TARIFF AND TRADE PROPOSALS

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

ON

TARIFF AND TRADE PROPOSALS

MAY 11, 12, 13, 14, 18, 19, 20, 21, 22,
JUNE 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 15,
16, 17, AND 25, 1970

Part 1 of 16 Parts

(May 11, 1970)

Printed for the use of the Committee on Ways and Means

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3 02

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U.S. GOVERNMENT PRINTING OFFICE

46-127 O WASHINGTON : 1970

For sale by the Superintendent of Documents, U.S. Government Printing Office
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TARIFF AND TRADE PROPOSALS

MONDAY, MAY 11, 1970

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

The committee is today beginning public hearings on the general subject of foreign trade and tariffs.

The hearings will encompass not only the administration proposal, which was transmitted to the Congress on November 18, last, and it is in bill form, H.R. 14870, but also the series of subjects which were mentioned in the preliminary press release of April 16, 1970, and the subsequent press release of May 4, 1970, announcing these hearings.

Without objection, a copy of these press releases will be placed in the record following this statement, together with an explanatory pamphlet of the administration proposal.

In general, this week will be devoted to testimony from administration officials. Witnesses from the general public will be heard commencing Monday, May 18.

Our witness today is our friend of many years, the Honorable Carl J. Gilbert, Special Representative for Trade Negotiations. The remaining schedule for this week is likely to be in this order, as I understand, Mr. Ambassador:

Tomorrow, Tuesday:

The Honorable Maurice H. Stans, Secretary of Commerce; and

The Honorable David M. Kennedy, Secretary of the Treasury.

Wednesday:

The Honorable William P. Rogers, Secretary of State;

The Honorable George P. Shultz, Secretary of Labor; and

The Honorable Clifford M. Hardin, Secretary of Agriculture. Then on Thursday we expect you to return, Mr. Ambassador, to testify on the subject of the American selling price.

(The documents referred to follow:)

[Press release of Thursday, April 16, 1970]

CHAIRMAN WILBUR D. MILLS, DEMOCRAT, OF ARKANSAS, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES TRADE HEARINGS AS NEXT MAJOR ORDER OF BUSINESS AFTER COMPLETION OF SOCIAL SECURITY, MEDICARE, AND MEDICAID

Chairman Wilbur D. Mills, Democrat of Arkansas, Committee on Ways and Means, U.S. House of Representatives, today announced that, after completion of the subject currently under consideration (social security, medicare, and medicaid), the next major order of business for the committee will be public hearings

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on the subject of foreign trade, with particular emphasis on the President's foreign trade proposals, and including all othed trade proposals pending before the committee (such as H.R. 16920), as well as proposals to stimulate exports. The more precise score of the hearings will be further defined when a detailed announcement is issued at a later date.

It is hoped that the committee will be able to complete its consideration of amendments to the Social Security Act, including titles XVIII and XIX (medicare and medicaid), as well as the old-age, survivors, and disability insurance titles, by the end of April. According to the chairman's announcement, when this subject is completed, the committee will shortly thereafter begin these public hearings on the subject of foreign trade, probably in early May.

The purpose of this announcement is to give as much notice as possible to all interested individuals and organizations as to the timing of the public hearings on foreign trade so that all such individuals and organizations can be prepared on very short notice. In all probability, the detailed announcement relative to these hearings will not be issued as far in advance of the opening date of the hearing as is usually the case. It is, therefore, important that all interested parties be advised of this fact and be prepared on short notice for these hearings. Also, this is to advise all such individuals and organizations that after the detailed announcement is issued the committee will be operating on a very tight schedule, in view of its heavy legislative agenda, and witnesses requesting to be heard will have to appear on the dates on which they are scheduled or else submit a written statement; testimony will have to be consolidated; and time will have to allocated.

[Press release of Monday, May 4, 1970]

Chairman Wilbur D. Mills (Democrat, Arkansas), Committee on Ways and Means, Announces Further Details With Regard to Public Hearings on Tariff and Trade Proposals

Chairman Wilbur D. Mills (D., Ark.), Committee on Ways and Means, U.S. House of Representatives, today issued a followup to his previous announcement of April 16 with respect to the public hearings to be held by the committee on the subject of foreign trade.

The hearings will begin on Monday, May 11, 1970. The first witnesses to testify will be representatives of the administration. Witnesses from the general public will be heard beginning the following Monday, May 18, 1970.

Requests to be heard must be submitted not later than the close of business Thursday, May 14, 1970, in accordance with the details set forth below. Witnesses requesting to be heard will be advised of their dates of appearance at the very earliest possible time. As indicated in the chairman's earlier press release of April 16, the purpose of that announcement was to give as much notice as possible to all interested parties as to the timing of these public hearings so that such individuals and organizations could be prepared on a very short notice.

SCOPE OF HEARINGS

The hearings will cover generally the subject of foreign trade and tariffs, with particular emphasis on the President's foreign trade proposals, but also including all other trade and tariff proposals pending before the Committee on Ways and Means, such as H.R. 16920 (limitation on imports of textile and leather footwear articles), H.R. 14188 (treatment of articles assembled abroad), et cetera, as well as proposals to stimulate exports. Also, the hearings will include testimony by any interested party on the administration proposal to extend the International Coffee Agreement to October 1, 1973.

In view of the broad scope of the hearings, the fact that the Committee on Ways and Means conducted extensive hearings in the latter part of 1968, and in view of the limited time presently available to the committee for the instant hearings, it is absolutely mandatory that all verbal testimony be coordinated and condensed to save time of the committee and enable it to cover the subject. Witnesses must appear on the date on which they are scheduled or else file a written statement.

DETAILS OF THE SUBMISSION OF REQUESTS, ET CETERA

Cutoff date for requests to be heard.—The cutoff date for requests to be heard is not later than the close of business Thursday, May 14, 1970. The requests should be submitted to John M. Martin, Jr., chief counsel, Committee on Ways and Means, 1102 Longworth House Office Building, Washington, D.C. 20515. Witnesses will be advised as promptly as possible as to when they have been scheduled to appear. After receipt of all requests to be heard, an attempt will be made to organize the hearings so that persons requesting to be heard on the same subject will be scheduled during the same time period. Once the witness has been advised of his date of appearance, it is not possible for this date to be changed. If the witness finds that he cannot appear on that day, he may wish to either substitute another spokesman in his stead or file a written statement for the record of the heading in lieu of a personal appearance.

Coordination of testimony.—In view of the limited time available to the committee to conduct this hearing, it is requested that all persons and organizations with the same general interest designate one spokesman to represent them so as to conserve the time of the committee and the other witnesses, prevent repetition and assure that all aspects of the proposals can be given appropriate attention.

The committee will be pleased to receive from any interested organization or person a written statement for consideration for inclusion in the printed record of the hearing in lieu of a personal appearance. These statements will be given the same full consideration as though the statements had been presented in person. In such cases, a minimum of three copies of the statement should be submitted by May 29, 1970.

Necessity to allocate time.—Because of the committee's very heavy legislative schedule which will limit the time available to the committee in which to conduct this hearing, it will be necessary to allocate time to witnesses for the presentation of their direct oral testimony. If the witness wishes to present a long and detailed statement to the committee, it will be necessary for him to confine his oral presentation to a summary of his views, while submitting a detailed written statement for the committee members' consideration and for inclusion in the record of the hearing.

Contents of requests to be heard.—In order to eliminate repetitious testimony and to properly schedule witnesses, it will be necessary for the request to be heard to specify:

(1) the name, address, and capacity in which the witness will appear;

(2) the list of persons or organizations the witness represents and in the case of associations or organizations, their total membership and where possible a membership list;

(3) an indication of whether or not the witness at this time is supporting or opposing the proposal or proposals on which he desires to testify;

(4) the amount of time the witness desires in which to present his direct oral testimony or summary thereof (not including answers to questions of committee members); and

(5) a topical outline or summary of the comments and recomendations which the witness proposes to make.

If a prospective witness has already submitted a request to be heard on any of the subjects covered by this hearing, the request should be resubmitted furnishing the above information and otherwise conforming to the rules set forth for conducting this hearing.

Written statements.—In the case of those persons who are scheduled to appear and testify, it is requested that 75 copies of their written statement be submitted 24 hours in advance of their scheduled appearance, if possible. If it is desired, an additional 75 copies may be submitted for distribution to the press and the interested public on the witness' date of appearance.

Persons submitting a minimum of three copies of written statements in lieu of a personal appearance may also, if they desire, submit an additional 75 copies of their statement for distribution to the committee members and the interested departmental and legislative staffs, pending the printing of the hearings, which will contain such written statements along with the oral testimony of those

persons who appear in person. An additional 75 copies may be submitted for the press and the interested public, if it is so desired.

Format of all written statements.—To more usefully serve their purpose, all written statements (those for the purpose of a personal appearance and those submitted in lieu of a personal appearance) should contain—

(1) a summary of comments and recommendations; and

(2) subject headings in the appropriate places of the statement itself.

91st Congress
2d Session

COMMITTEE PRINT

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

PROPOSED "TRADE ACT OF 1969"

As Submitted to the Congress and Referred to the

COMMITTEE ON WAYS AND MEANS

ON NOVEMBER 18, 1969

INCLUDING

MESSAGE OF THE PRESIDENT
DRAFT BILL* AND
SECTION-BY-SECTION ANALYSIS

TOGETHER WITH

THE TRADE EXPANSION ACT OF 1962,
As Amended

MARCH 12, 1970

*Introduced by Chairman Mills (for himself and Mr. Byrnes, of Wisconsin) at the request of the Administration on November 19, 1969, as H.R. 14870, so as to make the language widely available

NOTE: This document is printed for information only so as to make it generally available, and is not to be construed as the statement or position of the Committee on Ways and Means or any member thereof

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1970

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PROPOSED "TRADE ACT OF 1969"

MESSAGE OF THE PRESIDENT

To the Congress of the United States:

For the past 35 years, the United States has steadfastly pursued a policy of freer world trade. As a nation, we have recognized that competition cannot stop at the ocean's edge. We have determined that American trade policies must advance the national interest—which means they must respond to the whole of our interests, and not be a device to favor the narrow interest.

This Administration has reviewed that policy and we find that its continuation is in our national interest. At the same time, however, it is clear that the trade problems of the 1970's will differ significantly from those of the past. New developments in the rapidly evolving world economy will require new responses and new initiatives.

As we look at the changing patterns of world trade, three factors stand out that require us to continue modernizing our own trade policies:

First, world economic interdependence has become a fact. Reductions in tariffs and in transportation costs have internationalized the world economy just as satellites and global television have internationalized the world communications network. The growth of multinational corporations provides a dramatic example of this development.

Second, we must recognize that a number of foreign countries now compete fully with the United States in world markets.

We have always welcomed such competition. It promotes the economic development of the entire world to the mutual benefit of all, including our own consumers. It provides an additional stimulus to our own industry, agriculture and labor force. At the same time, however, it requires us to insist on fair competition among all countries.

Third, the traditional surplus in the U.S. balance of trade has disappeared. This is largely due to our own internal inflation and is one more reason why we must bring that inflation under control.

The disappearance of the surplus has suggested to some that we should abandon our traditional approach toward freer trade. I reject this argument not only because I believe in the principle of freer trade, but also for a very simple and pragmatic reason: any reduction in our imports produced by U.S. restrictions not accepted by our trading partners would invite foreign reaction against our own exports—all quite legally. Reduced imports would thus be offset by reduced exports, and both sides would lose. In the longer term, such a policy of trade restriction would add to domestic inflation and jeopardize our competitiveness in world markets at the very time when tougher competition throughout the world requires us to improve our competitive capabilities in every way possible.

In fact, the need to restore our trade surplus heightens the need for further movement toward freer trade. It requires us to persuade other nations to lower barriers which deny us fair access to their markets.

An environment of freei trade will permit the widest possible scope for the genius of American industry and agriculture to respond to the competitive challenge of the 1970's.

Fourth, the less developed countries need improved access to the markets of the industrialized countries if their economic development is to proceed satisfactorily. Public aid will never be sufficient to meet their needs, nor should it be. I recently announced that, as one step toward improving their market access, the United States would press in world trade forums for a liberal system of tariff preferences for all developing countries. International discussions are now in progress on the matter and I will not deal with it in the trade bill I am submitting today. At the appropriate time, I will submit legislation to the Congress to seek authorization for the United States to extend preferences and to take any other steps toward improving the market access of the less developed countries which might appear desirable and which would require legislation.

The Trade Act of 1969

The trade bill which I am submitting today addresses these new problems of the 1970s. It is modest in scope, but significant in its impact. It continues the general drive toward freer world trade. It also explicitly recognizes that, while seeking to advance world interests, U.S. trade policies must also respect legitimate U.S. interests, and that to be fair to our trading partners does not require us to be unfair to our own people. Specifically:

—It restores the authority needed by the President to make limited tariff reductions.

—It takes concrete steps toward the increasingly urgent goal of lowering non-tariff barriers to trade.

—It recognizes the very real plight of particular industries, companies and workers faced with import competition, and provides for readier relief in these special cases.

—It strengthens GATT—the General Agreement on Tariffs and Trade—by regularizing the funding of United States participation.

While asking enactment of these proposals now, the trade program I will outline in this message also includes setting preparations under way for the more ambitious initiatives that will later be needed for the long-term future.

TARIFF REDUCTION

I recommend that the President be given authority to make modest reductions in U.S. tariffs.

