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93D CONGRESS *1st Session*	SENATE	REPORT No. 93-607

EXPORT CONTROL AMENDMENTS—1973

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

H.R. 8547

TOGETHER WITH

ADDITIONAL VIEWS

DECEMBER 7, 1973.—Ordered to be printed

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Mr. SPARKMAN, from the Committee on Banking, Housing and Urban Affairs, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 8547]

The Committee on Banking, Housing and Urban Affairs, to which was referred the bill (H.R. 8547) to amend the Export Administration Act of 1969, to protect the domestic economy from the excessive drain of scarce materials and commodities and to reduce the serious inflationary impact of abnormal foreign demand, having considered the same, reports favorably thereon without amendments and recommends that the bill, as amended, do pass.

History of the Legislation

H.R. 8547 was approved by the House of Representatives on September 6, 1973, and on the following day received by the Senate and referred to the Committee. Hearings on H.R. 8547, S. 2053 (a related bill), and other matters pertaining to export controls were conducted on September 26 and 27, 1973. Earlier, on June 25 and 26, 1973, the Committee conducted separate hearings on S. 2053 and related matters. On July 18, 1973, the Committee also conducted separate hearings on S. 2119, a bill to regulate exports of ferrous scrap.

On November 29, 1973, the Committee met in open mark-up to consider the pending export control proposals as set out in a two part Agenda. The Committee approved, by a vote of 8 to 7, a motion to table all matters on the Agenda other than H.R. 8547, and, by voice vote, agreed to report H.R. 8547 with an amendment in the nature of a substitute.

Explanation of the Legislation

H.R. 8547, as amended by the Committee, amends the Export Administration Act of 1969 by striking the word "abnormal" from section 3(2)(A) of the Act (50 U.S.C.A. App. § 2402(2)(A) (Supp. 1973)). Section 3 of the Act sets forth Congressional policy on the use of export controls. As amended, section 3(2)(A) would read as follows:

> It is the policy of the United States to use export controls (A) to the extent necessary to protect the domestic economy from the excessive drain of scarce materials and to reduce the serious inflationary impact of [abnormal] foreign demand ... (Bracketed material deleted by H.R. 8547)

The Committee believes that the additional authority requested by the Executive Branch in S. 2053 is neither necessary nor desirable. Such authority would have permitted the use of export controls to curtail serious inflation in domestic prices irrespective of the level or pattern of foreign demand.

The Committee also believes that the changes proposed in existing law by H.R. 8547 as passed by the House are unnecessary and undesirable. Among other things, H.R. 8547 would have changed the word "and" which presently links the excessive drain of scarce materials and foreign demand criteria to "or" so that export controls could be used to protect the economy from either the excessive drain of scarce materials *or* the serious inflationary impact of abnormal foreign demand.

In the case of agricultural commodities, both H.R. 8547 as passed by the House and S. 2053 would have eliminated the need for the Secretary of Agriculture to determine that the supply of a commodity does not exceed the requirements of the domestic economy before export controls could be imposed.

The Committee is deeply concerned about the shortages which have developed and are developing in many sectors of the economy. Over the past year, soybeans, cottonseed, ferrous scrap, and fertilizers, among other commodities, were in extremely short supply. Serious shortages now appear to be developing in wheat and fuels and may develop in many other sectors as well. Of great concern to the Committee was the failure of Executive Branch to take appropriate action under existing law to forestall the critical shortages which developed in soybeans and cottonseed during the summer of 1973. The failure to anticipate substantial increases in soybean and cottonseed exports necessitated the precipitate action of an embargo followed by extremely severe quantity limitations.

In the case of ferrous scrap, the Executive Branch on July 2, 1973, instituted a program of ferrous scrap export controls for the second half of 1973. On November 28, 1973, the Executive Branch announced that the controls would be extended through the first quarter of 1974 and that ferrous scrap exports during that quarter would be limited to approximately 10% below the export volume during the July-December 1973 period. In 1973, exports, scrap prices, and scrap demand were at historic highs. Under the circumstances, the Executive Branch proved it has the authority to act when necessary under the Export

Administration Act. The Committee believes that their action, in each instance, was a step in the right direction, and the Committee expects the Executive Branch to continue to monitor developing short supply situations and take appropriate action under the Act. By so doing, the need for Congressionally-mandated export controls on particular commodities can be avoided.

