTKE. That assumes that there is a monopoly control. There certainly is not a monopoly control. That would be true if there were one or two buyers of walnut logs, but the competition is quite keen in the United States itself; I know of no one who is going to tell this committee that during the period of 1 year that there was a drop in the price of walnut logs.

Senator NEUBERGER. Although we have seen collusion among electrical manufacturers to keep prices high, I don't know if there could be among furniture manufacturers.

Senator HARTKE. Let me say this to my distinguished friend from Oregon. I conducted hearings in Oregon on behalf of the members of the Commerce Committee on this same thing, of furniture in relation to the treatment from Canada. This was the reverse situation, where the import matter was in competition to your own domestic logs. I think it is a comparable situation.

The problem here is not unique. I think there are some 90-odd countries which are trying to preserve their own type of domestic supply of timber, whatever it may be.

Senator NEUBERGER. Beyond my concern for possible monopolistic pricing, you do not mention walnut logs per se in the amendment, and therefore, it blankets in a good many other products.

Senator HARTKE. That is right.

Senator NEUBERGER. You realize that one is Douglas-fir logs. This would greatly affect a big industry in my State, where we are now employing a good many people in connection with the logging, the longshoring, and the shipping, and we have a big market for Douglas-fir logs. But I am even more concerned about the other things.

Senator HARTKE. Let me ask you about the Douglas-fir. I am not familiar with the background. Are they in short supply? Is there a danger of completely eliminating this source of wood for the United States if exports continue?

Senator NEUBERGER. I don't know if there would be any danger of depleting it, because we have pretty fast growing timber. But, some other countries, some other States, Alaska for instance, have refused to export, and there has been a demand in Oregon for logs. But whether it is in short supply or not, it would cut out our exportation of Douglas-fir logs.

Senator HARTKE. I do not think so, not under the provision. There would have to be a finding that it is in short supply. This is one of the provisions of the present act, but as the section statement indicates, at the present time there are no items under export control for short supply reasons. There are three basic reasons that the act can be imposed. First to safeguard our national security; second, to further our foreign policy; and third, to prevent excessive exports of items in short supply.

There would have to be a finding that there is actually a short supply here.

Senator NEUBERGER. What about line 9 of your amendment, where it says:

Show the latest Government figures or reasonable estimates, are at least five times greater on an annual basis than they were in 1955.

Senator HARTKE. Yes.

Senator NEUBERGER. This is true of a whole lot of items. But let's take something besides Douglas-fir logs. Let's take salmon. As more dams are built and more Japanese fishing off our 12-mile limit, salmon is becoming in very short supply. And yet, this is one of our big exports, the catching and canning of salmon, and it is a very important industry to Alaska, Washington, Oregon, and so on. It would be affected by this.

Senator HARTKE. I don't see how it could be adversely affected, unless you find two things: First, that it is in short supply, and second as far as the domestic market is concerned, that there is danger of absolutely eliminating the availability of salmon in the United States.

Senator NEUBERGER. What do you mean by the "five times greater on an annual basis than they were in 1955"?

Senator HARTKE. I mean exactly what it says, exports are five times what they were in 1955. In other words, this will be the criterion for determining a short supply. At present "short supply" is a question of

interpretation. This is what we have run into with the Commerce Department at the present time.

Under the previous Secretary, Secretary Hodges, there was a finding that walnut logs were in short supply and that the conditions of the act had been met when it came up for extension. The present Secretary however made a finding to the contrary.

The attempt of this bill is quite obvious, trying to establish some standards, so that there will be at least some understanding and basic guidelines which will have to be followed by the Secretary in making the determination as to finding of fact.

Senator NEUBERGER. On a thing like salmon, I am really very much concerned. It might be in short supply now. We might come to agreement with the Japanese to quit fishing our resources offshore. For purposes of comparison, in 1955 we had reports of \$339,000, as compared to \$5,371,000 in 1964. Now, that is a big increase.

Senator HARTKE. Let me ask the Senator this—and I think this is at the heart of the question. Do you feel that if there is danger of the salmon industry being completely driven to extinction in the United States, that it should continue to be placed in a position where this would happen. That is the very heart and substance of this matter. We see industry after industry destroyed through economic attrition in the United States. And then to rehabilitate, we spend thousands of dollars of taxpayer's money trying to put them back on their feet again.

Senator NEUBERGER. What worries me is what your amendment does. It prohibits export of the salmon. We have already caught it and frozen it, and we have all we want to use here. But you prevent us from exporting it, which is half of the business.

Senator HARTKE. You still have to make a finding that it was in short supply.

Senator NEUBERGER. Who judges the short supply?

Senator HARTKE. This is the Department of Commerce's duty.

Senator NEUBERGER. What are they going to base it on?

Senator HARTKE. On the facts and figures which are presented to them in hearing the pros and cons. I would think that it would be quite fair.

I happen to believe they made a mistake in the case of walnut, but I do not accuse them of any dereliction of duty. I honestly think they are fair people. I just believe they made a mistake. I am trying to help them correct their mistake.

The point is that once we have eliminated this supply of walnut logs, and this is what I am more familiar with than I am with salmon, we have destroyed the domestic supply of walnut logs and walnut furniture is a thing of the past.

Now, you are going to have to take something else, a natural substitute. It will probably be items such as mahogany from Africa. This, to me, seems to be a rather ridiculous position to place ourselves in.

This is not a question of harming any other countries and their activities. They can go to other countries, if they want to, for substitute woods.

Senator NEUBERGER. I still think, though, that you have reduced the competition. I just can't see but what you have pretty well limited

the market to one area and if there is no competition, then who is the loser? It seems to me it is the grower.

Senator HARTKE. There is competition. Even if you do this within the United States, there is plenty of competition here. I do not think you are going to have any testimony before this committee showing that there is a lack of competition in this field. And I think that before you can make such a judgment, you would have to have some evidence presented here.

We had the doors wide open in the hearings for everyone that wanted to be heard, not alone here, but out in the Midwest, where a lot of the walnut logs are grown. I offered to hold them in Chicago, and they themselves asked that it be held in Indianapolis, which is, of course, in my home State.

But the truth of it is, walnut logs grow—it is a hardwood; it grows in only certain sections of the country; it is a long-growing item; it does not mature rapidly.

Senator NEUBERGER. I know that. Thank you.

The CHAIRMAN. The distinguished Senator from Oregon asked a question whether or not to prohibit export of logs would reduce the price that the farmer got for it. And the answer is probably yes, if you limit the market you are bound to limit the price.

Now the veneer manufacturers say, of course, they are concerned with conserving the supply. If you don't send any abroad and just let them use what they want to use, you would conserve the rest of it. However, I have a feeling that if the price wasn't involved, they wouldn't be quite so much interested in this proposal.

Now, the Chair feels that there is a fashion in furniture as in clothes. The early Colonies used walnut. It was growing in great profusion. It took a nice hand polish and the early furniture was made out of walnut.

But when they got more affluent and sophisticated, they emulated the example of Great Britain and they imported mahogany.

Now, they had these Sheraton sideboards made out of mahogany. Go down to an antique shop in Virginia now and try to buy one of them. And if you get it for less than \$2,000, you are lucky.

Then we had the period of golden oak, all the furniture was put out in golden oak, advertised golden oak, it was right pretty, but it got to be commonplace and nobody wanted golden oak anymore.

Then they turned to maple—that is a hardwood—which takes a nice finish and it looks sort of spotted like a fawn deer and things of that kind, and now the antique dealers have gone back to walnut.

So everybody wants walnut all of a sudden. They have plenty of mahogany imported. It costs a little more, but I recently flew over a forest of mahogany in Brazil that is about as big as one-half of the United States. It is all in the Amazon Valley. You fly over the Amazon River at that point and you can't tell whether you are over the river or ocean because it is so big.

The mahogany down there is plentiful but it is just a question of getting it out. And that is still a problem. But there is no shortage of mahogany, there is no shortage of certain other kinds of walnut.

We have always used walnut for gunstocks. It takes 50 years or more to grow black walnut. It has the virtue of not splitting, and a gunstock has to be a wood tough enough so it won't split. But if you

know anything about high-priced guns, you will know that for a properly balanced gun you can put it on your finger right in front of the trigger guard and it will balance there. But if you put a hickory stock on there, you never get it balanced—it's too heavy.

But you can take a fine degree of walnut and you can balance it with a proper steel barrel, and then you have a gun that is not too heavy. And when you bring it up and look at the bird over the end of it, you are on the bird and all you do then is to pull the trigger.

Well, I think we will always have enough walnut for that purpose.

Senator HICKENLOOPER. How about the bird?

Senator HARTKE. Let me say to my distinguished friend, the chairman, that the truth of it is that about 1975 I don't think we will have any problems in this regard. We will be able to import some of that wonderful mahogany and add to the balance-of-payments problem. Even the Secretary of Commerce says that the amount of walnut logs are going to be gone in 10 years if we consume them at the present rate.

I hope I am here at that time, and I hope that what I anticipate, if no action is taken, is not true. But I am fearful it will be, and then we will have to have some of our hunters using balances on that other end to make sure that hickory stock is able to balance out the other end of that gun.

The CHAIRMAN. A public-spirited citizen recently sent me some rooted black walnut trees which I distributed to some very appreciative constituents. Unless we kill the price of them, there are going to be a lot more trees planted on the assumption that walnut will for a long time be in strong demand.

I am not worried about the supply of walnut. Maybe we will deplete it rather rapidly for a while, while there is this fashion both at home and abroad. I don't know what causes the foreigners to want walnut all of a sudden, but it will take a fine finish.

I can understand that we are selling it faster than it is being grown, because it is a slow-growing tree.

Well, thank you very much.

Senator HARTKE. Thank you.

The CHAIRMAN. Without objection, I will insert in the record these three statements in support of the position. One is from Senator Miller from Iowa, and the other from Senator Ervin, of North Carolina, and one is a statement from Senator Dirksen, of Illinois. (See p. 86.)

I also ask to publish the statements of Senator Brewster, of Maryland, and Senator Randolph, of West Virginia, which I have received, opposing the position. (See pp. 87, 88.)

The CHAIRMAN. The next witness, the Honorable Senator McGovern, from the great wheat growing State of South Dakota, will testify on the subject of wheat. He is more interested in wheat than he is in the merchant marine and we will be glad to hear from him.

STATEMENT OF GEORGE MCGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator MCGOVERN. I am interested in wheat. What I have to say here today is not intended in any way to hurt or reflect on the merchant marine. We are operating under a restriction on what exports today that I would like to talk about that doesn't help anyone. It does nothing at all for the merchant marine, and it does cause damage to the American farmer and the American taxpayer.

Mr. Chairman, I favor extension of the Export Control Act of 1949 as amended and extended in 1962, with a further amendment of the act to prevent its misuse for unintended purposes.

The act is currently being used as the basis for a requirement that 50 percent American shipping be used in connection with any commercial wheat sales to the Communist nations. This excludes American farmers from that market in spite of a finding that such sales would be advantageous to the foreign policy and security of the Nation. The act was not intended to be used as a basis for maritime policy, as was the Cargo Preference Act, but circumstances have resulted in such a self-defeating effort.

Let me digress here, Mr. Chairman, and make it perfectly clear I am not recommending any change in the Cargo Preference Act under which we require 50 percent of commodities that move under our food-for-peace program and the so-called Public Law 480 program to be carried in American bottoms. I am not quarreling with that. What I am suggesting is that those restrictions should not be applied by executive regulation to purely commercial sales with the Soviet Union or Eastern European countries. If we have decided, as I assume that we have, that those sales are in the interest of the United States, then we shouldn't turn around with another regulation and make the sales impossible. What we have now, under the guise of helping the maritime industry, is 50 percent of nothing. We are not making any sales at all, because of this restriction.

So let me again repeat, that my testimony here today is not designed in any fashion to cause any trouble to the merchant marine, but to try to correct what I think is a badly conceived policy that is hurting everyone.

On March 31, of this year, I was joined by eight Senators in a letter to the President urging that the cargo preference condition on commercial wheat sale licenses be removed.

Senator MCGOVERN. It is signed by Senator Mansfield, Senator Young of North Dakota, Senator Carlson, Senator Burdick, Senator Symington, Senator Long of Missouri, Senator Moss, and Senator Metcalf.

The CHAIRMAN. Senator, what percentage of the wheat we ship goes under Public Law 480, which you said you don't want to disturb, and what goes under commercial sales?

Senator MCGOVERN. My impression is about two-thirds of our export wheat is now moving under Public Law 480, and I have no desire to change regulations as to that, or wheat that moves out under foreign aid or any other concessional arrangement. I am talking only about hard commercial sales, which have never, until November of 1963, been restricted under the 50 percent requirement.

The CHAIRMAN. According to your study, what difference proportionately does it make if you get it from under this 50 percent restriction?

Senator MCGOVERN. It adds, Mr. Chairman, somewhere between 50 and 100 percent to the shipping costs. I can't break that down on a bushel basis, but it is sufficiently high so that when we put on that restriction, the Russians backed away from the sales that otherwise would have been made.

The CHAIRMAN. When the wheat season begins in Virginia, we are generally about 10 percent under the Chicago market because it costs

about 10 cents a bushel to bring it from Chicago to a Virginia city. I figure it would be helpful for those who might be inclined to support this proposed change, if you would indicate what difference it would make per bushel if you could ship at world rates instead of in the American bottoms? What difference would it make to the farmer?

Senator McGOVERN. I could get that material, Mr. Chairman, but it would depend on the ports we are speaking about, both the ports of embarkation and where it is unloaded, but I remember figures that it added roughly \$10 to \$15 a ton above—

The CHAIRMAN. \$15 a ton? Who charges that?

Senator McGOVERN. That is charged to the buyer, in case, the Soviet Union.

The CHAIRMAN. Does our merchant marine, our flag ships, charge \$15 a ton to carry it to average foreign ports or does somebody else charge that?

Senator McGOVERN. Our merchant marine charges that much above the average price of other merchant marines.

The CHAIRMAN. Then if you could ship under direct flag or Panama flag, what would it be?

Senator McGOVERN. You would save, as I say, somewhere between \$10 and \$15, I can't give you the exact figures on that, but it is a substantial amount of money. It is enough so that the buyers in Eastern Europe and in the Soviet Union have sought purchases elsewhere, when they bumped against that restriction.

The CHAIRMAN. Well, I know that the Soviet Union, who not only wanted us to furnish them wheat, but to furnish it on credit, was reluctant to have the wheat sent in our bottoms. I voted against guaranteeing the sale of wheat to them. They didn't want it shipped in our bottoms because they wanted to save a little bit more, but I never knew how much. Would it be \$5 a ton, \$7.50 a ton; you certainly can't save it all?

Senator McGOVERN. I think it is perfectly legitimate to argue whether we should sell wheat to the Soviet Union. All I am saying is, that if we decide, as a nation, that it is in our interest to do so, we shouldn't then turn around and put a restriction on that makes it impossible to carry out the policy. I respect the chairman's reservations.

The CHAIRMAN. It would be helpful if we could tell the farmer that this is not a theory; it means 5, 10, 15 cents a bushel more for your wheat.

Senator McGOVERN. That we can tell them.

The CHAIRMAN. If you will put that in the record, you will have to give it before the end of this week.

Senator McGOVERN. I will see that it is supplied.

(The information follows:)

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
June 17, 1965.

HON. A. WILLIS ROBERTSON,
Chairman, Senate Committee on Banking and Currency,
Washington, D.C.

DEAR MR. CHAIRMAN: I have had foreign shipping rates checked as of this date on wheat from U.S. gulf ports to Black Sea ports.

The rate today is \$18 per long ton on U.S. vessels and \$9.25 per long ton on foreign ships.

This translates into 48 cents per bushel of wheat on the U.S. vessels and 24.73 cents per bushel on foreign ships.

This means the cost of U.S. wheat delivered to Black Sea ports for Russia is increased about 23 cents per bushel over competing nations when U.S. shipping is used. The 50 percent U.S. bottoms requirements would mean an average handicap of about 11½ cents per bushel on a multiship consignment in a competitive situation where fractions of 1 cent per bushel are determinative.

Yours sincerely,

GEORGE MCGOVERN.

Senator MCGOVERN. I have some additional material. If you wish though, I will insert it in the record, because it is simply supporting statements for the general case that I have made here, and I would be happy to insert it in the record, if the chairman would prefer it.

The CHAIRMAN. That would save a little time. We do not wish to rush you though, Senator.

Senator MCGOVERN. I ask consent then, that the balance of my statement be inserted in the hearing record.

The CHAIRMAN. Without objection, so ordered.

Senator Neuberger, did you wish to ask any questions?

Senator NEUBERGER. No.

The CHAIRMAN. Senator Hickenlooper?

Senator HICKENLOOPER. No.

(Senator McGovern's complete prepared statement follows:)

MISUSE OF THE EXPORT CONTROL ACT

(Statement of Senator George McGovern)

Mr. Chairman and members of the committee, I favor extension of the Export Control Act of 1949 as amended and extended in 1962, with a further amendment of the act to prevent its misuse for unintended purposes.

The act is currently being used as the basis for a requirement that 50 percent American shipping be used in connection with any commercial wheat sales to the Communist nations. This excludes American farmers from that market in spite of a finding that such sales would be advantageous to the foreign policy and security of the Nation. The act was not intended to be used as a basis for maritime policy, as was the Cargo Preference Act, but circumstances have resulted in such a self-defeating effort.

On March 31, of this year, I was joined by eight Senators in a letter to the President urging that the cargo preference condition on commercial wheat sale licenses be removed. The President has submitted the matter to his Advisory Commission on the subject, but there has been no decision to date.

I feel very strongly that Congress should indicate that it does not regard the Export Control Act as a proper vehicle for establishment of maritime shipping policy, by amending the act to exclude use for other than intended national security and foreign policy purposes.

Permit me to review developments under the Export Control Act which have resulted in the unintended exclusion of U.S. wheat from large Eastern European markets.

Until November 1963, all commercial U.S. wheat exports (all wheat exports outside of Public Law 480) were exempt from the 50-percent provisions of the Cargo Preference Act. When the Soviet Union came to the United States to buy wheat in the fall of 1963, the executive branch of the Government, in authorizing such exports, applied 50 percent U.S.-flag shipping requirements in connection with the issuance of "validated" export licenses required under the Export Control Act. This was done even though the business transactions were strictly commercial, and were in no way related to Public Law 480 or involved any credit or credit guarantees. Thus, for the first time, the provisions of Cargo Preference Act was applied to a U.S. commercial cash export transaction.

During the confusion that followed the application of U.S. shipping preference to Russian wheat purchases, it was discovered that no branch of the Government had authority to absorb U.S. freight rate differentials on commercial

exports. Therefore, the extra cost of the shipping requirements was to have been borne by the buyer—in this case, the U.S.S.R. As might have been expected, the Russians refused to accept the additional cost. The issue was finally solved by the U.S. Department of Agriculture's acceptance of an extra high bid for export subsidy on Durum wheat included in the total sales contract. Only half of the total sales volume to the U.S.S.R. that had been originally mentioned by the Russians was realized. The remaining 2 million tons of potential wheat sales went on the shoals of the 50-percent shipping requirement.

The U.S. nonliner fleet presently derives 90 percent of its business from Public Law 480, with three-quarters of that business carrying U.S. wheat exports. While the U.S. merchant fleet is carrying only 8 or 9 percent of total U.S. exports, it is carrying 38 percent of all U.S. wheat exports. The American wheat economy is already providing substantial business to U.S.-flag shipping under Public Law 480. Commercial wheat exports should not be impeded by noncompetitive U.S.-flag shipping requirements.

The effect of the 50-percent U.S.-flag shipping requirement on export wheat to Russia and other Eastern European countries has turned out to be unfortunate this year. Since July 1, 1964, Russia has purchased, for cash payment, 2.6 million metric tons of wheat in addition to what she imported the previous year. These purchases have been 1.4 million tons from Australia, 125,000 tons from Canada, 750,000 tons from Argentina, and 325,000 tons from France. No purchases have been made by the Russians from the United States.

In addition, the other East European countries of Czechoslovakia, Hungary, Bulgaria, and East Germany have purchased 1,740,000 tons of wheat since July 1, 1964, from these same countries as well as France and Mexico. The United States has not shared at all in these sales.

U.S. grain exporters and market development officers have testified that U.S. wheat sales could have been made, and indeed may still be made, to Soviet-bloc buyers if our delivered price can be competitive with other exporting countries. This has not been possible because of the dramatically higher ocean freight rates associated with 50-percent use of U.S.-flag "tramp" ships compared with open market rates. As you know, our bulk cargo "tramp" rates range from 50 to 100 percent higher than comparable foreign rates.

The unfortunate effects of 50-percent shipping in connection with the licensing requirement has been—

- (1) Lost opportunities in making wheat export sales for dollars to these destinations in relief of our imbalance of payments.
- (2) Increased pressure of unsold wheat stocks on our wheat producers and Government agencies, and
- (3) The result that the requirement has yielded our merchant marine 50 percent of no business.

Expanded trade with the Soviet bloc has been expressed as being in our national interest. Support for expanded agricultural exports to Eastern Europe should result in export licensing of commodities not on the "positive list" of strategic materials under the Export Control Act.

It is essential that the United States develop means of supporting the U.S. nonliner merchant fleet without requiring U.S.-flag shipping to be an impediment to any agricultural exports financed under U.S. Government credit guarantees. Such a subsidy proposal might be patterned after the principles involved in the direct subsidy system in effect for the U.S. liner fleet. The proposal might include the provision that the 50-percent rule of the Cargo Preference Act could still continue on Public Law 480 shipments, but should not be applied to commercial transactions regardless of credit arrangements. A direct subsidy should enable the U.S. nonliner shipping companies to capture a fair share of U.S. commercial export transportation without preferential guarantees.

The U.S. merchant fleet now carries only 8 or 9 percent of the total U.S. export business as compared to over 30 percent 30 years ago. There will be a strong appeal to somehow increase the business volume on U.S.-flag shipping in working out the new merchant marine policy mentioned by the President in his State of the Union message.

The elimination of 50-percent U.S. shipping from commercial agricultural exports would not in any way adversely affect our merchant marine because no such business can now be done where the requirement is in effect. In fact, the following benefits would accrue to our overall economy:

- (1) Improvement in our balance of international payment from increased competitive commercial exports—particularly grain, including primarily

wheat. Any freight payment to foreign shipping in connection with such possible exports would be vastly more than offset by dollar receipts in payment for the exported commodities.

(2) Increased jobs for our longshoremen, and business for our docks, from increased exports; as well as for interior transportation via railroads, trucks and barges.

(3) Reduced Government costs for storage of grain surpluses and for farm production adjustment programs.

Mr. Chairman, the amendment I seek might be accomplished by adding a phrase at the end of section 3(c) of the Export Control Act providing that "the authority to control agricultural products in relation to clause (b) and clause (c) of section 2 shall not be used to impose cargo preference regulations, or to otherwise impede commercial sales of agricultural commodities except by denial of authority to export if such export is found contrary to our best interests under such clauses."

I do not oppose support of our maritime fleet. I do not oppose the cargo preference provisions applicable to Public Law 480 shipments, enacted as a matter of maritime policy. I repeat that I am prepared to support a direct subsidy to our nonliner fleet.

We should however, end the unwise effort to use the Export Control Act for an unintended purpose, resulting in a loss of trade, jobs, and export income rather than in any gains for anyone—farmers, shippers, or maritime workers.

The CHAIRMAN. We will now hear our distinguished Secretary of Commerce.

**STATEMENT OF JOHN T. CONNOR, SECRETARY OF COMMERCE;
ACCOMPANIED BY ALEXANDER TROWBRIDGE, ASSISTANT SECRETARY OF COMMERCE, DOMESTIC AND INTERNATIONAL AFFAIRS;
FORREST D. HOCKERSMITH, DIRECTOR, OFFICE OF EXPORT CONTROLS; AND ROBERT E. GILES, GENERAL COUNSEL**

The CHAIRMAN. Before the Secretary gets to his prepared statement and while the issue is fresh in our mind, I want to ask him two or three questions.

Mr. Secretary, don't you have power now to restrict the export of walnut logs if you thought our farmers needed that restraint?

Secretary CONNOR. Yes, sir; Mr. Chairman, under the present law we have that legal authority.

The CHAIRMAN. But in the opinion of the Department of Commerce, which imposed the restriction and then lifted it, it is not now in the best interests of our Nation to reimpose at this time that embargo?

Secretary CONNOR. That was my conclusion, Mr. Chairman, when I reviewed the situation very thoroughly and very objectively in February, shortly after I came into office. It seemed to me on the basis of the facts that the export regulation was working unfairly, not only for customers in the export market, but also for many of the walnut growers who desired to participate in that market. The original regulations that had been put in effect were based upon some statistics that were later found to be incomplete and looking at the whole situation, considering our great need for exports, in view of the balance-of-payments situation, and trying to look at the effect of the regulations on all concerned, it seemed to me that they should be lifted.

Now, I have just received a communication from Chairman Magnuson of the Committee on Commerce, which is also signed by Senators Lausche, Hartke, Monroney, Bartlett, and Hart, which on the basis of

the hearings, held with Senator Hartke in the chair, requested me to reconsider the February 12 decision in light of the hearing record and asks me to give them a report after considering the matter.

It seems to me that the hearing which was conducted by the Senate Commerce Subcommittee has been thorough and was very helpful in getting the whole matter fully explored and I plan to respond to Chairman Magnuson by saying that we will be glad to review the facts brought out in this record, and take another look at the situation and see if there is any basis for the restoration of the controls.

On one point mentioned by Senator Hartke in his testimony, I think I should clarify the record here by saying that I have not stated that we will run out of walnut logs completely. As you indicated in your statement, walnut logs will still be available because they are being planted all the time. The problem is that after a period of about 10 years, the mature trees that were available for furniture purposes will be depleted in supply to the extent that thereafter, we will be dependent upon the trees that mature year after year, so it will be a lesser supply of walnut than is presently available. But this is far different from saying we will run out of them completely.

Now with respect to one of the points brought out by Senator Neuberger, about the proposed amendment offered by Senator Hartke in S. 1896, we have studied that proposed amendment. And our conclusion corresponds with that expressed by Senator Neuberger. We think that this would be a shotgun approach, and irrespective of the short supply considerations, the other requirements which talk in terms of an increase in exports from the base year of 1955 to the year 1964, would impose on us the requirement to have export controls on a great variety of other products, not only salmon and Douglas-fir logs, and some of the wood logs, which are important to the Pacific Northwest States and Alaska, but also on products that have come into use in commerce extensively since 1955. With aluminum being a good example of this, the export of aluminum, metal and aluminum alloys in crude form in 1955, was relatively small, but a large business has been built up in the world markets for aluminum manufacture in the United States since then. So we would vigorously oppose the amendment offered by Senator Hartke and if you wouldn't mind, Mr. Chairman, I would like to submit for the record our analysis of just what other products besides walnut logs could be affected by that amendment.

The CHAIRMAN. Without objection.

(The analysis follows:)

COMMODITIES WHICH COULD BE CONSIDERED IN SHORT SUPPLY UNDER HARTKE AMENDMENT, S. 1896

This table shows commodities or materials which presently meet the test of clause (i) of the Hartke amendment (S. 1896), increased exports since 1955. Clauses (i) and (ii) together would override all other requirements of the Export Control Act, including any notion of "short supply." Thus, if a substantial number of countries have export controls on any of these items, the amendment would require us to impose controls without regard to other policy considerations.

Crude and semimanufactured nonagricultural U. S. export commodities (schedule B classification) which increased 5 times or more in quantity exported from 1955 to 1964

[Values in thousands of dollars; quantity in units indicated]

Commodity description	Commodity number		Unit of quantity	1955		1964	
	1955	1964		Quantity	Value	Quantity	Value
	Salmon, fresh or frozen.....	007000		007000	1,000 pounds.....	825	339
Sheep and lamb pelt and garment leather.....	039530	039530	1,000 square feet.....	7,449	1,029	38,019	13,445
Synthetic rubber 1.....	200698	200698	1,000 pounds.....	2,650	1,643	172,717	67,931
Nylon filament yarn, monofilaments, tire cord, and tire cord fabric.....	384056	384116	do.....	3,684	11,300	78,363	96,792
Nylon and other manmade fiber staple and tow 1.....	400400	400400	do.....	4,711	6,823	35,185	33,658
Walnut logs, bolts, and hewn timber.....	401200	401200	1,000 board feet.....	1,199	506	11,088	10,653
Downsaw-log logs, bolts, and hewn timber.....	401900	401900	do.....	8,732	749	84,989	6,610
Softwood logs, bolts, and hewn timber.....	402200	402200	do.....	123,721	6,274	881,020	53,850
Synthetic and magnesite, dead-burned.....	600700	600700	1,000 pounds.....	16,942	1,978	138,640	5,594
Pig iron, all grades.....	631000	631000	Short tons.....	34,889	1,878	176,096	10,275
Aluminum metal and aluminum alloys in crude form.....	631000	631000	Short tons.....	1,957	2,773	417,244	92,227
Aluminum and aluminum alloy plates and sheets, flat and coiled.....	631000	631000	do.....	3,499	3,499	107,924	34,123
Aluminum and aluminum alloy bars and rods, rolled or drawn.....	631000	631000	do.....	3,065	1,153	22,375	6,563
Lead and lead-base alloy pigs, bars, and anodes, except babbit metal.....	650750	650750	do.....	394	1,374	20,949	2,813
Crude coal tar products and other crude cyclic products, mixed or unmixed, except acids.....	802060	802060	do.....	101,960	4,648	714,752	28,392
Coal tar and other cyclic intermediates 1.....	802530	802777	1,000,000 pounds.....	57	12,861	1,114	97,471
Methanol.....	802590	802779	do.....	5,767	1,284	56,040	9,527
Ethylene glycol.....	831000	831000	1,000 gallons.....	82,255	8,620	280,319	25,540
Alcohols, including ethylols 1.....	831500	831500	do.....	155	28,653	276,388	40,712
Organic chemicals, except cyclic 1.....	832600	832600	1,000,000 pounds.....	16,094	1,308	481,103	154,451
Aluminum compounds 1.....	842600	842600	1,000 pounds.....	8,419	4,080	64,183	23,334
Chemical elements 1.....	842600	842600	do.....	8,419	4,080	64,183	8,750

1 Not elsewhere classified.
 NOTE.—Above list may not be entirely complete because of shifts in commodity classifications.
 Source: Prepared in the International Trade Analysis Division, Bureau of International Commerce, from basic data of the Bureau of the Census, U. S. Department of Commerce, May 1965.

The CHAIRMAN. Now the Chair is going to use a technique of many years ago, sometimes referred to as the "hand of Esau but the voice of Jacob." These are the questions that Senator Hartke wanted me to ask you.

When you ordered dropping of export controls on walnut logs, did you realize that the vendor companies had changed their whole technology of this business to comply with your Department's directive?

Secretary CONNOR. Yes, sir; we did, and we think those changes made them more competitive in the world market.