The President has been without such authority for over two years. This authority is not designed to be used for major tariff negotiations, but rather to make possible minor adjustments that individual circumstances from time to time require—as, for example, when it becomes necessary to raise the duty on an article as the result of an "escape clause" action or when a statutory change is made in tariff classification. Our trading partners are then entitled to reasonable compensation, just as we would be entitled to receive it from them in reverse circumstances. Lack of this authority exposes our exports to foreign retaliation. Therefore, the bill would provide to the President, through June 30, 1973, the authority to reduce tariffs by limited amounts.

The time has come for a serious and sustained effort to reduce non-tariff barriers to trade. These non-tariff barriers have become increasingly important with the decline in tariff protection and the growing interdependence of the world economy. Their elimination is vital to our efforts to increase U.S. exports.

As a first step in this direction, I propose today that the United States eliminate the American Selling Price system of customs valuation.

Although this system applies only to a very few American products—mainly benzenoid chemicals—it is viewed by our principal trading partners as a major symbol of American protectionism. Its removal will bring reciprocal reductions in foreign tariffs on U.S. chemical exports, and a reduction in important foreign non-tariff barriers—including European road taxes, which discriminate against our larger automobiles, and the preferential treatment on tobacco extended by the United Kingdom to the countries of the Commonwealth. Beyond this, its removal will unlock the door to new negotiations on the entire range of non-tariff barriers. Because of the symbolic importance our trading partners attach to it, the American Selling Price system has itself become a major barrier to the removal of other barriers.

Essentially, the American Selling Price system is a device by which the value of imports for tariff purposes is set by the price of competitive American products instead of the actual price of the foreign product, which is the basis of tariff valuation for all other imports. The extraordinary protection it provides to these few products has outlived its original purposes. The special advantage it gives particular producers can no longer justify its heavy cost in terms of the obstacles it places in the way of opening foreign markets to American exports.

Reducing or eliminating other non-tariff barriers to world trade will require a great deal of detailed negotiating and hard bargaining.

Unlike tariffs, approaches to the reduction of non-tariff barriers are often difficult to embody in prior delegation of authority. Many—both here and abroad—have their roots in purely domestic concerns that are only indirectly related to foreign trade, and many arise from domestic laws.

Many would require specific legislative actions to accomplish their removal—but the nature of this action would not finally be clear until negotiation had shown what was possible.

This presents a special opportunity for Congress to be helpful in achieving international agreements in this vital area.

I would welcome a clear statement of Congressional intent with regard to non-tariff barriers to assist in our efforts to obtain reciprocal lowering of such barriers.

It is not my intention to use such a declaration as a "blank check." On the contrary, I pledge to maintain close consultation with the Congress during the course of any such negotiations, to keep the Congress fully informed on problems and progress, and to submit for Congressional consideration any agreements which would require new legislation. The purpose of seeking such an advance declaration is not to bypass Congress, but to strengthen our negotiating position.

In fact, it is precisely because ours is a system in which the Executive cannot commit the Legislative Branch that a general declaration of legislative intent would be important to those with whom we must negotiate.

At the same time, I urge private interests to work closely with the government in seeking the removal of these barriers. Close cooperation by the private sector is essential, because many non-tariff barriers are subtle, complex and difficult to appraise.

AID FOR AFFECTED INDUSTRIES

Freer trade brings benefits to the entire community, but it can also cause hardship for parts of the community. The price of a trade policy from which we all receive benefits must not fall unfairly on the few—whether on particular industries, on individual firms or on groups of workers. As we have long recognized, there should be prompt and effective means of helping those faced with adversity because of increased imports.

The Trade Act of 1969 provides significant improvements in the means by which U.S. industry, firms, and workers can receive assistance from their government to meet injury truly caused by imports.

This relief falls into two broad categories: (1) the escape clause, which is industry-wide; and (2) adjustment assistance, which provides specific aid to particular firms or groups of workers.

These improvements are needed because the assistance programs provided in the Trade Expansion Act of 1962 have simply not worked.

Escape Clause

The escape clause provisions of the 1962 Act have proved so stringent, so rigid, and so technical that in not a single case has the Tariff Commission been able to justify a recommendation for relief. This must be remedied. We must be able to provide, on a case-by-case basis, careful and expedited consideration of petitions for relief, and such relief must be available on a fair and reasonable basis.

I recommend a liberalization of the escape clause to provide, for industries adversely affected by import competition, a test that will be simple and clear: relief should be available whenever increased imports are the primary cause of actual or potential serious injury. The increase in imports should not—as it now is—have to be related to a prior tariff reduction.

While making these escape clause adjustments more readily obtainable, however, we must ensure that they remain what they are intended to be: temporary relief measures, not permanent features of the tariff landscape. An industry provided with temporary escape-clause relief must assume responsibility for improving its competitive position. The bill provides for regular reports on these efforts, to be taken into account in determining whether relief should be continued.

Adjustment Assistance

With regard to adjustment assistance for individual firms and groups of workers, the provisions of the Trade Expansion Act of 1962 again have not worked adequately.

The Act provides for loans, technical assistance and tax relief for firms, and readjustment allowances, relocation and training for workers. This direct aid to those individually injured should be more readily available than tariff relief for entire industries. It can be more closely targeted; it matches the relief to the damage; and it has no harmful side effects on overall trade policy.

I recommend that firms and workers be considered eligible for adjustment assistance when increased imports are found to be a substantial cause of actual or potential serious injury.

Again, the increase in imports would not have to be related to a prior tariff reduction. The "substantial cause" criterion for adjustment assistance would be less stringent than the "primary cause" criterion for tariff relief.

I also recommend two further changes in existing adjustment provisions:

—That the Tariff Commission continue to gather and supply the needed factual information, but that determinations of eligibility to apply for assistance be made by the President.

—That adjustment assistance be made available to separate units of multi-plant companies and to groups of workers in them, when the injury is substantial to the unit but not to the entire parent firm.

With these modifications, plus improved administrative procedures, our program of assistance to import-injured firms and workers can and will be made to work. Taken together, they will remedy what has too long been a serious shortcoming in our trade programs.

These changes in our escape clause and adjustment assistance programs will provide an adequate basis for government help in cases where such help is justified in the overall national interest. They will thus help us move away from protectionist proposals, which would reverse the trend toward interdependence, and toward a constructive attack on the existing trade barriers of others.

The textile import problem, of course, is a special circumstance that requires special measures. We are now trying to persuade other countries to limit their textile shipments to the United States. In doing so, however, we are trying to work out with our trading partners a reasonable solution which will allow both domestic and foreign producers to share equitably in the development of the U.S. market.

Such measures should not be misconstrued, nor should they be allowed to turn us away from the basic direction of our progress toward freer exchange.

FAIR TREATMENT OF U.S. EXPORTS

By nature and by definition, trade is a two-way street. We must make every effort to ensure that American products are allowed to compete in world markets on equitable terms. These efforts will be more successful if we have the means to take effective action when confronted with illegal or unjust restrictions on American exports.

Section 252 of the Trade Expansion Act of 1962 authorizes the President to impose duties or other import restrictions on the products of any nation that places unjustifiable restrictions on U.S. agricultural products. *I recommend that this authority be expanded in two ways:*

—*By extending the existing authority to cover unfair actions against all U.S. products, rather than only against U.S. agricultural products.*

—*By providing new authority to take appropriate action against nations that practice what amounts to subsidized competition in third-country markets, when that subsidized competition unfairly affects U.S. exports.*

Any weapon is most effective if its presence makes its use unnecessary. With these new weapons in our negotiating arsenal, we should be better able to negotiate relief from the unfair restrictions to which American exports still are subject.

STRENGTHENING GATT

Ever since its beginning in 1947, U.S. participation in GATT—the General Agreement on Tariffs and Trade—has been financed through general contingency funds rather than through a specific appropriation.

GATT has proved its worth. It is the international organization we depend on for the enforcement of our trading rights, and toward which we look as a forum for the important new negotiations on non-tariff barriers which must now be undertaken.

I recommend specific authorization for the funding of our participation in GATT, thus both demonstrating our support and regularizing our procedures.

FOR THE LONG-TERM FUTURE

The trade bill I have submitted today is a necessary beginning. It corrects deficiencies in present policies; it enables us to begin the 1970s with a program geared to the start of that decade.

As we look further into the Seventies, it is clear that we must reexamine the entire range of our policies and objectives.

We must take into account the far-reaching changes which have occurred in investment abroad and in patterns of world trade. I have already outlined some of the problems which we will face in the 1970s. Many more will develop—and also new opportunities will emerge.

Intense international competition, new and growing markets, changes in cost levels, technological developments in both agriculture and industry, and large-scale exports of capital are having profound and continuing effects on international production and trade patterns. We can no longer afford to think of our trade policies in the old, simple terms of liberalism vs. protectionism. Rather, we must learn to treat investment, production, employment and trade as interrelated and interdependent.

We need a deeper understanding of the ways in which the major sectors of our economy are actually affected by international trade.

We have arrived at a point at which a careful review should also be made of our tariff structure itself—including such traditional aspects as its reliance upon specific duties, the relationships among tariff rates on various products, and adapting our system to conform more closely with that of the rest of the world.

To help prepare for these many future needs, I will appoint a Commission on World Trade to examine the entire range of our trade and related policies, to analyze the problems we are likely to face in the 1970s, and to prepare recommendations on what we would do about them. It will be empowered to call upon the Tariff Commission and the agencies of the Executive Branch for advice, support and assistance, but its recommendations will be its own.

By expanding world markets, our trade policies have speeded the pace of our own economic progress and aided the development of others. As we look to the future, we must seek a continued expansion of world trade, even as we also seek the dismantling of those other

barriers—political, social and ideological—that have stood in the way of a freer exchange of people and ideas, as well as of goods and technology.

Our goal is an open world. Trade is one of the doors to that open world. Its continued expansion requires that others move with us, and that we achieve reciprocity in fact as well as in spirit.

Armed with the recommendations and analyses of the new Commission on World Trade, we will work toward broad new policies for the 1970s that will encourage that reciprocity, and that will lead us, in growing and shared prosperity, toward a world both open and just.

RICHARD NIXON.

THE WHITE HOUSE, *November 18, 1969.*

PROPOSED "TRADE ACT OF 1969"

A BILL To continue the expansion of international trade and thereby promote the general welfare of the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE AND PURPOSES

SEC. 101. SHORT TITLE.

This Act may be cited as the "Trade Act of 1969".

SEC. 102. STATEMENT OF PURPOSES.

The purposes of this Act are—

(1) to continue and strengthen the trade agreements program of the United States;

(2) to establish a viable program of tariff adjustment for industries and other assistance for firms and workers affected by imports; and

(3) to promote the reduction or elimination of nontariff barriers to trade.

TITLE II—TRADE AGREEMENTS

SEC. 201. BASIC AUTHORITY FOR TRADE AGREEMENTS.

(a) Section 201(a)(1) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)(1)) is amended by striking out "July 1, 1967" and inserting in lieu thereof "July 1, 1973".

(b) Section 201(b)(1) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(b)(1)) is amended to read as follows:

"(1) decreasing any rate of duty—

"(A) in order to carry out a trade agreement entered into before July 1, 1967, to a rate below 50 percent of the rate existing on July 1, 1962; or

"(B) in order to carry out a trade agreement entered into after June 30, 1967, and before July 1, 1973, to a rate below the lower of—

"(i) the rate 20 percent below the rate existing on July 1, 1967; or

"(ii) the rate 2 percent ad valorem (or ad valorem equivalent) below the rate existing on July 1, 1967."

(c) Title II of the Trade Expansion Act of 1962 is amended by striking out "201(b)(1)" in sections 202, 211(a) and (e), 212, 213(a), and 221, and inserting in lieu thereof "201(b)(1)(A)".

(d) Section 256 of the Trade Expansion Act of 1962 (19 U.S.C. 1886) is amended by adding immediately after subparagraph (7) the following new subparagraph:

"(8) The term 'existing on July 1, 1967', as applied to a rate of duty, refers to the lowest non-preferential rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on such date or (if lower) the lowest non-preferential rate to which the United States is committed on such date."

(e) Section 253 of the Trade Expansion Act of 1962 (19 U.S.C. 1883) is amended by adding immediately after subsection (d) the following two new subsections:

"(e) In the case of a trade agreement entered into after June 30, 1967, and before July 1, 1973, 'one-half' shall apply in place of 'one-fifth' and 'four-fifths', and '1 year' shall apply in place of 'in four equal installments at 1-year intervals', in subsection (a) of this section.

"(f) Subsection (c) shall not apply to reductions pursuant to a trade agreement entered into after June 30, 1967, and before July 1, 1973."

SEC. 202. GENERAL AGREEMENT ON TARIFFS AND TRADE.

Chapter 5 of title II of the Trade Expansion Act of 1962 is amended by inserting immediately after section 243 (19 U.S.C. 1873) the following new section:

"SEC. 244. GENERAL AGREEMENT ON TARIFFS AND TRADE.

"There are hereby authorized to be appropriated annually such sums as may be necessary for the payment by the United States of its share of the expenses of the contracting parties to the General Agreement on Tariffs and Trade."

SEC. 203. FOREIGN IMPORT RESTRICTIONS AND OTHER DISCRIMINATORY ACTS.

(a) Section 252(a)(3) of the Trade Expansion Act of 1962 (19 U.S.C. 1882(a)(3)) is amended by striking out the word "agricultural" wherever it appears.