In the past, one of the impediments to effective use of export controls has been the need to show that the foreign demand which produced an excessive drain of scarce materials and serious inflation was "abnormal." The term "abnormal" suggested the need to show, by reference to some earlier period, that the pattern or magnitude of foreign demand had changed significantly. However, determination of an appropriate reference point for assessing whether foreign demand is normal or abnormal is impossible to do with any degree of certainty since trade patterns fluctuate. Moreover, in some situations, an excessive drain of scarce materials and serious inflation can result even if foreign demand levels have not changed significantly. This could occur where total supply declines for one reason or another. In that circumstance, even if foreign demand is at pre-existing levels, there can be an excessive drain of scarce materials and serious inflation.

Under the change proposed by the Committee in H.R. 8547 as reported, it will no longer be necessary for foreign demand to be abnormal before export controls may be imposed. Instead, controls may be used when foreign demand results or will result in both an excessive drain of scarce materials and serious inflation. However, as at present, foreign demand must be a significant factor in present or prospective inflation in the economy before controls may be imposed.

The Committee expects the authority contained in the Export Administration Act to be used flexibly. The Committee believes that the Executive Branch in the past has taken too rigid a view of that authority. It is not necessary that there presently be in existence a drain of scarce materials and serious domestic inflation. The Act expressly states that it is the policy of the United States to use export controls "to the extent necessary to *protect* the domestic economy from the excessive drain of scarce materials and to reduce the serious inflationary impact of abnormal foreign demand . . .". Accordingly, it is not necessary that the economy actually be damaged before action can be taken. Congress intends that the Executive Branch anticipate and guard against the development of adverse situations and instructs the Executive Branch to exercise the authority contained in the Export Administration Act of 1969 and other laws in such a manner as to ensure that export controls do not have to be imposed in the tardy and hastily conceived manner of last summer. Such action generated unnecessary ill-will both at home and abroad.

Accordingly, the Committee expects the Executive Branch to develop and maintain information systems and procedures which are adequate to anticipate developing short supply situations so that appropriate action can be taken to forestall critical shortages before they materialize. In that connection, it also expects the Executive Branch to review the product mix of industries seeking export controls to determine whether that mix is causing supply problems for other industries. For example, the Committee is aware that the steel industry supports export controls for ferrous scrap. At the same time, the construction industry is experiencing difficulty in securing adequate supplies of reinforcing steel bars.

With the change in existing law which the Committees action would make, the Executive Branch will have the necessary legal authority to deal effectively with short supply situations.

The Committee had before it a number of other proposals to amend the Export Administration Act. A number of them would have made specific provision for particular commodities such as wheat, meat, and ferrous scrap. Others would have provided for revised information systems to assist in the identification of developing shortages and implementation of export controls. The Committee regards legislation with respect to specific commodities as undesirable, and wishes to postpone consideration of the other matters until it undertakes a comprehensive review of the Act. Since the Act expires on June 30, 1974, such review is expected to begin early in the 2nd Session of the 93rd Congress.

THE SECRETARY OF COMMERCE,
Washington, D.C., December 4, 1973.

Hon. JOHN J. SPARKMAN,
Chairman, Banking, Housing and Urban Affairs Committee, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The action taken by your Committee yesterday in tabling S. 2053, and reporting, in lieu thereof, a single provision striking the word "abnormal" from Section 3(2)(A) of the Export Administration Act, although an improvement over existing authority, does not provide as great flexibility as was provided in H.R. 8547 or in S. 2053 as introduced.

The reasons why greater flexibility should be granted to the President have been fully detailed by Administration witnesses before the House Committee on Banking and Currency in connection with hearings on H.R. 8547, which passed the House on September 6, and on two occasions before your Committee in connection with hearings on S. 2053.

Without wishing to be repetitious, the basic issue is as follows:

The "short supply" authority contained in Section 3(2)(A) of the Export Administration Act of 1969 requires that all three of the following criteria have been met, before controls may be imposed:

(a) A necessity to protect the domestic economy from the excessive drain of a scarce material,

(b) that controls will reduce a serious inflationary impact which is caused by:

(c) abnormal foreign demand.

H.R. 8547 sought to give the President greater flexibility, principally by substituting the word "or" for the word "and" in Section 3(2)(A) of the Act, thereby authorizing the President to impose export controls under circumstances where only the first of the three aforementioned criteria is established, or where the second and third of these criteria are jointly established. S. 2053 was intended to provide even more flexibility, in that it authorized export control action authority "to curtail serious inflation in domestic prices" in addition to the crteria specified in H.R. 8547.