The CHAIRMAN. No. 2: Do you think it was fair to leave them high and dry?

Secretary CONNOR. Mr. Chairman, we don't think that they are left high and dry. They still have walnut logs available in their manufacturing operations and they have a good domestic market. It was just a question of whether the export market that is available to the farmers and to some of their competitors would be prejudiced by the continuance of these controls.

The CHAIRMAN. No. 3: What has happened, Senator Hartke asks, to the volume of exports since the controls were dropped?

Secretary CONNOR. Volume of exports has gone up.

The CHAIRMAN. That concludes Senator Hartke's questions.

Now, do you have a position to take on the proposal of the Senator from South Dakota, that we ship commercial wheat at world rates?

Secretary CONNOR. Mr. Chairman, this is a very vexing and complicated problem. At the time of the shipment of wheat sold to Russia there were objections by the American Maritime Unions to the whole transaction, and as a result many discussions were held. Part of the arrangements worked out by the administration at that time included the imposition of the type of export control to which Senator McGovern referred. The problem remains complicated because the effect of that regulation requiring the transport of 50 percent of the wheat in American bottoms has been to cut off that trade completely, so the benefits to American labor that were contemplated by the imposition of the regulation, have not been achieved, and yet, the American labor unions are very strongly in favor of having these requirements continued.

We are in the process at the present time of reviewing the entire merchant marine situation. We have the prospect of a nationwide strike affecting American shipping, which has been started at least by one union on the east coast already. And in anticipation of the next meeting of the Maritime Advisory Committee, which will be held next week, and which includes union representatives as well as public and management representatives, we are reviewing some of the recommendations made by the various groups. This whole question of the use of American bottoms on an obligatory basis is one of the questions that is now under serious consideration, so that as I sit here at the moment, I am not in a position to make a firm recommendation one way or the other on that point. But, as Senator McGovern—

The CHAIRMAN. Would you say that in view of the past negotiations and the further study you plan to make of this problem, you would prefer if we did not put it in the bill at this time?

Secretary CONNOR. Yes, sir; Mr. Chairman, as a matter of fact, even if we accepted the point of view expressed by Senator McGovern, no

change in the law is required. It is really a question of regulation under the law.

The CHAIRMAN. You have the power then, as with walnut logs, to vary what is shipped to commercial buyers under that control law?

Secretary CONNOR. Yes, sir; we have.

The CHAIRMAN. Now the Chair yields to members of the committee who may want to ask questions about walnut logs or wheat and then we will hear testimony on the House bill?

Senator HICKENLOOPER. Mr. Chairman?

The CHAIRMAN. The Senator from Iowa.

Senator HICKENLOOPER. Mr. Secretary, what is the situation within your knowledge of the installation of new machinery in Europe, for instance, for veneer shavings for walnut veneer furniture as compared to the machinery and the ability for producing thin veneer in this country?

Secretary CONNOR. Senator Hickenlooper, that development in Europe was one of the reasons for this problem coming up. The machinery designed there has been able to use the walnut logs to better advantage in the sense that by slicing thinner veneers, they are able to get more for the dollar, as it were, and as a result of that improved technique, the European manufacturers served by the exporters from the United States, were able to afford to pay higher prices for each walnut log, because they could get more out of it. And as a result of the situation that developed, the American manufacturers, as indicated by the question read by the chairman, have begun to adopt similar techniques.

Senator HICKENLOOPER. In this country.

Secretary CONNOR. At this time, and they have made considerable improvement, but our information is that they have not reached yet the stage of development of their European competitors.

Senator HICKENLOOPER. If the veneer people in this country were able to secure machinery of this type, that is, of a design which would permit them to cut a thinner veneer, that would then enable them to pay more for walnut logs in this country for domestic use or domestic processing?

Secretary CONNOR. Senator Hickenlooper, it would amount to a reduced material cost per unit of log that they ship, but whether it would enable them to have an overall production cost reduction, I don't know. But this is something that they will be able to tell you because they are going to be testifying here this morning.

Senator HICKENLOOPER. I see.

That is all, Mr. Chairman.

The CHAIRMAN. Now, sir, you may express your views about the House bill.

Secretary CONNOR. Mr. Chairman and members of the committee, I have a statement here, which includes in its first part a review of some of the provisions of the export control law, and some of the procedural facts about its administration.

The CHAIRMAN. Without objection that may be put in the record and then you may summarize the part that you would like to present orally.

Secretary CONNOR. Thank you, Mr. Chairman.

Beginning on page 7 we have commented specifically on some of the amendments that are contained in the bill H.R. 7105, as passed by the House of Representatives, and I would like to comment on those amendments.

First, the extension of the Export Control Act was limited to a period of 4 years rather than the indefinite extension originally contemplated.

While we would prefer an indefinite extension for the reasons explained in our letter of transmittal to the Congress, dated February 25, 1965, the Department of Commerce has no serious difficulty with an extension limited to a 4-year period if this is the preference of Congress.

Second, the civil penalty provision in the bill was amended to clarify the Department's authority to withhold or suspend export licenses or privileges for not more than 1 year as a means of collecting a penalty, and to clarify the right of the person to a de novo determination by a court of his liability before the Government may enforce collection of this penalty. However, if the person elected to pay the penalty he would be precluded from suing the Government for a refund.

Third, a new policy declaration was added to the three basic policy objectives—that is, national security, foreign policy, and “short supply” control—which have guided the administration of the Export Control Act since 1949. The new declaration provides that it is the policy of the United States to oppose restrictive trade practices or boycotts by foreign countries against countries friendly to the United States and also “to encourage and request” domestic firms not to cooperate in any way with countries engaging in such practices. To carry out this policy, the President is expressly required to promulgate rules and regulations which shall be published in the Federal Register within 90 days after the date of enactment of this act.

This amendment is known as the “Arab boycott amendment” because it was prompted by the attempts of the Arab League to involve American business firms in the league's boycott of Israel.

In view of the understandably strong feelings aroused by the Arab boycott, it has been urged that Congress should enact legislation dealing specifically with this matter. Although we are very strongly opposed to the restrictive trade practices promoted by the Arab League against Israel, we do not support an amendment to the Export Control Act that would require the President to issue a specific kind of regulation regardless of future developments and the possible adverse impact of that sort of action on other far more important aspects of our national security and foreign policy objectives.

Instead of taking up the time of this committee by elaborating on this point, I refer to my statement of May 24, 1965, on S. 948 in the hearings before this Subcommittee on International Trade of this committee.

The so-called Arab boycott amendment contained in H.R. 7105 is not the same as the amendment proposed in S. 948. While the H.R. 7105 provision contemplates that some type of regulation on this subject should be issued by the executive branch, it seems very clear to us that the language of H.R. 7105 leaves discretion in the executive branch as to exactly what type of regulation and the scope of such

regulation that could be issued in compliance with the provisions of that bill.

The CHAIRMAN. Would you yield there? Let me read into the record what is in the House bill, and then what is in the Williams-Javits bill, so that it will be a little clearer what you are going to say.

The House bill on page 4 provides:

(4) The Congress further declares that it is the policy of the United States (A) to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States and (B) to encourage and request domestic concerns engaged in the export of articles, materials, supplies, or information, to refuse to take any action, including the furnishing of information or the signing of agreements which have the effect of furthering or supporting the restrictive trade practices or boycotts fostered or imposed by any foreign country against another country friendly to the United States.

And on page 5 it says:

Such rules and regulations shall implement the provisions of section 2(4) of this act.

(e) Rules and regulations required to be promulgated pursuant to the amendment made by subsection (d) of this section shall be promulgated as expeditiously as practicable, and shall be published in the Federal Register within 90 days after the date of enactment of this act.

Now S. 948 provides:

The Congress further declares that it is the policy of the United States to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States.

SEC. 2. Section 3(a) of the Export Control Act of 1949, as amended (50 App. U.S.C. 2023(a)), is amended by adding at the end thereof a new sentence as follows: "Such rules and regulations shall prohibit, in furtherance of the policy set forth in the last paragraph of section 2, the taking of any actions, including the furnishing of information or the signing of agreements, by domestic concerns engaged in the export of articles, materials, or supplies, including technical data, from the United States which have the effect of furthering or supporting the restrictive trade practices or boycotts fostered or imposed by any foreign country against another country friendly to the United States: *Provided*, That nothing contained in this sentence shall be construed to authorize the imposition of any sanction against any business concern in a country friendly to the United States which is engaged in the export of articles, materials, or supplies, including technical data, to the United States and to any foreign country fostering or imposing such restrictive trade practices or boycotts."

Now, the first is a mild provision, with respect to other emotional and bitter disputes between Arab border and Israel over boycotting goods from this country to Israel. The other goes further.

Now you can proceed with your comment.

Secretary CONNOR. Thank you, Mr. Chairman.

As we interpret the language of H.R. 7105, as it passed the House, this leaves discretion in the executive branch as to exactly what type of regulation and the scope of such regulation that could be issued in compliance with the provisions of that bill. This is our interpretation of the language contained in H.R. 7105. Although we do not feel such an amendment to the present Export Control Act is really necessary, inasmuch as it leaves discretion in the President—or his delegates—in deciding what implementing regulation might be adopted, we do not oppose the approval of this language by the Senate if the Senate determines that some congressional expression on this subject is desirable. The main point that I would emphasize is that the President's administrative flexibility in the administration of

the Export Control Act, which principle has been adhered to for more than 25 years, should be continued.

To go on, the present statutory authority to prohibit or curtail the exportation of technical data would be broadened to prohibit or curtail the exportation of "other information." The Department assumes that the type of information to which this amendment is directed is the information furnished by American firms in Arab boycott questionnaires. The term "information" is quite broad and if it were construed to cover all kinds of noncommercial information a constitutional question might be in issue. We are not convinced that this amendment is necessary but do not object to it.

In the light of the above comments, we have no objection to the Senate's approval of H.R. 7105.

The CHAIRMAN. Let me see if I understand your testimony.

The House bill provides it is the policy of the United States. You say that is discretionary. Is that your understanding?

Secretary CONNOR. Yes sir; the combined effect of parts A and B, we think give discretionary authority.

The CHAIRMAN. S. 948 says, "such rules and regulations shall prohibit"—you say that is mandatory.

Secretary CONNOR. Yes, sir; that is our interpretation.

The CHAIRMAN. Did I understand you to say you don't think either one is absolutely necessary from our foreign policy standpoint?

Secretary CONNOR. That is quite right, Mr. Chairman.

The CHAIRMAN. But if we are going to have either, you prefer the discretionary version to the mandatory version?

Secretary CONNOR. That is correct, sir.

The CHAIRMAN. You may proceed.

Secretary CONNOR. That completes my statement, Mr. Chairman. I will be glad to answer any questions.

The CHAIRMAN. I will recognize the Senator from New Jersey.

Senator WILLIAMS. I regret I wasn't here, Mr. Secretary, during your entire statement, but it seems to me that if this now represents your position it is different than when you first appeared on this Arab boycott issue. Is that right?

Secretary CONNOR. Senator Williams, we still think that either one of these proposals is undesirable from the point of view of the foreign relations of the United States and also from the point of view of its effect on many U.S. manufacturers and other trading organizations, because many U.S. firms for good and sufficient business reasons, prefer to do business with the Arab nations, if they have to make a preference, or because they have never in fact done any business with Israel and therefore, they are quite prepared to fill out these questionnaires and supply the information to the Arab countries, and thus be in a position to continue to do business.

However, if it is the wish of Congress that there be some such expression of policy, and some requirements that the executive branch issue regulations, we would prefer the provision that is in the House-approved bill to the absolute prohibition.

The CHAIRMAN. Any further questions?

Senator WILLIAMS. No.

The CHAIRMAN. Mr. Secretary, we thank you. You have been very helpful and we appreciate your testimony.

Secretary CONNOR. Thank you very much, Mr. Chairman.
(Secretary Connor's complete statement follows:)

STATEMENT OF JOHN T. CONNOR, SECRETARY OF COMMERCE

Mr. Chairman and members of the committee, I appreciate this opportunity to express the views of the Department of Commerce on H.R. 7105, a bill to further extend and amend the Export Control Act.

The Export Control Act provides a broad and flexible authority to control exports of all kinds of materials, equipment, commodities, and technical data from the United States. This act furnishes the basic authority for the control of exports to Communist bloc countries. It furnishes authority for restricting the outflow of scarce materials, as well as authority to regulate exports in furtherance of the foreign policy of the United States. Since the original enactment of export controls 25 years ago, the President has had statutory discretion to administer a complicated control program in the light of changing economic and political situations throughout the world. I believe the President should continue to have this broad and flexible authority.

Perhaps it would be useful for me to explain briefly how the broad authority of the Export Control Act is now being exercised. This subject is more fully dealt with in our quarterly reports (for the last quarter of 1964 and the first quarter of 1965), copies of which have been furnished to the committee.

We control exports of commodities and technical data for three main purposes—to safeguard our national security, to further our foreign policies, and, when necessary, to prevent excessive exports of items in short supply. Currently, there are no items under export control for "short supply" reasons.

To carry out the national security and foreign policy objectives of the act, as well as the policy to exercise our controls to the maximum extent possible in cooperation with other friendly countries, we are continuing a 15-year-old arrangement with the NATO countries and Japan. Known as the CoCom (or Coordinating Committee), its purpose is to maintain agreed restrictions on the shipment of highly strategic goods to the East European and Asiatic Communist countries.

In addition, we are continuing our unilateral control program under which some goods and technology are controlled although they are not under international control. Thus, for example, we embargo virtually all exports to Communist China, North Korea, North Vietnam, and Cuba. With respect to the U.S.S.R. and other East European Communist countries, however, our controls are more selective, both as to the commodities controlled and as among the several countries concerned.

Since 1957 we have maintained a more liberal export policy toward Poland than the rest of the bloc, in response to Poland's desire to improve its relations with us. Last year we adopted a comparable policy toward Rumania, which had shown an interest in improving its relations with us and in pursuing a more independent course within the bloc. As a result we entered into negotiations and agreed upon taking certain steps to improve relations, including a more liberal export licensing policy on our side, and assurances, on Rumania's side, that it will not permit reexport of U.S. goods or technology, and will protect industrial property rights and processes. The act would permit the U.S. Government to make similar changes in our licensing policies toward other countries in response to or as part of a developing improvement in our relations with such countries.

At present, our controls on exports to Hungary, Czechoslovakia, Bulgaria, East Germany, Albania, and the U.S.S.R. are more strict. Most goods and technical data still require a special or validated license for exports to those countries, with only those items of the most obviously peaceful nature or consumer-type goods being exportable to them under general license.

In acting upon applications for licenses to export to the U.S.S.R. and the other East European Communist countries, we of course are guided by section 3(a) of the act. This section requires that goods and technology shall be denied to any unfriendly country if they make a significant contribution to the military or economic potential of such country which would prove detrimental to our national security and welfare.

Our interpretation of this national security provision has been that we should generally deny licenses to export goods which would significantly contribute to bloc military potential, regardless of foreign availability of comparable items.

For other goods we adopt a flexible and selective policy taking into consideration all aspects of foreign policy in the overall national interest. Exports which the Communist country can get elsewhere are usually not considered detrimental to our security and welfare, and in such cases we grant licenses because we do not feel justified in prohibiting American business and labor from benefiting from this trade.

These interpretations granting licenses in nonnational security situations have not resulted in a large dollar volume of trade. In 1964 our exports to the bloc countries showed an increase because of the special Russian wheat sales, amounting to over \$100 million. Yet our 1964 exports to the bloc countries totaled only \$340 million. Three hundred million—well over four-fifths—was for surplus wheat, wheat flour, and other agricultural commodities. This contrasts with European exports to bloc destinations in excess of \$3 billion.

Another important aspect of export controls involves technical data. The East European Communist countries appear to be especially interested in obtaining U.S. technology relating to industrial equipment, plants, and processes, mainly for chemicals, petrochemicals, petroleum refining, fertilizers, and other agricultural products. The problem of evaluating advanced technical data is, of course, more difficult. We analyze these applications carefully as we wish to make certain that exports of technical data are licensed only when that is in the total national interest.

I should also mention, with respect to our enforcement activities, that my staff has prepared a special report giving detailed information on the activities in this area since the last extension of the act; i.e. for the calendar years 1962, 1963, and 1964. This has been made available to you and the committee staff.

Finally, let me add that in reviewing these licensing matters, I receive, as provided by section 4(a) of the act, the benefit of information and advice from the Departments of State, Defense, Interior, Agriculture, and Treasury, as well as the AEC, NASA, FAA, OEP, and other interested agencies. Our licensing operations are carried out under policy and procedural instructions which have been approved following consideration and review by these departments and agencies. Consideration of policy changes and of the most important license applications (a small percentage of our total cases) initially starts in an interdepartmental committee of senior staff-level officials of these departments and agencies, called the Operating Committee. Most frequently their recommendation is unanimous and with few exceptions, the final decision is in accordance with such recommendation.

If there is disagreement, a higher committee, consisting of assistant secretaries of the interested agencies, called the Advisory Committee on Export Policy, endeavors to resolve the conflict. As sometimes happens in these highly sensitive and controversial matters, if agreement is not reached at that level, the Export Control Review Board consisting of the Secretaries of State, Defense, and Commerce, as Chairman, then considers the case. Heads of other departments and agencies are invited to participate in cases of concern to them. However, in all situations the function of the other departments and agencies is to provide information and advice. The responsibility for decision remains with the Commerce Secretary, subject, of course, to the President's power of review.

This completes my brief review of the recent administration of the Export Control Act and I would now like to discuss the provisions of H.R. 7105.

As introduced, H.R. 7105 was identical to S. 1332, the administration proposal introduced by Chairman Robertson on March 1, 1965. Initially, H.R. 7105 was intended to achieve only two purposes: (1) to provide for an indefinite extension of the Export Control Act, and (2) to authorize the administrative imposition of civil penalties, amounting to not more than \$1,000 for each violation of the act.

The civil penalty provision would add some much needed flexibility to the enforcement of the act, by enabling us to impose an appropriate monetary sanction in certain types of cases for which existing sanctions are not well suited.

Recently, the House of Representatives passed H.R. 7105 with several amendments on which I would like to comment:

First, the extension of the Export Control Act was limited to a period of 4 years rather than the indefinite extension originally contemplated.

While we would prefer an indefinite extension for the reasons explained in our letter of transmittal to the Congress, dated February 25, 1965, the Department of Commerce has no serious difficulty with an extension limited to a 4-year period if this is the preference of Congress.

Second, the civil penalty provision in the bill was amended to clarify the Department's authority to withhold or suspend export licenses or privileges for not more than 1 year as a means of collecting a penalty, and to clarify the right of the person to a de novo determination by a court of his liability before the Government may enforce collection of this penalty. However, if the person elected to pay the penalty he would be precluded from suing the Government for a refund.

The Department has no objection to these amendments.

Third, a new policy declaration was added to the three basic policy objectives (i.e., national security, foreign policy, and "short supply" control) which have guided the administration of the Export Control Act since 1949. The new declaration provides that it is the policy of the United States to oppose restrictive trade practices or boycotts by foreign countries against countries friendly to the United States and also "to encourage and request" domestic firms not to cooperate in any way with countries engaging in such practices. To carry out this policy, the President is expressly required to promulgate rules and regulations which shall be published in the Federal Register within 90 days after the date of enactment of this act.

This amendment is known as the Arab boycott amendment because it was prompted by the attempts of the Arab League to involve American business firms in the league's boycott of Israel.

In view of the understandably strong feelings aroused by the Arab boycott, it has been urged that Congress should enact legislation dealing specifically with this matter. Although we are very strongly opposed to the restrictive trade practices promoted by the Arab League against Israel, we do not support an amendment to the Export Control Act that would require the President to issue a specific kind of regulation regardless of future developments and the possible adverse impact of that sort of action on other far more important aspects of our national security and foreign policy objectives.

Instead of taking up the time of this committee by elaborating on this point, I refer to my statement of May 24, 1965, on S. 948 in the hearings before the Subcommittee on International Trade of this committee.

The so-called Arab boycott amendment contained in H.R. 7105 is not the same as the amendment proposed in S. 948. While the H.R. 7105 provision contemplates that some type of regulation on this subject should be issued by the executive branch, it seems very clear to us that the language of H.R. 7105 leaves discretion in the executive branch as to exactly what type of regulation and the scope of such regulation that could be issued in compliance with the provisions of that bill. This is our interpretation of the language contained in H.R. 7105. Although we do not feel such an amendment to the present Export Control Act is really necessary, inasmuch as it leaves discretion in the President (or his delegates) in deciding what implementing regulation might be adopted, we do not oppose the approval of this language by the Senate if the Senate determines that some congressional expression on this subject is desirable. The major point that I would emphasize is that the President's administrative flexibility in the administration of the Export Control Act, which principle has been adhered to for more than 25 years, should be continued.

Fourth, the present statutory authority to prohibit or curtail the exportation of technical data would be broadened to prohibit or curtail the exportation of "other information." The Department assumes that the type of information to which this amendment is directed is the information furnished by American firms in Arab boycott questionnaires. The term "information" is quite broad and if it were construed to cover all kinds of noncommercial information a constitutional question might be in issue. We are not convinced that this amendment is necessary but do not object to it.

In the light of the above comments, we have no objection to the Senate's approval of H.R. 7105.

The CHAIRMAN. Now, we have four witnesses representing the walnut log interests, Mr. Donald H. Gott, Mr. Burton F. Swain, Mr. J. B. Petrus, and Mr. J. Edward Day. Those four may come together.

We have no authority to be in session after the Senate meets, so, gentlemen, I would like you to divide up, in the 35 or 40 minutes we have, your statements. Who will speak first?

STATEMENT OF J. EDWARD DAY, COUNSEL, AMERICAN WALNUT MANUFACTURERS ASSOCIATION

Mr. DAY. I will, Senator. I would like to first cover some of the questions that have been asked because I think there are very many crucial things that have been asked.

I am J. Edward Day, counsel for the American Walnut Manufacturers Association. I am with a law firm that has been representing this group for many years. I want to take, first, the reason why the hearing was held before the Commerce Committee, Senator.

The action of the Department in February, completely throwing this whole program out, was such a surprise and such a shock, we went to the committee that had the day-to-day contacts with the Department of Commerce in the hope of getting this thing corrected without delay.

The Secretary of Commerce declined to allow us a hearing at the Department of Commerce. He said he didn't have the facilities to give us a hearing, and that the proper place for a hearing was before a congressional committee. And we went over and testified before the Commerce Committee. That is how we happened to get over there because there was no hearing to be had at the Department of Commerce, and as you have heard, six members of that committee have asked him to reconsider his decision.

Now, he stated that the question was of unfairness to some aspects of the economy, and we agree that the issue here is fairness.

We are not asking this committee, or the Congress to get into the business of deciding the details of the administration of some act, but there has been a great act of unfairness here, a whole series of them, and it may have been accidental, but it is terribly damaging to people who have been trying to operate conscientiously within the meaning of this law.

In the first place, the industry did completely change their technology to shift to a thinner veneer, purely and simply because that is the price the Department of Commerce asked if there were going to be controls.

These people didn't want to shift to the thinner veneer. It was very unpopular with their customers. As a matter of fact, there was an all-day hearing last summer before the Department of Commerce where all of these customers were complaining about the veneer manufacturers having shifted to this thinner veneer to try and meet the Department of Commerce's requirement. And a high official of the Department of Commerce urged them not to stick so closely to this thinner veneer; told them they ought to compromise because it was making a lot of their customers mad.

And they decided they should stick to the thinner veneer that had been contemplated as the price for continuing the controls. A lot of their customers did get mad.

Now, the Secretary has said here this morning that it didn't hurt; that it made them more competitive. That is a completely imaginary statement because their customers don't like the thinner veneer.

Now, Senator Neuberger raised a very important point, and that is whether the second sentence of the amendment would make it impossible for the Department to use discretion in deciding whether it wanted

to control salmon, Douglas-fir, and so forth. It would in no way limit the Department's discretion to allow any amount of exports of any product that it wanted.

This law contemplates that there can be an embargo, which we are not asking for, or that there can be quotas on exports. The quota in our case was set very, very high. The farmers certainly were not hurt, for the quota was set so that you could still export under this quota more logs than were exported in 1961, seven times as many logs as were exported 10 years ago in 1955.

So under this sentence, all that would do would say that the Department would recognize there was a short supply situation and do something, but they could make the quota just as high as they wanted to make it, so you could allow the export of a very large amount of fir, or salmon, or whatever, if it was determined that was a short supply item.

So that the amendment does not take away from the Department the flexibility it needs, but it does ask them to follow the same practices they followed up until February of this year.

Senator NEUBERGER. May I interrupt, Mr. Day? Why doesn't the amendment just refer to walnut logs?

Mr. DAY. I think it is preferable in an amendment to make it of general application for—

Senator NEUBERGER. That is all you want it to apply to, isn't it?

Mr. DAY. That is all that our particular clients are interested in, but this problem is rapidly spreading to the entire hardwood industry because of the fact that the very radical increase in exports of walnut is causing shortages in a lot of other woods, but we aren't to that problem yet. We are concerned with walnut.

Senator NEUBERGER. But the Secretary has just stated that he thinks all of these things, like aluminum, salmon, certain minerals, and so on, could be affected by this amendment.

Mr. DAY. I was very surprised when he made that statement because he can set a quota as high as he wants to, and I am sure he wouldn't in good faith, in our case, set it so high it would accomplish nothing, but he could set it so high for any of those products that there wouldn't be any control at all.

In our case, the quota that was imposed by Secretary Hodges was so high, it had very little to do with the drain that had existed in the past, but it was very helpful for the future, as I can illustrate by the fact that this quota he set of 7½ million board-feet, approximately, for export, was higher than everything that was exported in 1961. But now, what has happened since it has been taken off? Over 2.4 million feet were exported just in the month of April.

If you project that on a year's basis, that means 29 million feet exported in 1 year, which is more than foreign and domestic, together, last year.

Senator NEUBERGER. But what I don't understand, to put this in layman's terms, or my terms, why would these farmers want to export it when there is a big market here, unless they are getting a good price?

Mr. DAY. There are two answers to that, Senator, in my opinion: (1) there is no price for walnut as one product. There are great variations in quality. It ranges all the way from wood, such as might be over there in the Rayburn Building, that is probably from the

finest trees, 80 years old, up to wood that might be used for cheaper furniture and things of that kind.

It depends on the knots in it; it depends on the speed of its growth; it depends on a great many things. There is tremendous competition for the very top-quality wood, which is the wood that can be appropriately used for veneer because this veneer isn't much thicker than cardboard, and it is a quality that is the thing.

The second thing is, while I believe, and I am sure we all do, in discretion for executive departments, I don't think a department should be able to administer a law on a program of just whim.

Now, in the past, they haven't given that problem any consideration when they put controls on. When they put controls on sugar, they said in the first place there wasn't even any shortage of sugar, but they put the controls on them, and the whole purpose of putting the controls on sugar was to keep people from selling a product at a higher price than they could get in the United States, and that is what the program was. And the Department of Commerce never worried about putting that on.

Senator NEUBERGER. Another thing I don't understand, a manufacturer wants to keep his source of supply, so why doesn't he go out and contract? I know people in the canning business, for instance, who want to be assured that they are going to have a supply of strawberries, or peaches, or whatever it is. They contract with the grower: We will take your entire output for 10 years, or 15 years, or something.

If these furniture manufacturers are so worried about this supply, why don't they go around and say to the farmer, for example: You have a good tree there. In 5 years, it will make beautiful furniture. I will buy it from you. And the farmer is assured of this.

Mr. DAY. They are doing that constantly, Senator. That is the only way anybody can get any trees. It is a regular quail hunt, going around searching the farm lots and the woodlands.

Senator NEUBERGER. OK, he goes around and offers him a price that is better than they can get for shipping it off somewhere. It seems to me it is a price thing.

Mr. DAY. Sometimes it is, and sometimes it isn't, depending on the quality and who happens to find the particular good trees. And everybody in our side of this controversy is perfectly agreeable to the fact that all of the established pattern or export, all of the volume of farmers' sales that have gone for export in any normal times, should continue as there is a tremendous allowance for exports under the order that Secretary Hodges issued.

It is seven times as much as was exported 10 years ago that could be exported under his order. So it is not a matter of cutting it off; it is not a matter of saying you can't sell for export; we just don't want it all to be eaten up by exports, because it can't come from anyplace else.

This wood doesn't grow anyplace but in North America, and it takes 60 or 80 years for a veneer quality tree. So we want to have some kind of balance where, after a few years, there is still going to be some left for the domestic industry because they are set up with their plants, with their machinery, with their methods of doing business on a long-term basis, while the exporter has only a hit-and-miss interest in this.

Senator NEUBERGER. Surely they make more than just walnut?

Mr. DAY. Some of them do not. We will hear from Mr. Petrus here later, whose entire business, which he has been in for many years, is only walnut.

Senator NEUBERGER. You make an appealing case, all right, but why doesn't your amendment affect only walnut? That is why I don't understand. Suppose the cherry people begin to feel this way, and the hard maple, or the birdseye maple?

Mr. DAY. They do, Senator. We don't happen to represent them in this particular hearing, but they do feel this way. We can show you a statement from the leading publication of the furniture industry, just last week, in which they say that the fact this walnut thing has gotten so completely inflated, it is affecting all of the other hardwoods all over the country and causing problems in all of them.

Senator NEUBERGER. Well, I may be way out of my depth in talking about this, but I always am concerned with stifling competition, and I feel this amendment does this. I also think it is a little bit out of our domain to try to legislate in some of these policy matters. There ought to be a great deal of discretion for the President and the President's Cabinet to determine what can be done. For a legislative body to get down to some of these details, I don't think we have any business doing this.

Mr. DAY. That is a very important point, and I would like to comment on it because I think anybody in our position that is trying to pursue a program should be able to operate under a set of rules that are in existence.

Now, the rule on that point you mentioned, has been very clearly stated by this committee in 1962. In 1962, in a report by this committee, they said the reason they didn't want to extend this law indefinitely is because they wanted to have an opportunity to come back every few years and see how it was being administered, and if—I am reading from the report of the committee—

If, in the course of supervision of the administration of the act, the committee finds an amendment would be necessary or helpful to carry out the purposes and policy of the Congress, the committee will be in a position to make a prompt recommendation.

As I said, we wouldn't normally be here taking the time of this committee if it was simply a matter of trying to get a different decision on a discretionary point.

We are here because we have been treated so unfairly and because we changed our whole way of doing business in order to comply with the order that Secretary Hodges issued, and because, instead of saying, well, we think that export quota was too low and we will raise it and we will modify the program, they threw the whole thing out and said there was nothing good about it, and, there we are left with our whole method of doing business changed.

Senator NEUBERGER. You have that peril in any change of administration. You can't legislate against a change of administration.