(b) Section 252(b) of the Trade Expansion Act of 1962 (19 U.S.C. 1882(b)) is amended by inserting the word "or" at the end of subsection (2) and by adding immediately after that subsection the following new subsection:

"(3) provides subsidies or other such incentives on its exports of one or more products to other foreign markets so that sales of the competitive U.S. product or products to those other foreign markets are unfairly affected thereby,"

TITLE III—TARIFF ADJUSTMENT AND ADJUSTMENT ASSISTANCE

SEC. 301. PETITIONS AND DETERMINATIONS.

Section 301 of the Trade Expansion Act of 1962 (19 U.S.C. 1901) is amended as follows:

(a) The title is amended to read "PETITIONS AND DETERMINATIONS".

(b) Subsection (a)(2) is amended by striking out "Tariff Commission" wherever it appears and inserting in lieu thereof "President".

(c) Subsection (a)(3) is repealed.

(d) In subsection (b), paragraph (3) is deleted, paragraph (4) is redesignated paragraph (3), and paragraph (1) is amended to read as follows:

"(1) Upon the request of the President, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon the filing of a petition under subsection (a)(1), the Tariff Commission shall promptly make an investigation to determine whether increased quantities of imports of an article directly competitive with an article produced by a domestic industry have been the primary cause of serious injury, or the threat thereof, to such industry."

(e) In subsection (b) the paragraph renumbered (3) is amended by adding the following sentence: "For purposes of this paragraph, reports made during the 1-year period preceding the date of enactment of the Trade Act of 1969 shall be treated by the Tariff Commission as having been made prior to that period."

(f) Subsection (c) is amended to read as follows:

"(c)(1) In the case of a petition by a firm for a determination of eligibility to apply for adjustment assistance under chapter 2, the President shall determine whether increased quantities of imports of an article directly competitive with an article produced by the firm, or an appropriate subdivision thereof, have been a substantial cause of serious injury, or the threat thereof, to such firm or subdivision. In making such determination the President shall take into account all economic factors which he considers relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment.

"(2) In the case of a petition by a group of workers for a determination of eligibility to apply for adjustment assistance under chapter 3, the President shall determine whether increased quantities of imports of an article directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, have been a substantial cause of unemployment or underemployment, of the threat thereof, of a significant number or proportion of the workers of such firm or subdivision.

"(3) In order to assist him in making the determinations referred to in paragraphs (1) and (2) with respect to a firm or group of workers, the President shall promptly transmit to the Tariff Commission a copy of each petition filed under subsection (a) (2) and, not later than 5 days after the date on which the petition is filed, shall request the Tariff Commission to conduct an investigation relating to questions of fact relevant to such determinations and to make a report of the facts disclosed by such investigation. In his request, the President may specify the particular kinds of data which he deems appropriate. Upon receipt of the President's request, the Tariff Commission shall promptly institute the investigation and promptly publish notice thereof in the Federal Register."

(g) Subsection (d)(2) is amended to read as follows:

"(2) In the course of any investigation under subsection (c)(3), the Tariff Commission shall, after reasonable notice, hold a public hearing, if such hearing

is requested (not later than 10 days after the date of the publication of its notice under subsection (c)(3)) by the petitioner or any other interested person, and shall afford interested persons an opportunity to be present, to produce evidence, and to be heard at such hearing."

(h) Subsection (f)(1) is amended by inserting "under subsection (b)" after "in each report" in the first sentence.

(i) Subsection (f)(3) is amended to read as follows:

"(3) The report of the Tariff Commission of the facts disclosed by its investigation under subsection (c)(3) with respect to a firm or group of workers shall be made at the earliest practicable time, but not later than 60 days after the date on which it receives the request of the President under subsection (c)(3)."

SEC. 302. PRESIDENTIAL ACTION AFTER TARIFF COMMISSION REPORTS.

Section 302 of the Trade Expansion Act of 1962 (19 U.S.C. 1902) is amended as follows:

(a) The title is amended to read "PRESIDENTIAL ACTION AFTER TARIFF COMMISSION REPORTS".

(b) Subsection (b)(1) is amended by striking out "(which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused serious injury or threat thereof" and inserting in lieu thereof "have been a substantial cause of serious injury or the threat thereof".

(c) Subsection (b)(2) is amended by striking out "(which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused or threatened to cause unemployment or underemployment" and inserting in lieu thereof "have been a substantial cause of unemployment or underemployment, or the threat thereof".

(d) Subsection (c) is amended to read as follows:

"(c)(1) After receiving a report of the Tariff Commission of the facts disclosed by its investigation under section 301(c)(3) with respect to any firm or group of workers, the President shall make his determination under section 301(c)(1) or (c)(2) at the earliest practicable time, but not later than 30 days after the date on which he receives the Tariff Commission's report, unless, within such period, the President requests additional factual information from the Tariff Commission. In this event, the Tariff Commission shall, not later than 25 days after the date on which it receives the President's request, furnish such additional factual information in a supplemental report, and the President shall make his determination not later than 15 days after the date on which he receives such supplemental report.

"(2) The President shall promptly publish in the Federal Register a summary of each determination under section 301(c) with respect to any firm or group of workers.

"(3) If the President makes an affirmative determination under section 301(c) with respect to any firm or group of workers, he shall promptly certify that such firm or group of workers is eligible to apply for adjustment assistance.

"(4) The President is authorized to exercise any of his functions with respect to determinations and certifications of eligibility of firms or workers to apply for adjustment assistance under section 301 and this section through such agency or other instrumentality of the United States Government as he may direct."

SEC. 303. TAX ASSISTANCE TO FIRMS.

Section 317(a)(2) of the Trade Expansion Act of 1962 (19 U.S.C. 1917(2)) is amended by striking out "by the increased imports which the Tariff Commission has determined to result from concessions granted under trade agreements" and inserting in lieu thereof "by the increased imports identified by the Tariff Commission under section 301(b)(1) or by the President under section 301(c)(1), as the case may be."

SEC. 304. ADJUSTMENT ASSISTANCE TO WORKERS.

Section 337 of the Trade Expansion Act of 1962 (19 U.S.C. 1977) is amended by inserting ", including training not otherwise available," after "adjustment assistance".

SEC. 305. TARIFF ADJUSTMENT.

Section 351(d) of the Trade Expansion Act of 1962 (19 U.S.C. 1981(d)) is amended as follows:

(a) Paragraph (1) is amended by inserting "including the specific steps taken by the firms in the industry to enable them to compete more effectively with imports," immediately after "the industry concerned,".

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(b) Paragraph (2) is amended by striking "Upon" and inserting in lieu thereof "Not later than 2 years after the effective date of such action, or at any other time upon," and by inserting,", in the light of the specific steps taken by the firms in such industry to enable them to compete more effectively with imports and all other relevant factors," immediately after "judgment".

TITLE IV—NONTARIFF BARRIERS TO TRADE

SEC. 401. ELIMINATION OF AMERICAN SELLING PRICE SYSTEM.

(a) The President is authorized to proclaim such modifications of the Tariff Schedules of the United States (19 U.S.C. 1202) as are required or appropriate to carry out—

(1) part II of the Agreement Relating Principally to Chemicals, Supplementary to the Geneva (1967) Protocol to the General Agreement on Tariffs and Trade, and

(2) the Agreement effected by an exchange of notes between the United States and Japan relating to certain canned clams and wool-knit gloves,

both of which agreements were concluded on June 30, 1967.

(b) With respect to certain footwear presently provided for in item 700.60 of the Tariff Schedules of the United States, the President is authorized—

(1) to enter into a trade agreement providing for the replacement of item 700.60 by the new items which are designated 700.60A and 700.60B in the report of the Tariff Commission to the Special Representative for Trade Negotiations on investigation number 332–47 under section 332 of the Tariff Act of 1930 and whose rates of duty shall be applied to values determined in accordance with the methods of valuation, other than American selling price, provided for in section 402 of the Tariff Act of 1930 (19 U.S.C. 1401a), and

(2) to proclaim such modifications of the Tariff Schedules of the United States as are required or appropriate to carry out such agreement, so long as such proclamation does not become effective earlier than January 1, 1971, and the rates of duty for column numbered 1 proclaimed thereby are not lower than "20% ad val." for the item designated 700.60A nor lower than "25¢ per pair + 20% ad val. but not less than 58% ad val." for the item designated 700.60B.

(c) In a proclamation issued pursuant to this section, the President is authorized to simplify the Tariff Schedules of the United States by consolidating article descriptions, without changing rates of duty, with respect to articles which will be subject to full concession rates of duty that are identical to one another in column numbered 1 and to rates of duty that are identical to one another in column numbered 2. Any such consolidation shall become effective on the date the full concession rates of duty become effective for such articles.

(d) The President is authorized at any time to terminate, in whole or in part, any proclamation issued pursuant to this section.

(e) During a period of five years after a proclamation under section 401(a)(1), for the purpose of insuring a continuing surveillance of the effects of such proclamation, the Tariff Commission shall complete and transmit to the President, on the most current basis possible, annual detailed reports on U.S. production and sales of synthetic organic chemicals and U.S. imports thereof.

SEC. 402. APPLICATION OF RELATED PROVISIONS.

(a) For purposes of section 256(8) of the Trade Expansion Act of 1962 (19 U.S.C. 1886), as amended by section 201(d) of this Act, each full concession rate of duty proclaimed pursuant to section 401 of this Act increased by 25% thereof shall be treated as the rate of duty existing on July 1, 1967.

(b) For purposes of general headnote 4 of the Tariff Schedules of the United States, a rate of duty proclaimed pursuant to section 401 of this Act shall be treated as a rate of duty proclaimed pursuant to a concession granted in a trade agreement.

SEC. 403. CONSEQUENTIAL AMENDMENTS OF TARIFF SCHEDULES OF THE UNITED STATES.

As of the effective date of a proclamation issued pursuant to section 401(a) or 401(b) of this Act, the Tariff Schedules of the United States are amended by those of the following paragraphs which apply to the articles to which such proclamation relates:

(1) Part 3E of schedule 1 is amended by striking out the rate of duty in column numbered 2 for item 114.05 and by inserting in such column "35¢ per lb." and "35% ad val." for the articles provided for in items 114.04 and 114.06, respectively, proclaimed pursuant to section 401(a) of this Act, and by striking out headnote 1 and the headnote heading preceding it.

(2) Part 1 of schedule 4 is amended by striking out the rates of duty in column numbered 2 in subparts B and C and by inserting in such column "7¢ per lb. + 75% ad val." for the articles provided for in each item proclaimed pursuant to section 401(a) of this Act, and by striking out headnotes 4 and 5 and inserting in lieu thereof:

"4. The ad valorem rates provided for in this part shall be applied to values determined in accordance with the methods of valuation provided for in section 402(a) through (d) of this Act (19 U.S.C. 1401a(a) through (d))."

(3) Part 1A of schedule 7 is amended by striking out the rate of duty in column numbered 2 for item 700.60 and by inserting in such column "35% ad val." and "40¢ per pair + 35% ad val. but not less than 90% ad val." for the articles described in the items designated 700.60A and 700.60B, respectively, referred to in section 401(b) of this Act, and by striking out headnote 3(b) and inserting in lieu thereof:

"(b) The ad valorem rates provided for in the items proclaimed in such proclamation as may be issued pursuant to section 401(b)(1) of the Trade Act of 1969 shall be applied to values determined in accordance with the methods of valuation provided for in section 402(a) through (d) of this Act (19 U.S.C. 1401a(a) through (d))."

(4) Part 1C of schedule 7 is amended by striking out the rate of duty in column numbered 2 for item 704.55 and inserting in lieu thereof "40¢ per lb. + 35% ad val." and by striking out headnote 4 and inserting in lieu thereof:

"4. The ad valorem rates provided for in item 704.55 shall be applied to values determined in accordance with the methods of valuation provided for in section 402(a) through (d) of this Act (19 U.S.C. 1401(a) through (d))."

SEC. 404. CONSEQUENTIAL AMENDMENTS OF OTHER PROVISIONS OF TARIFF ACT OF 1930.

As of the date the American selling price system of customs valuation is eliminated, pursuant to sections 401 and 404 of this Act, for all articles now subject to that system—

(1) Section 336 of the Tariff Act of 1930 (19 U.S.C. 1336) is amended by striking out—

(A) subsection (b),

(B) "and in basis of value" in subsection (c),

(C) "or in basis of value" in subsections (d) and (f), and

(D) subsection (j).

(2) Section 402 of the Tariff Act of 1930 (19 U.S.C. 1401a) is amended by striking out everything in subsection (a) which follows "constructed value" and precedes the period, and by striking out subsection (e).

(3) Section 402a of the Tariff Act of 1930 (19 U.S.C. 1402) is amended by striking out everything in subsection (a) which follows "cost of production" and precedes the period, and by striking out subsection (g).

SECTION-BY-SECTION ANALYSIS OF THE PROPOSED TRADE ACT OF 1969

The Trade Act of 1969 consists of four titles. Title I (secs. 101–102) is entitled "Short Title and Purposes," title II (secs. 201–203) "Trade Agreements," title III (secs. 301–305) "Tariff Adjustment and Adjustment Assistance," and title IV (secs. 401–404) "Nontariff Barriers to Trade."

Title I—Short Title and Purposes

Section 101. Short title

This section provides that the short statutory title of the act is the "Trade Act of 1969."

Section 102. Statement of purposes

This section sets forth the three basic purposes of the act. The first purpose is to continue and strengthen the trade agreements program of the United States. The second purpose is to establish a viable program of tariff adjustment for industries and other assistance for firms and workers affected by imports. The third purpose is to promote the reduction or elimination of nontariff barriers to trade.