By contrast, the bill reported by your Committee would not alter the shortcoming of existing law that export control action is precluded until all three criteria are met. The only change would be to strike the word "abnormal" currently qualifying the term "foreign demand" in Section 3(2)(A), thereby making the third criterion easier to establish.

I am advised that the reason for tabling S. 2053 was the belief that the Administration's imposition of export controls in July on a range of agricultural commodities and on ferrous scrap demonstrated that the current "short supply" provisions of the Export Administration Act are adequate. However, this conclusion begs the fundamental fact that these controls were justified under present law because, by July, the situation had become so critical that all three criteria could be demonstrated to have been met. Considerably less economic disruption would have resulted had we been legally authorized to act earlier.

It is earnestly hoped that additional controls will not have to be imposed in the future, but no one can foresee, at this time, the full impact which the current energy situation may have on the production of a broad range of goods here and abroad. If the need arises to impose export controls, the President should have adequate authority to act promptly, *before* a crisis point is reached.

In closing, I should like to express concern that several members of your Committee have indicated their intention to introduce further amendments on the floor of the Senate which would mandate export controls for specific commodities or otherwise unduly limit the discretion of the Executive in imposing and administering short supply controls under the existing Act. If restrictive amendments of this kind are passed by the Senate and adopted in Conference by the House, I would have considered difficulty in recommending to the President that he approve their enactment into law.

Sincerely,

FREDERICK B. DENT,
Secretary of Commerce.

Cordon Rule

In the opinion of the Committee, it is necessary to dispense with the requirements of subsection 4 of the rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate in connection with this report.

ADDITIONAL VIEWS OF MR. STEVENSON

Long ago, the nation adopted a policy of using export controls where necessary to protect vital U.S. interests. Protection from an excessive drain of scarce materials and serious inflation resulting from abnormal foreign demand is an express statutory objective of the Export Administration Act of 1969.

Effective utilization of the authority contained in that act requires flexibility to anticipate and respond to changing circumstances. One of the reasons the Department of Commerce waited so long to act on the soybean shortage during the summer of 1973 was its legitimate concern that under existing law it could not act until there was *both* an excessive drain of scarce materials *and* serious domestic inflation resulting from abnormal foreign demand. The need to find both elements also inhibited the Department from developing information and reporting systems adequate to anticipate developing situations for fear that any reporting system imposed on industry would be unenforceable.

H.R. 8547 as passed by the House makes a significant contribution toward removing such inhibitions. It permits the imposition of export controls if foreign demand causes *either* an excessive drain of scarce materials *or* serious domestic inflation. The action taken by the Committee does not go far enough; but the Executive Branch would go too far. In S. 2053 it asked for authority to impose export controls solely to curtail domestic inflation without regard to the level or pattern of foreign demand. Export controls would thus become an instrument of price stabilization policy.

International trade is too important to the U.S. economy and worldwide well-being to allow the use of export controls solely for such purposes. The Executive Branch would be tempted to use them to rectify economic policy miscalculations. What is needed instead is sufficient flexibility to permit appropriate responses to foreign demand developments which can harm the U.S. economy or vital U.S. interest while preserving the principle of free trade. The Committee's action does not provide that flexibility.

It has been argued that the Department of Commerce proved it has adequate authority under existing law to deal with developments in today's international markets because it ultimately took action on soybeans, related products, and ferrous scrap this summer. Such action, particularly in the case of soybeans, came too late, necessitating the drastic and disruptive remedy of a total embargo. The Department should have been free to act sooner, with greater flexibility, and without uncertainly as to its legal authority.

The need for greater flexibility and clear legal authority is all the more imperative in light of the long term international economic and political changes which we now face. Nowhere is this more dramatically illustrated than in the case of agricultural commodities. Wide fluctuations in world production and demand have produced chaotic conditions in international markets. The Soviet grain purchases this past year demonstrated the vulnerability of the U.S. economy to substantial and secret purchases, particularly when negotiated by state trading monopolies.

Today the U.S. remains equally vulnerable. Large, unpredictable, and unforseen food purchases can produce dramatic price upheavals and shortages both at home and for other countries abroad.

In other sectors as well, the long-held assumption that America is a land of limitless abundance has been shattered. Shortages have appeared throughout the economy. Manufacturers are finding it increasingly difficult, if not impossible, to obtain essential productive resources at reasonable prices. In some cases, raw materials are unavailable at any price. The result is increased shortages of finished products and higher prices for consumers.