Mr. DAY. I don't think there has been a change of administration. I think Secretary Hodges' statement was absolutely right. He did impose a condition. We did everything we could legally do with a great deal of expense and a great deal of trouble to comply with that condition, and I think that is a very basic question of fairness. I think a question of whether you can get a hearing before a department on a matter of this importance is a question of fairness.

In Secretary Hodges' order, it was indicated that the commercial standards for this wood were going to be changed by the Department of Commerce. But they never changed them. There was one thing after another where, for some reason or another, in contrast to all previous export control orders in the past, there seemed to be an effort to dream up excuses as to why they wouldn't let this program work.

So, I think we have to come someplace for some help. We can't have any very solid expectation of going to court because the Department wouldn't give us a hearing, and we don't have any record.

Senator NEUBERGER. Why do you think the Department did it? Do you think they want to hurt the industry?

Mr. DAY. I can guess subjectively on that, if you like. I think the Department was very annoyed with us because, last summer, we wouldn't give up this thinner thickness, and it was stated by one of their top officials, after that hearing, that they wanted us to give up the thinner thickness and go to a compromise thickness, and we were afraid of this very thing happening that has happened, saying we didn't save enough wood domestically so the whole program is thrown out.

So we stuck to our guns. Maybe I advised these people wrong at that time, and they did stick to their guns, and I think it annoyed the Department.

I am also convinced that the State Department is really a major factor in making this decision because they don't want anything done, regardless of what the law may say, that is going to interfere with a completely unrestricted all-out, free trade program.

But this law is on the books and we fit, and I think, regardless of the personal preferences of anybody in an executive department, when a law fits, it ought to be put into effect.

The CHAIRMAN. The Chair announces we will try to complete the hearings before we recess for lunch. After this group completes its testimony, we have a representative of the exporters of walnut logs, and three witnesses who desire to testify on the subject of wheat.

Now, the Chair wishes to announce that all of the testimony that is taken today will be printed and distributed to this committee before we meet next week, or whenever we meet in executive session to vote.

So the witnesses should not assume, because the Chair puts a time limitation on them, that their full statements won't be in the record, or they won't be fully considered, because every member of this committee will have this printed record.

Now, without objection, the full statements of Mr. Day, Mr. Gott, Mr. Swain, and Mr. Petrus will be published in this record.

(Mr Day's complete statement follows:)

STATEMENT BY J. EDWARD DAY, OF COUNSEL FOR AMERICAN WALNUT
MANUFACTURERS ASSOCIATION

The law firm of which I am a member has for many years been counsel for the American Walnut Manufacturers Association in its efforts to obtain and continue export controls for walnut logs.

These efforts have gone on for 4 years. Without export controls the walnut short supply situation will steadily continue to get worse. We ask the help of this committee in meeting the problem before it becomes hopeless.

The amendment to the Export Control Act which we seek makes no change in the policy or purposes of that act.

This is borne out by the fact that after long and careful consideration Secretary Hodges agreed that the walnut short supply situation met the standards of the act as the act is now written. We are merely asking that you add to the statute words which say that the act means what its says. Our purpose is only to correct the recent new and unjustified misinterpretation of the act.

After Secretary Hodges imposed the controls, the walnut veneer industry made a major change in the technology of their business to comply with a condition contained in Secretary Hodges' order. Then, less than a year after causing this major change in position by this industry, the Department decided, without a hearing, that the whole control program should be abandoned and the veneer manufacturers are left high and dry.

We, therefore must turn to this committee and the Congress to correct this unfairness.

There are several legal points which I feel have become badly confused in the Department's handling of this problem.

First, the Department has seriously misconstrued the Export Control Act.

Second, the Department has seriously misconstrued the bearing here of GATT, the General Agreement on Tariffs and Trade.

First as to the Export Control Act.

The first words of that act are: "Certain materials continue in short supply at home and abroad * * *."

The Department of Commerce, by asking that that provision be continued obviously endorses and reaffirms that statement. Yet at the present time, even while it says certain materials are in short supply at home, the Department refuses to apply the short supply provisions of the Export Control Act to even one item.

In a February 26, 1965, letter about this subject, Secretary Connor said:

"Our export control laws are today maintained primarily to regulate trade in strategic materials."

In the Department's February 12 release discontinuing export controls walnut was referred to as a "nonstrategic item."

In 1962, Congress passed a bill continuing the Export Control Act in force. At that time your committee said in its report on the bill:

"The act is not limited to strategic materials or to critical material or to essential commodities. It will support a total embargo or the mildest of restrictions."

It is thus perfectly clear that the short supply provision of the Export Control Act applies to nonstrategic materials. The Department up until now has always recognized this. It has applied export controls in the past to sugar, rayon, woodpulp, hog bristles, rice, silk, and numerous other products.

The short supply provisions of the act are just as applicable to nonstrategic materials as to strategic where two and only two conditions are met. Those conditions are as follows:

1. "excessive drain of scarce materials"; and
2. "inflationary impact of abnormal foreign demand."

The original submissions which led to the issuance of the February 14, 1964, order showed conclusively that there was excessive drain, that black walnut was a scarce material, that foreign demand was abnormal and that this abnormal foreign demand caused an inflationary impact. These conditions still exist.

Secretary Connor's statement recognized that consumption in 1964 exceeded growth by "more than 10 million board feet, or approximately two-thirds more than the total amount of new growth."

It recognized that "the prices our domestic users pay for walnut logs have continued to advance."

Nonetheless the Department has refused to apply the act despite the fact each of the required conditions is present.

The Secretary, on his own, has injected into the act various extraneous and additional conditions which are not in the statute such as Appalachia, domestic conservation, feasibility of shifting to other woods and other items.

That is a clear error of law. It is the duty of the Department to apply the law as written and not to rewrite it. The U.S. Supreme Court long ago laid down the rule that when Congress has specified standards as to when a law should be applicable, an executive department may not substitute different standards of its own. (*Merritt v. Welsh*, 104 U.S. 694.)

Now as to GATT.

One subsection of article XX of this agreement, subsection (g), provides that any restrictions on international trade in an exhaustible natural resource should

be made effective only "in conjunction with restrictions on domestic production or consumption." That subsection has in fact been fully and completely complied with here by the shift, pursuant to urging of the Department, to cutting thinner veneer. On June 24, 1964, the Department issued a release headed "Department Urges Use of One-Thirty-Sixth-Inch Walnut Veneer." The Department admits there has in fact been a shift to thinner veneer.

But subsection (g) is only one of a number of subsections of article XX. In addition, and this has been completely ignored by the Department, there is another separate, completely independent subsection of article XX of GATT which permits export controls on short supply items without any restrictions of any type on domestic production or consumption.

This subsection, which is (j) is as follows:

"* * * nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

* * * * * * *

"essential to the acquisition or distribution of products in general or local short supply; provided that any such measures shall be consistent with the principle that all contracting parties are entitled to an equitable share of the international supply of such products, and that any such measures which are inconsistent with the other provisions of this Agreement shall be discontinued as soon as the conditions giving rise to them have ceased to exist. The organization shall review the need for this subparagraph not later than 30 June 1960."

This subsection was in fact reviewed and retained by the contracting parties to GATT at Geneva just this past February. This subsection is entirely separate from the provision in subsection (g) and stands on its own feet. I myself discussed this provision in March of this year with Mr. Carlos Clulow, former Ambassador from Uruguay to the United States and now Ambassador from Uruguay to West Germany. Mr. Clulow has for 5 years been a leading member of GATT working committee on article XX. Mr. Clulow told me that in 5 years there had never been a complaint made under subsection (j). This is especially significant since 21 countries which are contracting parties to GATT have export controls or embargoes in effect on valuable hardwoods.

We also talked in April to Mr. Eric Wyndham-White, director general of GATT, and he likewise stated that there had never been a complaint under subsection (j).

Nonetheless GATT, which is only an executive agreement and not a treaty, is being used here to, in effect, repeal a vital part of an act of Congress.

All the Department's insistence on a strictly limited and impossible domestic quota is not justified to any degree by the provisions of GATT. This has been recognized by the Department in the past. There was no domestic control imposed in connection with the recently expired export controls on sugar. In fact, there wasn't even a shortage of sugar. But the Department did not dream up endless excuses. It imposed export controls.

We cannot find where GATT requirements have even been mentioned before by the Department of Commerce during the entire period since the Export Control Act was enacted when it has imposed short supply export controls on scores of items. GATT dates from 1947 before the Export Control Act became law. This sudden extreme and unrealistic reliance on GATT to defeat export controls in our case is but the leading example of many examples of the Department looking for excuses for not applying the Export Control Act short supply provisions to this clear-cut case.

The Secretary's February 12 order says that reduced domestic consumption is a necessary condition to export controls even aside from GATT. But there is nothing in the Export Control Act about domestic conservation. The Department of Commerce is not a conservation department nor is it the Forest Service. Secretary Connor in his February 26 letter says authority such as that possessed by the Office of Price Control or the War Production Board would be necessary to accomplish necessary domestic controls. This is a legally untenable position. There is nothing in the Export Control Act which even hints at requiring domestic controls in a proven short supply situation.

From my year and a half of close association with this problem I have observed that some Department officials have shown a decidedly rigid and unsympathetic attitude toward the short supply provisions of the Export Control Act. They have shown a definite tendency to look for excuses for not applying these provisions.

Various ones of these officials have also shown open dislike for formal hearings and lawyerlike proceedings in pursuing this complex matter. The Department has even refused us a hearing on our urgent request to reinstitute controls. This

attitude is particularly unfortunate since proceedings under the Export Control Act are by law exempt from the Administrative Procedure Act. But the fact our chances for court appeal are restricted should not give the Department license to ignore the clear applicability of the Export Control Act, to inject without warning the requirement that the commodity be strategic, and to graft imaginary requirements onto GATT. Even though the Administrative Procedure Act is for some reason not made available here, we should as a matter of minimum fairness have been allowed to be heard in a Department hearing before the references to the nonstrategic aspect were unexpectedly and unjustifiably interjected here; before irrelevant references to Appalachia were interjected; before completely inaccurate references to balance of payments were interjected; before completely unrealistic references to shifting to other woods were interjected. On each of these points there was no warning and no chance for rebuttal.

Under the amendment proposed by S. 1896, the only time export controls would automatically be required is where the material is in short supply, there has been a drastic increase in exports, and a substantial number of other governments are imposing export controls on similar material.

The Department of Commerce says this would interfere with the broad flexibility they want. We submit that such flexibility should not include the right to say we might hurt the feelings of some foreign country by imposing controls when in fact 34 such countries already have the controls themselves.

It is hard to imagine a factual situation to which the short supply provisions of the Export Control Act are more clearly applicable.

Thank you.

The CHAIRMAN. Mr. Day, you can call on your associates, to very briefly state who they represent, and why they want this amendment included in the bill. Be brief, if you please, because we have four more witnesses.

Mr. DAY. I will ask Mr. Petrus just to identify his type of company, and that they are only in this line of business, and why shifting over to other woods wouldn't work.

If you will just take a couple of minutes.

STATEMENT OF J. B. PETRUS, PRESIDENT, MIDWEST WALNUT CO.

Mr. PETRUS. Mr. Chairman, my name is J. B. Petrus, Jr. I am president of Midwest Walnut Co. of Council Bluffs, Iowa.

To answer the question, we could not shift to other woods. First of all, let me say that we are solely in the business of manufacturing walnut. We do not manufacture any other hard or soft woods.

The biggest reason we could not shift is because we don't have the timber available in our locality. We would have to move. Our whole manufacturing process is set up for walnut, not other hardwoods, and there is a difference in the way that walnut is manufactured as compared with cottonwood or oak or something else. So we don't have the timber to shift, sir.

The CHAIRMAN. Thank you.

Any questions?

Senator NEUBERGER. Yes, sir.

I would like to just ask you, on page 3 of your prepared statement, you say:

We do not ask for a total embargo. We merely ask to save an American industry from extinction.

Do you have some kind of estimate of what would be a reasonable export allowance?

Mr. PETRUS. The same as we had before, Senator.

Senator NEUBERGER. What is that?

Mr. PETRUS. 7.3 million feet.

Senator NEUBERGER. You allow for no enlargement on that?

Mr. DAY. That is a very big enlargement from the historic export quantity. That is seven times the amount that was in fact exported 10 years ago.

Senator NEUBERGER. And then how much does your company use? Your company just uses walnut?

Mr. PETRUS. We are not in the veneer business. We manufacture lumber only.

Senator NEUBERGER. I see.

Mr. PETRUS. That is one of the reasons I wanted to appear here, is to prove that it is not the veneer manufacturers alone that are interested in this. It is the walnut lumber people, furniture manufacturers and so on.

Senator NEUBERGER. You sell to the furniture manufacturers and they can veneer it if they want to?

Mr. PETRUS. They don't make veneer out of lumber.

Senator NEUBERGER. Yours is for solid manufacturers?

Mr. PETRUS. Yes.

Senator NEUBERGER. Solid walnut tables?

Mr. PETRUS. Yes, but we use a different type of walnut than veneer. We use lower quality logs than the veneer manufacturers.

Senator NEUBERGER. Thank you.

Senator WILLIAMS. How much of a supply of walnut is there? Mr. Day said that this is 60- or 70-year-old timber. Is this on its way to becoming extinct like the chestnut?

Mr. PETRUS. Quantity is not the sole consideration. Quality must be given equal or even more consideration than quantity.

Senator WILLIAMS. Nobody plants walnut, do they?

Mr. PETRUS. Yes.

Senator WILLIAMS. There is a reforestation program, commercial?

Mr. PETRUS. Yes.

Mr. DAY. The Forest Service says the inventory of veneer quality is 220 million feet. Just taking April's exports we have and projecting it on a year's basis, that is 29 million feet just for exports in 1 year. So you can see how long 220 million is going to last, because the domestic use is going on too, and the rate is going up. The rate of use is going up so high, that we estimate 7 years as the time in which all of the inventory will be gone.

Senator NEUBERGER. I forgot to ask you, you just make black walnut lumber?

Senator WILLIAMS. I was also going to ask, Is this black walnut?

Mr. PETRUS. Yes.

Senator NEUBERGER. That is all you make, black walnut lumber?

Mr. PETRUS. Yes.

Senator WILLIAMS. If you are all walnut men, I invite you to go over to my office to see my black walnut coffee table. This is from a black walnut tree that stood during the Revolution where we later lived. It was blown over in a hurricane and we sawed it up. As a matter of fact, the British troops camped there, Cornwallis stayed in our house, and they used that tree, drove spikes in it, and hung up their suitcases. Come on over and see it.

Mr. DAY. Thank you.

(The complete statement of Mr. Petrus follows:)

STATEMENT BY J. B. PETRUS, JR., PRESIDENT, MIDWEST WALNUT CO., COUNCIL BLUFFS, IOWA

My name is J. B. Petrus, Jr. I am president of Midwest Walnut Co., of Council Bluffs, Iowa. We have five mills, located in Iowa, Missouri, and Tennessee. Our company is 35 years old.

We are lumber manufacturers—not veneer manufacturers. The purpose of my testimony is to show that although we do not manufacture veneer, we, and many hundreds of other small manufacturers are vitally concerned with the reimposition of walnut export controls.

We manufacture walnut exclusively—no other hard or soft woods. The very existence of our company is dependent upon the present and future availability of adequate walnut timber supplies. The Commerce Department has, in previous testimony (Mar. 31, 1965, before Senator Hartke's committee) admitted that walnut timber resources are in danger of becoming a short supply item. We submit it is already in short supply insofar as quality is concerned. This is substantiated by our own personal company records, and I believe can be authenticated by many other substantial veneer and lumber manufacturers. As a matter of fact, I believe even the advocates of free exportation would have to admit that the quality is not what it was a year ago.

Walnut is not a volume wood as compared with many others such as oak, pine or fir. Walnut is a quality wood. It is used to make fine furniture, cabinets, pianos, panels, and similar products. The American people do not want low-quality walnut—or low-quality anything else. When walnut can no longer meet the quality expectations of the American consumer, he or she will demand, and get, another more desirable wood such as teak or mahogany—which must be imported. So gentlemen, it is not practical to base a decision solely on how many feet of walnut timber are available. The quality of the quantity must be given proper consideration. Would you want a knot in the middle of your walnut gunstock or a veneered desk top full of bark pockets, mineral streaks, and other defects common to poor-quality walnut? I think not. It would still be walnut, but who wants it?

It cannot be denied that the quality of walnut is deteriorating rapidly. Why else would the three big foreign consumers, Germany, Italy, and Japan, be buying, at high prices, second-, third-, and fourth-quality logs? Certainly it is not because they feel sorry for the American log exporters. A more plausible reason is that they simply cannot get enough high grade and are forced to make up the difference in lower quality.

To me, this shows the picture. It is not coming—it is already here—we are in short supply of quality walnut timber. We are short on the prime ingredient required to sustain a quality industry. We cannot exist on quantity alone. The American consumer won't stand for it. He wants some meat with his potatoes, and so do I.

Our request to the Commerce Department for restoration of controls is not unreasonable. We do not ask for a total embargo. We merely ask that they save an American industry from extinction, protect an American heritage resource, assure the American public of a future supply of fine furniture wood—and still give our foreign friends their fair share of this scarce material. Is this a selfish demand? I think not.

Is it selfish for an American industry to ask the Commerce Department to faithfully carry out the wishes and intents of Congress as written into law? In fact, is it not the duty of the Commerce Department to follow the law as written?

The Commerce Department has introduced a number of reasons for not reimposing controls such as "shift to other woods," or to paraphrase "let them eat cake." Frankly, we cannot shift to another wood and we won't settle for eating cake. We are entitled to protection from extinction under an existing law. It would be interesting to know under what set of conditions an executive branch can ignore the wishes of Congress.

To sum up, I submit—

1. Quantity of available timber is not of prime consideration unless quality is given its proper evaluation.
2. Quantities of commercially valuable walnut timber are in a short supply situation.
3. Quality walnut timber is critical and in very short supply.
4. Reimposition of the export controls is clearly indicated under existing law and would be fair to all.

I therefore respectfully request the adoption of Senate bill 1896 as an amendment to the Export Control Act on behalf of our own country and the many score of other small businesses dependent upon the continued supply of good walnut.

Senator PROXMIRE (presiding). Mr. Gott.

STATEMENT OF DONALD H. GOTT, EXECUTIVE DIRECTOR AND SECRETARY, AMERICAN WALNUT MANUFACTURERS ASSOCIATION

Mr. GOTT. I am Donald H. Gott, executive director of the American Walnut Manufacturers Association. We represent 21 major producers of walnut veneer and lumber, and we are supported by an additional 10 nonmember companies representing pretty close to 90 percent of the industry.

I appreciate the time and opportunity to be here today, and rather than read by statement, because I know you are pressed for time, I would like to summarize, if I may.

One thing Chairman Robertson said was that this may be just a fad or fashion for walnut, as he described it. On the contrary, the only reason walnut hasn't attained or retained its top position among furniture manufacturers and plywood manufacturers is due to three world wars.

World War I, World War II, and the Korean crisis, where every member and nonmember of our industry converted his production from veneers or lumber dimension to gunstock blanks and, hence, walnut took these dips in desire by the public simply because the public couldn't obtain it.

Chairman Robertson also made a statement that Circassian walnut, known as *Juglan regia*, was in ample supply. On the contrary, Circassian walnut, which is grown in southern France over to old Persia, is in such short supply that France has completely embargoed Circassian walnut logs as of December 21, 1961.

If I may, we could turn to page 6. I would like to state that Secretary Connor himself has stated that most of the people in the furniture industry favor export controls on walnut logs. They do even with the difficulties they had and objections thereto of the original thinness and thickness as required by Commerce.

Senator PROXMIRE. Do you have a specific reference to Secretary Connor's statement? Will you give us the letter or time and place in which he made the statement? Do you have it in the record?

Mr. DAY. It appears in the hearings before the Commerce Committee, on March 31, 1965. I will be looking up the page number.

Senator PROXMIRE. Proceed.

Mr. GOTT. I would like to mention and name the following associations in the customer-using industry and related woodworking industries who have supported us. They are listed on page 7. I would like to name them. The Architectural Woodwork Institute, National Sash & Door Jobbers Association, National Lumber Manufacturers Association representing the entire American lumber producing industry, National Wholesale Furniture Association with 300 members in 37 States, National Woodwork Manufacturers Association with a membership of 57 stock millwork companies, National Wholesale

Furniture Salesman's Association with 5,500 members in 50 States, Hardwood Plywood Manufacturers Association with 57 members and 30 affiliate members, Grand Rapids Furniture Manufacturers Association, International United Furniture Workers of America, National Piano Manufacturers Association consisting of 20 piano manufacturers producing in excess of 200,000 pianos a year, Fine Hardwoods Association, National Association of Electronic Organ Manufacturers.

Let me say a word—just as an example—about this last organization, the organ manufacturers. Over 65 percent of their exported organs are of American black walnut. A log producing approximately 3,000 square feet of walnut veneer will provide veneer for organs representing approximately \$24,000 of export billings. If sold only as a veneer log to a foreign producer the export value would be only about \$200.

I would like to conclude that we do feel that this issue of discontinuance of controls is strictly a crucial issue of fairness, or perhaps I should say, unfairness. It is, therefore, grossly unfair for the Secretary of Commerce to now try to excuse the abrupt ending of controls on the ground that there was not sufficient reduction in domestic uses.

Our veneer companies did all they legally could do to reduce domestic uses. And a Federal department should not be allowed to penalize us for failing to reach a result we had no legal way to reach.

Thank you.

Senator PROXMIRE. Thank you very much.
(Mr. Gott's complete statement follows:)

STATEMENT BY DONALD H. GOTT, EXECUTIVE DIRECTOR AND SECRETARY,
AMERICAN WALNUT MANUFACTURERS ASSOCIATION

My name is Donald H. Gott. I am executive director and secretary of the American Walnut Manufacturers Association, a trade association with 21 members who manufacture black walnut lumber or veneer.

We are supported in our position on export controls by 10 other American manufacturers of walnut lumber or veneer.

THE WALNUT LOG SITUATION

For a number of years American producers of black walnut lumber and veneer have been increasingly alarmed about the excessive drain, especially for export, of the supply of black walnut logs.

Walnut trees are slow growing. A walnut tree reaches suitable maturity for top veneer quality only after 60 or 70 years. Black walnut grows only in North America.

Our association has long had an extensive conservation and replanting program. Nonetheless, we estimate that if the current rate of heavy increases in cutting of veneer quality walnut trees continues, the supply will be exhausted in about 7 years.

On November 14, 1961, the American Walnut Manufacturers Association, on behalf of the domestic walnut veneer industry, filed with the Department of Commerce a formal request that controls be placed on export of black walnut logs from the United States in accordance with the terms of the short supply provisions of the Export Control Act of 1949.

The pertinent provision of section 2 of that act (50 App U.S.C. sec. 2022), declares that it is the policy of the United States to impose export controls to the extent necessary:

"* * * to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand."

The request was supported by extensive documentation showing that in the period 1954-60, consumption of veneer quality walnut logs by domestic veneer

producers increased 3.18 times while the volume of exports increased 17 times. Had the rate of increase in export paralleled that for domestic consumption the 1960 export figure would have been approximately 2 million board feet, instead of the actual 1960 export total of over 10 million feet. Two million feet was suggested by the applicants as a reasonable annual export quota.

On February 14, 1964, Secretary Hodges found that the short-supply provision of the Export Control Act was applicable and he imposed export controls, limiting the export quota to 7.3 million board-feet a year and conditioning the continuation of the controls on reduction of domestic use.

On February 12, 1965, Secretary Connor announced that controls would not be continued.

On several occasions prior to that date, representatives of the veneer producers had communicated with appropriate officials of the Department urging the extension of controls and expressing their willingness to answer any questions or provide any information which might be helpful. However, they received no warning that controls would be allowed to expire after a trial period which was, for practical reasons, in fact less than 1 year. No hearing was held by the Department in an effort to resolve any problems which might have been considered to have a bearing on continuation of controls. No opportunity was given to the veneer producers to suggest an adjustment in the quota program which might satisfy the Department. These was no warning that the Department might be planning to reverse its previous interpretation of the Export Control Act.

THE STANDARDS USED BY THE DEPARTMENT

In discontinuing controls, Secretary Connor did not deny that the conditions specified in the act were met. In fact, his February 12 statement recognized that consumption in 1964 exceeded growth by "more than 10 million board feet, or approximately two-thirds more than the total amount of new growth."

It also recognized that "the prices our domestic users pay for walnut logs have continued to advance."

Nonetheless the Department refused to apply the act despite the fact each of the required conditions is present.

Instead, the Secretary in his February 12 statement injected into the act various extraneous and additional conditions which are not in the statute.

These were—

1. Supposed effect of controls on aid to Appalachia program.
2. Alleged need for compliance with a specific target of domestic conservation.
3. Supposed effect on balance-of-payments problem.
4. Alleged feasibility of shifting to other woods.
5. Alleged requirements of GATT.
6. Detriment to log growers and exporters.
7. Failure of controls as a domestic price control measure.
8. Lack of danger of extinction of walnut.

The Secretary has thus rewritten the law and refused to apply it as written by Congress.

We are not asking this subcommittee or the Congress to make any new policy. The policy is already set out in the law.

The purpose of S. 1896, the proposed amendment to the Export Control Act are as follows:

1. To make it even more clear that short supply controls should be imposed when the conditions set out in the act are met and without consideration of extraneous conditions not set out in the act.
2. To provide that the act is applicable not only where the materials are in immediate "short supply" or in danger of "extinction," but also where they are "in danger of becoming in short supply."
3. To provide that the act is applicable where the excessive drain and inflationary impact are due to a substantial degree to abnormal foreign demand.
4. To make it even more clear that the short supply provisions of the act are properly applicable to nonstrategic materials.
5. To specify that the standards for short supply controls are met where there has been a rapid increase in exports and other nations have imposed controls on exports of the material.

The proposed amendment should aid in correcting the seemingly rigid and unsympathetic attitude of some Department of Commerce officials toward the short supply provisions of the act. It would in effect, direct the Secretary not to concern himself with whether he approves of the congressional policy set out in the short supply provisions of the Export Control Act but to confine himself to seeing if the clear conditions set out in that act are met.

IMPORTANCE OF THIS ISSUE

I am afraid that *some may* have the impression that we are not a very significant industry and that our product is not of great importance. If this subcommittee could allow us the time we could produce here in support of our position representatives of dozens of major manufacturing companies, trade associations, labor unions, and sales organizations. The problem we bring to you is a problem affecting the furniture industry, the plywood industry, the piano and organ industries, and the gunstock industry. It is a problem involving not only black walnut but many other types of American hardwoods.

Secretary Connor himself has stated that most of the people in the furniture industry favor export controls on walnut logs.

The following is just a partial list of some of the organizations supporting our position:

Architectural Woodwork Institute.
 National Sash & Door Jobbers Association.
 National Lumber Manufacturers Association representing the entire American lumber producing industry.
 National Wholesale Furniture Association with 300 members in 37 States.
 National Woodwork Manufacturers Association with a membership of 57 stock millwork companies.
 National Wholesale Furniture Salesmen's Association with 5,500 members in 50 States.
 Hardwood Plywood Manufacturers Association with 57 members and 30 affiliate members.
 Grand Rapids Furniture Manufacturers Association.
 International United Furniture Workers of America.
 National Piano Manufacturers Association consisting of 20 piano manufacturers producing in excess of 200,000 pianos a year.
 Fine Hardwoods Association.
 National Association of Electronic Organ Manufacturers.

Let me say a word—just as an example—about this last organization, the organ manufacturers. Over 65 percent of their exported organs are of American black walnut. A log producing approximately 3,000 square feet of walnut veneer will provide veneer for organs representing approximately \$24,000 of export billings. If sold only as a veneer log to a foreign producer the export value would be only about \$200.

THE DISCONTINUANCE OF CONTROLS WAS GROSSLY UNFAIR

We are faced here with a crucial issue of fairness.

Secretary Hodges imposed the controls and conditioned them on a major change in the technology of our business: reduction of veneer thickness.

Responding to this condition the veneer manufacturing firms changed their position. With a great deal of expense and trouble they shifted to the new thickness.

Many of their customers in the furniture industry objected violently to the new thickness and asked the Department of Commerce to intervene. In June last year a high official of the Department of Commerce encouraged our industry to compromise on a thicker veneer than that to which we had shifted. But we stuck to the condition Secretary Hodges had laid down.

It is therefore grossly unfair for the Secretary of Commerce to now try to excuse the abrupt ending of controls on the ground that there was not sufficient reduction in domestic use.

Our veneer companies did all they legally could to reduce domestic use. That is a key point, an unanswerable point in this controversy. We couldn't do anything else to reduce domestic use. A Federal department should not be allowed to penalize us for failing to reach a result we had no legal way to reach.

It is grossly unfair, now that the veneer companies changed their position by shifting to thinner veneer, for the Department to change the rules in the middle of the ball game and to say the condition the Department chose to impose won't work and that some kind of an OPA law would be necessary to make the program effective.

It is our sincere conviction that the reason the Department of Commerce has been grasping at all types of excuses for refusing to apply this law, is because some person or persons in the State Department feel our request for controls runs counter to an all-out unrestricted free trade policy. This State Department attitude does not, so far as we can discover, give any weight to the crucial and rapidly worsening economic problem of the American companies in our industry. The State Department does not claim that they have ever complained or taken any action as to numerous other countries that impose export embargoes on valuable hardwoods. The State Department does not claim, so far as we have ever been able to discover, that any foreign country has ever complained about any short supply export control ever imposed by the United States including last year's mild control of walnut logs.

But the State Department seems to be saying that some unnamed and unspecified foreign country might possibly have its feelings hurt if our Government tries to protect American industry.

So far as we can determine this is the first case in which this State Department thinking has prevailed in causing export controls to be dropped. In fact, so far as we can determine, this is the first time in the 16-year history of the Export Control Act that short supply controls have been lifted when the short supply situation had not been eased.

For some reason everything has happened for the first time to us. It would be bad enough if the controls had included no condition requiring us to make a major change in our way of doing business, and the controls had then been dropped while the crucial shortage continued. But to drop them now when we have changed our way of doing business to meet the condition is the height of unfairness.

The Department of Commerce, apparently at the urging of the State Department, in effect says Secretary Hodges never should have imposed the controls in the first place. All the miscellaneous excuses the Department of Commerce now gives for flatly refusing to help us, relate to factors which have existed all along. Only Congress can help our industry to avoid being victimized by this needless and damaging inconsistency in administering the clear provisions of this important law.

Mr. DAY. I have that reference. That reference is on page 86 of the printed Commerce Committee testimony in which Senator Monroney asked Secretary Connor:

Have you consulted with the furniture industry about what the effect of this continued export will be?

Secretary CONNOR. Most of them are in favor of the continuation of export controls.

Senator PROXMIRE. What part of the furniture industry would be opposed? I can see a clear economic reason why, of course, they wouldn't favor keeping—

Mr. DAY. Almost all of their opposition has evaporated. It was not to controls; it was to the fact we had to shift to thinner veneer in order to pay the price for this program. And they didn't like that abrupt shift because it required changes in their manufacturing processes. But they have made the adjustment. And now the whole thing is thrown out.