Title II—Trade Agreements

Section 201. Basic authority for trade agreements

Subsection (a) amends section 201(a)(1) of the Trade Expansion Act of 1962 (TEA) so as to authorize the President to enter into trade agreements with foreign countries until July 1, 1973. Subsection (b) limits the reduction, which the President may proclaim pursuant to a trade agreement, to not more than 20 percent below the rate existing on July 1, 1967, or 2 percentage points ad valorem (or its equivalent in cases where a specific duty is involved) below the rate existing on July 1, 1967 (e.g., if the July 1, 1967, rate were 7 percent ad valorem, the duty could be reduced to 5 percent ad valorem). While the President is thereby given authority to eliminate duties which are at a level of not greater than 2 percent, he is not given any other authority to eliminate rates of duty pursuant to section 202, 211, 212, or 213 of the TEA (subsec. (c)).

Subsection (d) amends section 256 of the TEA by adding a new subsection to section 256. This new subsection provides that the base from which a new tariff reduction may be made is the rate to which the United States was committed under any trade agreement entered into before July 1, 1967.

Subsection (e) amends section 253 of the TEA so as to permit tariff concessions extended under the authority provided by section 201 to be staged in two installments with 1 year intervening. It also provides that tariff reductions agreed to under the new authority may be staged concurrently with any remaining stages of an earlier

proclamation. All of the other requirements of the TEA normally applicable to the exercise of the authority in section 201 of the TEA will apply, including the prenegotiation requirements of chapter 3 of title II of the TEA.

The authority provided by section 201 of the bill will be used for purposes other than a major bilateral or multilateral tariff negotiation. It is intended primarily for cases where the United States finds it necessary to increase a rate of duty which is subject to a tariff concession. In such cases, the United States would offer compensatory tariff concessions to the countries affected by the rate increase, since failure to do so could lead to retaliatory action on the part of such countries.

Section 202. General Agreement on Tariffs and Trade

This section amends the TEA by adding a new section 244. This new section authorizes annual appropriations to finance each year's U.S. contribution to the budget of the GATT. This contribution is presently financed from the appropriation made to the Department of State and entitled "International conferences and contingencies."

Section 203. Foreign import restrictions and other discriminatory acts

This section amends section 252 of the TEA in two important respects. First, subsection (a) enables the President, under subsection 252(a)(3) of the TEA, to the extent he deems necessary and appropriate, to impose duties or other import restrictions on the products of any foreign country that establishes or maintains unjustifiable import restrictions against United States nonagricultural products as well as the agricultural products now covered by the TEA. Second, subsection (b) would permit the President to suspend, withdraw, or prevent application of trade agreement benefits, and to refrain from proclaiming such benefits where a foreign country provides subsidies or other such incentives on its exports to third country markets so that sales of the competitive U.S. products to those other foreign markets are unfairly affected thereby.

Title III—Tariff Adjustment and Adjustment Assistance

Section 301. Petitions and determinations

Section 301 amends section 301 of the TEA in a number of respects. Generally, it liberalizes the criteria of eligibility of an industry to apply for tariff adjustment, as well as the criteria of eligibility of individual firms and workers to apply for adjustment assistance. For both tariff adjustment and adjustment assistance, injury will be related to increased imports whether or not a trade agreement concession is involved. In effect, the former causal link to a previous concession is eliminated.

For purposes of adjustment assistance, section 301 provides that, instead of the Tariff Commission, the President will make the substantive determinations of eligibility. The Tariff Commission's function will be to gather and supply to the President the relevant facts to assist him in making such determinations.

Subsection (a) amends section 301 of the TEA to change the title of the section from "Tariff Commission Investigations and Reports" to "Petitions and Determinations," consistent with the subsequent amendments to section 301.

Subsection (b) amends section 301(a)(2) of the TEA by substituting "President" for "Tariff Commission" in the two places it appears. Accordingly, petitions for a determination of eligibility to apply for adjustment assistance which are filed by a firm or a group of workers are to be filed with the President. It is expected that the President will delegate this function and his other functions under this section.

In practice it has been found that the Secretary of Commerce has no need for the Tariff Commission to forward to him copies of petitions for tariff adjustment. Furthermore, since the Tariff Commission will no longer be receiving petitions for adjustment assistance, subsection (c) repeals section 301(a)(3) of the TEA so that copies of neither of the reports will in the future be transmitted.

Subsection (d) amends subsection 301(b) of the TEA so as to provide new criteria of eligibility of an industry to apply for tariff adjustment. Under the amendment, new section 301(b)(1) of the TEA provides that, in the case of a petition for escape clause relief, the Tariff Commission shall promptly make an investigation to determine whether increased quantities of imports of an article directly competitive with an article produced by a domestic industry have been the primary cause, rather than the major cause, of serious injury, or the threat thereof, to such industry.

Subsection (e) recognizes that, given the easing of criteria for escape clause relief, it would be inequitable not to allow prompt reconsideration by the Tariff Commission of cases concluded shortly before the enactment of the new law. The one-year wait for reconsideration is consequently waived.

Subsection (f) amends section 301(c) of the TEA so as to provide new criteria of eligibility of firms and workers to apply for adjustment assistance and to substitute the President for the Tariff Commission for the purpose of determining whether the criteria are satisfied.

Under the amendment, new section 301(c)(1) of the TEA provides that in the case of a petition by a firm for a determination of eligibility to apply for adjustment assistance under chapter 2 of title III of the TEA, the President shall determine whether increased quantities of imports of an article directly competitive with an article produced by the firm or appropriate subdivision thereof have been a substantial cause, rather than the major cause, of serious injury, or the threat thereof, to such firm or subdivision.

Similarly, new section 301(c)(2) of the TEA provides that in the case of a petition by a group of workers for a determination of eligibility to apply for adjustment assistance under chapter 3 of title III of the TEA, the President shall determine whether increased quantities of imports of an article directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, have been a substantial cause of unemployment or underemployment, or the threat thereof, of a significant number or proportion of the workers of such firm or subdivision. In the case of a group of workers, it is intended that a group of three or more workers in a firm may qualify as a petitioner for adjustment assistance.

The term "increased quantities of imports" is intended, for purposes of both tariff adjustment and adjustment assistance, to require that, if quantities of imports in a recent period reflect an absolute increase over quantities of imports in a representative base period, the total quantity of imports in such recent period shall be taken into account.

Thus, if quantities of imports in a representative base period were 8 million units and the quantities in a recent period were 10 million units, the quantities of imports to be considered would be 10 million units.

The "directly competitive" imported article is intended to mean either an article which is like the domestic article and is therefore necessarily directly competitive with it, or one which is unlike the domestic article but nevertheless competes directly with it.

In cases where there is more than one directly competitive imported article, it is intended that the quantities of imports of the several imported articles shall be taken together for purposes of determining whether there have been increased quantities of imports.

By the use of the words "have been," it is intended that the increased quantities of imports shall have occurred in the recent past.

In cases of petitions for tariff adjustment, with respect to the causal relationship between increased quantities of imports and injury, or the threat thereof, the term "the primary cause" is intended to require the demonstration of the single most important cause. In cases of adjustment assistance, the term "substantial cause" is intended to require the demonstration of an actual and considerable cause which need not be greater than any other single cause.

In the case of a firm petitioning for either tariff adjustment or adjustment assistance, in determining serious injury, all relevant factors shall be considered, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment.

In the case of a group of workers petitioning for adjustment assistance, it is intended that in most cases unemployment or underemployment shall be found where the unemployment or underemployment, or both, in a firm, or an appropriate subdivision thereof, is the equivalent of total unemployment of 5 percent of the workers or 50 workers, whichever is less. At the same time, there are many workers in plants employing fewer than 50 workers. Accordingly, there may be cases where as few as three workers in a firm, or an appropriate subdivision thereof, would constitute a significant number or proportion of the workers.

It is intended that an "appropriate subdivision" of a firm shall be that establishment in a multiestablishment firm which produces the domestic article in question. Where the article is produced in a distinct part or section of an establishment (whether the firm has one or more establishments), such part or section may be considered an appropriate subdivision. In the TEA this intention was confined to petitions by workers. This bill would extend the concept to petitions by firms as well.

New section 301(c)(3) of the TEA provides that the Tariff Commission shall assist the President in making determinations with respect to petitions filed by firms or groups of workers. That is, the President shall promptly transmit to the Tariff Commission a copy of each petition filed by a firm or group of workers under new section 301(a)(2) of the TEA. Not later than 5 days after the date on which the petition is filed, the President shall request the Tariff Commission to conduct an investigation relating to questions of fact relevant to his determinations under new section 301(c) (1) and (2) of the TEA and to make a report of the facts disclosed by such investigation. In his request, the

President may specify the particular kinds of data which he deems appropriate. This is not intended, however, to preclude the Tariff Commission from making an investigation of, and including in its report, such additional data as it considers relevant. Upon receipt of the President's request, the Tariff Commission shall promptly initiate the investigation and promptly publish notice thereof in the Federal Register.

It is intended that the President, and not the Tariff Commission, shall make the determinations under section 301 (c)(1) and (c)(2) with respect to firms and groups of workers. Accordingly, the Tariff Commission is not to include in its report conclusions, opinions, or judgments which are tantamount to the determinations. Instead, it is to present the facts and in a manner which will render the report useful to the President. It is recognized that the Tariff Commission will have to reach conclusions with respect to such subsidiary questions as what constitutes the firm or an appropriate subdivision thereof, what product is directly competitive, and what is the appropriate base period, in order to gather the relevant facts. In any case, however, the President has the final authority to make a decision with respect to any element which enters into the determinations under section 301 (c)(1) and (c)(2), and section 302 (c), (d), and (e).

Subsection (g) is a consequential change which amends section 301 (d)(2) of the TEA to provide that, in the course of any investigation under new section 301(c)(3) of the TEA, the Tariff Commission shall hold a public hearing if requested by the petitioner or any other interested person. However, such a request must be made not later than 10 days after the date of the publication of its notice under section 301(c)(3). The Tariff Commission is to afford interested persons an opportunity to be present, to produce evidence, and to be heard at such hearing. It is understood that a public hearing may be held in any case on the Tariff Commission's own motion.

Subsection (h) amends section 301(f)(1) of the TEA to provide that the Tariff Commission shall be under an affirmative obligation to include any dissenting or separate views only in its reports concerning petitions for tariff adjustment.

Subsection (i) amends section 301(f)(3) of the TEA to provide that the report of the Tariff Commission of the facts disclosed by its investigation under new section 301(c)(3) of the TEA with respect to a firm or group of workers shall be made at the earliest practicable time, but not later than 60 days after the date on which it receives the request of the President under new section 301(c)(3).

Section 302. Presidential action after Tariff Commission reports

In general, section 302 amends section 302 of the TEA to provide for Presidential action following receipt of the Tariff Commission's factual report with respect to a petition for adjustment assistance.

Subsection (a) amends section 302 of the TEA to change the title of the section from "Presidential Action After Tariff Commission Determination" to "Presidential Action After Tariff Commission Reports," consistent with the amendments to section 301 of the TEA.

Subsections (b) and (c) each makes a similar amendment to section 302(b) (1) and (2), respectively, of the TEA in order to conform with the criteria of eligibility in new section 301(c) (1) and (2) of the TEA.

Under section 302(a) of the TEA, if the Tariff Commission makes an affirmative finding with respect to a petition for tariff adjustment filed on behalf of an entire industry, the President may furnish increased import protection (e.g., increased tariffs or quotas) to the industry involved, and/or provide that the firms and workers in the industry may request the Secretaries of Commerce and Labor, respectively, for certifications of eligibility to apply for adjustment assistance. Under section 302(b) of the TEA, a firm or group of workers in the industry must be certified as eligible to apply for adjustment assistance if it demonstrates that the increased imports have caused serious injury to the firm, or unemployment or underemployment of the workers, or the threat thereof, as the case may be.

The amendments to section 302(b) (1) and (2) of the TEA make it clear that it shall be sufficient, for purposes of section 302(b) of the TEA, for the firm or group of workers to demonstrate that the increased imports have been a substantial cause of serious injury or unemployment or underemployment, or the threat thereof. In this way, whether a firm or group of workers files an original petition for adjustment assistance under section 301(a) of the TEA, or seeks to become eligible under section 302(b) of the TEA for adjustment assistance following an affirmative finding of the Tariff Commission with respect to an industry under section 301(b) of the TEA, the same degree of causality to be ascribed to increased imports will apply.

Subsection (d) amends section 302(c) of the TEA to provide four new paragraphs. New paragraph (1) provides that, after receiving a factual report of the Tariff Commission, the President shall make his determination under new section 301 (c)(1) or (c)(2) at the earliest practicable time, but not later than 30 days after the date on which he receives the Tariff Commission's report, unless, within such period, the President requests additional factual information from the Tariff Commission. In this event, the Tariff Commission shall, not later than 25 days after the date on which it receives the President's request, furnish such additional factual information in a supplemental report. The President shall then make his determination not later than 15 days after the date on which he receives such supplemental report.

New paragraph (2) provides that the President shall promptly publish in the Federal Register a summary of each determination under new section 301(c) of the TEA with respect to any firm or group of workers.

New paragraph (3) provides that, if the President makes an affirmative determination under new section 301(c) of the TEA with respect to any firm or group of workers, he shall promptly certify that such firm or group of workers is eligible to apply for adjustment assistance.

New paragraph (4) provides that the President is authorized to exercise any of his functions with respect to determinations and certifications of eligibility of firms or groups of workers to apply for adjustment assistance through such agency or other instrumentality of the U.S. Government as he may direct. Such agency or instrumentality may issue rules or regulations pursuant to section 401(2) of the TEA.