The evidence is startling. The wholesale price index for November was almost 17.5% above its level just a year ago. Basic materials prices in October were more than 23% above last year's levels. In June, ferrous scrap prices were more than 34% above 1972 levels. Compared to last October, cotton prices were up more than 25%, grain prices were up almost 110%, and refined petroleum products increased by more than 40%. Fertilizer prices recently jumped some 40%–60%.

Price increases for producers inevitably mean price increases for consumers. By October of this year, the consumer price index was almost 8% above its level last October and was rising at a rate of 9.6% a year. Food prices alone were up more than 18% over last year. The worst is probably still ahead. Today's consumer prices reflect wholesale price increases which have already occurred. Wholesale price increases which are now occuring will inevitably boost future consumer prices.

Price increases in many cases have been accompanied by complete unavailability at any price. Reports of inability to obtain such basic productive commodities as oil, gas, steel, cotton, fertilizer, reinforcing steel bars, paper, and ferrous and zinc scrap are becoming increasingly frequent. Even such manufactured products as plumbing equipment, bearings, electric motors, and electronic components are increasingly unavailable.

Wheat carryover stocks, which are an essential ingredient in bakery production, are close to the shortage levels of World War II and the Korean War. Projected carryover for 1974 is 250 million bushels. The last time it was lower was in 1948. Over the last ten years, carryovers have typically been between 500 million and almost 1.2 billion bushels.

Throughout the wheat belt, farmers are finding fertilizer supplies inadequate for the winter wheat crop. The problem is compounded as fertilizer producers find themselves cut off from the natural gas supplies that are essential to fertilizer manufacture.

Building contractors are unable to obtain reinforcing steel bars, and foundaries are closing for want of ferrous, copper, and zinc scrap. Road builders face delays because of lack of cement.

Throughout the nation, shortages are exacerbated by the cut-off of Middle Eastern oil supplies. The activities of truckers, airlines, and petrochemical manufacturers are being seriously curtailed.

A significant element in high prices and shortages is the increasing export demand resulting from such factors as price controls, dollar devaluation, and simultaneous worldwide economic expansion. Price controls have in many instances made the export market more attractive than the domestic market. For example, in September, export prices for fertilizer were some $20 to $35 a ton higher than domestically controlled prices. Fertilizer manufacturers naturally directed supplies to the export sector. Similar diversions to export markets occurred with respect to copper, steel, zinc, and petrochemicals where export prices have run between 25 percent and 100 percent higher than U.S. prices.

Dollar devaluation has exacerbated the problem by decreasing the effective price of U.S. products for foreigners. Moreover, for the first time since World War II, the major industrial countries have been on the upside of their business cycles simultaneously. The result has been an increasing scramble for basic raw materials.

The changing international situation is reflected in the U.S. trade balance. In 1972, the U.S. balance on goods and services showed a deficit of $4.6 billion. In 1973, however, it has changed dramatically, registering a surplus of $1.8 billion in the third quarter alone. Significantly, the U.S. continues to export substantial quantities of such short supply commodities as fertilizer, ferrous scrap and steel. Oil drilling equipment is also being exported even though U.S. oil producing capacity is stretched to its limits. Petrochemical exports during 1973 are running 10 percent to 15 percent above 1972 levels.

Accompanying these developments are some disturbing long term trends. There is a growing body of opinion which holds that current materials scarcities will continue into the indefinite future. Rapid worldwide population growth will continue the growing demand for food. Moreover, growing affluence is changing the character of demand with an increasing desire for such high protein foods as meat.

Similarly, as worldwide economies grow more industrialized and complex, the demand for capital and energy will continue to expand. Rising expectations will increase the pressure for finished products as well.

The capacity for immediately satisfying this growing demand is limited. Agricultural production is subject to the constraint of limited arable land. Industrial production is limited in the short run by existing capacity. The Federal Reserve Board's index of twelve major industrials indicates that such industries as paper, oil refining, steel, and cement ran at 96.3% of capacity during the third quarter of 1973. This is tantamount to full capacity utilization and leaves virtually no room for expansion. Consequently, other industries which depend on basic materials will continue to be caught short even if they have idle capacity.

Until recently, economists have concentrated on the problem of generating sufficient aggregate demand. For the first time in recent history, economic thinking has begun to focus on the problem of increasing supply.

The economics of full employment is being replaced by the economics of scarcity.