Senator PROXMIRE. All right.

Mr. Swain, is that correct?

Mr. SWAIN. Yes.

Senator PROXMIRE. You may proceed, Mr. Swain.

**STATEMENT OF BURTON F. SWAIN, PRESIDENT, AMERICAN
WALNUT MANUFACTURERS ASSOCIATION**

Mr. SWAIN. My name is Burton F. Swain. I am vice president of the National Veneer & Lumber Co. of Seymour, Ind., and I am currently president of the American Walnut Manufacturers Association.

I will only make a very brief reference to the prepared statement.

One thing I would like to mention; it has been mentioned here I believe first by Secretary Connor, and again by Senator Neuberger, concerning the growth of walnut and how it does grow. It seems that both of them have referred to this as more or less an annual crop, such as wheat, which can be cultivated and your production controlled.

Walnut, unfortunately, grows wild in the woods. We have no control over the growth of it, and we are currently working desperately with the Forest Service in a program to try to learn how to accelerate the growth of walnut by cultivation methods.

This is a very long and drawn out process, of course. You don't get results the first year. You don't know whether you have accomplished anything or not. We won't see any results from this program for maybe another 7 or 8 years, before we can project what—in other words, what practices walnut might respond to and what they might not.

Mr. Chairman, just one thing. I would like to read one paragraph on page 4 from my prepared statement. This also refers to forestry:

Constant attrition of the better quality timber, and stepped up cutting of smaller, more immature trees, will soon leave nothing but stunted, shrublike culls. The seed from these runts will only produce more stunted culls. At that point, walnut will have about the same desirability and commercial value as a yardful of crabgrass, and a once-valuable natural resource will be permanently destroyed.

Senator PROXMIRE. Thank you very much.
(Mr. Swain's prepared statement follows.)

STATEMENT BY BURTON F. SWAIN, PRESIDENT, AMERICAN WALNUT
MANUFACTURERS ASSOCIATION

My name is Burton F. Swain. I am vice president of National Veneer & Lumber Co. of Seymour, Ind., and am currently president of the American Walnut Manufacturers Association, located in Chicago.

Mr. Chairman, it is my purpose in this testimony to show that the decision to abandon the export controls on walnut logs was unfair, arbitrary, and totally unjustified, and that amendment of the Export Control Act pursuant to S. 1896 is a necessity to correct a needless and damaging injustice to our industry.

On February 14, 1964, Secretary Hodges put into effect for 1 year an export restriction upon walnut, limiting exports of walnut logs to 7.3 million board feet and setting a target for domestic consumption of 15 million board feet. As a means of doing everything they legally could achieve the reduction in domestic consumption, major veneer manufacturers voluntarily agreed to reduce the standard 1/28-inch thickness of veneer to 1/36 inch. It was not possible to make this changeover immediately, and therefore it was not until April 1 that a veneer of 1/36-inch thickness was being cut.

The changeover entailed the purchase of new machinery, the training of new operators, adopting new techniques, and reestablishing new and more critical standards for corestock and crossbanding materials. This reduction caused not only much technological adjustment at great expense but also a great deal of customer dissatisfaction. The thinner veneer was more difficult to work with, particularly for the promotional and medium-priced manufacturers, and was not initially popular with some of the public.

Mexico has an embargo upon Honduras mahogany, Brazil upon Brazilian rosewood, France upon French walnut and India upon a whole list of hardwoods. Second, the balance-of-payments situation would be considerably worsened by large-scale importation of foreign woods.

Production and employment in the walnut industry, though relatively small if limited to the production of veneer, in which there is a total aggregate investment of \$20 million in plant facilities with an annual labor cost of \$12 million, affects many related industries which use walnut and walnut veneer. Walnut supplies up to 60 percent of all fine hardwood face veneers, for example, used by the furniture, plywood, piano, organ, and TV industries, and by the architectural trade. Another industry directly affected by the supply and price of walnut is the gunstock industry, whose blanks are used by the major gun manufacturers and by the Defense Department. When all of these walnut-using industries have been taken into account, the size and importance of the need for export controls on walnut can be appreciated.

From the National Wholesale Furniture Salesmen's Association with 5,500 members in all of the 50 States comes a typical statement of walnut users' concern over the rapidly diminishing supply of walnut:

"The elimination of walnut which will occur in a few short years without controls will jeopardize 25 percent of the volume of furniture which we sell and which is estimated at \$4 billion annually. For a total export volume of less than \$10 million you are destroying over \$1 billion worth of sales, or a 100 to 1 ratio."

In 1955 the ratio of domestic to export consumption of walnut was 7 to 1; in 1963 it was 3 to 2; under the brief 1964 export control program it was 2.6 to 1. If we do not face up to the need for controls, future generations will see walnut growing only in specially protected public parks.

Today, there is an estimated total inventory of only 230 million board feet with an annual growth of 17 million. Much of this small inventory is comprised of trees far from maturity. Cutting these trees further reduces the capital from which annual growth can come. The only way to provide for a successful conservation program to save walnut from extinction is by amendment of the Export Control Act so that the Department of Commerce will restore the controls as imposed by Secretary Hodges.

Senator PROXMIER. Senator Neuberger, did you have questions?

Senator NEUBERGER. There is something I can't understand. I thought if you made a thinner veneer, you made more use of the log.

Mr. DAY. That is correct, Senator, and the condition in Secretary Hodges' order to have controls on exports was that the domestic industry also had to save walnut by cutting thinner veneer. And they did that, even though it required changing all their method of doing it, and they barely made that shift over when, to our utter amazement, the whole program was thrown out.

Senator NEUBERGER. But what keeps you from going on making it?

Mr. DAY. We can make it, Senator, but the furniture industry hasn't liked the change, and we haven't gotten any—

Senator NEUBERGER. You have been giving us testimony here about the short supply. To preserve your own industry, why don't you keep on using the thinner veneer?

Mr. DAY. Senator, there is a very important legal answer to that. These companies cannot, because of the antitrust laws, enter into agreements as to how they are going to conduct their individual businesses unless it is under the protection of the Department of Commerce order.

Senator NEUBERGER. But there is nothing in the law or the controls that makes them have to change the machinery. They can go right on doing it.

Mr. DAY. There isn't anything that requires any individual to do it, but this is a highly competitive business and they are going to do what is most useful for their particular selling processes.

But the question is, why should the Department have put us in the position of making all this change and then instead of just adjusting the controls or raising the quota, doing something, to say that Secretary Hodges didn't know what he was talking about from the start and throwing the whole program out.

Senator NEUBERGER. That is an argument that doesn't hold water. This is true in farm programs, anything.

Mr. DAY. Never before has there been the lifting of an export control order unless there was improvement in the supply situation; never in the history of this act in 16 years.

Senator NEUBERGER. I don't blame you for representing your manufacturers, who naturally want to control as much of the available raw supply as possible. But to me, it is no argument that all of a sudden they would have to change back. They don't have to change back.

Mr. DAY. They are not changing back.

Senator NEUBERGER. I have gone through all of this in the truth-in-packaging bill. We hear these crocodile tears about how they would have to change their packages. They change them, whether we have a law or not, if they think it is to their advantage, and the industry could do the same.

Mr. DAY. We are not changing back, Senator. That isn't the problem.

Senator NEUBERGER. There is a lot of this kind of testimony, though.

Mr. DAY. It is the unfairness of having imposed that, as a condition, we met it 100 percent. We did everything they asked us to do. The shortage is worse than it was, the short supply provisions clearly apply, and just as a matter of change in preference about whether there should be such a law in the first place, it was all thrown out.

But the law applies. And I think any department, whether they like a law or not, should apply it when it fits.

Senator PROXMIRE. Could I just ask for the record—and I apologize that I missed so much of the hearings this morning. I was in another committee. And I don't want to repeat this, but I understand it may not have been brought out.

On page 197 of the Senate hearings, the record shows a regular growth from 1955 to 1963 of 20 million board feet, and 19 million board feet in 1964. It shows an export rising from 1955 at 1.2 million board feet, to a peak of 15 million board feet in 1963.

It is my understanding that since export controls have been removed, that there was an increase to something like 2.4 million board feet in a single month.

Is that correct?

Mr. DAY. Total for the month of April was over 2.4 million feet, which is more than the entire annual exports in 1958, four times the annual exports—

Senator PROXMIRE. On a monthly basis, the growth of this quality walnut is about 1.7 million board feet a month.

Mr. DAY. Exports were 2.4 million in April, and that is 29 million on a full year's basis; 2.4 million is more than twice as much as the exports in the full year 1955.

Senator PROXMIRE. Was this increase in this one month, was this a seasonal increase, in your judgment, or extraordinary increase?

Mr. DAY. Probably it is to some extent, but it began jumping up just as soon as the controls were taken off, jumped up very heavily in March

also. The figure was over 2 million in March, and the figure during the control period had been about 400,000 board feet per month in January and February 1965.

Senator PROXMIRE. Let me ask one more question.

In the event that we should continue this extraordinary increase and virtually all of our growth here is exported, under the present circumstances, would there be a change in the present market, that is, is it conceivable that through bidding higher prices, through paying more, through increasing the price of your finished product, that you could compete with the foreign importer who is buying from this country?

Mr. DAY. The price of the walnut that is in a piece of furniture is only about 3 percent of the value of the furniture.

So that the price aspect has been misunderstood in this situation.

Senator PROXMIRE. Why are we exporting if the—

Mr. DAY. Because this is as though you had a kind of paint that people love to have on their furniture, and the only place you can get the paint is in the United States, and they want to put it on their furniture in Germany, Japan, and France because it makes it more salable. It makes it more salable not only in France and Germany, but in the United States. And they want to get this product to put on their furniture.

Senator PROXMIRE. If you rely on the free market, why can't manufacturers here simply pay more, especially in view of the fact it is only 3 percent of the cost.

Mr. DAY. They are paying more and more all the time, and looking harder all the time. Everybody is looking for walnut, but after the 7 years is up, no matter how you look, you aren't going to find walnut that is of a quality to make any veneer for anybody, and the exporters don't care because they aren't set up around this particular kind of wood. They are going to be able to use this Brazilian wood or various other things, but we are set up around the continuation of this wood, not for 7 years but for the long term, and it is going to be gone.

Now, other countries have done far more than we have ever asked for. There are 32 other countries that have complete embargoes on the export of their valuable hardwood, because this is a worldwide problem. Twenty-one of those countries are members of GATT, so the question of policies, as far as other countries are concerned, is very clear.

They have all seen this problem put under control. We are only asking for the very mildest of controls to try and keep this from getting completely out of hand for the future.

Senator PROXMIRE. You see, because of the fact that we have such a gigantic market here in this country, because the people do buy more furniture and more expensive furniture probably here than in other parts of the world, because our income is higher and because we rely so heavily on the free market, and because controls are the rare, very rare exception rather than the rule for most American products, it seems to me that the case has to be made crystal clear.

I don't say you are not making it. I wish I had been here earlier. I think you have made a strong case since I have been here. But to sustain this exceptional treatment you should establish a clear public advantage, that is, that without these export controls the public is

going to be deprived of a commodity which they need and want and should have.

I think you have made some case on national defense. You need to keep this industry going, I take it, because you do make weapons in time of war—you have done it three times. But it is very, very difficult for me to understand how we should impose an export control of this kind on behalf of manufacturers and not necessarily in behalf of the consuming public.

Mr. DAY. Senator, this argument or this question which you raise so effectively as to whether there must be some social purpose to the product, or whether it must be strategic, is entirely new in all of the years of this act being on the books, and in all of the previous reports of this committee on extensions of this act.

It has always been made perfectly clear that the item, if it is in short supply, doesn't have to be strategic, and it doesn't have to be essential, that if it is an item that is genuinely disappearing, that the controls fit. And that is exactly what these people have proved to the Department once, and Secretary of Commerce Hodges agreed with it, and the controls were put on.

The new approach the Department has taken on strategic is absolutely in violation of what this committee said in 1962, when it extended this law. It said specifically it doesn't have to be strategic, it doesn't have to be essential.

There have been controls in the past on all kinds of things. I don't know what they have against this group, there have been controls on hog bristles and rayon, and the sugar control was most amazing because there wasn't even any shortage.

So, we feel the rules ought to hold still.

Senator PROXMIRE. Gentlemen, thank you very much.

Our next witness is Mr. Harry J. Smith, Secretary of the Committee of American Log Exporters.

STATEMENT OF HARRY J. SMITH, SECRETARY, COMMITTEE OF AMERICAN LOG EXPORTERS

Senator PROXMIRE. Mr. Smith, as you know, the hour is late. We have some more witnesses. I very much apologize for crowding you on time, but I would appreciate it if you can highlight your testimony.

Mr. SMITH. I would be very happy to, Mr. Chairman, and I will do my utmost to get through my statement, which is 15 minutes, which is all I would require, if that is suitable.

I would like to identify myself. My name is Harry J. Smith. I am the executive secretary of the Committee of American Log Exporters.

I would like to comment very quickly, if I may, on some of the impressions which may have been left by the gentleman who has just left the stand.

The first would be the extraordinary movement of logs calculated to be 4 million board feet in this past April. This was not as a result of the ending of controls or availability of logs in a free export market. This was because we had just emerged from a long Longshore strike, we had just come out of this control situation, and consequently there

was a large buildup of logs which were shipped at that time and as you may recall the long and horrendous Longshore strike. We think this 4 million board feet is attributable to that factor.

Senator PROXMIRE. When will later statistics be available? In May or are they available now?

Mr. SMITH. I think they are available now, and I regret to say I don't have them.

Senator PROXMIRE. Mr. Gott, did you have an answer on this?

Mr. GOTT. Excuse me, Mr. Chairman, but the April figures were made available to me only yesterday, so it should be about 30 days.

Senator PROXMIRE. Thank you. Proceed.

Mr. SMITH. The question of 7.3 million board feet being a grand quota, we would take exception to—7.3 million board feet was the quantity permitted us during the period of control, the quota which we were allowed, which actually was approximately half of what we feel the present market consists of.

Furthermore, relating it back to what the position was in 1955, really, is not germane, because in 1955 there was virtually no market for walnut logs in Europe. The taste had not come to Western Europe for American black walnut to the extent which was later developed through the export expansion program.

The point was made also by Mr. Day that an embargo was not being requested, I would call attention to an article which appeared in the Home Furnishings Daily of a month ago, a trade publication, which quoted Senator Hartke, the proponent of this bill, and stating that he had come out flatly in a television program requesting a complete absolute embargo on the export of walnut.

I think there should be a correction on the volume of the inventory available. I think current figures would indicate a volume of sawed timber, and this is the only statistic really available, 2.1 billion board feet. I quote Timber Trends, a Forest Service publication of the Department of Agriculture.

One other question I would like to raise, in the long list of people associating themselves with the petitioner, with the Walnut Manufacturers Association, I would ask the question, if these organizations actually support this legislation, or this proposed legislation, or are they in fact alining themselves with a previous position which the Walnut Manufacturers Association has taken?

I just wonder, for example, I know as a matter of fact probably one of the principal manufacturers of furniture in the United States is a southern manufacturers' association, and I know that they have not even considered taking up support of the proposed amendment, S. 1896.

Senator PROXMIRE. A principal walnut manufacturer?

Mr. SMITH. One of the principal users or one of the principal association of customers of walnut veneer manufacturers.

Also, the National Lumber Manufacturing Association, I don't know the answer to this question, but I would raise it, Do they or have they in fact endorsed Senator Hartke's S. 1896? The last word that I had, this was not the case. Perhaps the gentlemen present who are members of that association, will be able to fix that point.

If I could continue with my prepared statement—

Senator PROXMIRE. Go right ahead.

Mr. SMITH. I would like to include as much of it as I may.

Senator PROXMIRE. We will print the entire statement in the record, and I would appreciate it in the remaining minutes if you would highlight it.

Mr. SMITH. Very well.

Identifying my committee, we were formed in August of 1962. The membership is comprised of a cross section of American industry involved in the production, collection and export marketing of American black walnut veneer quality logs as well as other fine American forest products. The committee was established when it was learned that a group of Indiana-centered veneer manufacturers, calling themselves the American Walnut Manufacturers Association, had petitioned the Department of Commerce to impose an embargo or quota on the exports of walnut veneer logs.

It has been consistently felt by most exporters, loggers, and farmers interested in free and expanding markets for log and timber products that the real motivation behind the Indiana veneer manufacturers petition is to protect the prices which they pay to farmers and log producers. Prices which had increased due to a new foreign market for veneer quality American black walnut logs. It is the same motivation, that is to reduce prices which they pay to the American farmer for logs, which has brought about the Indiana manufacturers' sponsorship of S. 1896.

We continue to maintain there is no extinction of the species. We also make a point again, that we feel this, that there is an adequate supply of walnut for everybody and we feel that the situation has been misstated.

It is unfortunate, we think, that possibly it was due to an improper statistical extension of the Forest Products Division back in 1962. We think that possibly, if they were going through the same exercise, based on the data which they now have available to them, from the Forest Service, or the Department of Agriculture, they might unquestionably, I feel, change the projection which was derived from this formula. You can also refer to the testimony made before the Senate Commerce Committee.

The foreign demand—we feel the foreign demand is subject to whim, taste, and fancy like any other product, furniture is subject to ladies' taste or designers' concepts and I don't think there is any reason why we should feel that there will be a continuing requirement for walnut in this country or any other country.

It is noteworthy that the balance of payments situation would be affected, and it is also extremely important that everyone understands the fact that the principal producers of walnut logs for export trade is Appalachia. This is irrefutable, and I would like to read this one paragraph in its entirety, if I may. It relates specifically to the point. This is one page 6, where I say:

Appalachia: Time after time, midwestern veneer manufacturers have stated that they have no interest in the Appalachian walnut log. Without an export market there would be no income from veneer quality logs.

Farmers and producers have testified before the Senate Commerce Committee at its session at Indianapolis that there was no market

until the export trade developed. The midwestern farmers, as well, have benefited as they are no longer completely captured by the Indiana manufacturer as they can now sell both domestically and for export.

Mr. Chairman, we know that S. 1896 would not conserve any significant quantity of the walnut specie—if in fact there is any need for conservation. Even if 15 million board-feet of logs were exported annually it would still represent only a drop in the bucket as compared to total consumption of walnut timber, estimated to be at least 150 million board-feet.

It is interesting to note that in the current issue of "Hardwood Market Report," June 12, 1965, one of the medium-sized Indiana veneer manufacturers, a member of the AWMA, advertises the fact that his company alone uses more than 5.5 million board-feet of walnut lumber. To place this in perspective, only 7.3 million board-feet of logs were exported from the entire United States during the period of control.

It seems then manifestly clear that there is no relationship between conservation and S. 1896. It would follow then that your committee is being asked to consider legislation devised to protect prices paid by American veneer manufacturers to American farmers and loggers.

I would like to also mention, if I may, this question relating to the position taken, as I heard testimony of 30-odd other countries as vis-a-vis their controls over the export of logs.

I think that perhaps a correction should be made. I believe our little research has developed further data, and I will go into this, if I may.

The record made at the hearings before the Senate Committee on Commerce March 16 and March 31, 1965, will disclose that a list of countries is given, all of whom exercise control over their exports of timber and other products.

Of course the members of the committee are aware and alert to the fact that every nation exercises controls over its exports. Certainly the United States does as it requires all products of its forests, fields, mines, and factories to submit to an export control at U.S. port of export in every instance of exportation. Some items require special license and others move under the so-called general license. May we examine more carefully the examples given by our friends:

Canada: "Prohibits exports of logs from crown lands." Does not seem to be germane.

Mexico: "The exportation of logs is prohibited." This is false. Logs are exported from Mexico regularly, including walnut.

Dominican Republic: The data is quoted in such a fashion that the Dominican Embassy can neither confirm nor deny the evaluation of their evidence.

Nicaragua: "Export licenses issued by Bank of Nicaragua are required." Developing nations, especially, endeavor to control the foreign exchange generated by their exports through the employment of a system of export licensing. This is the case as well with British Guiana, Chile, Surinam, Paraguay, Turkey, Iran, Ceylon, Tanganyika, Australia, Angola, and New Zealand, all of whom were cited as countries controlling exports. Likewise cited Guinea and Ghana,

two socialist nations who control under state monopoly for marketing purposes. Certainly, we are not asked to emulate them.

United Kingdom: Evokes a strange comment. "Although BIC reports there are no export controls on wood products, U.S. industry reports that Scotland has some restrictions on the export of logs of "sycamore, which is really maple." We presume that this is an old report as it must have been in effect prior to the end of Scotland's independence which I'm told was in 1707.

Senator DOUGLAS. Mr. Chairman.

Senator PROXMIRE. Senator Douglas.

Senator DOUGLAS. Are you saying that this was a provision which existed prior to 1707, but does not exist now?

Mr. SMITH. No, sir. Perhaps I should be excused or should apologize for my facetiousness. They are stating in the record of the testimony before the Senate Committee on Commerce that we should reciprocate controlling the exportation of our logs because Scotland controls the exportation of its logs.

Well, Scotland of course has no sovereign right or capacity to control any exports and—

Senator DOUGLAS. The same provision exists for Scotland as exists for Wales and Northern Ireland and Great Britain.

Mr. SMITH. Yes, sir; without exception.

Senator DOUGLAS. I was interested in this, that Scotland had restrictions on sycamores.

Mr. SMITH. This is an allegation which I am not able to—

Senator DOUGLAS. Do you know whether the Scottish definition of sycamore is the same as the Hoosier's definition of sycamore?

Mr. SMITH. I am not able to say.

Senator DOUGLAS. The Hoosier definition of sycamore really includes the so-called plane tree, and it is, I believe, a faithful trade of Indiana because Paul Dreiser, brother of Theodore Dreiser, who wrote "On the Banks of the Wabash Far Away," you know, has as its opening lines, "Through the sycamores the candlelights are gleaming," and the famous Indiana politician, Daniel Voorhees, referred to the tall sycamores of the Wabash. Also, the sycamore is imminently associated with the Wabash bottoms, particularly on the Indiana side of the river.

Mr. SMITH. There is this possibility of a similar situation in Scotland.¹

Senator DOUGLAS. And they say that sycamores are really maples. Now I am surprised that Hoosiers would say that sycamores were the same as maples, because the maples are the wood of the northern latitudes, especially the sugar maples, in Vermont and northern Wisconsin.

But I am surprised that Hoosiers would misname the sycamore in this fashion. I see a distinguished Hoosier on our staff here. You would not say sycamore is the same as maple, would you, Charlie?

(Discussion off the record.)

Mr. SMITH. Incidentally, I am quoting one of the chief Hoosiers. This was in testimony which was presented by—

¹On the U.S. Capitol Grounds are several trees identified as *Acer Pseudoplatanus*, sycamore maple, Europe.

Senator DOUGLAS. The Hoosiers downgrade their native tree. You do not pay sufficient homage to the tributaries of the Wabash and to the great democratic statesman of Indiana, Daniel W. Voorhees.

Mr. SMITH. Germany and France do tightly control their timber for obvious reasons. Their forestlands were so devastated during World War II that they are compelled to take stringent measures, but these measures are as stringent in their domestic application as in their export.

We fail to understand the significance of the continued reference to controls manifested by other countries.

The language used in S. 1896, page 2, commencing line 7:

(i) exports of such materials or commodities by volume, as shown by the latest Government figures or reasonable estimates, are at least five times greater on an annual basis than they were in 1955—

is equally confusing.

Does this section mean that there may be a continuing review of exports and when, possibly due to the export expansion efforts of the Congress, the administration and industry, a jeopardy will be created when exports of a given item reaches five times what it was in 1955?

A review of those commodities now caught up under the "five times" criterion demonstrates the existence of a controversial item which should have the benefit of more serious study than is possible within S. 1896. We refer, of course, to Douglas-fir trees exported from the Northwest.

Mr. Chairman, we are not alone in our serious concern as to the implications of S. 1896 and its possible inhibitions to the export expansion program and our balance-of-payments position. Other organizations and citizens are just becoming aware of the extraordinary possible complications which could derive from such legislation.

We feel that it would be deplorable for such a measure to receive favorable consideration before it could be seriously studied by so many people with so many interests transcending the somewhat parochial concern of the veneer manufacturers of Indiana.

If I may, at this time, for the record, submit 127 telegrams from farmers and loggers and others from Virginia, New Jersey, Ohio, from Maryland, from the State of New York, from the State of Oregon, all deploring the possible reinstatement of controls and the effect it would have on these farmers and producers.

I must say that these telegrams were directed at the time when the Commerce Committee was looking into this situation, but apparently did not reach the committee in time to be included in the record and we wondered whether we could submit them.

Senator PROXMIRE. We would like to do it, but in view of the fact that there are so many, and because it is expensive, I think the best thing would be to list the names in the record, if that is all right with you, and insert a copy in the committee files of the telegrams, but we would like the names of those who have gone on record in support of your position.

Mr. SMITH. We will supply that. It will be very much appreciated. (The list of telegrams received follows:)

TELEGRAMS ADDRESSED TO SENATE COMMERCE COMMITTEE IN OPPOSITION TO REIN-
STATEMENT OF CONTROLS

Iowa :

Marceau Desplorque, Jr.
Ray Connell
George Sage
Ferson Carr, Central Walnut Co.

Maryland :

James W. Johnson
George W. Reaver
Francis E. Reaver
Franklin R. Reaver
Roland D. Wilson
Mabel E. Reaver
Carrie V. Reaver
John H. Huges, Susquehanna Corp.
Alvis D. Atwell
Kimball Tyler Co.
B. N. Chandler
John H. Anderson
William Isaac McElroy

Michigan : Hamilton Lumber & Veneer
Co.

New Jersey :

L. S. Roe, Paul Bunyan Tree
Service
Richard B. Mires, Jersey Package
Co.

New York :

Karl H. Westfall
Arthur Tyler
Andy Martin
Russell Martin
Rauber Lumber Co.
Sterling Brennan
Charles Taylor
Jacob G. Fox
George Standish
Harold J. Wester
Philip Wester
B. & R. Tree Service, Roger Brewer
Bob Raplee
Junior Martin
Larry Tuggle
Bill Confer
Nathan M. Cyr

Ohio :

Sam Bills
Herb Allen
Smith & Hopkins Lumber Corp.

Oregon :

Wesco
N. H. Beer & Associates
Joe Carlson

Pennsylvania :

H. E. Miller
Mr. and Mrs. William Yingling
Mary Giulive
Alton J. Meminger
Stanley McClintic, Jr.
Mrs. Beulah Struble
Craig Deter
Gene Vermillion
Harold Spacht
Gerald R. Mills
Ray and Lynn Aumiller
Raymond P. Zimmerman
Robert McNewman
Henry's Hardware & Furniture

Pennsylvania—Continued

Dale Henry, Jr.
C. F. Miller, Sr.
William Tate
Dean P. Otto
Ray McCabe
Charles F. Miller, Jr.
Claude McClintic
Dutch Dressler
Charles Harris
Elwood T. McClintic
Donald H. McCoy
A. T. Kennedy
Don Patton
Chester Shockley
Norman J. Patton
Royer Hearn
Louis Belisle
Robert Brandt
Charles Hack
George B. Mills
Reuben Albertson
Otto Patton
Angelo Rose
Harry Wentz
Thomas Oberholtzer
Harley Derro
J. M. Downing
William Black
Chester Michael
Woodroy Michael
Kenneth Michael
Richard Michael
Daniel Kreiser
S. Blake Newberry
Russell S. Reimer
Vitale Lumber Co.
John Burns
Morrison Lumber Co.
C. J. Charles
Arthur R. Weeks
R. D. Shoemaker
Oram Roy
Paul Burgeron
H. G. Hoke
Ray VanWhy
W. D. Rodgers
Clarence A. Blake
Glenn Draft
Francis Breighner
William Bowman
Parke L. Seldomridge
Rogers Saw-Mill
George Kraft
George McVay

Virginia :

John U. Miller
H. G. Potts
Bradley Gerry
General Woods & Veneers, Inc.
General Walnut Log Co., G. W.
Lambert
Triangle Lumber & Log Co., V. V.
Cutshaw

West Virginia :

Bill Alt
Earnest Franz

Mr. SMITH. Then we have statements which were made by R. S. Shapiro, chairman of the Herman Hollander Corp., of New York, who is a substantial dealer in agriculture products, and has been exporting.

There is a letter from Mack A. Cook Walnut Co., of Neosho, Mo., dated June 14, in which Mr. Cook outlines his history and problems with regard to export controls.

I have a statement from Kyle Walnut Co., a man named Cass Kyle, who says his grandfather logged with Cordell Hull's father, and were lively competitors in the rafting days of the Cumberland River in Tennessee, and discusses this walnut logging situation.

All of these people deplore the possibility of reinstatement of control.

I have a statement of a professional forester, Albert Hall, who practices in Washington; a statement on the economics of the situation, by Harold Heck, professor at School of Foreign Service, Georgetown University; a statement by the Appalachian Hardwood Manufacturers, a trade association involved with the hardwood lumber business in Appalachia, who deplores the return to controls.

I believe that will identify most of these documents.

Senator PROXMIRE. Were any of those printed in the Commerce hearings?

Mr. SMITH. Some of them were and some were not. I can readily identify which ones.

Senator PROXMIRE. Those that have been already printed and are available to the Senate, we wouldn't want to repeat. We will keep the rest of the information in the committee. We will make reference to all of them, and those you feel are particularly important, one or two, we will be delighted to print them.

(The letter and statements not previously printed in their entirety in the Commerce Committee hearing entitled "Export Controls on Black Walnut Logs" follow:)

MACK A. COOK WALNUT CO.,
Neosho, Mo., June 14, 1965.

COMMITTEE OF AMERICAN LOG EXPORTERS,
Washington, D.C.
(Attention: Mr. Harry J. Smith, Jr.)

DEAR MR. SMITH: I am writing you in protest to Senator Hartke's bill S. 1896 to stop the export of walnut logs. I have been in the walnut log business for 40 years and I can see no reason why the supply cannot last for 40 years more. This I believe is due to the fast growth of the trees, increased fire protection, and the interest of farmers and ranchers to protect the small trees, having become conscious of their value. I speak for the area best known to me; namely, Nebraska, Kansas, Oklahoma, Missouri, Texas, and Arkansas.

My father came to Kansas from Kentucky some 65 years ago and dug walnut stumps from the ground and shipped only the stumps to markets in New York. Later, of course, they began shipping the log also and I have even heard him speak of exporting logs to Germany even then, so I fell into the business with an experienced teacher.