Section 303. Tax assistance to firms

Section 303 amends section 317(a)(2) of the TEA to conform to the new section 301(c)(1) of the TEA.

Section 304. Adjustment assistance to workers

Section 304 amends section 337 of the TEA to provide that sums appropriated pursuant to section 337 for adjustment assistance for workers may be used to pay the cost of training provided to adversely affected workers entitled to trade readjustment allowances under chapter 3 of title III of the TEA, to the extent that training resources provided under any Federal law would not otherwise be available to such workers.

Section 305. Tariff adjustment

Section 305 amends section 351(d) of the TEA in two respects. First, the Tariff Commission shall, in the annual reports which it makes to the President on cases of tariff adjustment which continue in effect, include therein a report as to the specific steps taken by the firms in the industry to enable them to compete more effectively with imports. Second, not later than 2 years after a tariff adjustment action, the Tariff Commission shall advise the President of its judgment, in the light of the specific steps taken by the firms in such industry to enable them to compete more effectively with imports as to the probable economic effect of the reduction or termination of the tariff adjustment.

Title IV—Nontariff Barriers to Trade

Section 401. Elimination of American selling price system

In general, this section provides for the elimination of the American selling price (ASP) system as a method of customs valuation in return for tariff and nontariff concessions by other countries. The products now subject to the ASP system are benzenoid chemicals, canned clams, wool-knit gloves, and rubber-soled footwear. As a result of the elimination of this system, these products will no longer be subject to ASP, if competitive with a domestic article, or, in the case of benzenoid chemicals, to U.S. value as the next basis of value, if not so competitive. Instead, they will be subject to export value (or alternative bases of value in the absence of export value) in accordance with the provisions of section 402 of the Tariff Act of 1930 (19 U.S.C. 1401a).

Subsection (a) authorizes the President to proclaim such modifications of the Tariff Schedules of the United States (TSUS) as are required or appropriate to carry out two agreements concluded as part of the Kennedy round. The first agreement is the multilateral Agreement Relating Principally to Chemicals, Supplementary to the Geneva (1967) Protocol to the General Agreement on Tariffs and Trade. Under this agreement, the President undertakes to use his best efforts to obtain promptly such legislation as is necessary to enable the United States to eliminate the ASP system of valuation, as provided in part II of the agreement. Part II provides new column 1 rates for benzenoid chemicals, which shall be based on the first three alternatives bases of valuation (export value, U.S. value, or constructed value) provided for in section 402 (as opposed to sec. 402a of the Tariff Act of 1930 (19 U.S.C. 1402)). Part II also provides additional tariff concessions by the United States on chemical and related articles not subject to the ASP system. Parts III, IV, and V of the agreement provide the concessions with respect to tariff and nontariff barriers

which the other parties to the agreement have undertaken to make if the ASP system is eliminated.

The second agreement is the bilateral agreement with Japan, which consists of an exchange of notes. The U.S. note provides that the President is prepared to use his best efforts to obtain promptly such legislation as is necessary to enable the United States to eliminate the ASP system of valuation as it relates to canned clams and wool-knit gloves. The attachment to the U.S. note sets out the new column 1 rates for these products, which shall be based on export value (or alternative bases of value in the absence of export value) in accordance with section 402 of the Tariff Act of 1930. The Japanese note provides the tariff concession which Japan is prepared to make if the ASP system is eliminated.

Subsection (b) concerns the last class of products now subject to the ASP system—rubber-soled footwear. These products were not included in any Kennedy round agreement providing for the elimination of ASP. Accordingly, paragraph (1) authorizes the President to enter into an agreement with respect to rubber-soled footwear. This agreement would provide for two new items in the TSUS to replace the present single item covering such footwear. The two new article descriptions were set forth by the Tariff Commission in its report of August 1966, concerning investigation No. 332–47. In addition, the agreement would provide that the rates of duty for the two new items shall be based on export value (or alternative bases of value in the absenece of export value) in accordance with section 402 of the Tariff Act of 1930.

Paragraph (2) authorizes the President to proclaim such modifications of the TSUS as are required or appropriate to carry out such agreement, so long as two conditions are met. First, the modifications must not become effective earlier than January 1, 1971. Second, the new rates of duty for column 1 must not be lower than the rates specified in the act.

Subsection (c) provides that, in a proclamation issued pursuant to section 401, the President is authorized to simplify the TSUS by consolidating article descriptions, but without changing rates, with respect to articles which will be subject to full concession rates of duty (i.e., the final rates set out in the applicable agreements) that are identical to one another in column No. 1 and to rates of duty that are identical to one another in column No. 2. Any such consolidation shall become effective on the date the full concession rates become effective for such articles. This subsection is designed to insure that the President has the authority to consolidate provisions bearing the same rates of duty following the elimination of the ASP system and thereby to simplify customs administration.

Subsection (d) authorizes the President at any time to terminate, in whole or in part, any proclamation issued pursuant to section 401.

Subsection (e) recognizes the desirability of maintaining a continuing surveillance for a period of five years of the results of the elimination of the ASP system. It provides that for this purpose the Tariff Commission shall provide to the President, on the most current basis possible, annual detailed reports on the production and sales of synthetic organic chemicals and imports thereof. Among Government entities, the Tariff Commission is unique in its ability to provide that information.

Section 402. Application of related provisions

Subsection (a) is intended to insure that the present rates of duty based upon ASP will not continue to qualify as rates existing on July 1, 1967, for purposes of the tariff reducing authority in the TEA even after the ASP system is eliminated. Subsection (a) provides that for purposes of section 256(8) of the TEA (as amended by this act) the column 1 rates existing on July 1, 1967, shall, in effect, be the full concession rates (i.e., the final rates set out in the applicable agreements), proclaimed pursuant to section 401, increased by 25 percent. Accordingly, if, for example, one of the new column 1 rates were increased and the President subsequently wished to reduce it under section 201 of the TEA, he could reduce it to a level no lower than the actual full concession rate.

Subsection (b) provides that a rate of duty proclaimed pursuant to section 401 shall be treated as a rate of duty proclaimed pursuant to a concession granted in a trade agreement for purposes of general headnote 4 of the TSUS. As a result, by operation of paragraph (b) of general headnote 4, during such time as a column 1 rate proclaimed pursuant to section 401 is, for a few benzenoid chemicals, higher than the column 2 rate, the column 2 rate will in effect be increased to the level of the column 1 rate. Moreover, by operation of paragraph (d) of general headnote 4, if, for example, a full concession rate proclaimed pursuant to section 401 were terminated, the column 2 rate would apply.

Section 403. Consequential amendments of Tariff Schedules of United States

In general, this section makes three kinds of amendments to the TSUS which are consequential upon the elimination of the ASP system. These statutory amendments relate to the four parts of the TSUS providing for the four categories of articles subject to the ASP system and complement the President's proclamatory modifications of the TSUS under section 401 with respect to column 1 rates of duty.

First, all four paragraphs of section 403 establish new column 2 rates for the four categories of articles now subject to ASP and, by an increase over the present column 2 rates in certain cases, adjust for the lower bases of customs valuation that will apply. Second, all four paragraphs of section 403 delete the headnotes in the TSUS which now provide for the application of the ASP system to both column 1 and column 2 rates applicable to the four categories of articles. Third, the last three paragraphs of section 403 in effect remove benzenoid chemicals, rubber-soled footwear, and wool-knit gloves, respectively, from the so-called final list, whereby these articles are valued for customs purposes on the basis of section 402a of the Tariff Act of 1930 (canned clams are not subject to the "final list"). They do so by substituting for the ASP headnotes new headnotes providing that both column 1 and column 2 rates shall be based on export value (or alternative bases of value in the absence of export value) in accordance with section 402 of the Tariff Act of 1930.

Section 404. Consequential amendments of other provisions of Tariff Act of 1930

In general, this section makes several amendments to the Tariff Act of 1930 which relate to three sections of that act dealing with the

ASP system and which are consequential upon the elimination of the ASP system. These amendments all become effective as of the date the ASP system is eliminated pursuant to section 401 with respect to the last of the articles now subject to that system.

Paragraph (1) amends section 336 of the Tariff Act of 1930 to remove from that section the authority to use ASP in equalizing costs of production between a domestic article and a like imported article. Section 336 can be applied only to the few articles in the TSUS which are not subject to a tariff concession. This amendment insures that, once the President has eliminated the ASP system with respect to all the articles now subject to that system, the ASP system cannot be established by executive action with respect to any article.

Paragraphs (2) and (3) amend sections 402 and 402a, respectively, of the Tariff Act of 1930, in order to eliminate ASP as an alternative basis of valuation. This is a formal amendment eliminating the provisions concerning ASP in sections 402 and 402a which will in any case have become inoperative by virtue of the President's proclamations pursuant to section 401 and the amendments to the TSUS made by section 403(a).

THE TRADE EXPANSION ACT OF 1962

(Public Law 87–794, app. Oct. 11, 1962, as amended by Public Law 88–205, pt. IV, § 402, app. Dec. 16, 1963)

TITLE I—SHORT TITLE AND PURPOSES

SEC. 101. SHORT TITLE.

This Act may be cited as the "Trade Expansion Act of 1962".

SEC. 102. STATEMENT OF PURPOSES.

The purposes of this Act are, through trade agreements affording mutual trade benefits—

(1) to stimulate the economic growth of the United States and maintain and enlarge foreign markets for the products of United States agriculture, industry, mining, and commerce;

(2) to strengthen economic relations with foreign countries through the development of open and nondiscriminatory trading in the free world; and

(3) to prevent Communist economic penetration.

TITLE II—TRADE AGREEMENTS

CHAPTER 1—GENERAL AUTHORITY

SEC. 201. BASIC AUTHORITY FOR TRADE AGREEMENTS.

(a) Whenever the President determines that any existing duties or other import restrictions of any foreign country or the United States are unduly burdening and restricting the foreign trade of the United States and that any of the purposes stated in section 102 will be promoted thereby, the President may—

(1) after June 30, 1962, and before July 1, 1967, enter into trade agreements with foreign countries or instrumentalities thereof; and

(2) proclaim such modification or continuance of any existing duty or other import restriction, such continuance of existing duty-free or excise treatment, or such additional import restrictions, as he determines to be required or appropriate to carry out any such trade agreement.

(b) Except as otherwise provided in this title, no proclamation pursuant to subsection (a) shall be made—

(1) decreasing any rate of duty to a rate below 50 percent of the rate existing on July 1, 1962; or

(2) increasing any rate of duty to (or imposing) a rate more than 50 percent above the rate existing on July 1, 1934.

SEC. 202. LOW-RATE ARTICLES.

Section 201(b)(1) shall not apply in the case of any article for which the rate of duty existing on July 1, 1962, is not more than 5 percent ad valorem (or ad valorem equivalent). In the case of an

article subject to more than one rate of duty, the preceding sentence shall be applied by taking into account the aggregate of such rates.

CHAPTER 2—SPECIAL PROVISIONS CONCERNING EUROPEAN ECONOMIC COMMUNITY

SEC. 211. IN GENERAL.

(a) In the case of any trade agreement with the European Economic Community, section 201(b)(1) shall not apply to articles in any category if, before entering into such trade agreement, the President determines with respect to such category that the United States and all countries of the European Economic Community together accounted for 80 percent or more of the aggregated world export value of all the articles in such category.

(b) For purposes of subsection (a)—

(1) As soon as practicable after the date of the enactment of this Act, the President shall—

(A) after taking into account the availability of trade statistics, select a system of comprehensive classification of articles by category, and

(B) make public his selection of such system.

(2) As soon as practicable after the President has selected a system pursuant to paragraph (1), the Tariff Commission shall—

(A) determine the articles falling within each category of such system, and

(B) make public its determinations.

The determination of the Tariff Commission as to the articles included in any category may be modified only by the Tariff Commission. Such modification by the Tariff Commission may be made only for the purpose of correction, and may be made only before the date on which the first list of articles specifying this section is furnished by the President to the Tariff Commission pursuant to section 221.

(c) For the purpose of making a determination under subsection (a) with respect to any category—

(1) The determination of the countries of the European Economic Community shall be made as of the date of the request under subsection (d).

(2) The President shall determine "aggregated world export value" with respect to any category of articles—

(A) on the basis of a period which he determines to be representative for such category, which period shall be included in the most recent 5-year period before the date of the request under subsection (d) for which statistics are available and shall contain at least 2 one-year periods.

(B) on the basis of the dollar value of exports as shown by trade statistics in use by the Department of Commerce, and

(C) by excluding exports—

(i) from any country of the European Economic Community to another such country, and

(ii) to or from any country or area which, at any time during the representative period, was denied trade agree-

ment benefits under section 231, or under section 5 of the Trade Agreements Extension Act of 1951, or under section 401(a) of the Tariff Classification Act of 1962.

(d) Before the President makes a determination under subsection (a) with respect to any category, the Tariff Commission shall (upon request of the President) make findings as to—

(1) the representative period for such category,

(2) the aggregated world export value of the articles falling within such category, and

(3) the percentage of the aggregated world export value of such articles accounted for by the United States and the countries of the European Economic Community,

and shall advise the President of such findings.

(e) The exception to section 201(b)(1) provided by subsection (a) shall not apply to any article referred to in Agricultural Handbook No. 143, United States Department of Agriculture, as issued in September 1959.

SEC. 212. AGRICULTURAL COMMODITIES.