In these changed circumstances, the policies of the past are no longer adequate. The prospect of U.S. men and machines idled by inability to secure essential productive resources is one which we cannot countenance. Moreover, the recently demonstrated willingness of the Middle East to use its oil supplies to secure political objectives constitutes a blackmail which cannot be tolerated.

What is required is a thorough reexamination of the Export Administration Act. Proposals to systematize the outflow of agricultural and other scarce commodities need careful consideration. Better information and licensing systems in the event controls need to be imposed are essential. Since the Act will expire in June of 1974, there will soon be an opportunity to conduct a comprehensive review of U.S. export control policy and techniques. Out of that a clear perception and statement of U.S. export control policy together with a mechanism for implementation will hopefully emerge to replace the need for emergency attempts to legislate on an ad hoc basis.

One example of the need for a thorough review of export control policy is the Executive Branch's present inconsistency in allowing DISC tax incentives for exports of commodities which are in short supply. It makes no sense to encourage exports through DISC incentives on the one hand and discourage exports of the same commodities through export controls. In that regard, I associate myself with the individual views of Senator Packwood. In a complete review of U.S. export policy, such inconsistencies should be resolved.

ADLAI E. STEVENSON.

ADDITIONAL VIEWS OF MR. JOHNSTON

Although I see little harm in the bill reported by the Committee, I am concerned that the Committee's endorsement of this single-word amendment of the Export Administration Act may conceal the strong sentiment among us that export controls ought to be imposed very sparingly and only in unusual circumstances.

The Committee declined to report favorably on S. 2053, an Administration bill designed to expand substantially the President's authority to impose export controls. The Committee likewise did not report out H.R. 8547, similar legislation which has passed the House. The key feature of both rejected bills was language to authorize the imposition of export controls when any *one* of several economic conditions exists, while the present statute requires that each of several specified conditions exist before controls may be imposed.

Thus, under existing law, controls may be imposed only "to the extent necessary to protect the domestic economy from the excessive drain of scarce materials *and* to reduce the serious inflationary impact of abnormal foreign demand." (Emphasis supplied). S. 2053 would have permitted controls *either* when there is "excessive drain of scarce materials" *or* when "abnormal foreign demand" has a "serious inflationary impact" *or* when a third, new objective might be served—"to curtail serious inflation in domestic prices." The House bill simply converted the "and" of existing law to the "or" of S. 2053 without inserting the new independent justification of confining serious domestic price inflation.

I voted not to report either S. 2053 or H.R. 8547 because I believe that existing law provides the Administration with all the authority it needs to exercise responsible control over the Nation's exports. As the report notes, the Committee has reported legislation deleting the requirement that foreign demand be "abnormal." But this relatively technical change should not disguise the overriding belief of the Committee majority that an Administration which has found its way under existing law to impose controls on soybeans and ferrous scrap needs no additional statutory authority.

Indeed, I believe that the existing law is susceptible to an overly broad interpretation. The present Export Administration Act control standards fail to specify the time period to be used in defining "scarcity" and "domestic inflation." What may be a scarce material today, because the marketplace has only just sensed its value, may not be a scarce material at all six months, or a year hence, when the American economy has responded to the new demand and to the higher market price.

Of course, there are some products of finite quantity for which even a lengthy period of time holds little promise of adequate production. But in most instances we can expect the economy to respond to emerging scarcities as it always has, with stepped-up production and long-range price stabilization—if we give it a reasonable period of time in which to do so.

It is true that shortages and rising prices are painful. Eonomic readjustment is always painful. But in many instances, short-term discomforts and dislocations ought to be tolerated in the hope of obtaining a long-range marketplace solution to underproduction. In sum, I believe that the terms "scarcity" and "inflation" should be considered within the parameters of reasonable time.

When the Export Administration Act comes up for renewal next year, I will urge the Committee so to define the concepts of "scarcity" and "inflation" at the core of the Act. For now I would only emphasize that the Act should be administered with due regard for the time dimension of both these critical terms. This interpretation is fully consistent with anticipating critical scarcity and inflation through sensitive application of the Act's mandate to "protect" the domestic economy. The Administration's responsibility is to protect the economy from scarcity and inflation that can be expected to endure for something more than a relatively brief, transitional period of time.

J. BENNETT JOHNSTON.

ADDITIONAL VIEWS OF MR. PACKWOOD

As a member of the Committee on Banking, Housing and Urban Affairs for five years, I have had an opportunity to follow our progress in the establishment of export control policy for the nation. From a slightly different perspective as a member of the Committee on Finance, I am now able to review some of the ways in which this policy was intended to be supplemented but instead is being subverted.