For the past number of years I have owned and operated a log yard in Neosho, Mo., and buy great quantities of logs from several surrounding States. At the beginning of my career 40 years ago we cut most of our logs in Kansas and Oklahoma, and all through the years, Kansas and Oklahoma, as well as Arkansas and Texas, have had great resources in the production of walnut logs. These States are not mentioned by our opponents as being walnut-producing States. There is no shortage of walnut log in this five-State area adding on Missouri. In 1946 I bought a million feet of walnut logs in this four-State area (Oklahoma, Kansas, Arkansas, and Missouri), and I would say the same thing could be done

today, and is being done by various companies in the area. I can see no difference in the supply of logs today as compared with 20 years ago.

There is, on the other hand, a great need for the privileged to export our logs as I have found eastern domestic firms unwilling to buy logs from Oklahoma, Arkansas, and western Missouri.

I feel certain I speak for all my associates from the farmer who sells the trees to the log cutters working in the timber, the truckers bringing the logs to market, the laborers on the log yards, bookkeepers as well as owners and managers of the many log companies, and many, many others who depend on the export market, directly or indirectly for a living.

I trust we will not have the misfortune of seeing this bill passed with its aftermath of thousands of people seeking work elsewhere who are now happily and prosperously engaged in work they enjoy.

Very truly yours,

MACK A. COOK.

STATEMENT BY HAROLD J. HECK, PROFESSOR, SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNIVERSITY

My name is Harold J. Heck. I am a professor on the faculty of the School of Foreign Service, Georgetown University.

I have been asked to comment on certain economic aspects of the imposition of export controls for short supply reasons. Short supply, in this case, arises from increased demand, which may be foreign or domestic in origin.

The record of recent years indicates effective demand sources. According to figures submitted by the American Walnut Manufacturers Association, recent consumption was as follows:

	Export	Domestic	Export as percent of total
1961-62 average.....thousand board feet..	8.5	17.5	33
1963 actual.....do.....	14.3	23.5	38
1963 relative to 1961-62 average.....percent..	1.68	1.35	-----
1961-63 average.....thousand board feet..	10.4	19.5	35
1964 actual.....do.....	7.3	19.5	27
1964 relative to 1961-63 average.....percent..	2.30	(¹)	-----
1964 relative to 1963.....do.....	2.42	2.17	-----

¹ Increase.

² Decrease.

³ No change.

The following conclusions may be drawn from these figures:

1. The heaviest demand is domestic, the domestic market taking 65 percent of the total in 1961-63 and 73 percent in 1964;

2. The amount taken by the export market in 1964 declined absolutely (by 42 percent from 1963) and relative to the total;

3. The amount taken by the domestic market in 1964 declined absolutely (by 17 percent from 1963) but increased relative to the total;

4. Because of relative sizes, the impact on the market of domestic demand is likely to be significantly greater than that of foreign demand. Hence, domestic demand must be primarily responsible for any excessive drain of scarce materials and for any major inflationary effect on prices.

The second phase of my testimony pertains to foreign economic policy implications of export controls.

There seems to be some question as to the propriety of reimposing export quotas because of the General Agreement on Tariffs and Trade (GATT). Three articles of this instrument appear to touch on export quotas.

Article XI provides for the general elimination of quantitative restrictions except for—

(a) export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting country; and

(b) export prohibitions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade.

Article XIII provides that if such restrictions are used, they must be applied without discrimination as between GATT countries.

Article XX specifies a number of exceptions to the agreement, stating that the agreement does not prevent the adoption of measures—

(g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

(h) undertaken in pursuance of obligations under any intergovernmental commodity agreement conforming to GATT criteria; and

(i) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price is held below the world price as part of a governmental stabilization plan.

Article XX(g) is perhaps nearest in applicability to the walnut log situation. However, one may question whether walnut logs are in this sense an "exhaustible" natural resource; they are certainly replaceable over time by good forestry practice. It may be that the contracting parties to the agreement intended this to apply to something that would not be reproduced, such as minerals.

Moreover, we must bear in mind that the GATT is an intergovernmental agreement and the provisions of XX(g) appear in context to assume restriction imposed by a government on domestic production or consumption.

As far as I know, the United States does not have legislation that would permit this type of imposed action on the private domestic economy; and if this is so and we were to reimpose an export control of the type just terminated, it may become necessary to appeal to the contracting parties of GATT for an exception to the agreement to which we subscribe. Such a request for exception requires a defense and, in the light of the record mentioned above, I believe it would be hard to sustain.

I would like to close my remarks by reference to certain balance-of-payments aspects of the problem. The question is, if we strive for expanded exports, whether we should anticipate an expansion in the export of logs, of veneer, or of finished manufactures.

Of course, to the extent that a nation can, its advantage is in exporting the finally finished product—the finished furniture, in this case. There is more labor content involved. But here the question is not only an element of manufacturing cost but of taste and of transportation expense. Finished furniture occupies sizable shipping space; it does not lend itself to being shipped knocked down or in parts to reduce shipping costs.

On the question of taste, we seem to prefer foreign goods over their preference for ours. This is borne out by the fact that in 1963 the United States exported about \$11.5 million of furniture and parts made of wood or of upholstery and wood; we imported, on the other hand, wood furniture amounting to over \$25 million.

If we think of exporting veneer rather than logs, the question is whether the fine cut usable abroad can be done competitively in the United States in adequate amounts. It may be that logs are the only form in which the United States can successfully export walnut woods.

In either case pressure arising from balance-of-payments considerations, for exporting in any form, might contribute still further to an increased drain on relatively limited supply and production.

STATEMENT OF H. D. BENNETT, APPALACHIAN HARDWOOD MANUFACTURERS, INC.,
CINCINNATI, OHIO

Thank you for the opportunity to appear. My name is H. D. Bennett. I am secretary-manager of the Appalachian Hardwood Manufacturers, Inc., a trade association of Appalachian hardwood lumber producers. I am also a graduate forester by profession.

My remarks on the subject of walnut veneer log embargoes will be confined strictly to their effect on the Appalachian hardwood region. This is the area lying in the mountains between Maryland and Georgia and is the very heart of the President's "aid to Appalachia" program. Appalachia is a distinct timber producing area and has been recognized as such, both legally and botanically.

The timber has distinctive characteristics that are recognized in the trade. Figures on the volume of timber standing in the Appalachian area are incomplete. However, such figures are available for West Virginia and this is the only State wholly within the Appalachian hardwood producing territory.

From a total volume of timber standpoint, walnut represents less than 1 percent of the stand of hardwood timber or about 246 million board feet in trees of saw-timber size which means 12 inches and up in diameter at about 4½ feet above the ground.

The approximate distribution by volume of sizes of walnut timber is as follows :

	Diameter, breast height					Total
	12	14	16	18	20	
Million board feet.....	40	60	53	35	68	246
Percent of total.....	16	20	22	14	28	100

The approximate distribution of log grades is as follows :

	Log grade				Total
	1	2	3	T & T	
Million board feet.....	28	58	132	28	246
Percent of total.....	11	24	54	11	100

This represents a well balanced volume and quality picture, and while the volume is small it is an important factor in the economy of the area ; from the standpoint of timber sales, veneer log and lumber production, and income to the owner of stumpage.

In the overall timber picture, we are cutting about 40 percent of the growth in sawtimber-size trees. Walnut in the Appalachian area, like in many parts of its range, often grows in small woodlots, pastures, and fence rows and is an important source of income to the small landowner. The walnut in the Appalachian region has never provided an important source of supply for the domestic veneer industry. This is due primarily to the texture and color which is not as desirable for veneer as the trees grown in the Middle West.

However, the walnut timber in the Appalachian area has found a ready market in the export field, at prices and market potential that are not available in the domestic veneer industry.

When the embargo went into effect the foreign buyers being limited to the volume they could handle moved into the Midwest and caused an increase in the demand for the walnut veneer logs from that area. If the embargo were lifted on the veneer log export market for the Appalachian area, it would not only help to relieve the pressure on the Midwest supply, but it would be a help to the economy of the area since the prices being paid for the walnut timber available go to the owners in the area and are one of the many factors that can help to continue the rise in the economy of the area.

Senator PROXMIRE. I would like to ask you, Mr. Smith, about a chart, on page 197 of the Senate Commerce hearings. The chart shows the growth of walnut, 20 million board feet a year, every year, 19 million last year.

Then it shows there has been a very sharp increase in domestic consumption, except for 1964, this last year, and an extremely sharp increase in exports. The result is that there has been a deficit, in excess of utilization over new growth which seems to me to be just prima facie, very alarming.

I realize that this is going to be presented by those who want to continue the controls, but on its face, this seems to be a pretty strong case.

Mr. SMITH. I think that I thoroughly agree with you, Senator Proxmire. On its face it does make a very strong case, and it was the case, incidentally, which was used in the beginning of 1962, which ultimately brought about the controls on the export of walnut logs by the Department of Commerce in 1964.

But we believe, and I think Secretary Connor mentioned the point today, that there has been new evaluation of the timber which was not then available to the people who produced this chart, and I think within the same record, on page—

Senator PROXMIRE. I understand this is commercial land only.

Mr. SMITH. Yes, sir. That is one point. And there is another point to be made, that is on page 195 of the same document, there is a new statement, a fresh statement by the USDA Forest Service, in which they amplify some of the material which was used at the time of this 1962 exercise, and also, they point out that there is additional inventory than was known at that time and they also point out, I think, that there is considerably more veneer quality walnut outside of the so-called six Central States, the only scientifically censused States. There are many factors, I think, which have developed since the time this chart was devised.

Senator PROXMIRE. You see, this chart goes up to 1964 and on page 196, they show the total sawtimber, 2,168 million board feet, 280 million veneer quality, and then, that is the inventory, 280 million veneer quality, and then the annual growth to total sawtimber of 96 million, and veneer quality of 20 million, which corresponds precisely with the chart on page 197.

At any rate, we will have to look into that. I think that your reply indicated that there was newer information. Thank you very much, sir.

(The prepared statement of Mr. Smith follows:)

STATEMENT BY HARRY J. SMITH, JR., EXECUTIVE SECRETARY, COMMITTEE OF AMERICAN LOG EXPORTERS

My name is Harry J. Smith, Jr. I am the executive secretary of the Committee of American Log Exporters. The committee supports and lauds Secretary of Commerce John T. Connor's decision to end controls on the export of black walnut logs when OEC Order 888 expired on February 13, 1965.

The committee was formed in August 1962 when it was learned that the American Walnut Manufacturers Association had petitioned the Department of Commerce to impose an embargo or quota on exports of walnut veneer logs. It was then felt, and it has been consistently felt by most exporters, loggers, and farmers interested in free and expanding world markets for log and timber products, that the purpose behind the Indiana-centered veneer manufacturers petition was to protect the prices which they paid to farmers and log producers. Prices which had increased due to a new foreign market for veneer quality American black walnut logs.

The American Walnut Manufacturers Association presented their original statement in support of their petition for the imposition of an embargo or quota on exports of walnut veneer logs to the Department of Commerce on November 14, 1961. On July 18, 1962, the AWMA issued a supplemental statement supporting their original request. The principal data contained in this statement consisted of tables prepared with the Forest Products Division of the Business and Defense Services Administration. These tables purported to confirm the AWMA's principal premises that walnut logs were an invaluable resource, in short supply, and that abnormal foreign demand occasioned an inflationary impact of the economy of the United States.

Several hearings were held at the Department of Commerce with the Director, Office of Export Control, and the Administrator of the BDSA in 1962 and 1963. The Committee of American Log Exporters was present at only two of these

meetings, that is, September 12, 1962, and January 15, 1963. At that time it was pointed out that there was a question as to the validity of the four basic documents presented by the petitioner and especially with regard to the reckoning of the imbalance of drain over growth of standing walnut timber. In this connection, it was our feeling that the inventory was grossly understated and that there was considerable black walnut veneer quality timber and growth outside of the six Central States (i.e., Indiana, Illinois, Kentucky, Missouri, Iowa, and Ohio). This contention seems to be borne out in the recent publication "Timber Trends in the United States" prepared by the Forest Service, U.S. Department of Agriculture, in February 1965. The committee has prepared an analysis of the new data which will be submitted for the record by Mr. Albert Hall, an eminent consulting professional forester, who will testify later during this hearing and comment on his findings.

Our organization thinks that Secretary of Commerce Connor made a wise decision in terminating controls for the following reasons:

1. *There is no threat of exhausting the species.*—Considerably more American black walnut of veneer quality is in existence than has heretofore been acknowledged. Much of it grows outside of the six Central States of Iowa, Indiana, Illinois, Missouri, Kentucky, and Ohio; contrary to what has been stated by the American Veneer Manufacturers who continue to maintain that "its important commercial range is limited principally to the six Central States."¹ Exporters and their suppliers find it impossible to believe the dire prediction that only a 7-year supply of veneer quality walnut log exists at the present rate of domestic consumption coupled with normal foreign demand.

Especially, when one considers the fact that at least 75 percent of all the logs heretofore exported have originated outside of the "six Central States," but only 10 percent of these have been charged against the known inventory of saw timber in the "six Central States." This statistical gambit was developed by virtue of the estimate that only 10 percent of the commercial quality logs exists outside of the Central States, there being no census of walnut timber except in the central area. In the meantime, the farmer, logger, exporter, and importer blissfully continued to trade principally in logs produced in Virginia, Maryland, Pennsylvania, eastern Kentucky, Tennessee, Michigan, New York, Nebraska, etc., unaware and unconcerned that the logs did not statistically exist. In the fall of 1962, the Committee of American Log Exporters conducted a survey as to the origin of black walnut logs in the export trade and when irrefutable evidence was submitted that Appalachia was the principal supplier of these logs, the petitioner for controls or embargo—the AWMA—admitted the likelihood of the findings but commented that as importers became more sophisticated and selective, they would demand and turn to the better quality midwestern timber. It was this threat of incursion in the sacrosanct "six Central States" which precipitated the demand for controls by the petitioner.

It was at this time that our committee telegraphed Secretary of Commerce Hodges and Secretary of Agriculture Freeman, and I would like to quote that telegram in its entirety:

"NOVEMBER 21, 1963.

"The American exporters of black walnut veneer logs respectfully draw your attention to Under Secretary Roosevelt's report which discusses the depressed economic conditions of the Appalachia Mountain area. A recent survey conducted by the Committee of American Log Exporters and presently in the hands of your staff shows that 75 percent of all walnut veneer logs exported from the United States in fact originate in Appalachia. Should the special interest group of Midwestern veneer manufacturers succeed in their endeavors to embargo exports of logs, at least \$10 million worth of business a year will be lost to the depressed Appalachian area. Ironically, the veneer manufacturers maintain that they have no interest in purchasing these logs from this area for their consumption in the Midwest. Mr. Secretary, we know that you will continue to resist the implausible, unfair, and completely erroneous allegations of the American Walnut Veneer Manufacturers Association. Because of the serious possible consequences, a copy of this telegram has been sent to all Congressmen representing Appalachian Mountain States."

The national growth-drain imbalance contention remains unproven. If it exists within the "six Central States" it is because the veneer manufacturers in that

¹ Donald H. Gott, executive secretary, AWMA testimony before Senate Commerce Committee, Indianapolis, Mar. 16, 1965.

area are causing it and whatever this remedy, and a remedy should be found, it does not exist by imposing control on the negligible proportion finding its way into export.

2. *Foreign demand.*—It is unreasonable to assume that foreign demand or for that matter domestic demand will continue at the current rate of consumption. Obvious classic economic factors limit that possibility. Price, fashion trends, consumer tastes, new designs, substitutes, and synthetics, all combine to limit that eventuality. Mr. R. S. Shapiro, chairman of the Herman Hollander Co. of New York has been asked to testify before this committee as to the significance of the aspect of the market trends. His firm is a leading exporter of American agricultural commodities to many markets.

3. *Return to normal.*—Secretary Connor's decision to end controls will have the ultimate effect of returning the trade to more normal and understandable patterns. We cannot ignore the impact caused by continued rumors of impending controls, hearings, investigations, and petitions which have distorted normal marketing and demand since 1961. The effect of this confusion and the "scare buying" which it created was most evident in 1963 when the overseas market reacted by overbuying when it imported 13 million board feet.

4. *The Export Control Act of 1949.*—The committee deplores excessive price increases in American black walnut logs even though it does bring about a laudable windfall to the American farmer, but we cannot see how the short supply section of the Export Control Act of 1949 can be employed as a price controlling apparatus.

The AWMA and many furniture manufacturers have testified that the walnut face veneer utilized in the manufacture of furniture amounts to but 2 percent of the total price. Inflation can only be measured at the consumer level and we find it impossible to justify that such a modest factor in total cost could conceivably be characterized as remotely related to inflation. In any case we have studied furniture prices at the retail level over the past 10 years and we cannot discern where walnut furniture prices have increased proportionately greater than has the price of any other furniture.

The only example given by the petitioner for employment of the Export Control Act of 1949 to prevent export due to abnormal foreign demand thus creating an excessive drain has been the commodity "sugar" which was placed under export control in 1963. There does not seem to be any similarity between the "sugar" and walnut issues.

5. *Balance of payments.*—The proponents for controls have called for either an embargo on exports or a reduction of quota to 2 million board feet. This, they state, would mean a loss of only \$10 million in our balance-of-payments position; \$10 million is not an insignificant sum and in the light of the serious concern expressed by President Johnson and the Congress, it is, in fact, a meaningful contribution on the part of our agricultural community; which segment of our economy has been called upon more than any other—to help improve the U.S. balance-of-payments position.

May I at this time quote briefly from Under Secretary of Agriculture Charles S. Murphy's testimony before the International Finance Subcommittee of the Senate Banking and Currency Committee, March 16, 1965, when he stated:

"In fact, expansion of agricultural exports is one of the best possibilities we have for improving our balance-of-payments situation. It is also a possibility which depends very largely on the wisdom and vigor of Government policies and actions, as well as on the productive genius of American agriculture."

In order to realize our full potential for expanding agricultural trade, Under Secretary Murphy included these cardinal principles: "Reduce barriers to international trade in agricultural products; and avoid self-defeating policies and actions that needlessly restrict our agricultural exports."

The petitioner goes on to state that the only substitute for walnut would be "total importation of replacement woods" thus eventually affecting the balance of payments unfavorably. This is a patently false assumption as there are native American substitutes. In fact hickory, marketed as pecan, is currently seriously vying with walnut in higher priced furniture. There is an adequate supply of other fine American woods such as maple, cherry, ash, elm, and oak.

Nor can much credence be given to the statement that "American furniture manufacturers are active with plans to greatly increase export of furniture made with walnut veneer." Labor costs, mass production limitations due to basic style and taste differences and transportation costs would preclude any considerable trade. We are fortunate to be able to ask that the chairman permit Dr. Harold Heck, director of the Department of Trade and Transportation at

the Walsh School of Foreign Service, Georgetown University, to comment on some of the international trade aspects. Our members, in any case, have contacted well informed trade sources who replied unanimously in the negative as to any possibility of substantial U.S. penetration of the international furniture markets.

6. *Appalachia*.—Time after time, midwestern veneer manufacturers have stated that they have no interest in the Appalachian walnut log. Without an export market there would be no income from veneer quality logs. Farmers and producers have testified before this committee at its session at Indianapolis that there was no market until the export trade developed. The midwestern farmers as well, have benefited as they are no longer completely captured by the Indiana manufacturer as they can now sell both domestically and for export.

It is now known that the AWMA was unable to induce their members or influence the nonmember veneer manufacturers to comply with the terms and conditions of the agreement which they made with then Secretary Hodges. This agreement to decrease thickness of veneer to one thirty-sixth of an inch and otherwise reduce domestic consumption to 15 million board feet was an abject failure.

There are grave doubts that the AWMA is competent to control the entire veneer industry and therefore any agreements which they might seek to make cannot be considered completely responsible.

Already the record made at the Indianapolis session of these hearings discloses that the AWMA deplors the establishment of new veneer mills started since controls were enacted.

We feel that the AWMA can never again be regarded as the bargaining agent for its entire industry. As a matter of fact, since controls were established in February 1964, several new mills were started. Nothing can be done to restrict this expansion notwithstanding the objection of the American Walnut Manufacturers Association.

It seems manifestly clear that the only persons who can benefit by controls are the members of the American Walnut Manufacturers Association. However, the exporter, the farmer, the logger, the producer, the trucker, the railroad, the ocean carrier, the importer (our trading partner in foreign markets) all lost when controls were established.

We thank Secretary Connor for his understanding of that basic American principle that one special interest cannot be served by the Federal Government to the complete disadvantage of other businesses and the American public interest.

Senator PROXMIRE. Mr. Harris, you are Legislative Counsel for the Farm Bureau Federation.

**STATEMENT OF HERBERT E. HARRIS, LEGISLATIVE COUNSEL,
AMERICAN FARM BUREAU FEDERATION**

Mr. HARRIS. Yes, sir, Mr. Chairman. I appreciate being able to be here. In the interest of time, I would like your permission to file my statement and ask that it appear in the record.

Senator PROXMIRE. I appreciate that very much.

Mr. HARRIS. I would like to make one or two highlights. I would point out that we are the only representative here this morning that is representing the producers of the product which is being discussed for controls.

We do produce and harvest and have had substantial experience in marketing walnut logs. We haven't done well in marketing them in the past, but we are starting to understand that if we set up marketing associations, accumulate lots of logs and start bargaining at auctions and other places with the customers, both foreign and domestic, that the price does improve, and that we do improve the net income of our farmer members.

This income of walnut logs has become very important to many of our members, especially in the Appalachian region, as well as regions such as Kentucky. Many of our folks down there refer to this as college money. This is the \$500 or \$600 that they can pick up in "cash" money that sends the young fellow to college and—

Senator DOUGLAS. This is the equivalent to egg money?

Mr. HARRIS. This is the equivalent. This is the income that can go into the sugar bowl.

Senator DOUGLAS. It is egg money that finances the farm housewife and walnut money that finances the college student.

Mr. HARRIS. This is the way a lot of them refer to it. We opposed the institution of these export controls initially and, of course, it lay dormant for a year or so, and all of a sudden as far as we were concerned controls were imposed by the Secretary of Commerce, despite our recommendations against it.

We do not think it is consistent with U.S. trade policy and as the Senators know, the Farm Bureau historically and traditionally and at present advocates a sound foreign trade policy where we bend every effort to expand our exports and develop foreign markets.

We have learned in this marketing, through our own privately financed office in Rotterdam and elsewhere that you cannot treat your export market as a dumping ground. You cannot treat it as a market where you put something to get rid of it or where you have too much of something, you unload it there.

This is a market that has to be serviced, has to be handled precisely like the domestic market and once you develop customers, you have to respect them just as you respect your domestic customers. You can't subject them to the type of pressures that we have in the past year or two.

I think when you start citing exports of recent months, it indicates how these artificial restrictions can have an impulse on the exports and cause scare inventory buying and what have you, because they are afraid these channels of trade will be disrupted.

I know that the subject of conservation has come up. And I know, in all sincerity, that our good domestic customers whom we respect a great deal, are as interested in conservation as we are.

I think if we talk about conservation, that it is much more important to talk about young growth than it is to discuss some artificial attempt to keep mature timber on the land. And I talked directly to Kentucky yesterday, precisely as to this problem. I know the committee will be happy to know, and I get this information directly from the Division of Forestry, Department of Natural Resources, State of Kentucky, that this year, 1 million walnut seedlings are being made available by the division of forestry for planting. This compares to 250,000 seedlings last year.

The Kentucky Farm Bureau is contacting other groups, such as 4-H and FFA, and has offered its services through its county farm bureaus, to arrange for the plantings of these seedlings.

Now the interest and the motivation here is two pronged, our general interest in conservation, of course, but more important, these people who are being asked to plant and to conserve and to grow know that they have a product or would like to know that they have a product which there will continue to be a strong market for, where there is

genuine economic incentive for them to go ahead, plant, cultivate, and raise these walnut trees.

If the market stays such, and this incentive is provided, I feel certain and I believe the committee will conclude, that we will have more, not less, walnut trees in the future.

Thank you very much for allowing me to appear.

Senator PROXMIRE. How long does it take a walnut tree to grow from a seedling?

Mr. HARRIS. A little bit less than a man, I think around 50 years.

Senator DOUGLAS. How many?

Mr. HARRIS. 50 years.

Senator PROXMIRE. Fifty years is a long, long time.

Mr. HARRIS. I used to think so, sir, but not any more.

Senator PROXMIRE. As we get older, it doesn't seem quite as long. But nevertheless, in terms of solving the immediate problem, I just wonder if it is safe to say you are increasing your planting now.

The growth has been 20 million board feet of this veneer quality of walnut for some time and as we pointed out, the exports and domestic production far exceeds it. The year before the limitation was put into effect, in 1963, consumption was twice as great as growth, I am wondering if this is a satisfactory solution.

Mr. HARRIS. Well, for the long period, I think it is more than a satisfactory solution. I think that if we move toward restricting our markets for walnut logs, in the long run, we can face the extinction of the walnut tree because we will have removed the incentive, except for Government, to plant, to care, to harvest these trees.

In the short run, I think we do have an annual growth, which has been somewhat ignored here this morning. We have constantly maturing trees which can supply the needs. We are liable to be in a short market for awhile.

Representing an industry that has had a good deal of experience with surplus markets, we would ask the committee not to deprive us of an area where we do have a little bit of bargaining power.

Senator PROXMIRE. Occasionally I disagreed with the Farm Bureau, but I do think you have a crisp, clear logic, which is often persuasive, and particularly in insisting on free markets wherever possible.

But I am wondering if you could just tell us, this is the last question I have, whether you can conceive of any situation in which you would favor export controls? Can you conceive of a situation in which, if the data should be presented to show that we are going to virtually destroy the walnut furniture manufacturers in this country, do you think if data did show that, that would be sufficient ground for imposing controls?

Mr. HARRIS. Very frankly and honestly, sir, without going into the detail necessary to answer the question fully, I would say that this would be the wrong way to handle a situation of this kind. Just to handle one factor of your marketing, and say that you are going to handle a conservation problem in that manner, would seem to me to be a piecemeal approach.

Senator PROXMIRE. What would you do, let the industry fold, and the people lose their jobs, and investors lose their investment?

Mr. HARRIS. No, sir; I see no possibility of a situation like that developing. I think we have an annual growth, and we have alter-

natives in woods, obviously, to use. Now, it is quite true, walnut is very popular, and our walnut growers think it is a wonderful situation. When I was first married 10 years ago or so, the limed oak was very popular, I remember, for furniture then. These days it has changed, and I presume that as the cost of walnut rises, the economic point will be reached, where other woods will be more attractive to the consumer in view of the price.

Senator PROXMIRE. Any questions?

Senator DOUGLAS. No.

Senator PROXMIRE. Thank you very much.

Mr. HARRIS. Thank you, sir.

(The prepared statement of Mr. Harris follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION PRESENTED BY HERBERT E. HARRIS II, LEGISLATIVE COUNSEL

We appreciate the opportunity to present our views in regard to proposed amendments to the Export Control Act designed to restrict the export of walnut logs. Farm Bureau is an organization of farm and ranch families with over 1,647,000 member families in 49 States and Puerto Rico. Many of our members produce, harvest, and market walnut logs, especially on small woodlots. This income has become very important particularly to small producers in the Appalachian region.

Farm Bureau opposed the institution of the export control program on walnut logs. On February 7, 1962, we advised the Secretary of Commerce that an export control program would "curtail an important market outlet for producers; and it would disrupt friendly relationships with some of our important trading partners abroad." Despite our protests, the export control program was inaugurated February 14, 1964. We believe this program has been highly unfair and discriminatory to the walnut log producer and has seriously disrupted normal trading patterns.

On February 11, 1965, we communicated with the Secretary of Commerce as follows:

"The American Farm Bureau Federation, representing 1,600,000 farm families, is vitally concerned with increasing the net income of farmers. In many areas walnut logs provide an important source of farm income. We believe the producers of this commodity should have access to the export market. Therefore, we recommend that the export control program be terminated and that our small woodlot producers be given the benefits of export markets."

We believe that the Secretary's subsequent announcement that he would not extend export controls on walnut logs was appropriate and necessary to protect the best long-term interest of the United States and the U.S. walnut log producers.

Farm Bureau consistently has supported a sound foreign trade policy. We recommended the enactment of the Trade Expansion Act of 1962 and have urged that this act be administered vigorously in order to obtain the removal of trade restrictions against U.S. exports. Farm Bureau's 1965 policies state:

"Our national foreign policy should be based on a systematic reduction of Government intervention and restrictions in foreign trade."

The termination of the export control program on walnut logs was consistent with this policy.

Farm Bureau has been engaged directly in activities designed to maintain and expand U.S. exports of farm products. We have organized the Farm Bureau Trade Development Corp. and have established an office in Rotterdam, Netherlands. This program is privately financed with no Government funds involved.

We also have organized marketing and bargaining associations which assist farmers in marketing their products and in obtaining a good market price. For example, the Kentucky Farm Bureau has established a walnut log marketing program which has benefited both producers and customers. Customers have a central source of walnut logs which can be bought in "lots." Farmers are assured that their logs are marketed efficiently, with competition assuring a fair price.

From these marketing activities, the principle has emerged clearly that export markets cannot be considered as "dumping grounds." These markets must

be serviced and treated in much the same manner as domestic markets. We must not give foreign customers the impression that we intend to sell to them only when we have more than the domestic market will absorb—only when we have something to get rid of. Foreign markets have been developed for U.S. walnut logs. Export controls have jeopardized those markets. The threat of new Government intervention continues to jeopardize them.

As the United States strives to expand all exports and to correct the serious imbalance of international payments, it is not sound policy to institute export controls of the type that were imposed on walnut logs.

We have seen no evidence of the possible extinction of America's walnut resources. Because of good market prices, walnut trees are constantly being planted and cared for. Market factors will bring about a balance between consumption and growth. The price mechanism is well equipped to perform that function.

Those who have advocated Government controls instead of the reliance on market forces have usually recommended controls on others and "voluntary" programs for themselves. There is strong evidence that their objective is to restrict competition for the purchase of walnut logs and thereby limit or reduce prices.

Black walnut grows best on lands suitable for agricultural production. Manufacturers for some time have been dependent upon farmers for their supplies of logs. Foresters, forest industries, and rural youth groups have encouraged the planting of black walnut trees to meet future demands. Farm Bureau has recommended a program which would further encourage production of walnut trees. S. 891, introduced by Senator Hickenlooper and 18 other Senators, would establish a cropland retirement program through which farmers could retire cropland for up to 10 years when put into timber. If market prices are allowed to function, such farmers would have great incentive to plant black walnut trees on these retired acres. We hope that this committee will recommend the adoption of S. 891.

We earnestly recommend that the committee reject proposals which would amend the Export Control Act so as to require export controls on walnut logs.

Senator PROXMIRE. The next witness is Andrew Brakke, chairman of the board, Great Plains Wheat, Inc.

**STATEMENT OF ANDREW BRAKKE, CHAIRMAN OF THE BOARD,
GREAT PLAINS WHEAT, INC.**

MR. BRAKKE. Senator Proxmire, I have a short and very brief statement. Probably 5 or 6 minutes long. I realize it is late; however, I would like to read it or at least have it inserted in the record.