In the case of any trade agreement with the European Economic Community, section 201(b)(1) shall not apply to any article referred to in Agricultural Handbook No. 143, United States Department of Agriculture, as issued in September 1959, if before entering into such agreement the President determines that such agreement will tend to assure the maintenance or expansion of United States exports of the like article.

SEC. 213. TROPICAL AGRICULTURAL AND FORESTRY COMMODITIES.

(a) Section 201(b)(1) shall not apply to any article if, before entering into the trade agreement covering such article, the President determines that—

(1) such article is a tropical agricultural or forestry commodity;

(2) the like article is not produced in significant quantities in the United States; and

(3) the European Economic Community has made a commitment with respect to duties or other import restrictions which is likely to assure access for such article to the markets of the European Economic Community which—

(A) is comparable to the access which such article will have to the markets of the United States, and

(B) will be afforded substantially without differential treatment as among free world countries of origin.

(b) For purposes of subsection (a), a "tropical agricultural or forest commodity" is an agricultural or forestry commodity with respect to which the President determines that more than one-half of the world production is in the area of the world between 20 degrees north latitude and 20 degrees south latitude.

(c) Before the President makes a determination under subsection (a) with respect to any article, the Tariff Commission shall (upon request of the President) make findings as to—

(1) whether or not such article is an agricultural or forestry commodity more than one-half of the world production of which is in the area of the world between 20 degrees north latitude and 20 degrees south latitude, and

(2) whether or not the like article is produced in significant quantities in the United States,

and shall advise the President of such findings.

CHAPTER 3—REQUIREMENTS CONCERNING NEGOTIATIONS

SEC. 221. TARIFF COMMISSION ADVICE.

(a) In connection with any proposed trade agreement under this title, the President shall from time to time publish and furnish the Tariff Commission with lists of articles which may be considered for modification or continuance of United States duties or other import restrictions, or continuance of United States duty-free or exise treatment. In the case of any article with respect to which consideration may be given to reducing the rate of duty below the 50 percent limitation contained in section 201(b)(1), the list shall specify the section or sections of this title pursuant to which such consideration may be given.

(b) Within 6 months after receipt of such a list, the Tariff Commission shall advise the President with respect to each article of its judgment as to the probable economic effect of modifications of duties or other import restrictions on industries producing like or directly competitive articles, so as to assist the President in making an informed judgment as to the impact that might be caused by such modifications on United States industry, agriculture, and labor.

(c) In preparing its advice to the President, the Tariff Commission shall, to the extent practicable—

(1) investigate conditions, causes, and effects relating to competition between the foreign industries producing the articles in question and the domestic industries producing the like or directly competitive articles;

(2) analyze the production, trade, and consumption of each like or directly competitive article, taking into consideration employment, profit levels, and use of productive facilities with respect to the domestic industries concerned, and such other economic factors in such industries as it considers relevant, including prices, wages, sales, inventories, patterns of demand, capital investment, obsolescence of equipment, and diversification of production;

(3) describe the probable nature and extent of any significant change in employment, profit levels, use of productive facilities and such other conditions as it deems relevant in the domestic industries concerned which it believes such modifications would cause; and

(4) make special studies (including studies of real wages paid in foreign supplying countries), whenever deemed to be warranted, of particular proposed modifications affecting United States industry, agriculture, and labor, utilizing to the fullest extent practicable the facilities of United States attachés abroad and other appropriate personnel of the United States.

(d) In preparing its advice to the President, the Tariff Commission shall, after reasonable notice, hold public hearings.

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SEC. 222. ADVICE FROM DEPARTMENTS.

Before any trade agreement is entered into under this title, the President shall seek information and advice with respect to such agreement from the Departments of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury, and from such other sources as he may deem appropriate.

SEC. 223. PUBLIC HEARINGS.

In connection with any proposed trade agreement under this title, the President shall afford an opportunity for any interested person to present his views concerning any article on a list published pursuant to section 221, any article which should be so listed, any concession which should be sought by the United States, or any other matter relevant to such proposed trade agreement. For this purpose, the President shall designate an agency or an interagency committee which shall, after reasonable notice, hold public hearings, shall prescribe regulations governing the conduct of such hearings, and shall furnish the President with a summary of such hearings.

SEC. 224. PREREQUISITE FOR OFFERS.

The President may make an offer for the modification or continuance of any duty or other import restriction, or continuance of duty-free or excise treatment, with respect to any article only after he has received advice concerning such article from the Tariff Commission under section 221(b), or after the expiration of the relevant 6-month period provided for in that section, whichever first occurs, and only after the President has received a summary of the hearings at which an opportunity to be heard with respect to such article has been afforded under section 223.

SEC. 225. RESERVATION OF ARTICLES FROM NEGOTIATIONS.

(a) While there is in effect with respect to any article any action taken under—

(1) section 232, 351, or 352,

(2) section 2(b) of the Act entitled "An Act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended", approved July 1, 1954 (19 U.S.C., sec. 1352a), or

(3) section 7 of the Trade Agreements Extension Act of 1951 (19 U.S.C., sec. 1364),

the President shall reserve such article from negotiations under this title for the reduction of any duty or other import restriction or the elimination of any duty.

(b) During the 5-year period which begins on the date of the enactment of this Act, the President shall reserve an article (other than an article which, *on the date of the enactment of this Act,* was described in subsection (a) (3) from negotiation under this title for the reduction of any duty or other import restriction or the elimination of any duty where—

(1) pursuant to section 7 of the Trade Agreements Extension Act of 1951 (or pursuant to a comparable Executive Order), the Tariff Commission found by a majority of the Commissioners voting that such article was being imported in such increased quantities as to cause or threaten serious injury to an industry,

(2) such article is included in a list furnished to the Tariff

Commission pursuant to section 221 (and has not been included in a prior list so furnished), and

(3) upon request on behalf of the industry, made not later than 60 days after the date of the publication of such list, the Tariff Commission finds and advises the President that economic conditions in such industry have not substantially improved since the date of the report of the finding referred to in paragraph (1).

(c) In addition to the articles described by subsections (a) and (b), the President shall also so reserve any other article which he determines to be appropriate, taking into consideration the advice of the Tariff Commission under section 221(b), any advice furnished to him under section 222, and the summary furnished to him under section 223.

SEC. 226. TRANSMISSION OF AGREEMENTS TO CONGRESS.

The President shall transmit promptly to each House of Congress a copy of each trade agreement entered into under this title, together with a statement in the light of the advice of the Tariff Commission under section 221(b) and of other relevant considerations, of his reasons for entering into the agreement.

CHAPTER 4—NATIONAL SECURITY

SEC. 231. PRODUCTS OF COMMUNIST COUNTRIES OR AREAS.

(a) The President shall, as soon as practicable, suspend, withdraw, or prevent the application of the reduction, elimination, or continuance of any existing duty or other import restriction, or the continuance of any existing duty-free or excise treatment, proclaimed in carrying out any trade agreement under this subchapter or under section 1351 of this title, to products, whether imported directly or indirectly, of any country or area dominated or controlled by Communism.

(b) The President may extend the benefits of trade agreement concessions made by the United States to products, whether imported directly or indirectly, of a country or area within the purview of subsection (a) of this section which, on December 16, 1963, was receiving trade concessions, when he determines that such treatment would be important to the national interest and would promote the independence of such country or area from domination or control by international communism, and reports this determination and the reasons therefor to the Congress.

SEC. 232. SAFEGUARDING NATIONAL SECURITY.

(a) No action shall be taken pursuant to section 201(a) or pursuant to section 350 of the Tariff Act of 1930 to decrease or eliminate the duty or other import restriction on any article if the President determines that such reduction or elimination would threaten to impair the national security.

(b) Upon request of the head of any department or agency, upon application of an interested party, or upon his own motion, the Director of the Office of Emergency Planning (hereinafter in this section referred to as the "Director") shall immediately make an appropriate investigation, in the course of which he shall seek information and advice from other appropriate departments and agencies, to determine the effects on the national security of imports of the article which is the subject of such request, application, or motion. If, as a result of such investigation, the Director is of the opinion that the said article

is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, he shall promptly so advise the President, and, unless the President determines that the article is not being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security as set forth in this section, he shall take such action, and for such time, as he deems necessary to adjust the imports of such article and its derivatives so that such imports will not so threaten to impair the national security.

(c) For the purposes of this section, the Director and the President shall, in the light of the requirements of national security and without excluding other relevant factors, give consideration to domestic production needed for projected national defense requirements, the capacity of domestic industries to meet such requirements, existing and anticipated availabilities of the human resources, products, raw materials, and other supplies and services essential to the national defense, the requirements of growth of such industries and such supplies and services including the investment, exploration, and development necessary to assure such growth, and the importation of goods in terms of their quantities, availabilities, character, and use as those affect such industries and the capacity of the United States to meet national security requirements. In the administration of this section, the Director and the President shall further recognize the close relation of the economic welfare of the Nation to our national security, and shall take into consideration the impact of foreign competition on the economic welfare of individual domestic industries; and any substantial unemployment, decrease in revenues of government, loss of skills or investment, or other serious effects resulting from the displacement of any domestic products by excessive imports shall be considered, without excluding other factors, in determining whether such weakening of our internal economy may impair the national security.

(d) A report shall be made and published upon the disposition of each request, application, or motion under subsection (b). The Director shall publish procedural regulations to give effect to the authority conferred on him by subsection (b).

CHAPTER 5—ADMINISTRATIVE PROVISIONS

SEC. 241. SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS.

(a) The President shall appoint, by and with the advice and consent of the Senate, a Special Representative for Trade Negotiations, who shall be the chief representative of the United States for each negotiation under this title and for such other negotiations as in the President's judgment require that the Special Representative be the chief representative of the United States, and who shall be the chairman of the organization established pursuant to section 242(a). The Special Representative for Trade Negotiations shall hold office at the pleasure of the President, shall be entitled to receive the same compensation and allowances as a chief of mission, and shall have the rank of ambassador extraordinary and plenipotentiary.

(b) The Special Representative for Trade Negotiations shall, in the performance of his functions under subsection (a), seek information and advice with respect to each negotiation from representatives of industry, agriculture, and labor, and from such agencies as he deems appropriate.

SEC. 242. INTERAGENCY TRADE ORGANIZATION.

(a) The President shall establish an interagency organization to assist him in carrying out the functions vested in him by this title and sections 351 and 352. Such organization shall, in addition to the Special Representative for Trade Negotiations, be composed of the heads of such departments and of such other officers as the President shall designate. It shall meet at such times and with respect to such matters as the President or the chairman of the organization shall direct. The organization may invite the participation in its activities of any agency not represented in the organization when matters of interest to such agency are under consideration.

(b) In assisting the President, the organization shall—

(1) make recommendations to the President on basic policy issues arising in the administration of the trade agreements program,

(2) make recommendations to the President as to what action, if any, he should take on reports with respect to tariff adjustment submitted to him by the Tariff Commission under section 301(e),

(3) advise the President of the results of hearings concerning foreign import restrictions held pursuant to section 252(d), and recommend appropriate action with respect thereto, and

(4) perform such other functions with respect to the trade agreements program as the President may from time to time designate.

(c) The organization shall, to the maximum extent practicable, draw upon the resources of the agencies represented in the organization, as well as such other agencies as it may determine, including the Tariff Commission. In addition, the President may establish by regulation such procedures and committees as he may determine to be necessary to enable the organization to provide for the conduct of hearings pursuant to section 252(d), and for the carrying out of other functions assigned to the organization pursuant to this section.

SEC. 243. CONGRESSIONAL DELEGATES TO NEGOTIATIONS.

Before each negotiation under this title, the President shall, upon the recommendation of the Speaker of the House of Representatives, select two members (not of the same political party) of the Committee on Ways and Means, and shall, upon the recommendation of the President of the Senate, select two members (not of the same political party) of the Committee on Finance, who shall be accredited as members of the United States delegation to such negotiation.

CHAPTER 6—GENERAL PROVISIONS

SEC. 251. MOST-FAVORED-NATION PRINCIPLE.

Except as otherwise provided in this title, in section 305(b) of the Tariff Act of 1930, or in section 401(a) of the Tariff Classification Act of 1962, any duty or other import restriction or duty-free treatment proclaimed in carrying out any trade agreement under this title or section 350 of the Tariff Act of 1930 shall apply to products of all foreign countries, whether imported directly or indirectly.

SEC. 252. FOREIGN IMPORT RESTRICTIONS.

(a) Whenever unjustifiable foreign import restrictions impair the value of tariff commitments made to the United States, oppress the

commerce of the United States, or prevent the expansion of trade on a mutually advantageous basis, the President shall—

(1) take all appropriate and feasible steps within his power to eliminate such restrictions,

(2) refrain from negotiating the reduction or elimination of any United States import restriction under section 201(a) in order to obtain the reduction or elimination of any such restrictions, and

(3) notwithstanding any provision of any trade agreement under this Act, and to the extent he deems necessary and appropriate, impose duties or other import restrictions on the products of any foreign country or instrumentality establishing or maintaining such foreign import restrictions against United States agricultural products, when he deems such duties and other import restrictions necessary and appropriate to prevent the establishment or obtain the removal of such foreign import restrictions and to provide access for United States agricultural products to the markets of such country or instrumentality on an equitable basis.

(b) Whenever a foreign country or instrumentality the products of which receive benefits of trade agreement concessions made by the United States—

(1) maintains nontariff trade restrictions, including variable import fees, which substantially burden United States commerce in a manner inconsistent with provisions of trade agreements, or

(2) engage in discriminatory or other acts (including tolerance of international cartels) or policies unjustifiably restricting United States commerce,

the President shall, to the extent that such action is consistent with the purposes of section 102—

(A) suspend, withdraw, or prevent the application of benefits of trade agreement concessions to products of such country or instrumentality, or

(B) refrain from proclaiming benefits of trade agreement concessions to carry out a trade agreement with such country or instrumentality.