I have reference to the manner in which the Executive Branch administers the tax laws relating to a Domestic International Sales Corporation (DISC).

Through passage of the Revenue Act of 1971, the Congress authorized the establishment of a DISC to be used for the handling of export transactions by a private enterprise. The objective of a DISC is to encourage extra effort on the part of American exporters through the extension of tax-deferral benefits.

At the same time, the Congress recognized the potential need to limit these benefits with regard to the export of commodities that are in short supply. Section 993(c)(3) of the Internal Revenue Code states:

> If the President determines that the supply of any property . . . is insufficient to meet the requirements of the domestic economy, he may by Executive order designate the property as in short supply.

Following from such a designation, the revenues generated from the export sales of any such commodity would no longer be eligible to receive the favorable tax treatment accorded a DISC.

The problem we have encountered is in the administration of this section of the DISC law. The Executive Branch has refused to date to suspend the provisions of DISC for any commodity that is in short supply. Earlier this year, I was led to believe that these tax benefits would, as a matter of course, be suspended in the event of a determination of short supply which led to a curtailment of exports under the provisions of the Export Administration Act (specifically, under section 3(2)(A), which is the subject of the legislation being reported).

During the last few months, we have seen the institution of controls on the export of a number of commodities due to their scarcity. In no instance, however, have we seen a withdrawal of the tax benefits of DISC from these commodities.

Rather, we have witnessed a set of circumstances in which one agency of the government (the Department of Commerce) is telling the American businessman that he cannot export as much of a commodity as he would like; and, at the same time, another agency of the government (the Department of the Treasury) is telling him he can continue to receive a tax break by exporting a commodity which is, by definition, in short supply.

This conflict certainly should not be allowed to continue. The Executive Branch should modify its stance on the question of suspension of DISC benefits for commodities in short supply. I note that the Committee on Banking and Currency of the House made a similar recommendation in its report on H.R. 8547:

> In such cases [of insufficient domestic supplies of a commodity], there is no reason to encourage exports. The President under the DISC provision is authorized to exclude from favorable treatment any property which he determines is not in sufficient supply to meet the requirements of the domestic economy. [T]he President should exercise this authority during periods of short supply of commodities and materials, the exportation of which is curtailed or prohibited under the provisions of the Export Administration Act of 1969.[1]

The Executive Branch should take steps to provide for the immediate suspension of DISC benefits in the event a commodity is controlled from export. They should also consider the opportunity to use the short supply provisions of DISC as a halfway step to reduce exports short of requiring the institution of formal export controls. Perhaps the withdrawal of the DISC tax benefits would be of sufficient discouragement in and of itself to obviate the need for undertaking the extraordinary effort involved in the establishment of export controls under the Export Administration Act of 1969.

It occurs to me that the Executive Branch has not exercised the authority it presently has to a sufficient degree to regulate export flows of scarce commodities to warrant the approval by the Congress of the additional flexibility they requested.

BOB PACKWOOD.

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[1] Report No. 93-325, page 7.

ADDITIONAL VIEWS OF MR. BROCK

Although I am in full accord with the Committee report, I would like to add a few comments concerning the export problems facing our Nation.

Much of the problem has been created by the unwise application of price controls. For example, price ceilings encouraged the shipment of fertilizer into export channels. Severe disruptions has occured in the construction industry by the diversion of steel production away from reinforcing steel to more profitable items. The petrochemical industry, and the textile firms which it supplies, are severely hampered by shortages attributable to the price distortions of the control program. Petroleum by-products essential to textile production are being siphoned off into the foreign market.

These are only a few of the more glaring examples of shortages created by the wage-price controls. It should now be obvious that the shackles of these controls should be removed from our economy before we are thrown into a severe recession with the loss of millions of jobs.

At the mark-up session on H.R. 8547, I proposed a simple amendment to the Export Administration Act of 1969 which would strike the word "abnormal" from the requirement that the Administration made a finding of "abnormal foreign demand" before it could institute export controls when we are faced with an excessive drain of scarce materials and serious inflation. The purpose of this amendment, which was adopted by the Committee, is to clear up any doubt that the Administration has authority to place export controls to prevent the shortages now being caused by excessive exports of items such as wheat, ferrous scrap, petrol chemicals, fertilizer, etc. If the Administration does not act with more dispatch, then it may be necessary for Congress to take more specific action in particular commodity areas.

BILL BROCK.

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S. Rept. 93-607——3