Senator PROXMIRE. This is a concise statement. If you think you can summarize it more briefly or if you would like to read it go ahead.

MR. BRAKKE. Since it is so concentrated I would prefer to read it.

Senator PROXMIRE. Go ahead.

MR. BRAKKE. Mr. Chairman and members of the committee, my name is Andrew Brakke of Presho, S. Dak. I am chairman of the board of directors of Great Plains Wheat, Inc., a market development association representing wheat commissions and wheat producer groups of the important wheat States, Colorado, Kansas, Nebraska, North Dakota, and South Dakota.

With me today, and joining in this statement are representatives of Western Wheat Association, a market development organization of wheat commissions and producer groups of the Pacific Northwest States of Washington, Oregon, and Idaho, and of the National Association of Wheat Growers, representing wheat farmers of this country's major wheat States.

We wish to fully support and endorse the statement by the honorable Senator from the State of South Dakota, George McGovern, and to join him in these observations.

Even though U.S. wheat and feed grain production has been greatly reduced by production controls, we today are producing more wheat and feed grains above domestic needs than any other nation. Under extremely tight acreage allotments, U.S. farmers are turning out between 1 billion and 1½ billion bushels of wheat. But our production potential is far above this figure—perhaps as much as 2 billion bushels or more. Acreage allotments limit grain farmers in the use of their productive resources; they are denied the opportunity of making efficient use of their land, their equipment, their labor, and their management skills.

Our competitors, with whom we see eye to eye on most things, have been selling grain to all nations, Communist and non-Communist alike. On the strength of their record sales, both Canada and Australia are operating at peak production. In fact, governments of both countries have been encouraging increased production, while keeping carryover stocks in manageable supply. We have voluntarily locked ourselves out of certain markets and denied ourselves sales opportunities. But plenty of wheat is available to Soviet-bloc nations from our competitors.

In the fall of 1963, wheat sales to the Soviet bloc were declared “in the national interest.” However, such sales were partially blocked by a requirement that 50 percent of the cargo be carried in vessels carrying the U.S. flag, despite the fact that rates for U.S. flag vessels are much higher than those of other shipping nations. Only through superhuman efforts was it possible to export about 75 million bushels to Russia and other East European nations—far short of the planned purchase of 150 million bushels.

Thus, while wheat exports to the Soviet bloc have been declared “in the national interest” there is real doubt as to whether this is in fact the real policy. If we are not fully competitive on price, credit terms, and shipping costs, then it is quite obvious that we still lack a resolute purpose in carrying out the stated policy.

Volume of trade between East and West is rising steadily. The United States is selling a wide range of goods and commodities to the Soviet Union and to other East European countries. But wheat, among all such trade in commodities and goods, was subjected to an unusual requirement: Its commercial sale was dependent upon the use of American ships in transporting a certain portion of the total shipments to the Soviet bloc nations.

It is difficult to understand why wheat and other grains should be singled out for discrimination. This action not only sets a dangerous precedent in a commercial transaction, but it also can be used by other countries as justification for retaliatory action. This comes at a time when the United States is working with other nations to remove trade restrictions and to adopt policies which will improve the flow of goods and commodities in world trade.

There is good reason to believe that commercial grain sales to the Soviet bloc actually can exert some control on the direction of the Russian economy. To secure the hard currency to purchase grain from the United States, Russia must use scarce gold or produce useful goods that will earn the necessary funds. Then when these hard currency reserves are used to purchase wheat, these funds are diverted from purchase of strategic or military goods.

Senator DOUGLAS. Russia will never say, "You are eating bread made of American wheat." They will represent the American wheat as being Russian wheat, so that there is virtually no propaganda value so far as we are concerned except as the information inadvertently leaks out. I don't think there has been any reference in the Russian press to the fact that they were importing wheat from the United States or from Canada or Australia.

I am sure the Chinese press has not reported the fact that they have been purchasing from Canada and Australia.

Mr. BRAKKE. They probably would not be quite as hungry and probably would be a little more satisfied, Senator Douglas.

Senator PROXMIRE. Would the Senator yield on that point?

Senator DOUGLAS. Yes.

Senator PROXMIRE. In the first place, when you say there is always plenty of wheat in the world, there certainly wasn't when the Russians bought from us, or they would have bought elsewhere and the record shows there wasn't another bushel of the wheat of the kind they could use anywhere except here. They had to buy from us, and if they hadn't bought from us, they couldn't have gotten the wheat they wanted.

What do they want it for? Not to feed their people. It wasn't a matter of keeping their people fed. They didn't have rationing of any kind and no evidence they were about to have it.

The Russians bought the wheat for these reasons:

No. 1, to replenish their military stores, and No. 2, to maintain their export program. Their export program which enables them to keep their satellite countries obligated to them. Now it made sense to me that perhaps we should sell, but if we did, we should sell on terms which would give us some concession somewhere, some place, perhaps in Berlin, perhaps elsewhere.

No. 2, we should take a long, hard look to consider whether we, the United States, should not be the ones selling to the satellite countries, so that this obligation which the satellites now feel for Russia, this dependence which they felt historically, as Senator Douglas has implied, because Russia is their supporter, might be broken.

Perhaps this doesn't go to the main thrust of your presentation, which is that we shouldn't require shipment in American bottoms, but I do think that as far as selling wheat to Russia is concerned, there are many implications besides just the notion that it is good business.

Mr. BRAKKE. We think, as I mentioned in my remarks, that it is discriminatory against grain, that does not apply to some other products and machinery, that is being exported to Russia.

Senator DOUGLAS. There is a whole list of strategic materials which cannot be exported to Russia. We do not have open trade with Russia.

Mr. BRAKKE. There are quite a few products presently being sold to Russia and the Soviet Union.

Senator PROXMIRE. Then there is also a complicating factor involved, including the fact that we were selling at world price which was less than American consumers pay for the wheat. It meant we were subsidizing in effect the Russians by selling the wheat to them.

The United States has been making vigorous efforts to bring its balance of payments into line, yet by failing to take advantage of all possibilities for hard currency sales, we are denying ourselves the opportunity to close the payments deficit.

Soviet bloc countries are continuing to buy wheat from other wheat-exporting countries such as Canada, France, and Argentina. This indicates that there is a continuing and significant long-term market for wheat from the West in that part of the world. If we should be approached again, we must have our house in order so that we can deal effectively with them.

Therefore, Mr. Chairman, we respectfully urge that the Export Control Act, in its renewal, clearly direct that it not be used to apply noncompetitive economic requirements to licenses of any kind on commercial export transactions.

Senator PROXMIRE. Thank you, Mr. Brakke.

Senator Douglas?

Senator DOUGLAS. I agree with you on the question of the restrictions upon transportation of wheat. I am not at all certain that it is in the national interest, however, to promote the sale of wheat to Communist-dominated countries, because this covers up the failure of the Soviet agriculture policy. Russia used to be a great wheat-exporting nation and the Ukraine, through Odessa, exported wheat for the Mediterranean base.

Now the Russian agriculture experiment has proved to be a failure and, as a result, they have to turn to the world market. If we supply them with wheat, this permits their propaganda to conceal the fact that their farm policy has been a failure. And, therefore, strengthens the hold of the Communist group inside Russia.

If we were to inhibit or hamper the export of wheat to Russia, we weaken the Communist countries. Now, I know there is a movement by some very good people to foster trade relationships with Communist countries on the basis that this will knit them more firmly to us.

My own belief is that there is no consistency in their policy, that they will change according to political considerations, not economic considerations. I am not at all convinced of their good will. I think it was Lenin who said that he believed that we could always buy from the capitalistic countries the rope with which they would hang the capitalists.

I know there is a race for markets and you can say Australia and Canada is selling to Russia, so why shouldn't we, but I think we may be playing with fire in this matter.

Mr. BRAKKE. When I was referring to the sales of wheat to the Soviet Russia or their satellite countries, I was referring to cash sales, commercial sales.

Senator DOUGLAS. But it is involved particularly—

Mr. BRAKKE. There seems to be plenty of wheat in the world, Senator Douglas, and by depriving ourselves of this opportunity to sell to Russia, the other countries love us for our attitude because that makes expanded markets for their products and it shrivels up our potential markets. I think that possibly wheat is a better friendship builder, food is a better friendship builder than some other hard products.

Mr. BRAKKE. Of course, we would sell this wheat to some other country at the same price.

Senator PROXMIRE. You would, that is true, but to a free country, which is allied with us, and developing countries which we want to help, so it made some sense. But, for us to assist through a subsidy program our adversary which is doing its best to embarrass us and oppose us throughout the world, it didn't make much sense.

Mr. BRAKKE. We think that hard currency is a valuable thing to have in our country, and while we appreciate the present need for concessional sales to some countries, eventually we are going to have to depend on commercial sales and hard currency to help this balance of payments.

Senator PROXMIRE. That is a strong argument.

Further questions?

Senator DOUGLAS. No.

Senator PROXMIRE. Thank you very much.

Our last witness is Mr. Clarence Palmbly, executive vice president, U.S. Feed Grains Council.

You are mighty welcome, you have a nice concise 1-page statement. You are the hero of the morning.

**STATEMENT OF CLARENCE D. PALMBY, EXECUTIVE VICE
PRESIDENT, U.S. FEED GRAINS COUNCIL**

Mr. PALMBY. Senator Proxmire and Senator Douglas, with your permission I would even beg off reading this statement if I may. I would like to take just about 1 minute—

Senator PROXMIRE. That will be printed in the record as it is written.

Mr. PALMBY. Thank you very much. I would like to add that my comments have been well covered here by Senator McGovern and by the previous witness, except that I would like to state that the coarse grains, in which I am interested, amount to a good deal in dollar earnings as far as exports are concerned in the course of a year. Our exports presently are moving at the rate of about \$900 million a year, 90 percent of which is for dollar transactions and at prices identical with domestic prices. And our real concern in the present application of the specific cargo preference is not necessarily in the loss of business for corn and grain sorghums and other feedstuffs, but rather one of making it nigh impossible to do business with bloc countries.

Again, I am not talking about whether business should or should not be done with them, but our concern is that once the decision is made that we do sell to bloc countries and licenses are issued, that if then the cargo preference is thrown in, that it is actually impossible to consummate the deal because the higher shipping rates come into play and in this competitive business of exporting, the whole price quotation is thrown out the window, so that it actually is impossible to consummate the deal.

We, in this country, who are the big suppliers of corn and other feed grains, certainly cannot be competitive in these bloc countries if the decision is made to sell them livestock and poultry feed.

That, Mr. Chairman, is really the summary of my comments, which I would like to leave with you. The Secretary of Commerce this morning, made the comment that there is latitude enough to make a clean policy whereby this provision would not need to be attached to license. It is very true, the act does not need additional language. But under present policy and present regulations—

Senator PROXMIRE. You are concerned strictly with commercial credit, commercial sales, is that correct?

Mr. PALMBY. Commercial sales, right.

Senator PROXMIRE. Not with AID?

Mr. PALMBY. Commercial sales.

Senator PROXMIRE. Senator Douglas?

Senator DOUGLAS. What is the freight differential between foreign ships and American shipping per bushel of wheat between New York and Odessa?

Mr. PALMBY. Senator, this is a very difficult question to answer because as you know, the minute there are some restrictions put on, the prices of shipping are affected. But, for lack of a better figure, somewhere around \$5 a ton, I think, is a fair figure.

Senator DOUGLAS. A ton now is 34 bushels?

Mr. PALMBY. 37 bushels of wheat, 40 bushels of corn.

Senator DOUGLAS. \$5 a ton?

Mr. PALMBY. \$5.

Senator DOUGLAS. That is the differential?

Mr. PALMBY. Differential.

Senator DOUGLAS. About 15 cents a bushel?

Mr. PALMBY. Close to 15 cents. Keep in mind this is a very rough figure and this differential fluctuates all the way to \$5 on up.

Senator DOUGLAS. What would be the absolute range, I mean, what would be the price on foreign ships per ton per 30 bushels?

Mr. PALMBY. Quoting out of the gulf to Odessa?

Senator DOUGLAS. Out of New Orleans.

Mr. PALMBY. I would like to give you a specific figure as of today which I do not have, but remember, ocean transportation costs vary a great deal through the year.

Senator DOUGLAS. Your figures are gulf shipping, not New York.

Mr. PALMBY. Largely gulf.

Senator DOUGLAS. What would be the basic rate on foreign shipping and what would be the basic rate on American shipping?

Mr. PALMBY. Today?

Senator DOUGLAS. Today.

Mr. PALMBY. I cannot give you that.

Senator DOUGLAS. Approximately?

Mr. PALMBY. I would think around \$12 to \$14 a ton.

Senator DOUGLAS. That is basic rate for foreign?

Mr. PALMBY. American-flag vessel ship rate today.

Senator DOUGLAS. For foreign ships?

Mr. PALMBY. Around \$5 a ton less, which would put it around \$8 to \$10 for foreign-flag vessels to Odessa.

Senator DOUGLAS. About one-half the rate?

Mr. PALMBY. Yes, sir.

Senator DOUGLAS. Or 15 cents a bushel?

Mr. PALMBY. The differential is about 15 cents a bushel.

Senator DOUGLAS. I understand.

Mr. PALMBY. But Senator Douglas, what is perhaps more important, and I would like to leave this impression with you, is again not so much the specific difference in rate, but it is the fact that here is a provision attached to a commercial transaction which simply ties the hands of suppliers that really doesn't allow it to be a straight commercial transaction. And we again—

Senator DOUGLAS. Are there any other private exports to which the 50-percent requirement is attached?

Mr. PALMBY. No, sir.

Senator DOUGLAS. Grains are unique in this respect?

Mr. PALMBY. Grains are unique. There are also some other agriculture commodities, I believe, in addition to grain, that have been subjected to this preference, cargo preference provision.

Senator DOUGLAS. Private sales?

Mr. PALMBY. This, I am not sure, if there have been agriculture commodities under licensing provision affected over and beyond grain, I am not sure, Senator.

Senator DOUGLAS. Is your association interested in wheat?

Mr. PALMBY. Only as I am interested in agriculture. Our interest is in coarse grains.

Senator DOUGLAS. You are interested in nonwheat grains?

Mr. PALMBY. Feed grains and feed stuff.

Senator DOUGLAS. Including sorghum?

Mr. PALMBY. Yes, sir; sorghum is our second-best dollar earner in the feed grain market, as you know.

Senator DOUGLAS. That is all.

Senator PROXMIRE. Thank you very much.

(Mr. Palmby's prepared statement follows.)

STATEMENT OF CLARENCE D. PALMBY, EXECUTIVE VICE PRESIDENT, U.S. FEED
GRAINS COUNCIL

Mr. Chairman and members of the committee, my name is Clarence D. Palmby, executive vice president of the U.S. Feed Grains Council, an association financed by seedsmen, producers, processors, handlers and exporters of corn, grain sorghum, barley, oats, alfalfa, and other feedstuffs, and engaged solely in market development activities.

The U.S. Feed Grains Council is dedicated to assist in maximizing U.S. foreign exchange earnings. The council in working with the U.S. Department of Agriculture directs its entire effort in expanding the exports of feed grains and feedstuffs. Traditionally, a very high percentage of feed grains and feedstuffs have moved into overseas dollar markets and sales have contributed greatly to U.S. dollar earnings.

The board of directors of the council has consistently urged the removal of cargo preference for all cash grain exports or for grain sold on commercial credit without regard to destination. Consistent with this policy, it is my desire in appearing here today to urge that the Export Control Act in its renewal contain provisions making it mandatory that the act not be used to apply noncompetitive economic requirements such as specific cargo preference to licenses on commercial export transactions.

Senator PROXMIRE. That concludes our hearings and the committee will stand adjourned.

(Whereupon, at 1 p.m., the committee was adjourned.)

(The following material was submitted for inclusion in the record:)

STATEMENT OF JACK MILLER, A U.S. SENATOR FROM THE STATE OF IOWA

Mr. Chairman and members of the committee, I make this statement in support of S. 1896, a bill introduced by the Senator from Indiana (Mr. Hartke) to amend section 3 of the Export Control Act of 1949.

The bill would require authority conferred under the act to be exercised with respect to materials or commodities which are in short supply or in danger of becoming in short supply upon a determination by the President that there is excessive drain and inflationary impact due to abnormal foreign demand. Such authority would also have to be exercised if exports of such materials or commodities are at least five times greater on an annual basis than they were 10 years ago and a substantial number of other nations impose controls on exports of such materials or commodities or of materials or commodities reasonably comparable thereto. This latter provision would seem to preclude this country from "going it alone," so to speak, and is therefore, I believe, a very wise and fair provision.

An example of the need for this legislation is the serious situation caused by removal by the Commerce Department of export controls over black walnut logs. Recently the Committee on Commerce completed hearings on this problem at which over 40 witnesses were heard, including many Members of Congress. I would urge your committee to consult the record of these hearings, because it will, I am confident, be most persuasive of the need for action.

Consumption of black walnut lumber in 1964 exceeded growth by more than 10 million board feet, or approximately two-thirds more than the total of new growth. Exports of walnut logs increased from 2¼ million board feet in 1958 to 10½ million in 1962 and well over 14 million in 1963. Spokesmen for the industry have claimed that if the present rate continues, our resources of quality black walnut timber will run out in 10 years. The Department of Agriculture states that there is no accurate information available on the volume and growth of walnut timber of veneer quality (which is the principal concern), but it has pointed out that substantial overcutting is indicated for recent years; that in 1963, for example, reported consumption of 38.5 million board feet of veneer logs was nearly double the estimated level of annual growth on commercial forest areas.

On February 14, 1964, Secretary of Commerce Luther Hodges officially recognized what he termed "the rapidly diminishing supply of U.S. walnut timber" in setting an export quota for this item.

I do not have the impression that anyone in the industry is claiming that there is a shortage today. Rather, the industry is concerned that there will be shortages a few years from now; and it will be too late then to do something about the depleted natural resource, the closed businesses, and the unemployment then. The time for action is now.

Naturally it is hoped that action can be taken which will enable growth to catch up to consumption. When that happens, the President could determine that walnut timber was not in danger of becoming in short supply, and authority under the Export Control Act of 1949 would no longer have to be exercised.

Flexibility to meet changing conditions is a most important feature of S. 1896. The legislation is timely, and I hope that it will receive favorable consideration by this committee.

STATEMENT OF SAM J. ERVIN, JR., A U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Mr. Chairman, on February 12, 1965, Secretary of Commerce John T. Connor issued a directive stating that quota limitation on the exportation of walnut logs would be discontinued. I appreciate this opportunity to present my views on this decision, which is a matter of deep concern to North Carolina and the Nation, and to voice my strong support of S. 1896, which would amend section 3 of the Export Control Act of 1949.

The hard light cast on the directive by a careful study fully reveals the necessity of reappraisal by the Department of its position.

The first reason given for the decision is that domestic users of walnut logs failed to live up to their voluntary agreement to limit consumption of these

logs. A quota of 15 million board feet was set as the goal for domestic consumption for 1964. This figure, which was exceeded by 4.5 million board feet, was predicated upon an estimated domestic annual usage of 20 million board feet for the year 1963. Based upon this assumed usage for 1963, it appeared feasible to reduce domestic consumption to 15 million board feet for 1964. However, when the 1963 figures revealed the actual consumption for that year to be 23.5 million board feet, it became apparent that the 15-million-board-foot quota was unrealistic. Nevertheless, there was no readjustment of the quota by the Department to conform with the new information.

Further, by charging to the domestic quota walnut veneer which had been cut for exportation, the Department of Commerce rendered the goal of 15 million board feet all but unattainable. The Department has reported that walnut veneer accounting for 1.9 million board feet was exported in 1964. Inasmuch as there are no export controls on walnut veneer, the export quota for walnut logs for 1964 did not reflect this additional foreign consumption of walnut timber.

The Secretary states:

"Reduced domestic consumption of logs, though not mandatory, was an essential element of the total program because it was needed to help achieve the goal of balancing consumption and growth and also to help comply with the requirements of GATT."

Article XX (g) of the 1947 General Agreements on Tariff and Trade encourages measures "relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption."

In order to meet this requirement and to assist in the conservation of walnut timber, the veneer-producing industry embarked upon a voluntary program of reducing the standard veneer thickness from one twenty-eighth of an inch to one thirty-sixth of an inch. There was an unavoidable delay of several weeks in the technological changeover in operations. It is estimated that approximately 1 million board feet was lost in this conversion to thinner veneers.

Considering the premature and unrealistic goal of 15 million board feet for native consumption, which in effect amounted to a 8.5 million board feet rather than a 5-million-board-feet cutback in domestic usage, and further considering the 1.9 million board feet of veneer exports which were charged to the domestic quota along with the estimated 1 million board feet which was lost in the conversion period, it is easily understandable that the domestic consumption quota for 1964 was exceeded by 4.5 million board feet. It would further appear that article XX (g) of GATT had been complied with in good faith.

The second reason advanced for cancellation of export controls on walnut lumber is that "control of walnut logs exports had not operated as an effective domestic price control measure, even if such a purpose were a justifiable objective." I call attention to the phrase "even if such a purpose were a justifiable objective." It is indeed strange to offer as a reason for discontinuance of export controls the fact that such controls failed to effectuate an avowed questionable objective.

However, it should be noted that, in compliance with the provision of the Export Control Act which provides for restrictions of exports "to protect the domestic economy from excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand," the prevailing domestic average price for walnut logs did in fact drop off to a 9-percent increase in 1964 as compared with a 10-percent increase in 1962 and a 13-percent increase in 1963. It can be assumed that the upward spiral would not have been reversed in 1964 had it not been for the export controls which were imposed for that year.

The third point raised by the Department is that the controls did not produce the anticipated conservation results. If these objectives were not fully realized with controls, would they have been more adequately met without them? The Department of Commerce figure for the total annual consumption of walnut logs for 1964 with controls is 26.8 million board feet—domestic usage accounted for 19.5 million board feet of this timber, and 7.3 million board feet was charged to the export quota. By projection from previous annual consumption figures without controls, it was estimated by the domestic walnut industry that the total consumption of walnut logs for 1964 without controls would have been 44 million board feet—a differential of 17.2 million board feet for 1 year alone, even allowing for the 4.5 million board feet domestic overuse. This yearly savings exceeds

the total growth of walnut timber for 1964 according to the 1963 Forest Service estimates.

Without export controls, the outlook for the future conservation of walnut hardwood is not favorable. Based on the Department of Agriculture's most recent figures which are calculated upon an estimated average annual growth of 20 million board feet of walnut timber for 1959 through 1963, with a decline in growth of 1 million board feet for the year 1964, there has been a 14.8-percent decrease in timber volume in 6 years. The figures presented by the U.S. Forest Service in late 1963 are somewhat different. Based upon the 1963 estimates, a 26.3-percent decrease in this resource for the last 6 years is indicated. Regardless of which figures are considered, it is clearly evident that the trend is a rise in consumption and a decline in growth. At the present rate of annual drainage, our supply of walnut timber will be exhausted in the near future. For this reason alone, in order to protect the domestic economy from the excessive drain of scarce materials, export controls are justified.

I ask unanimous consent that two graphs which were composed in 1963 through the joint efforts of the Forest Service, the Business and Defense Services Administration, the Bureau of the Census, and private industry be inserted in the hearing record at the conclusion of these remarks. These graphs show the trends and projections of consumption, growth, and balance of our walnut veneer logs with and without export controls.

The final consideration offered by the Secretary for discontinuing export controls is an alleged impact on our balance-of-payments position. According to the Secretary, the amount involved in this instance is comparatively small. I would agree. In fact, the difference in the volume of walnut lumber that was actually exported in 1964 and that which it is estimated would have been exported had controls not been operative, amounts to 10.7 million board feet. Based on the total \$10.6 million value of the 1964 walnut logs exports, the additional 10.7 million board feet would have represented an exportation value of \$15.5 million. This figure represents six-hundredths of 1 percent of the total dollar value of U.S. exports for 1964.

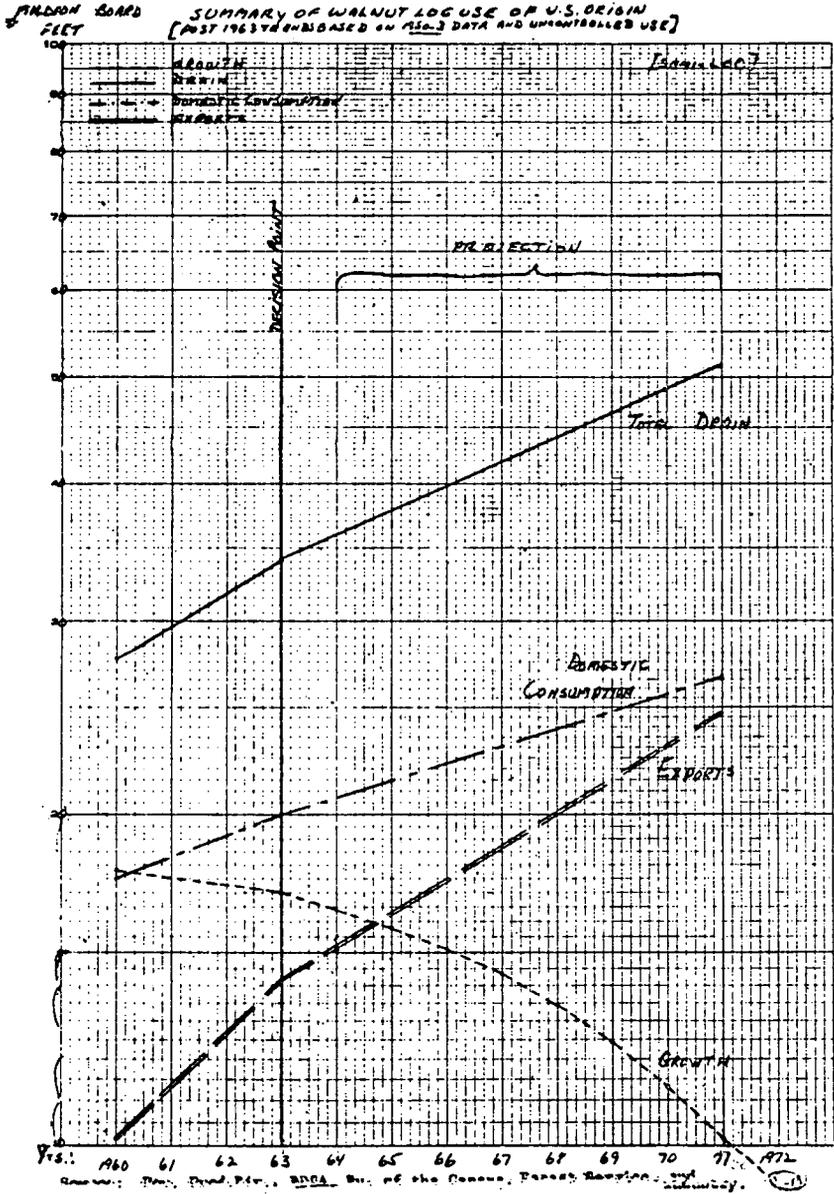
It is certainly understandable that the Secretary must consider the cumulative effect of all gains, small as well as large. However, it would seem that his attention to the balance-of-payments deficit in this instance is somewhat myopic. Although the walnut veneer used in the manufacture of furniture constitutes only 2 to 3 percent of the total value of the wholesale price of an average item of walnut veneer furniture, it is this 2 to 3 percent which makes the furniture desirable. It is estimated by the veneer industry that the veneer sold in 1964 was employed in approximately \$1 billion worth of furniture. The loss of this potential furniture export market would have a far more serious effect upon our balance-of-payments deficit than would the loss of the exportation of a comparatively negligible amount of walnut timber. However, this comparatively small amount of walnut timber is not so negligible in terms of our domestic need for conservation of this resource.

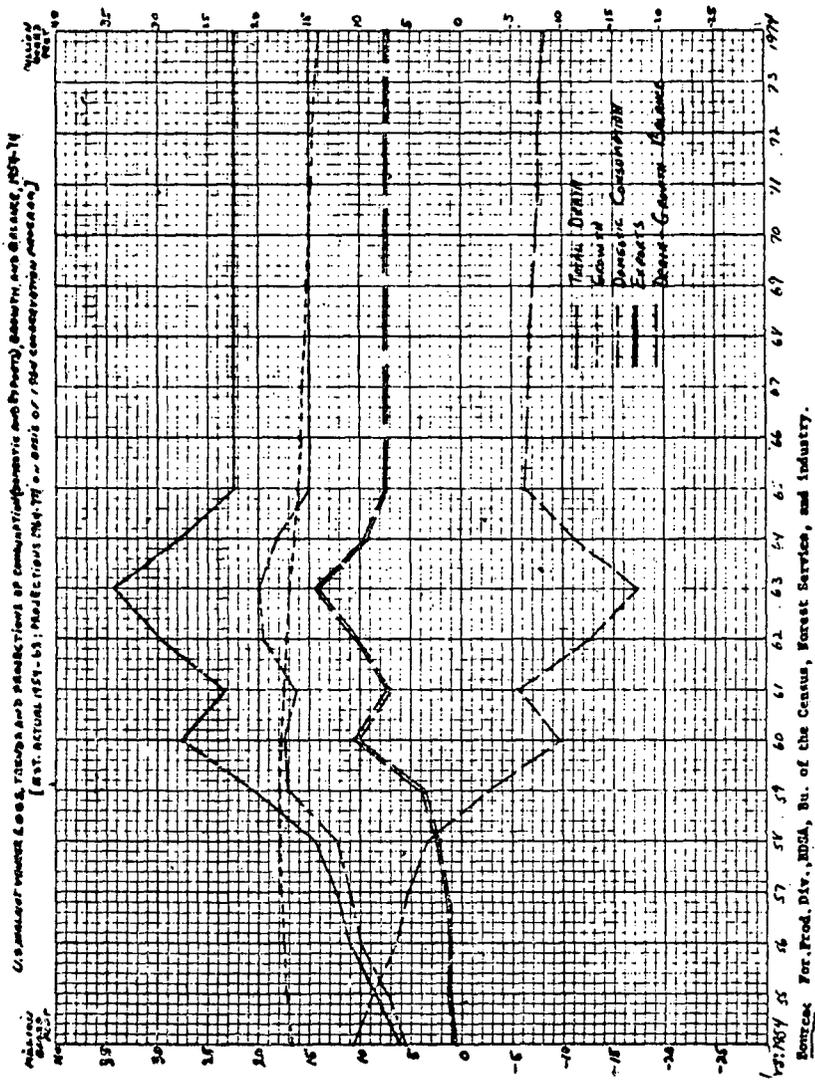
There is a second point meriting attention in connection with the alleged harmful effect the limited exportation of walnut logs will have upon our balance-of-payments position. At our present unchecked annual rate of exploitation of this lumber, it may soon become necessary to turn to substitute foreign woods. Since we will then have no remaining walnut hardwood to export, the resultant importation of such substitutes would more than offset the immediate advantage to be gained by our current policy of unrestrained exportation of this coveted resource.