(c) Whenever a foreign country or instrumentality, the products of which receive benefits of trade agreement concessions made by the United States, maintains unreasonable import restrictions which either directly or indirectly substantially burden United States commerce, the President may, to the extent that such action is consistent with the purposes of section 102, and having due regard for the international obligations of the United States—

(1) suspend, withdraw, or prevent the application of benefits of trade agreement concessions to products of such country or instrumentality, or

(2) refrain from proclaiming benefits of trade agreement concessions to carry out a trade agreement with such country or instrumentality.

(d) The President shall provide an opportunity for the presentation of views concerning foreign import restrictions which are referred to in subsections (a), (b), and (c) and are maintained against United States commerce. Upon request by any interested person, the President shall, through the organization established pursuant to section

242(a), provide for appropriate public hearings with respect to such restrictions after reasonable notice and provide for the issuance of regulations concerning the conduct of such hearings.

SEC. 253. STAGING REQUIREMENTS.

(a) Except as otherwise provided in this section and in section 254, the aggregate reduction in the rate of duty on any article which is in effect on any day pursuant to a trade agreement under this title shall not exceed the aggregate reduction which would have been in effect on such day if—

(1) one-fifth of the total reduction under such agreement for such article had taken effect on the date of the first proclamation pursuant to section 201(a) to carry out such trade agreement, and

(2) the remaining four-fifths of such total reduction had taken effect in four equal installments at 1-year intervals after the date referred to in paragraph (1).

(b) Subsection (a) shall not apply to any article with respect to which the President has made a determination under section 213(a).

(c) In the case of an article the rate of duty on which has been or is to be reduced pursuant to a prior trade agreement, no reduction shall take effect pursuant to a trade agreement entered into under section 201(a) before the expiration of 1 year after the taking effect of the final reduction pursuant to such prior agreement.

(d) If any part of a reduction takes effect, then any time thereafter during which such part of the reduction is not in effect by reason of legislation of the United States or action thereunder shall be excluded in determining—

(1) the 1-year intervals referred to in subsection (a)(2), and

(2) the expiration of the 1 year referred to in subsection (c).

SEC. 254. ROUNDING AUTHORITY.

If the President determines that such action will simplify the computation of the amount of duty imposed with respect to an article, he may exceed the limitation provided by section 201(b)(1) or 253 by not more than whichever of the following is lesser:

(1) the difference between the limitation and the next lower whole number, or

(2) one-half of 1 percent ad valorem or an amount the ad valorem equivalent of which is one-half of 1 percent.

SEC. 255. TERMINATION.

(a) Every trade agreement entered into under this title shall be subject to termination or withdrawal, upon due notice, at the end of a period specified in the agreement. Such period shall be not more than 3 years from the date on which the agreement becomes effective. If the agreement is not terminated or withdrawn from at the end of the period so specified, it shall be subject to termination or withdrawal thereafter upon not more than 6 months' notice.

(b) The President may at any time terminate, in whole or in part, any proclamation made under this title.

SEC. 256. DEFINITIONS.

For purposes of this title—

(1) The term "European Economic Community" means the instrumentality known by such name or any successor thereto.

(2) The countries of the European Economic Community as of any date shall be those countries which on such date are agreed to achieve a common external tariff through the European Economic Community.

(3) The term "agreement with the European Economic Community" means an agreement to which the United States and all countries of the European Economic Community (determined as of the date such agreement is entered into) are parties. For purposes of the preceding sentence, each country for which the European Economic Community signs an agreement shall be treated as a party to such agreement.

(4) The term "existing on July 1, 1962", as applied to a rate of duty, refers to the lowest nonpreferential rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on such date or (if lower) the lowest nonpreferential rate to which the United States is committed on such date and which may be proclaimed under section 350 of the Tariff Act of 1930.

(5) The term "existing on July 1, 1934", as applied to a rate of duty, refers to the rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on such date.

(6) The term "existing" without the specification of any date, when used with respect to any matter relating to entering into, or any proclamation to carry out, a trade agreement, means existing on the day on which such trade agreement is entered into, and, when referring to a rate of duty, refers to the rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on such day.

(7) The term "ad valorem equivalent" means the ad valorem equivalent of a specific rate or, in the case of a combination of rates including a specific rate, the sum of the ad valorem equivalent of the specific rate and of the ad valorem rate. The ad valorem equivalent shall be determined by the President on the basis of the value of imports of the article concerned during a period determined by him to be representative. In determining the value of imports, the President shall utilize, to the maximum extent practicable, the standards of valuation contained in section 402 or 402a of the Tariff Act of 1930 (19 U.S.C., sec. 1401a or 1402) applicable to the article concerned during such representative period.

SEC. 257. RELATION TO OTHER LAWS.

(a) The first sentence of subsection (b) of section 350 of the Tariff Act of 1930 is amended by striking out "this section" each place it appears and inserting in lieu thereof "this section or the Trade Expansion Act of 1962". The second sentence of such subsection (b) is amended by striking out "this Act" and inserting in lieu thereof "this Act or the Trade Expansion Act of 1962". The third sentence of such subsection (b) is amended by striking out "1955," in paragraph (2) and inserting in lieu thereof "1955, and before July 1, 1962," and by adding at the end thereof the following new paragraph:

"(3) In order to carry out a foreign trade agreement entered into after June 30, 1962, and before July 1, 1967, below the lowest

rate permissible by applying title II of the Trade Expansion Act of 1962 to the rate of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on July 1, 1962, with respect to such product."

(b) Subsections (a)(5) and (e) of section 350 of the Tariff Act of 1930 are repealed.

(c) For purposes only of entering into trade agreements pursuant to the notices of intention to negotiate published in the Federal Register of May 28, 1960, and the Federal Register of November 23, 1960, the period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930 is hereby extended from the close of June 30, 1962, until the close of December 31, 1962.

(d) The second and third sentences of section 2(a) of the Act entitled "An Act to amend the Tariff Act of 1930", approved June 12, 1934, as amended (19 U.S.C., sec. 1352(a)), are each amended by striking out "this Act" and inserting in lieu thereof "this Act or the Trade Expansion Act of 1962".

(e)(1) Sections 5, 6, 7, and 8(a) of the Trade Agreements Extension Act of 1951 are repealed.

(2) Action taken by the President under section 5 of such Act and in effect on the date of the enactment of this Act shall be considered as having been taken by the President under section 231.

(3) Any investigation by the Tariff Commission under section 7 of such Act which is in progress on the date of the enactment of this Act shall be continued under section 301 as if the application by the interested party were a petition under such section for tariff adjustment under section 351. For purposes of section 301(f), such petition shall be treated as having been filed on the date of the enactment of this Act.

(f) Section 2 of the Act entitled "An Act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended", approved July 1, 1954, is repealed. Any action (including any investigation begun) under such section 2 before the date of the enactment of this Act shall be considered as having been taken or begun under section 232.

(g)(1) Section 102(1) of the Tariff Classification Act of 1962 is amended by striking out "of schedules 1 to 7, inclusive,".

(2) Section 203 of the Tariff Classification Act of 1962 is amended to read as follows:

"SEC. 203. For purposes of applying sections 323 and 350 of the Tariff Act of 1930, as amended, and the Trade Expansion Act of 1962 with respect to the Tariff Schedules of the United States—

"(1) The rate of duty in rate column numbered 2 for each item in schedules 1 to 7, inclusive, of the Tariff Schedules of the United States shall be treated as the rate of duty existing on July 1, 1934.

"(2) The lowest preferential or nonpreferential rate of duty in rate column numbered 1 for each item in schedules 1 to 7, inclusive, of the Tariff Schedules of the United States on the effective date provided in section 501(a) of this Act shall be treated as the

lowest preferential or nonpreferential rate of duty, respectively, existing on July 1, 1962; except that in the case of any such item included in a supplemental report made pursuant to section 101(c) of this Act to reflect a change proclaimed by the President after July 1, 1962 (other than a change to which the United States was committed on July 1, 1962), the rate treated as the lowest nonpreferential rate of duty existing on July 1, 1962, shall be the rate which the Commission specifically declares in such supplemental report to be the rate which, in its judgment, conforms to the fullest extent practicable to the rate regarded as existing on July 1, 1962, under section 256(4) of the Trade Expansion Act of 1962.

"(3) Legislation entering into force after the effective date provided for in section 501(a) of this Act which results in the permanent reclassification of any article without specifying the rate of duty applicable thereto, and proclamations under section 202(c) of this Act, shall be considered as having been in effect since June 30, 1962."

(h) Nothing contained in this Act shall be construed to affect in any way the provisions of section 22 of the Agricultural Adjustment Act, or to apply to any import restriction heretofore or hereafter imposed under such section.

(i) Part I of title III of the Tariff Act of 1930 is amended by adding at the end thereof the following new section:

"SEC. 323. CONSERVATION OF FISHERY RESOURCES.

"Upon the convocation of a conference on the use or conservation of international fishery resources, the President shall, by all appropriate means at his disposal, seek to persuade countries whose domestic fishing practices or policies affect such resources, to engage in negotiations in good faith relating to the use or conservation of such resources. If, after such efforts by the President and by other countries which have agreed to engage in such negotiations, any other country whose conservation practices or policies affect the interests of the United States and such other countries, has, in the judgment of the President, failed or refused to engage in such negotiations in good faith, the President may, if he is satisfied that such action is likely to be effective in inducing such country to engage in such negotiations in good faith, increase the rate of duty on any fish (in any form) which is the product of such country, for such time as he deems necessary, to a rate not more than 50 percent above the rate existing on July 1, 1934."

SEC. 258. REFERENCES.

All provisions of law (other than this Act and the Trade Agreements Extension Act of 1951) in effect after June 30, 1962, referring to section 350 of the Tariff Act of 1930, to that section as amended, to the Act entitled "An Act to amend the Tariff Act of 1930", approved June 12, 1934, to that Act as amended, or to agreements entered into, or proclamations issued, under any of such provisions, shall be construed, unless clearly precluded by the context, to refer also to this Act, or to agreements entered into or proclamations issued, pursuant to this Act.

TITLE III—TARIFF ADJUSTMENT AND OTHER ADJUSTMENT ASSISTANCE

CHAPTER 1—ELIGIBILITY FOR ASSISTANCE

SEC. 301. TARIFF COMMISSION INVESTIGATIONS AND REPORTS.

(a)(1) A petition for tariff adjustment under section 351 may be filed with the Tariff Commission by a trade association, firm, certified or recognized union, or other representative of an industry.

(2) A petition for a determination of eligibility to apply for adjustment assistance under chapter 2 may be filed with the Tariff Commission by a firm or its representative, and a petition for a determination of eligibility to apply for adjustment assistance under chapter 3 may be filed with the Tariff Commission by a group of workers or by their certified or recognized union or other duly authorized representative.

(3) Whenever a petition is filed under this subsection, the Tariff Commission shall transmit a copy thereof to the Secretary of Commerce.

(b)(1) Upon the request of the President upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon the filing of a petition under subsection (a)(1), the Tariff Commission shall promptly make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article is being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the domestic industry producing an article which is like or directly competitive with the imported article.

(2) In making its determination under paragraph (1), the Tariff Commission shall take into account all economic factors which it considers relevant, iucluding idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment.

(3) For purposes of paragraph (1), increased imports shall be considered to cause, or threaten to cause, serious injury to the domestic industry concerned when the Tariff Commission finds that such increased imports have been the major factor in causing, or threatening to cause, such injury.

(4) No investigation for the purpose of paragraph (1) shall be made, upon petition filed under subsection (a)(1), with respect to the same subject matter as a previous investigation under paragraph (1), unless one year has elapsed since the Tariff Commission made its report to the President of the results of such previous investigation.

(c)(1) In the case of a petition by a firm for a determination of eligibility to apply for adjustment assistance under chapter 2, the Tariff Commission shall promptly make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by the firm is being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury

to such firm. In making its determination under this paragraph, the Tariff Commission shall take into account all economic factors which it considers relevant, including idling of productive facilities of the firm, inability of the firm to operate at a level of reasonable profit, and unemployment or underemployment in the firm.

(2) In the case of a petition by a group of workers for a determination of eligibility to apply for adjustment assistance under chapter 3, the Tariff Commission shall promptly make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by such worker's firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such firm or subdivision.

(3) For purposes of paragraphs (1) and (2), increased imports shall be considered to cause, or threaten to cause, serious injury to a firm or unemployment or underemployment, as the case may be, when the Tariff Commission finds that such increased imports have been the major factor in causing, or threatening to cause, such injury or unemployment or underemployment.

(d)(1) In the course of any investigation under subsection (b)(1), the Tariff Commission shall, after reasonable notice, hold public hearings and shall afford interested parties opportunity to be present, to produce evidence, and to be heard at such hearings.

(2) In the course of any investigation under subsection (c)(1) or (c)(2), the Tariff Commission shall, after reasonable notice, hold public hearings if requested by the petitioner, or if, within 10 days after notice of the filing of the petition, a hearing is requested by any other party showing a proper interest in the subject matter of the investigation, and shall afford interested parties an opportunity to be present, to produce evidence, and to be heard at such hearings.