I would also like to point out that according to a recent survey by the Department of Commerce regarding the export restrictions on hardwood logs by other countries, it is apparent that other nations are becoming increasingly protective of their native timber. The implications of this developing nationalistic concern are obvious. The choice hardwoods will become more and more difficult to obtain, while our need for them will increase.

Black walnut is indigenous only to the United States, and our supply of it is limited. It would indeed be unfortunate if our native timberlands were to be stripped of this excellent and precious natural resource, so important in the manufacture of furniture, for the purpose of meeting the present inordinate foreign demand.

For the above reasons, I strongly urge that the export controls on walnut logs which were exercised in 1964 be reinstated.





STATEMENT OF EVERETT DIRKSEN, U.S. SENATOR FROM THE STATE OF ILLINOIS

Mr. Chairman, I urge this committee to adopt the amendment to the Export Control Act proposed by Senate bill 1896.

This amendment is necessary to clear up an impasse that has developed between the State Department and the Commerce Department, on one side, and, on the other side, the walnut veneer manufacturers, the furniture manufacturers, the plywood manufacturers, the manufacturers of pianos and electronic organs and many others.

I ask your committee to act as a new third force and to make it possible to start making some modest progress again on this severe walnut log shortage situation.

I particularly urge you not to consider this problem as just a minor detail that is not worthy of congressional attention. A great many of us in both Houses of the Congress have been familiar in depth with this problem for a number of years. We have spent a great deal of time on it and we consider it time well spent.

I think it is significant that 10 Members of the Congress, from both Houses and both sides of the aisle, appeared in person to testify before the Commerce Committee on this subject and every 1 of them strongly favored reimposition of the very modest controls we had before February 12. In addition, 14 Members of Congress, again from both Houses and both sides of the aisle, filed statements with the Commerce Committee urging reinstatement of controls.

I was quite disappointed and disturbed, frankly, that even before the record of the Commerce Committee hearing which contained those statements, was printed and available, and even before the members of the Commerce Committee had had a chance to consider what action to take, the Commerce Department said, shortly after the hearing, that it was not going to reconsider its action.

These small businessmen in the walnut veneer industry kept their part of the bargain by changing their manufacturing technique and making thinner veneer. That is what the Department of Commerce exacted as the price for the export quota and the veneer manufacturers paid that price. They changed their position. They changed their way of doing business.

It isn't as though the domestic users had done nothing about a conservation program. They have been sponsoring a planting and replacement program for decades. Domestic use has gone up only gradually and moderately over the years. But the export drain suddenly began zooming a few years ago and is 16 times what it was just 10 years ago.

Over 20 other countries who are in GATT have embargoes on exports of their valuable hardwoods. The State Department doesn't claim that our country, or any other country, has ever complained about those controls. And yet the State Department says we in our country mustn't do anything to protect this unique American hardwood from excessive export drain.

We are not asking you to make a finding that walnut logs are in short supply. Secretary Hodges already made that finding and the Commerce Department admits more walnut has been cut since than has become available through growth.

I am not asking you to take over the functions of an executive department and to get involved in a series of similar proposals. This situation is not at all likely to repeat itself. There are very few items that even have any likelihood of domestic short supply. This amendment in S. 1896, of course, doesn't refer to walnut logs or to this particular problem. It is a general amendment to clear up some misinterpretations of the existing provisions of the Export Control Act by the Commerce and State Departments.

Once in a while we in the legislative branch have to step in when we think an executive department is so unsympathetic to an act of Congress that it drags its feet on enforcing it. I know there has been footdragging on this problem for a long time.

I recall last year I wrote to the Department personally, pointing out some possible loopholes in the order which in effect would permit evasion of the intent.

My letter pointing out these possibilities was dated March 27. It was not until 3 months later, June 24, that I received a reply.

The Assistant Secretary of Commerce in charge of domestic and international business thanked me for my interest in the walnut conservation program and, regarding the loopholes, said an order was to be issued by the Department

"designed to increase the effectiveness of control." Mind you, this was months after effective controls were supposed to be in effect.

I urge you to include the amendment in S. 1896 as part of your action in extending the Export Control Act.

STATEMENT BY DANIEL B. BREWSTER, A U.S. SENATOR FROM THE STATE OF MARYLAND

Mr. Chairman, members of the committee. I wish to express my opposition to Senate bill 1896 which would amend the Export Control Act to restrict the export of veneer quality black walnut logs.

As the senior Senator from Maryland, my opposition is based on the considerable and particular interest of Maryland in this matter.

February 14, 1964, the Secretary of Commerce placed a quota limitation on the export of walnut logs for 1 year in order to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand.

On February 12, 1965, Secretary of Commerce John Connor, announced that he would not extend these export controls past the 1-year period. Their continuance had depended expressly on conditions with respect to domestic consumption; conditions which had not been fulfilled. In addition, the Secretary noted that our present balance-of-payments problems dictated against the unnecessary extension of any export control upon nonstrategic items.

Senator Hartke has introduced legislation, now pending before this committee, to revive the restriction. I am opposed to this amendment not only because of the additional burden it would place on our balance-of-payments deficit but because of the serious implications which such restrictions would have on three important aspects of the Maryland economy.

First and foremost, commerce is our livelihood in Maryland. The port of Baltimore is one of the Nation's great centers of trade. Maritime and business activities associated with our overseas trade are the lifeblood of our city and our State. Timber, exported through the Dundalk marine terminal, is one of the major bulk items handled there.

Mr. Chairman, more than our port is involved. This proposal to restrict the export of black walnut logs strikes at a product which originates in Maryland, is transported in intrastate commerce from the Appalachian region of western Maryland to the port of Baltimore, and is shipped through the port to consumers overseas.

Walnut is an important factor in the economy of Appalachia. It grows in small woodlots, pastures, and fence rows. It is a vital source of income to the small landowner. This Appalachian timber has never been an important source of supply for the domestic veneer industry due to its texture and color.

However, the walnut timber grown in the Appalachian region has found a ready export market at prices not available in the United States. A recent survey discloses at least 75 percent of walnut log exports originate in Appalachia. Before the development of this export market there was no sale of Appalachia grown veneer logs. Present estimates indicate that a restriction on export of this product would bring at least \$15 million loss to the Appalachian region and a similar deterioration in our balance of payments.

Every Senator is, I am sure, familiar with the effort which we have recently made to provide for a revival and stimulation of economic and developmental activity in the Appalachian region. To authorize and appropriate these vast sums toward the improvement of conditions there, and then to strike at a major industry, would represent an unconscionable inconsistency. We would begin to undo all the good that we have made preparations to do.

Not only would passage of S. 1896 severely blunt our Appalachian effort, but it would make no contribution as a conservation measure since it provides only for export control not for any domestic control. It is domestic production which is now and will always continue to be a far greater drain on our resources.

Mr. Chairman, I am opposed to passage of this legislation for good reasons involving national, regional, and local considerations. I hope that this committee will weigh these factors carefully in their consideration of this bill.

Mr. Chairman, I appreciate the opportunity to make this presentation to the committee.

STATEMENT OF JENNINGS RANDOLPH, A U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Mr. Chairman, it is a distinct pleasure to appear before your committee to testify on H.R. 7105, a bill to extend and amend the Export Control Act. I propose to confine my remarks to S. 1896, an amendment which has been introduced in conjunction with the legislation on the Export Control Act. It is my understanding that S. 1896 in directing the conditions under which export controls "shall be exercised" would adversely affect, among other commodities, the export of walnut logs.

The restrictions contained in this amendment would constitute a sizable economic loss to the Appalachian region, which is a distinct timber-producing area. Almost 75 percent of the walnut log exports originate in Appalachia and this accounts for over \$10 million in revenue for the growers and those associated with the export of walnut logs. This figure, when applied to the budgets of many States, is insignificant. Yet, when we speak in terms of a \$10 million loss for the hard-pressed area of Appalachia this total takes on a new meaning and importance. We have voted for the Appalachian Regional Development Act and the Economic Opportunity Acts to alleviate the poverty in this region. It seems incongruous, now, to restrict a basic free enterprise system through which many of the people of Appalachia can realize substantial economic progress. It is vital to note that walnut in this area often grows in small woodlots, pastures, and fence rows and is an important source of income to the small landowner. This is a time to expand, not restrict, market opportunities for products from the Appalachian region.

Apart from this specific impact on walnut log exports, S. 1896 will adversely curtail the use of foreign markets by manufacturers and producers from other areas of this country. This legislation reflects such broad coverage that considerable difficulty will be encountered in its application. It is often preferable, when considering the supply of nonstrategic materials, to effect a transition to the use of other commodities rather than institute excessive export controls. It may well be that S. 1698 would develop these aforementioned excessive controls. I am particularly concerned about the working this bill has on page 2, commencing with line 7, "(i) exports of such materials or commodities by volume, as shown by the latest Government figures or reasonable estimates, are at least five times greater on an annual basis than they were in 1955." Such a provision can have many different meanings in various situations. Undoubtedly a fivefold, tenfold, or even fifteenfold expansion of exports would not substantially affect the supply of a plentiful product. To apply this categorical qualification without a basis of comparison with the available supply of a particular commodity would constitute a detriment to expansion of and cooperation with foreign markets.

The representative from the Committee of American Log Exporters posed a telling question relative to this section of S. 1698: "Does this section mean that there may be a continuing review of exports, and, when possibly due to the export expansion efforts of the Congress, the administration, and industry, a jeopardy will be created when export of a given item reaches five times what it was in 1955?" I pose the question, "Would there be any basic supply factor envisioned before the fivefold clause comes into play?" These are questions which must be answered.

It appears to me that the authority to impose controls is sufficient under the Export Control Act without this amendment which would involve not only walnut logs but also many other commodities.

Mr. Chairman, I urge you and the members of your committee to reject S. 1896. This amendment has no place in the pending legislation. Our Government will have ample guidance and direction to regulate our foreign trade without S. 1896, which will only lead to excessive controls, thereby causing a deterioration of our trade in the world market.

STATEMENT OF MR. E. E. FREEMAN, JR., PRESIDENT, GEORGE E. TOMLINSON CO., INC., WINCHESTER, KY.

My name is Eugene E. Freeman, Jr. I am president of the George E. Tomlinson Co., Inc., walnut lumber manufacturers and log exporters located in Winchester, Ky. This statement sets forth the difficulties our company experienced during the year of controls over the exportation of walnut logs. If there is a conserva-

tion problem, and this statement suggests that there may not be. the Export Control Act is not the means of solving such problem, as was demonstrated during the 12 months that controls were in effect.

My educational background includes a B.A. degree in economics from Washington & Lee University and an M.S. degree from the Department of Forest Utilization at the New York State College of Forestry at Syracuse, N.Y. My business experience includes working with walnut lumber and logs on a full-time basis for the last 12 years and on a part-time basis for an additional 3 years.

As an introduction to my position on controls on walnut logs, I have made rather diligent efforts to ascertain the true state of walnut growth and drain through the available statistical data, contacts with knowledgeable persons in the U.S. Forest Service and the Kentucky Division of Forestry, my friends in the American Walnut Manufacturers Association, and leaders in other trade associations and societies within the wood industry. In addition to this, the operation of our own company has offered the opportunity to make general assumptions on the existing condition of our walnut supply in relation to the future.

All of my contacts and all of the study made of available statistical data convinced me that at the present time there is no information available which will allow even a good estimate of the present status of our walnut timber inventory. I will cover this in more detail later in this statement. At the same time, I have watched both domestic and export demand for walnut logs and products made from walnut increase substantially in recent years. Since our company is a family business, I have been very concerned about the possible problem that might exist in the future, particularly since I have two sons whom I hope will follow me in the business.

When serious consideration was first given by the Department of Commerce to walnut log export controls, the point was made that there was no reliable data on growth and drain for this species. It was my understanding that any control of log exports would be made only after a careful study and after a clear picture was obtained in regard to the country's inventory of walnut veneer logs. With this understanding I took no active part in supporting or opposing the controls, feeling that if a true conservation need were proved the matter could be worked out in an equitable way. In light of the controls that were placed on walnut logs in February of 1964, it appears that I took the wrong course, since only one side of the picture was presented actively to the Department of Commerce. My reasons for appearing today are to present other factors that appear to have been neglected, so that a judgment can be made on a sound basis. Our company remains as interested in conserving walnut timber and balancing the supply and demand as in the beginning. In recent months we have chosen to oppose the controls because review of both the basis for the controls and the application of the controls appears unsound. Even more important, the controls appear to have been drawn in such a way that it is almost certain that the purpose of conservation cannot be accomplished by them.

I would like to refer to some of the difficulties caused to our own company by the controls. We operate a walnut sawmill and our full-time employment before controls was approximately 52 people. In addition, we were providing full or substantial employment to several hundred suppliers, loggers, haulers, sales representatives, and others, and producing income to farmers and woodland owners from whose lands the logs were purchased. We were buying logs over a wide area, and a substantial percentage of them came from the depressed Appalachian regions of Kentucky, Tennessee, and Virginia.

We are in a unique position within the walnut industry in that we are substantial manufacturers of walnut lumber whose location is in rather close proximity to most of the walnut veneer manufacturers in the United States. Due to this location and the fact that we do not manufacture veneer, we must have a competitive outlet for walnut veneer logs in order to be able to buy a sufficient volume of walnut lumber logs to operate our mill profitably. It was only after we secured export markets for our logs that we were able to increase our volume of walnut lumber logs and have a sound growing business. Most walnut logs or trees are bought on the basis of bids, and any company that hopes to grow in the walnut business must pay high prices on both veneer quality and lumber quality logs, since all are sold together. There are several other walnut sawmills in the country, but none that have our volume and also have the same high degree of competition from domestic manufacturers of both veneer and lumber. The other large walnut mills not having veneer operations are to the west of Indiana and although they have some competition for logs from domestic sources,

the extent of this competition is much less. This is due to freight factors, distance, quality, and other causes.

Our first exporting of walnut logs started in 1960, and thereafter we entered into a period of rapid growth. With larger sales and a better supply of lumber logs, we decided to place a new sawmill on our property at Winchester, Ky., and this was completed in the fall of 1963. This investment required us to become heavily indebted. In early 1964 we reached the peak of our employment and productive capacity, and at this time export controls were placed on walnut logs.

At the time of controls we were buying around 100,000 feet of walnut veneer logs for export each month. Veneer logs were approximately one-third of our total walnut purchases, leaving a requirement of about 200,000 feet for manufacture into lumber at our mill in Winchester. This 2:1 ratio of lumber logs to veneer logs is approximately the normal mix for the buying in the areas where we secure most of our logs. Export license footages were based on average shipments in 3 previous years, and because our exports had risen more rapidly than the general increase we were given a quota of less than 30 percent of the amounts we had been exporting immediately before the controls. If we were to maintain the 2:1 ratio, this cut would have given us enough lumber logs to operate our mill a little over 1 week each month.

On February 13, 1964, we had nearly 500,000 feet of walnut lumber logs on our yard in Winchester, Ky. Export controls caused our foreign customers to raise their quality standards, and in turn this forced us to discharge buyers in the Appalachian regions of eastern Ohio, eastern Kentucky, southern Kentucky, central Tennessee and eastern Tennessee. These territories were eliminated because the quality was not as consistently high, and with a smaller volume it was necessary to increase quality to a corresponding degree. In addition to discharging buyers, loggers and farmers in these areas lost our company as a buyer for their walnut timber and logs.

We tried several things. We had veneer cut for us on a joint venture, we tried having veneer custom cut at U.S. veneer mills, and we sold logs to other customers having licenses. In spite of this we had a substantial sales decline after February of 1964, and by late August we were completely out of walnut saw logs at our mill in Winchester. From August 1964 through February 1965 we needed approximately 750,000 more feet of walnut saw logs than we could procure in order to have enough to operate on a standard 40-hour week. During this same period our mill was shut down completely for 75 days due to the lack of logs. On the days we were operating, it was on a 40-hour week basis.

This was the first time in nearly 5 years that our mill did not operate due to lack of logs. The only previous times that we had this problem were in the era where we did not have export markets for veneer logs to allow us to compete in the normal buying territories. Our European customers had the same problems, and were forced to reduce operations substantially. During most of this period our buyers checked the log piles of several domestic veneer companies and found that they were adequate and that the companies were operating continuously, with some overtime reported.

Since a substantial part of the case for export controls on walnut logs was based on statistical data concerning growth and drain of walnut timber, I would like to make some comments on this subject. The statistical basis for the export controls was a statement and accompanying memorandum from the U.S. Forest Service dated November 27, 1963, and titled "Black Walnut Saw Timber Inventory Volumes and Annual Growth."

In the case of walnut, the Forest Service was asked by the Department of Commerce to do an impossible task. They pointed this out in the memorandum attached to the statement with these words:

"These estimates are based on field surveys made in individual States during the past 10 years or so but it must be recognized that sampling errors are relatively large as a result of the low volumes per acre and scattered occurrence of this species. This is especially true for the estimates of veneer quality material."

While I am not an expert on this subject, I have had some educational background in this area. I would like to point out the problem encountered by the Forest Service, using my home State of Kentucky as an example.

In Kentucky, the inventory of the forest resources upon which the export control program was based was made between 1948 and 1952. The data are generally interpreted as applying to the timber stands as they existed on January 1, 1949. Aerial photographs were taken of the State, and a transparent

template marked with uniformly spaced dots was placed over the photographs. The proportion of forest land in each county was obtained by counting the number of dots falling on forest and nonforest areas. The percentage of forest dots in a county, multiplied by the total area, gave a preliminary estimate of the forest area. A small portion of these dots falling on forest land was marked on the photographs and was checked by field surveys. The Forest Service sent two men and they checked one-fifth-acre plots, recording species, size, quality, and growth of trees.

This type of survey was designed particularly for getting accurate estimates of the timber volume of the more prevalent species such as the oaks, hickories, yellow poplar, pines, and beech. The sample was far too small to allow any accurate estimate of the black walnut stands in Kentucky, since these comprise about 1 percent of the total sawtimber volume.

Much of our company's walnut comes from the Bluegrass area of Kentucky. In most of the Bluegrass counties, however, only two to five timber plots were marked for field surveys. A much larger percentage of the timber surveyed was in eastern and far western Kentucky, where less walnut is grown and sold. As a specific example, only three areas were marked for the one-fifth-acre surveys in Clark County (where our mill is located), two in neighboring Bourbon County where we secure walnut logs every month, and two in neighboring Fayette County. The 1949 inventory showed that there were as many black walnut trees in the Bluegrass as in the entire remaining portion of the State. Yet, the sample in the Bluegrass was far less than in the remaining part of the State. The reason, of course, is that there is very little commercial forest area in the Bluegrass, and this is what the survey was intended to measure.

The memorandum attached to the walnut growth and drain statistics had the following statement:

"Not included in these figures are volumes of walnut occurring in fence rows, and other areas not classified as commercial forest land."

The booklet of the American Walnut Manufacturers Association titled "Growing Walnut for Profit" has a section titled "Good Places About the Farm to Grow Walnut." Under this heading it lists the following growing sites suggested for walnut:

1. Unused ground along the lane or drive or isolated areas too small to farm.
2. Rough areas not suitable for agriculture, but with good, moist soil.
3. Fence corners and fence rows provided the walnuts or seedlings are planted far enough from the fence to avoid the metal.
4. Stream bank and open ditch margins and bottom lands with well-drained porous soils.

The point I am making is this: "Noncommercial forest land is not included in the volume figures which were the basis for export controls," yet our company purchases probably as much as 50 percent of its walnut timber from sites that are not classified as commercial forest land. If our company's experience is representative of other areas, the total volume of walnut timber might be double that shown in the statistics upon which controls were based. Most of the trees growing along streams, in fence rows, along lanes or drives, and in rough places not suitable for agriculture are exempted from the survey, since they are not on commercial forest land.

On the basis of the figures supplied by the proponents of export controls on walnut logs, an assumption is made that the supply of walnut veneer logs will be depleted in 7 years. We tried to get some additional information and comments on this from the various State divisions of forestry in the walnut-producing areas. I would like to list some quotations from the replies received in response to the inquiry.

From the State of Indiana: "The information that you requested concerning volumes, growth, and drain on black walnut in Indiana is not available in an up-to-date form. * * * A 1950 survey shows black walnut growth to be slightly more than double the amount cut. * * * a new survey of Indiana will be made in 1966."

From Arkansas: "Your letter of December 3 asks for a lot and we can't supply the answers because—we don't know. * * * inventory costs of a single species occurring like this are greater than the value of the inventory."¹

From Kansas: "The information you desire concerning black walnut is not available at this time. We are currently making a timber inventory that will

¹ Letter from U.S. Department of Agriculture, Forest Service, Russellville, Ark.

give data on species, growth, volume, and amount of drain. This information will be available in late 1965."²

From Iowa: "It seems that the information that was provided to the Commerce Department is not particularly substantial information and most of it is estimate. * * * in checking here in the State we have come up with rather unreliable figures and quite frankly I am not in a position to give you figures which can be substantiated. It is the belief of many of the producers, both the large companies and the smaller producers, that the embargo will not work and that because production will be above the allowed quota that the entire program will be reevaluated. I think there is certainly a need for more reliable figures on the availability of walnut in our stands of timber. Actually we can show quite readily that there is an abundance of young walnut coming on in the timbers here in Iowa and that the No. 1 need is for cultural practices to improve the quality. * * * I personally have not been convinced by the information that has been directed to me that there is a need for a walnut embargo at this time."

From Oklahoma: "Oklahoma is a relatively small producer of black walnut. There is no means by which the annual growth or drain can be determined. From observation, we believe that growth and drain are very nearly in balance."

From Pennsylvania: "* * * specific information on this species for Pennsylvania is not available."

From Arkansas: "Regrettably there is a lack of valid data from which a clear picture can be drawn. Certainly the total annual drain would be relatively small."³

From Kansas: "* * * I am unable to provide the information which you desire."⁴

From Ohio: "I wish to advise that we have made no study on the growth and drain of black walnut in Ohio, and I don't believe that the Central States Forest Experiment Station have made any study of this nature."

From Illinois: "Our State Division of Forestry does not have the black walnut (vener quality) figures giving annual commercial drain, growth, and total volume in Illinois."

From Kentucky: "* * * the question you raise on black walnut veneer is and has been the subject of much debate * * * and will remain so, as far as Kentucky is involved, for another 6 months to a year, or until the recent timber survey data is summarized and released."

From these letters and many other contacts with knowledgeable people in forestry, it is my belief that there is insufficient data with which to confirm or deny the possible drain on the walnut timber resources in this country. Personally, I feel that it is very probable that there is a drain at this time on the higher quality logs. In view of the extremely heavy demand in recent years, it would be foolish to assume otherwise. However, from the statistical information available, I believe an even better case could be made that no problem exists. The point is that the statistics upon which the controls were based are meaningless when applied to walnut.

Referring further to the statistical basis of the controls, the Forest Service stated that an assumption was made that "* * * all grade 1 and grade 2 material in trees 15 inches d.b.h., and larger is merchantable for veneer in Central States; 10-15 percent in other regions." They are saying that all trees that look like veneer quality are in fact veneer quality if they grow in the seven Central States, but only 10 to 15 percent are, in effect, veneer quality under similar conditions in all the rest of the States within the walnut range. This is fallacious, and it allows a substantial understatement of the walnut timber exports that are coming from States outside the eight Central States.

The Forest Service statistics assume that all exports of walnut are veneer quality logs. However, the Bureau of Census figures on walnut log exports also include lumber logs and west coast walnut logs and rootstock. In 1963 I saw at Norfolk, Va., docks substantial quantities of walnut lumber logs, ready for export. I am acquainted with two Italian buyers who have been exporting walnut burls and logs from California and Oregon for 8 to 10 years. To this extent, the consumption of walnut veneer logs is overstated, and the inventory is underestimated.

In 1962 a committee of American log exporters made a survey indicating that 95 percent of the walnut exported by their members came from States outside

² Letter from Extension Forestry, Kansas State University.

³ Letter from Arkansas State Forestry Commission.

⁴ Letter from Kansas State Board of Agriculture.

the Central States. Due to the press of time, there was probably some overlap in their questionnaire, but after allowing for this, it is seen that a much larger percentage of logs was shipped from States such as Tennessee, Virginia, Maryland, West Virginia, and Pennsylvania than the Forest Service gives credit. I believe that in most of these States walnut is classified with all other small volume woods and the statistics are even less accurate.

The Forest Service estimates that no veneer quality logs exist in log grade 3. The fact is that a substantial portion of walnut log exports are of grade 3 and below grade 3. To this extent, there is much more veneer quality walnut than shown in any statistics. The reason is that in Europe there is a substantial demand for veneer quality logs under 8 feet in length. The Forest Service grades do not classify logs under 8 feet in length. Such logs produce shorter veneer, but are of ample length for most furniture pieces and for the wardrobe furniture that replaces closets in many European homes.

At the New York State College of Forestry my master's thesis was on a subject titled, "An Examination of Walnut Log Grading Rules." The summary of this included the statement that "Forest Product Laboratory log grades (those used by the Forest Service) are not well adapted to use in grading walnut logs." The primary reason was the minimum length requirements of the FPL grades, but there were other reasons relating primarily to special lumber and veneer grades for the high-priced product of walnut trees.

To summarize my conclusions about the inadequacies of statistical data on walnut growth and drain:

1. The low volume per acre and scattered occurrence of walnut makes invalid the normal statistical sampling procedures used in other species.
2. A substantial volume of walnut occurs in fence rows, streambanks, and in other areas not classified as commercial forest land. These trees grow faster than those on commercial forest land. If this volume were included in the growth figures of the Forest Service, a much more favorable balance between growth and drain would appear.
3. Because of special length requirements in walnut, there is little correlation between Forest Service log grades and merchantable veneer quality logs.
4. There is a much larger volume of veneer quality walnut timber in States outside the eight Central States than assumed by the Forest Service.
5. The assumption is made that all walnut exports are veneer quality, while in fact some of the exports were lumber quality logs and walnut burls from California and Oregon.

Even if a serious drain condition in walnut timber existed, the previous export controls were not the answers since they did not reduce consumption of this species. First, I will point out some of the problems involved in applying export controls to exporters.

Walnut timber of veneer quality is not always clear wood, as a few small knots can be permitted which are clipped out after the veneer is manufactured. After export licenses were established, it became important to exporters to ship only the highest valued wood to overseas customers. As a result, many firms cut off the low quality portions of usable wood in veneer logs and leave this valuable material to waste in the woods. This is the antithesis of conservation. In other cases, usable wood of lower quality was left on the logs, but the logs were measured only for the clear length. Thus, more walnut was exported than was shown in the export statistics.

Due to the cylindrical nature of logs, a decrease in diameter measurement of only 1 inch can often result in a 20-percent decrease in footage scaled in a log. There was a tendency to measure logs in a conservative manner, thus thwarting the intent of the export controls and also understating the volume exported. There is no dishonesty in this, since there is no one standard way of measuring logs. Our company pointed this out to the Office of Export Control, and we suggested that more equitable controls would be on the basis of weight rather than Doyle scale footage.

The controls were not adequately policed, and the result was that companies like ours that lived up to the intent of the regulations were penalized. A monopoly situation existed where foreign companies probably had larger licenses, in total, than Americans. These foreign companies were in a position to set the pattern of walnut purchases, in some instances, and by taking their profits in Europe they escaped the payment of income taxes that were paid by American exporters.

Complete depletion of walnut timber has been forecast since the 1800's. The U.S. Department of Agriculture Bulletin No. 900, dated January 17, 1921, titled "Utilization of Black Walnut," states as follows:

"Walnut has never been plentiful in the sense that large amounts of the timber were available in any one locality. Its scattered growth is the reason for this. The exhaustion of the available supply has been repeatedly announced. Nevertheless, during the war large quantities were discovered that no one thought existed, and many lots of large-size trees were found that were equal in quality to those of the period when walnut was most popular. The annual cut of walnut timber is comparatively small, but a fairly steady supply is available because of the wide distribution of the tree."

The 1921 publication estimated the total amount of the standing walnut timber in all States at 821 million feet. A 1946-52 survey by the U.S. Forest Service has increased the estimate to 1,260 million feet in only eight States comprising the Central States area (Missouri, Iowa, Ohio, Illinois, Kentucky, Indiana, Nebraska, and Kansas).

The Forest Service 1963 figures on which export controls were justified showed 1,342 million feet in the Central States. However, the Forest Service Report No. 17: "Timber Trends in the United States," published just last month, February 1965, show 1,907 million feet in the Central States, or a 42-percent increase in the inventory estimated at the time controls were instituted.

In the U.S. Department of Agriculture publication of September 1945 titled "Black Walnut," the following was stated:

"A comparison of the 1921 and the 1942 estimates in consideration of the total amount of black walnut lumber reported as produced during the period between the two estimates, together with recognition of the possible growth, indicates that the earlier estimate was much too conservative and the 1942 is still too small."

The booklet of the American Walnut Manufacturers Association titled "Growing Walnut for Profit" states that: "On good ground walnut is one of the fastest growing native hardwoods."

Even with the limitations mentioned, there was positive control by force of law on exporters. No such control existed for domestic manufacturing, and there was no policing provision to assure that voluntary regulation of consumption was being met. As a matter of fact, the antitrust laws may prevent this.

From our experience with veneer, we felt that a dual standard was being imposed if exporting was under positive control while domestic production was under no control except on a voluntary basis. As in the case of exporters, we felt that domestic veneer manufacturers who were trying hard to comply with the intent of the conservation program would be at a disadvantage compared to other manufacturers who wished to take advantage of the lack of control in the program.

Soon after the advent of export controls on logs, reports circulated of an Indiana veneer manufacturer advertising in a German trade journal to the effect that his company was offering to sell unlimited quantities of American-cut veneer abroad. In the months that followed export controls, a substantial volume of logs were cut into veneer in this country and shipped abroad. Thus, the Department of Commerce decision allocated markets but did not conserve walnut timber.

After controls, our company and many other exporters increased their purchasing in the Central States and discontinued purchasing in the Appalachian areas. Thus, in spite of less exports abroad there was probably increased competition for walnut logs of good quality in the Central States. To this extent export controls on logs probably intensified the problem that domestic veneer manufacturers were trying to avoid.

In addition to failing in the effort to conserve walnut timber, the export controls increased the profits and market domination of foreigners, while putting our company and many American exporters in an inferior position. Very recently a representative of a large foreign company buying walnut logs in the United States told me that they would prefer to have export controls continue since it allowed them to make a substantial profit with little effort. Our company, in order to try to keep our mill operating, sold a substantial volume of veneer logs at no profit to other exporters having licenses. We did this only to allow us to buy lumber logs in larger volume to keep our mill in Winchester operating and to keep our people employed. A profit was made on these logs, but

it was not made by our company or by anyone deserving this profit by virtue of performing a useful service or marketing function. So, as a result of export controls our company had reduced lumber production and profit, farmers had less markets for their logs, consumption was reduced substantially less than shown by the official figures, and certain foreign elements received the gift from the U.S. Government of guaranteed profits. Certainly this is not the answer we are looking for in the way of conservation, and it certainly is not the American way of life. If we need to conserve walnut timber, we should conserve it and we should do so in a different manner than that tried during the previous year.

If there is to be control of log exports, there should be control of veneer exports, too, if conservation is the goal. Domestic reporting of log consumption should probably be on the basis of veneer surface measure in order to eliminate differences in log measurement between companies. Thicknesses should be reported in thousands, and careful definition of reporting methods and nomenclature should be required. In order for controls to be effective, they must be policed, both for exporters and for domestic use.

There is a weakness in not allowing exporters to switch countries when there is a change in demand due to economic conditions. Since the problem is related primarily to the eight Central States, perhaps further consideration can be given to controlling the cut of walnut logs only in these eight States. If controls are placed on domestic consumption of logs, they should allow new companies to enter the domestic manufacturing business related to walnut veneer. Otherwise, companies like our own would find ourselves cut off from export markets and out of business because we could not compete for logs on equal terms. If new controls are established, on the same basis as previously, our only long-term alternative is to manufacture veneer in Winchester, Ky., so that we can keep intact our present investment.

An argument has been made that our country should be exporting furniture instead of logs, since it is more profitable to export furniture. This is true in theory, but impossible in practice due to differences in styles and particularly due to economic differences. The fallacy of this can be pointed out by referring to total U.S. exports for 1963, as reported by the U.S. Government. In 1963 the principal customers for walnut logs were West Germany and Italy who purchased, respectively, \$4.8 and \$4.5 million worth of logs, in the total walnut log exports of \$13½ million. In contrast, West Germany and Italy purchased, respectively, \$56,000 and \$76,000 worth of furniture from the United States.

It has been stated that the reason walnut logs are exported is that wages are lower in Europe. This is not true, because the wage differential is more than offset by the ocean freight between the United States and Europe or Japan. If wages were the only difference, it would be impossible for foreigners to pay higher prices than those paid domestically, transport the logs in uneconomical log form, and still process them at a profit.

Price differentials between exporters and domestics are much smaller than generally believed when a close analysis is made. The price quoted by domestics for their long purchases includes only the log cost and a small freight charge to nearby veneer mills. The exporters are buying a higher quality log, paying higher freight, and adding to the log cost the cost of buying, agent commissions, fees to agents at port, and their profit. Thus, we are comparing two different things. In the United States there is a substantial market for relatively low quality veneer for wall paneling. This market has not developed to a large extent in Europe, so their requirements are for higher quality wood.

To rebut a charge of unemployment created by abnormal demand on walnut, the only unemployment created by export controls was in the Appalachian areas and regions outside the Central States. To the best of my knowledge veneer mills have been operating profitably in this country, and none have gone out of business in the last year. I have been told that some of them have been operating on overtime during the last months of 1964. Any reductions in their profits was probably due to consumer resistance to thinner veneers, since for a few months after walnut veneer manufacturers tried to insist on selling only one thirty-sixth-inch walnut, furniture manufacturers operated from their inventories of thicker veneer and did not make substantial purchases. Much of this loss was made up later in the year, and present demand continues on a very high level with low stocks of veneer on hand.

Having pointed out the lack of a sound statistical basis for evaluating the possible drain on walnut timber in the United States, and having illustrated areas where export controls actually prevented proper conservation and resulted

in markets being allocated arbitrarily, I would like now to express the position of our company in regard to the future of walnut. Controls on the consumption of walnut logs may be necessary provided that—

1. They are on the basis of sound statistical surveys which prove conclusively that there is an excessive drain on walnut timber of the quality being exported.

2. That controls are applied fairly and equitably both to exporters and to domestic veneer manufacturers.

3. That there be unimpeded access to the veneer manufacturing business.

To aid in determining the true growth and drain picture for walnut, we understand from a recognized research laboratory that it may now be possible to use aerial photography to locate and count walnut trees. If this is the case, I believe the U.S. Forest Service could develop a statistical sampling procedure that would allow present data to be verified, modified, or disapproved. It is important to be careful to differentiate between normal seasonal shortages that have occurred for years and shortages that occur as a result of the larger problem. Any current shortage of logs may well be caused by the unstable conditions that have existed in the past year due to export controls, dock strikes, unanticipated high demand for veneer and walnut products, and unusually wet winter weather that delayed logging of all species.

Since the termination of controls German importers of walnut logs state that the present unusually high demand stems from persistent rumors about new controls. Without these rumors the demand very likely would get back to normal, especially since the high point of demand as dictated by style preference has passed, according to German sources.

The argument is made that the public insists on walnut, and it is assumed by proponents of export controls that demand for walnut will continue to increase at the present rate. I believe that this argument overlooks some important factors that will help the walnut industry to maintain a continuing operation with adequate supplies of raw material. A logical future occurrence would be the return to style of other woods, such as mahogany. Attached is a graph prepared by the American Walnut Manufacturers Association which illustrates the cycles in the use of various hardwoods during the period from 1934 to 1958. It is evident from this graph that mahogany was a style leader for many years. This species is still available in substantial quantities at prices more reasonable than walnut. Not only taste and style determine a wood's popularity, but also the natural workings of the marketplace. The popularity of the wood increases the demand for it to a point where prices rise beyond the maximum consumers will bear. At this time, it is to be expected that a switch either to other woods or to substitutes will occur. Recently, there has been some evidence of a switch to hickory, pecan, and other woods, replacing walnut in certain furniture suites.

Already on the market are substitutes for walnut in the form of walnut finishes on cheaper wood, photographic transfers of walnut grain to furniture cores, prints, and plastics. Higher prices for the genuine article will increase the popularity of these substitutes and have a natural effect of dampening the popularity of walnut.

Conservation will be aided by the use of thinner veneer in U.S. furniture production. Different techniques are required, and these require precision machinery and in some cases a moderate additional labor cost. In dealing with the high-priced wood like walnut, however, it becomes more practical to invest a bit more when it can save the cost of expensive material.

I believe that in the future we will see more dimension stock of both walnut lumber and veneer made right in the basic conversion stage. This will conserve logs and will also help to reduce the consumer's cost for walnut lumber or veneer of specific widths and lengths, designed for certain products.

Although there is now some research in walnut, the U.S. Forest Service needs more funds to move faster. For example, an effective rodent repellent for walnut seeds would allow extensive planting of walnuts beyond the present level of reforestation. If squirrels could be prevented from digging up nuts planted by humans, another great step would be taken toward a larger supply of walnut trees.

Recent research has suggested that our previous thinking that walnut must be planted in mixed stands is in error. If further investigation shows that it is profitable to plant walnut in plantations, such as we now do with many softwoods, there will be a real revolution in the walnut business. I believe that our company and others in the walnut industry would do well to consider

hiring of professional foresters to develop walnut tree farms, much in the manner of larger companies who have done this for decades in softwoods.

If the U.S. Government will expend the same amount of funds spent on controls to promote and intensify good forestry practices on walnut, such a program would be of tremendous help. The Central States Forest Experiment Station has the facilities and the staff to develop a larger program that would serve this purpose well, and with adequate funds could be of tremendous assistance to farmers, manufacturers, and consumers of walnut products.

Substitute materials will lessen any potential imbalance between timber supply and demand. Other woods will come into prominence, and better techniques will be devised for finishing other woods to appear like walnut. Adequate statistics, aided by better aerial survey techniques, will enable the walnut industry to make intelligent choices and to plan practical programs for conservation.

Positive action can be taken now that will protect and expand our walnut supply. It should not be negative action, such as restoring the unworkable export controls. Since walnut is such a valuable crop on thousands and thousands of farms throughout many States, it is an area where the resources of industry and Government could be utilized to tremendous advantage. Our company hopes that needed study and changes will be made to allow walnut to remain one of the cherished raw materials of the United States. For all the reasons stated, I support Secretary Connor's decision not to extend the export controls.

This committee is urged to reject any legislative proposals which would force the Secretary of Commerce to apply controls when, in his opinion, such controls are not justifiable or do not accomplish the purposes for which imposed.

TELEGRAMS, BY STATE, TO SENATE BANKING AND CURRENCY COMMITTEE

FAVORING S. 1896

Connecticut: W. B. Parson, manager, purchasing division, Remington Arms Co., Inc.

Illinois:

Donald H. Gott, executive director and secretary, American Walnut Manufacturers.

Aldo L. Presenza, region three architectural program manager, Weyerhaeuser Co.

George F. Wilhelm, president, R. S. Bacon Veneer Co.

Thomas A. Deau, president, Dean Industries, Inc.

Robert Foot.

E. Howard Gatewood, Fine Hardwoods Association.

Roger P. Peck, regional manager, Great Lakes Region, Weyerhaeuser Co.

I. C. Clay, architectural program manager, Great Lakes Region, Weyerhaeuser Co.

Indiana:

Chester B. Stemm, Chester B. Stemm Veneer, Inc.

B. F. Swain III, vice president, National Veneer & Lumber Co.

R. P. Miller, president, Curry-Miller Veneers, Inc.

R. E. Hollowell, Jr., Pierson Hollowell Co., Inc.

Iowa:

Midwest Walnut Co.

J. B. Petrus, Jr., president, Midwest Walnut Co.

Kansas: E. M. Wilson, president, Wilson Bros. Walnut Lumber Co., Inc.

Michigan: Lawrence E. Dodge, Lawrence E. Dodge Veneer & Lumber Co.

Missouri:

Frank Paxton, Jr., Frank Paxton Lumber Co.

Elliott S. Miller.

New York: J. S. Hope, Ithaca Gun Co., Inc.

North Carolina: J. C. Horney.

Ohio: R. P. Seale, the Purdy Ammon Lumber Co.

Texas: John L. Paxton, executive vice president, Frank Paxton Lumber Co.

Virginia:

Clarke E. McDonald, managing director, J. J. Stern, president, Hardwood Plywood Manufacturers Association.

R. M. Bailey, U.S. Plywood Corp.

TELEGRAMS, BY STATE, TO SENATE BANKING AND CURRENCY COMMITTEE—Continued

OPPOSING S. 1896

California :

Barry LaBow, sales representative, Duc, Inc.
 Folke Ohlsson, president, Dux Inc.
 Alvin E. Cole.

Georgia : Alex Conrad, export manager, Georgia Pacific Corp.

Illinois :

Bockand.
 Robert Turner, manager, Dux, Inc. Merchandise Mart.

Indiana : P. Simmon Co., Phil Adamson.

Iowa :

David Stipe.
 Leland Linke.
 Bud Simmers.
 Roberts Tree Service.
 Edwin Jenkins.
 Lee Doty.
 Robert Batey, Allied Timber Exchange, Inc.
 Jamison Logging Co.
 Reddish Log & Lumber Co.
 Baxter Lumber Co.
 A. Richardson.
 Cass R. Kyle.
 Ronald Walter Logging Enterprise.
 Ferson Carr, Central Walnut Co.
 Richard Fox.
 George Sage.
 Gary Moore.
 Marceau Desplanque, Jr.
 Merle A. Shea Logging Co.

Louisiana : J. G. R. Williams, Inc.

Maryland :

The Kimball Tyler Co.
 Maplegrove Mills.
 George W. Reaver.
 Mabel E. Reaver.
 Francis E. Reaver.
 Carrie V. Reaver.
 Franklin R. Reaver.
 James W. Johnson.
 W. P. Phillips.
 G. A. VanHesen.
 Martin A. Barley.
 F. R. Vigeveno.
 Ken Park.
 George V. O'Neal.
 John H. Hughes, president, Susquehanna Hardwood Corp.

Michigan :

L. H. Shay Veneer Co., Inc.
 Leonard H. Shay.

Minnesota : Eulis Balentine.

Missouri :

Lowell Hudson.
 F. D. Decker, M. & W. Lumber Co.
 Karl F. Dewey.
 Mack A. Cook.
 Edwards & Sons Lumber Co.
 Ray Williams.
 Wayne Ipock Walnut Logging Co.
 Willard Terrill.

Nebraska :

J. W. Pollock.
 William Zimmerman.
 Dean Picolet.

TELEGRAMS, BY STATE, TO SENATE BANKING AND CURRENCY COMMITTEE—Continued

OPPOSING S. 1886—continued

New Jersey : Richard B. Mires, Jersey Package Co.

New York :

EK & P Stiles, Inc.
 Engert Lumber Co., Inc.
 Ford K. Thompson.
 Arthur L. Allen.
 Mr. and Mrs. Charles Harris.
 Lawrence Tuggle.
 Junior Martin.
 James Pion, Manager Dux, Inc.
 Hardwood Centre, Inc.
 J. H. Monteath Co.

North Carolina : E. L. Norton & Sons.

Ohio :

Fratelli Tragni.
 Southeast Ohio Timber Products Co.
 William Roberts.

Pennsylvania :

George B. Mills.
 Lewis Mills.
 W. W. Sutherland Lumber Co.
 Allen J. Mowl.
 Jimmy Tewell.
 Clarence Winters.
 Paul E. Mount.
 D. W. Charles.
 H. C. Hiney.
 C. J. Charles.
 Steve Pochiba.
 Glen Leyda.
 John Pochiba.
 William Riggle.
 L. McNulty.
 Charles Bowser.
 Mr. and Mrs. James Patterson.
 Gene Vermillion.
 Lois Belisle.
 Roy McCable.
 Reuben Albertson.
 Headlee Bros. Lumber Co.
 Charles Hack.
 W. A. Wilson Stave Co.
 Gerald R. Mills.
 Reed Sanders.
 P. L. Seldomridge.
 Wayne Headley Lumber Co.
 E. S. Sants.
 Russell E. Headlee.
 Walter J. Gross.
 W. P. Ridgers Trucking.
 Fred Hershey.

Virginia :

K. H. Riehn.
 Neil McKinney.
 General Walnut Log Co.
 J. Russel Bourne.
 Augusta Lumber & Supply, Inc.
 J. Bruce Barnes.
 Sune Lundberg, general manager, Dux, Inc.
 Joe McKinney.
 Alfred L. Phillips

TELEGRAMS, BY STATE, TO SENATE BANKING AND CURRENCY COMMITTEE—Continued

OPPOSING S. 1896—continued

West Virginia:

N. B. Perkey.
 J. Parris Looney, J. B. Belcher & Son, Inc.
 Paul Nesselrodt.
 R. L. Domen.
 J. D. Marshall.

McCracken Hardwood Lumber Co.

Japan: Fancywood Dept. of Japan Lumber Importers Association. Tokyo.
 Italy: Antonio Usvelli, Guglielmo Silini, timber exporter. Milan, Italy.

AMOS-THOMPSON CORP..
 Edinburg, Ind., May 12, 1965.

Senator A. WILLIS ROBERTSON,
 Chairman, Senate Banking and Currency Committee,
 Senate Office Building, Washington, D.C.

DEAR SENATOR ROBERTSON: We wish to call your attention to Senator Hartke's bill, S. 1896, which is to amend section 3 of the Export Control Act of 1949.

We urge you and your committee to support and approve it as an amendment to the Export Control Act which is so important to the veneer, lumber, furniture, plywood, and many other wood-using industries in this country.

Senator Hartke has very ably explained his thinking and reasoning why this is necessary as recorded in the Congressional Record on Tuesday, May 4, 1965.

We sincerely hope that you will acquaint yourself with the facts regarding this matter and will help our domestic industry and economy with your support.

If we can be of service, please feel free to call on us.

Very truly yours,

B. A. ROTH.
 Executive Vice President.

IOWA-MISSOURI WALNUT CO..
 St. Joseph, Mo., May 12, 1965.

Hon. A. WILLIS ROBERTSON,
 Senate Office Building, Washington, D.C.

HONORABLE SIR: Bill No. 1896 has been submitted and referred to the Senate Banking and Currency Committee. I would like to urge your approval and support of this bill of Senator Hartke when it is brought before your committee. Briefly, this bill will help restrict the export of walnut veneer and lumber logs.

In the past there were two instances—one the chestnut tree and currently the elm tree—that were, and in the case of the elm tree, is now being ravished into extinction by disease. The fond memories of the fine furniture and paneling of the chestnut and the canopy of shade the elm tree provided has caused concern that we should have done something about it before they were virtually wiped out commercially, except for a few stately monuments to remind us of our neglect.

The American black walnut is the only one of its kind in the world. It is now being exploited by a new disease in the form of foreign buyers. I would enlist your support to control this disease. A sensible control of exports, such as was briefly imposed in 1964, along with the concern for future supply by domestic users, will help insure a constant supply of this wood.

We run a veneer mill in Missouri. We hire 150 men. Last month in 1 day a boat left Norfolk, Va. with over 1.5 million board feet of walnut logs. This quantity could have run our mill for over 2 years. There are hundreds of foreign buyers in this country today buying walnut trees. Yes, I am selfish. I run a business that produces walnut lumber, gunstocks, and veneer. But I plant new trees, I restrict my purchases to a minimum log diameter, and I am concerned about next year, 5 years, 10 years, and further. I know most of my domestic competitors do and feel the same as I. Ask any foreign buyer. He is not concerned about the logs he will buy tomorrow, even let alone in 10 years. He also tells us we are suckers because his country would not allow this butchery if they had such a desirable tree.

Thank you for taking the time to read this letter and do give your support. God bless you.

Sincerely yours,

D. W. DUNCAN, President.

KROEHLER MANUFACTURING Co.,
Louisville, Ky., May 14, 1965.

Senator WILLIS ROBERTSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: I urge your support of Senator Hartke's bill, S. 1896.

The recent lifting of the export controls on American walnut has immediately resulted in runaway prices on walnut lumber and veneers.

This wood is vital to the furniture industry and a highly desired commodity to the American people.

Unless export controls are returned, our company and our industry will be hurt seriously in the future.

Very truly yours,

PAUL E. RUMBAUGH, *Vice President.*

DREXEL ENTERPRISES, INC.,
Drexel, N.C., May 18, 1965.

Senator A. WILLIS ROBERTSON,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR ROBERTSON: For several years the Drexel Furniture Co. has been interested in efforts by the walnut producers, furniture manufacturing people, and Government agencies directed toward conservation of American black walnut. Based upon the great accumulation of factual material by all of the interested parties during these several years, it seems evident that this species of wood is doomed to extinction unless action is taken to prevent it.

We understand that Senator Hartke of Indiana continues his efforts along these lines, and we certainly applaud him in this fine work. It is our feeling that the controls imposed upon the export of walnut under Mr. Hodges should be reinstated. We sincerely hope that you will give attention to the value of such controls and if you conclude they are in the best interest of this country, we trust you will lend your support to the effort to preserve walnut.

Thank you for your consideration in the matter.

Very truly yours,

SAM W. FREEMAN,
Director of Purchases.

MERSMAN BROS.,
Celina, Ohio, May 18, 1965.

Senator A. WILLIS ROBERTSON,
Senate Banking and Currency Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR ROBERTSON: We understand that the Export Control Act of 1949 will be up for renewal very shortly and we would appreciate it greatly if you would support Senator Hartke's bill, S. 1896, to amend section 3.

Being furniture manufacturers we are very concerned about the supply of walnut, America's No. 1 cabinet wood. No substitute wood seems to take the place of walnut and we feel that every effort should be made to conserve this natural resource.

We sincerely trust that you will get all the facts and will help our domestic woodworking industry.

Sincerely yours,

R. J. MILLER.

THE WURLITZER Co.,
De Kalb, Ill., May 19, 1965.

Senator A. WILLIS ROBERTSON,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR ROBERTSON: We wish to call your attention to Senator Hartke's bill, S. 1896, which proposes to amend section 3 of the Export Control Act of 1949.

As a large domestic consumer of walnut veneer and lumber, we urge you and your committee to support and approve this amendment to the Export Control Act which is so important to the wood-using industry in this country.

Senator Hartke has very ably explained his thinking and reasoning why this amendment is necessary as recorded in the Congressional Record on Tuesday, May 4, 1965.

It is our sincere hope that you and the members of your committee will acquaint yourselves with the facts regarding this matter and will lend your support to our domestic industry and economy with favorable action in this matter.

Very truly yours,

REID W. KEENE,
Division Superintendent.

CHESTER B. STEM, INC.,
New Albany, Ind., May 20, 1965.

Senator A. WILLIS ROBERTSON,
*Senate Office Building,
Washington, D.C.*

DEAR SENATOR ROBERTSON: May we suggest your careful consideration of Senator Hartke's bill, S. 1896, amending section 3 of the Export Control Act?

We feel the export drain of walnut logs is seriously affecting our domestic industry and action on this bill is needed.

The continuation of walnut log exports will spell the end of walnut in this country. The foreign nations buying our walnut have themselves used up their native woods and are importing our logs. We are presently gaining a few export dollars and when these walnut logs are gone, the dollars will have to be spent abroad for logs if any domestic veneer or lumber business is to continue.

We feel that the lifting of walnut log restrictions is a very shortsighted viewpoint for the above reasons and many more which can be realized by a little further consideration; i.e., jeopardizing the future of our domestic veneer industry.

We seriously implore you to consider Senator Hartke's bill, S. 1896, with careful judgment.

Sincerely,

LEE S. JACOBS.

COMMONWEALTH OF VIRGINIA,
VIRGINIA STATE PORTS AUTHORITY,
Norfolk, Va., June 4, 1965.

HON. A. WILLIS ROBERTSON,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR ROBERTSON: We understand that the Export Control Act of 1949 will expire July 1, unless the President signs a new bill, and that hearings may be held by the Senate Banking and Currency Committee, of which you are chairman, on bill S. 1896 to amend and extend the 1949 act.

We have every reason to believe that the effect of bill S. 1896 would be to diminish, if not completely embargo, walnut log exports. Such action would have an immediate detrimental effect upon the ports of Hampton Roads where approximately 25,000 tons of logs are handled per year. It could cause a loss in the number of ocean vessels calling at the ports, a severe loss in stevedore hours, and naturally a heavy monetary loss to log producers and the economy of Virginia.

The principal proponents of the bill are understood to be midwestern furniture manufacturers, who use walnut logs from the Central States, whereas the bulk of the walnut log exports originate in Virginia, Tennessee, and Maryland. Virginia is by far the largest exporter of logs, and would suffer the greatest injury from passage of the bill.

In December 1963, when the U.S. Department of Commerce had under consideration export controls of walnut logs, we addressed a letter to the then Secretary of Commerce Luther Hodges outlining our position. Copy of that letter is attached for your perusal.

Anything that you may be able to do to assist in preventing such destructive action will be greatly appreciated.

Sincerely yours,

D. H. CLARK, *Executive Director.*

COMMONWEALTH OF VIRGINIA,
 VIRGINIA STATE PORTS AUTHORITY,
 Norfolk, Va., December 5, 1963.

HON. LUTHER W. HOIGES,
 Secretary of Commerce,
 U.S. Department of Commerce,
 Washington, D.C.

MY DEAR MR. SECRETARY: We understand that the Department of Commerce has under consideration a request of midwestern veneer manufacturers that the Department place a restriction upon the exportation of walnut logs that would, in practical effect, amount to an embargo. It is our further understanding that the principal sources of supply of these manufacturers are the six Central and Midwestern States of Iowa, Missouri, Illinois, Indiana, Ohio, and Kentucky, which produce less than 15 percent of the walnut logs exported from this country.

By contrast, some 60 percent of the walnut log exports originate in the States of Virginia, Maryland, Tennessee, and North Carolina, which are naturally tributary to the ports of Hampton Roads. The exports of logs through these ports range around 25,000 tons per year, approximately 80 percent of which are walnut logs. Thus, it will be seen that the requested embargo, if granted, would not only have a serious adverse effect upon the economy of the principal producing States in the eastern area of the country, but would have a similar destructive effect upon the commerce of the Hampton Roads ports. We cannot believe that the supply needs of the veneer manufacturers call for such drastic action as it would adversely affect States upon which they are not dependent for supplies, as well as the Nation's balance of payments, its export commerce, and ports.

It is our hope that you will not take action that would have these dire results. Your advice as to the status of this matter will be appreciated.

Sincerely yours,

D. H. CLARK, *Executive Director.*

EDWARDS & SONS LUMBER CO.,
 Cameron, Mo., June 14, 1965.

Senator A. WILLIS ROBERTSON,
 Chairman, Committee on Banking and Currency,
 Senate Office Building, Washington, D.C.

DEAR SENATOR ROBERTSON: We recently sent a letter to Mr. Harry J. Smith, Jr., regarding the possible embargo on black walnut logs. Since we don't know if you are on the same committee with Mr. Smith we will give you our viewpoints on the matter.

I have been buying veneer logs and walnut lumber logs for 17 years and, for the last 4-5 years, we have been exporting to Italy, Germany, and Japan.

We have a small business dealing only in walnut and soft maple lumber for furniture and have always sold walnut veneer to domestic companies since we do not have veneering equipment. We have had to take a drastically low price, sometimes less than one-half on what we get today. We think this is what they are wanting to do again so they can buy these logs for about one-half what they are really worth.

We don't have the exact figures, but in 1964, it was the first year that Missouri produced more logs than their growth. The logs that are going for export are logs that could never be bought before because of the price the veneering companies wanted to pay. These trees are ones that should have moved quite some time ago. With the exporting business, we have been able to offer better prices to buy them. This gives the small businessman a chance to get a part of the profit that went to very big veneering companies in the past, as this can be figured by the condition and what they are worth. They are worth millions of dollars.

I don't know why the money should not be strung around to give the people a chance, including the farmer.

Yours very truly,

KENNETH N. EDWARDS, *Owner.*

MARYSVILLE, KANS., *June 14, 1965.*

Re Export controls.

Senator A. WILLIS ROBERTSON,
Senate Office Building,
Washington, D.C.

DEAR SIR: It has been called to my attention that a bill, No. 1896, has been proposed by Senator Hartke, of Indiana, for an embargo on the exporting of walnut logs from this country, supposedly as a measure for the conservation of walnut timber. Having been a producer of walnut logs for many years and an exporter of walnut logs for several years, I wish to offer a protest against such a bill since, due to my personnel, in the field contact with the circumstances that control conservation, or destruction of our walnut timbers of the Central States, I have an opinion, or opinions, that I will try to make clear for what they are worth to you in making a decision on the subject.

First, to make this honest is my personal concern, which is with the employment of myself and the several men whom I have employed in the purchasing and producing of walnut veneer logs as a means of livelihood for several families, this is a highly, specialized work and these men, after several years of training and experience, would find it hard to adjust to other work.

Next, it is my contention that the prices paid by exporters for good logs of large sizes is an inducement for the farmer to keep and care for small trees until they reach desirable sizes and, in this way, conserve timber. I sincerely believe the most destructive factor in the walnut business today is the sawmills that scalp the standing walnut down to 10-inch diameter regardless of condition of young trees, this is a common practice and if the American Walnut Association is truly interested in conservation, they should work in this direction.

Desirable export logs are 16 inches diameter and larger, and bring the farmer 80 cents to \$1 per board foot log measure standing in the woods, or \$65 to \$500 per tree, and I believe the opportunity for a farmer to grow and harvest this kind of crop on land that is not desirable for grain crops is an inducement for him to protect and conserve walnut timber. If an embargo is put in force, it will be for the elimination of the competition of export buyers and the price to farmers will be about one-half of the export prices and the inducement for conservation and production of walnut reduced in proportion.

I will not bore you with a lot of examples of experiences in the matters but pray that you will forgo placing an embargo on the exporting of walnut logs from this country.

Assuring you that I am very serious and conscientious in this matter, I am
 Respectfully,

GLENN C. FENNER.

LARGENT, ANDERSON & LARRICK,
 ATTORNEYS AT LAW,
Winchester, Va., June 14, 1965.

Hon. A. WILLIS ROBERTSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: As you may recall, I have written you several times concerning the embargo on walnut logs. In February, the Secretary of Commerce, after studying embargo was of the opinion that the same should be lifted, and so ordered.

I now understand your committee is holding hearings on Senate bill S. 1896, a portion of which I further understand would again restrict the free export of walnut logs to foreign countries. On behalf of my client, I wish to express our opposition to this bill, and believe the free export of walnut logs to foreign countries should not be restricted in any manner or form.

Yours very truly,

J. RANDOLPH LARRICK.

OMAR AZOUNI & Co., INC.,
New York, N.Y., June 18, 1965.

HON. A. WILLIS ROBERTSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ROBERTSON: A great many misleading statements have been circulated about Arab boycott that the truth has been overshadowed by the adverse propaganda that engulfed it. Therefore, before action is undertaken on the export control bill, the committee must ascertain the aims of the Arab boycott and in what ways, if any, it damages U.S. interests.

Let me say from the outset that the Arab boycott is not a novel act, but has many precedents. The U.S. administration resorted to such measures against firms trading with Cuba, Communist China, and North Vietnam. So let us be understanding and consistent in our thinking and conduct, and let us not deny to others what we ourselves have considered to be in our best national interest.

The Arab boycott offices were set up to collect information on firms that have established offices or plants in Israel and/or aiding its economy. Through this information exporters to Arab countries and importers in Arab countries enter into their commitments with prior knowledge of their respective positions thus avoiding any future complications. In this way Arab boycott offices are instruments for harmonizing and promoting business relations rather than disrupting them. Furthermore, Arab boycott is not general in nature, but confined to certain specific business firms that have contravened the rules and regulations in force in the Arab countries. The foreign exporter and the supplier cannot have it both ways. They cannot contravene the rules and regulations of the importing Arab country and yet seek to avail themselves of the opportunities to sell to Arab countries. Let me add that there is no compulsion to disclose, but failure to do so entails, under certain conditions, loss of business opportunities. It is relevant to stress that the information requested is neither classified in nature nor its disclosure endangers the security of the country where exporters are domiciled.

The explanation given is of import to clarify the issues involved in the Arab boycott policy. It is our sincere hope that Congress will not be stampeded into any action that will further damage any residue of goodwill our country has in the area and disrupt the business interests in the Arab countries.

We know of no threat, interference, or damage that has been caused by the disclosure of the type of information requested by importers in the Arab countries or by the Arab boycott offices. Business relations are undertaken by all parties with full knowledge of their respective positions without any compulsion. Business firms which find it more profitable to have commercial relations with the Arab countries choose this course and readily comply with the requirements of the laws in force. Others elect not to comply; this is their privilege and their right.

Congress should trust the American businessman. He always chooses the course that enhances his business and opens new and wider areas for its development and growth. In an area as large as the Arab world with a population of a hundred million, there is an expanding consumer's market that has to be utilized and preserved. We must be mindful of this fact and let us not vacate it to others, who are hard at work to ease us, by unwise rash actions.

Congress must not be influenced by the disgruntled few firms acting through vocal Zionist lobbyists and spokesmen in and out Congress. The interest of the United States must at all times guide it in all its actions. For this reason alone, Congress must reject the proposed legislation in all its forms.

Finally the proposed legislation raises constitutional issues and of this fact Congress must be mindful.

Sincerely yours,

OMAR AZOUNI.