(e) Should the Tariff Commission find with respect to any article, as the result of its investigation, the serious injury or threat thereof described in subsection (b), it shall find the amount of the increase in, or imposition of, any duty or other import restriction on such article which is necessary to prevent or remedy such injury and shall include such finding in its report to the President.

(f)(1) The Tariff Commission shall report to the President the results of each investigation under this section and include in each report any dissenting or separate views. The Tariff Commission shall furnish to the President a transcript of the hearings and any briefs which may have been submitted in connection with each investigation.

(2) The report of the Tariff Commission of its determination under subsection (b) shall be made at the earliest practicable time, but not later than 6 months after the date on which the petition is filed (or the date on which the request or resolution is received or the motion is adopted, as the case may be.) Upon making such report to the President, the Tariff Commission shall promptly make public such report, and shall cause a summary thereof to be published in the Federal Register.

(3) The report of the Tariff Commission of its determination under subsection (c)(1) or (c)(2) with respect to any firm or group of workers shall be made at the earliest practicable time, but not later than 60 days after the date on which the petition is filed.

(g) Except as provided in section 257(e)(3), no petition shall be filed under subsection (a), and no request, resolution, or motion shall be made under subsection (b), prior to the close of the 60th day after the date of the enactment of this Act.

SEC. 302. PRESIDENTIAL ACTION AFTER TARIFF COMMISSION DETERMINATION.

(a) After receiving a report from the Tariff Commission containing an affirmative finding under section 301(b) with respect to any industry, the President may—

(1) provide tariff adjustment for such industry pursuant to section 351 or 352,

(2) provide, with respect to such industry, that its firms may request the Secretary of Commerce for certifications of eligibility to apply for adjustment assistance under chapter 2,

(3) provide, with respect to such industry, that its workers may request the Secretary of Labor for certifications of eligibility to apply for adjustment assistance under chapter 3, or

(4) take any combination of such actions.

(b)(1) The Secretary of Commerce shall certify, as eligible to apply for adjustment assistance under chapter 2, any firm in an industry with respect to which the President has acted under subsection (a)(2), upon a showing by such firm to the satisfaction of the Secretary of Commerce that the increased imports (which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused serious injury or threat thereof to such firm.

(2) The Secretary of Labor shall certify, as eligible to apply for adjustment assistance under chapter 3, any group of workers in an industry with respect to which the President has acted under subsection (a)(3), upon a showing by such group of workers to the satisfaction of the Secretary of Labor that the increased imports (which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused or threatened to cause unemployment or underemployment of a significant number or proportion of workers of such workers' firm or subdivision thereof.

(c) After receiving a report from the Tariff Commission containing an affirmative finding under section 301(c) with respest to any firm or group of workers, the President may certify that such firm or group of workers is eligible to apply for adjustment assistance.

(d) Any certification under subsection (b) or (c) that a group of workers is eligible to apply for adjustment assistance shall specify the date on which the unemployment or underemployment began or threatens to begin.

(e) Whenever the President determines, with respect to any certification of the eligibility of a group of workers, that separations from the firm or subdivision thereof are no longer attributable to the conditions specified in section 301(c)(2) or in subsection (b)(2) of this section, he shall terminate the effect of such certification. Such termination shall apply only with respect to separations occurring after the termination date specified by the President.

CHAPTER 2—ASSISTANCE TO FIRMS

SEC. 311. CERTIFICATION OF ADJUSTMENT PROPOSALS.

(a) A firm certified under section 302 as eligible to apply for adjustment assistance may, at any time within 2 years after the date of such certification, file an application with the Secretary of Commerce for adjustment assistance under this chapter. Within a reasonable time after filing its application, the firm shall present a proposal for its economic adjustment.

(b) Adjustment assistance under this chapter consists of technical assistance, financial assistance, and tax assistance, which may be furnished singly or in combination. Except as provided in subsection (c), no adjustment assistance shall be provided to a firm under this chapter until its adjustment proposal shall have been certified by the Secretary of Commerce—

(1) to be reasonably calculated materially to contribute to the economic adjustment of the firm,

(2) to give adequate consideration to the interests of the workers of such firm adversely affected by actions taken in carrying out trade agreements, and

(3) to demonstrate that the firm will make all reasonable efforts to use its own resources for economic development.

(c) In order to assist a firm which has applied for adjustment assistance under this chapter in preparing a sound adjustment proposal, the Secretary of Commerce may furnish technical assistance to such firm prior to certification of its adjustment proposal.

(d) Any certification made pursuant to this section shall remain in force only for such period as the Secretary of Commerce may prescribe.

SEC. 312. USE OF EXISTING AGENCIES.

(a) The Secretary of Commerce shall refer each certified adjustment proposal to such agency or agencies as he determines to be appropriate to furnish the technical and financial assistance necessary to carry out such proposal.

(b) Upon receipt of a certified adjustment proposal, each agency concerned shall promptly—

(1) examine the aspects of the proposal relevant to its functions, and

(2) notify the Secretary of Commerce of its determination as to the technical and financial assistance it is prepared to furnish to carry out the proposal.

(c) Whenever and to the extent that any agency to which an adjustment proposal has been referred notifies the Secretary of Commerce of its determination not to furnish technical or financial assistance, and if the Secretary of Commerce determines that such assistance is necessary to carry out the adjustment proposal, he may furnish adjustment assistance under sections 313 and 314 to the firm concerned.

(d) There are hereby authorized to be appropriated to the Secretary of Commerce such sums as may be necessary from time to time to carry out his functions under this chapter in connection with furnishing adjustment assistance to firms, which sums are authorized to be appropriated to remain available until expended.

SEC. 313. TECHNICAL ASSISTANCE.

(a) Upon compliance with section 312(c), the Secretary of Commerce may provide to a firm, on such terms and conditions as he determines to be appropriate, such technical assistance as in his judgment will materially contribute to the economic adjustment of the firm.

(b) To the maximum extent practicable, the Secretary of Commerce shall furnish technical assistance under this section and section 311(c) through existing agencies, and otherwise through private individuals, firms, or institutions.

(c) The Secretary of Commerce shall require a firm receiving technical assistance under this section or section 311(c) to share the cost thereof to the extent he determines to be appropriate.

SEC. 314. FINANCIAL ASSISTANCE.

(a) Upon compliance with section 312(c), the Secretary of Commerce may provide to a firm, on such terms and conditions as he determines to be appropriate, such financial assistance in the form of guarantees of loans, agreements for deferred participations in loans, or loans, as in his judgment will materially contribute to the economic adjustment of the firm. The assumption of an outstanding indebtedness of the firm, with or without recourse, shall be considered to be the making of a loan for purposes of this section.

(b) Guarantees, agreements for deferred participations, or loans shall be made under this section only for the purpose of making funds abailable to the firm—

(1) for acquisition, construction, installation, modernization, development, conversion, or expansion of land, plant, buildings, equipment, facilities, or machinery, or

(2) in cases determined by the Secretary of Commerce to be exceptional, to supply working capital.

(c) To the maximum extent practicable, the Secretary of Commerce shall furnish financial assistance under this section through agencies furnishing financial assistance under other law.

SEC. 315. CONDITIONS FOR FINANCIAL ASSISTANCE.

(a) No loan shall be guaranteed and no agreement for deferred participation in a loan shall be made by the Secretary of Commerce in an amount which exceeds 90 percent of that portion of the loan made for purposes specified in section 314(b).

(b)(1) Any loan made or deferred participation taken up by the Secretary of Commerce shall bear interest at a rate not less than the greater of—

(A) 4 percent per annum, or

(B) a rate determined by the Secretary of the Treasury for the year in which the loan is made or the agreement for such deferred participation is entered into.

(2) The Secretary of the Treasury shall determine annually the rate referred to in paragraph (1)(B), taking into consideration the current average market yields on outstanding interest-bearing marketable public debt obligations of the United States of maturities comparable to those of the loans outstanding under section 314.

(c) Guarantees or agreements for deferred participation shall be made by the Secretary of Commerce only with respect to loans bearing interest at a rate which he determines to be reasonable. In no event

shall the guaranteed portion of any loan, or the portion covered by an agreement for deferred participation, bear interest at a rate more than 1 percent per annum above the rate prescribed by subsection (b) (determined when the guarantee is made or the agreement is entered into), unless the Secretary of Commerce shall determine that special circumstances justify a higher rate, in which case such portion of the loan shall bear interest at a rate not more than 2 percent per annum above such prescribed rate.

(d) The Secretary of Commerce shall make no loan or guarantee having a maturity in excess of 25 years, including renewals and extensions, and shall make no agreement for deferred participation in a loan which has a maturity in excess of 25 years, including renewals and extensions. Such limitation on maturities shall not, however, apply to—

(1) securities or obligations received by the Secretary of Commerce as claimant in bankruptcy or equitable reorganization, or as creditor in other proceedings attendant upon insolvency of the obligor, or

(2) an extension or renewal for an additional period not exceeding 10 years, if the Secretary of Commerce determines that such extension or renewal is reasonably necessary for the orderly liquidation of the loan.

(e) No financial assistance shall be provided under section 314 unless the Secretary of Commerce determines that such assistance is not otherwise available to the firm, from sources other than the United States, on reasonable terms, and that there is reasonable assurance of repayment by the borrower.

(f) The Secretary of Commerce shall maintain operating reserves with respect to aniticipated claims under guarantees and under agreements for deferred participation made under section 314. Such reserves shall be considered to constitute obligations for purposes of section 1311 of the Supplemental Appropriation Act, 1955 (31 U.S.C., sec. 200).

SEC. 316. ADMINISTRATION OF FINANCIAL ASSISTANCE.

(a) In making and administering guarantees, agreements for deferred participation, and loans under section 314, the Secretary of Commerce may—

(1) require security for any such guarantee, agreement, or loan, and enforce, waive, or subordinate such security;

(2) assign or sell at public or private sale, or otherwise dispose of, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any evidence of debt, contract, claim, personal property, or security assigned to or held by him in connection with such guarantees, agreements, or loans, and collect, compromise, and obtain deficiency judgments with respect to all obligations assigned to or held by him in connection with such guarantees, agreements, or loans until such time as such obligations may be referred to the Attorney General for suit or collection;

(3) renovate, improve, modernize, complete, insure, rent, sell, or otherwise deal with, upon such terms and conditions and for such consideration as he shall determine to be reasonable, any real or personal property conveyed to or otherwise acquired by him in connection with such guarantees, agreements, or loans;

(4) acquire, hold, transfer, release, or convey any real or personal property or any interest therein whenever deemed necessary or appropriate, and execute all legal documents for such purposes; and

(5) exercise all such other powers and take all such other acts as may be necessary or incidental to the carrying out of functions pursuant to section 314.

(b) Any mortgage acquired as security under subsection (a) shall be recorded under applicable State law.

SEC. 317. TAX ASSISTANCE.

(a) If—

(1) to carry out an adjustment proposal of a firm certified pursuant to section 311, such firm applies for tax assistance under this section within 24 months after the close of a taxable year and alleges in such application that it has sustained a net operating loss for such taxable year,

(2) the Secretary of Commerce determines that any such alleged loss for such taxable year arose predominantly out of the carrying on of a trade or business which was seriously injured, during such year, by the increased imports which the Tariff Commission has determined to result from concessions granted under trade agreements, and

(3) the Secretary of Commerce determines that tax assistance under this section will materially contribute to the economic adjustment of the firm,

then the Secretary of Commerce shall certify such determinations with respect to such firm for such taxable year. No determination or certification under this subsection shall constitute a determination of the existence or amount of any net operating loss for purposes of section 172 of the Internal Revenue Code of 1954.

(b) Effective with respect to net operating losses for taxable years ending after December 31, 1955, subsection (b) of section 172 of the Internal Revenue Code of 1954 (relating to net operating loss carrybacks and carryover) is amended to read as follows:

"(b) NET OPERATING LOSS CARRYBACKS AND CARRYOVERS.—

"(1) YEARS TO WHICH LOSS MAY BE CARRIED.—

"(A) (i) Except as provided in clause (ii), a net operating loss for any taxable year ending after December 31, 1957, shall be a net operating loss carryback to each of the 3 taxable years preceding the taxable year of such loss.

"(ii) In the case of a taxpayer with respect to a taxable year ending on or after December 31, 1962, for which a certification has been issued under section 317 of the Trade Expansion Act of 1962, a net operating loss for such taxable year shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.

"(B) Except as provided in subparagraph (C), a net operating loss for any taxable year ending after December 31, 1955, shall be a net operating loss carryover to each of the 5 taxable years following the taxable year of such loss.

"(C) In the case of a taxpayer which is a regulated transportation corporation (as defined in subsection (j)(1)), a net operating loss for any taxable year ending after December 31,

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1955, shall (except as provided in subsection (j)) be a net operating loss carryover to each of the 7 taxable years following the taxable year of such loss.

"(2) AMOUNT OF CARRYBACKS AND CARRYOVERS.—Except as provided in subsections (i) and (j), the entire amount of the net operating loss for any taxable year (hereinafter in this section referred to as the 'loss year') shall be carried to the earliest of the taxable years to which (by reason of paragraph (1)) such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable income for each of the prior taxable years to which such loss may be carried. For purposes of the preceding sentence, the taxable income for any such prior taxable year shall be computed—

"(A) with the modifications specified in subsection (d) other than paragraphs (1), (4), and (6) thereof; and

"(B) by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss year or for any taxable year thereafter,

and the taxable income so computed shall not be considered to be less than zero.

"(3) SPECIAL RULES.—

"(A) Paragraph (1)(A)(ii) shall apply only if—

"(i) there has been filed, at such time and in such manner as may be prescribed by the Secretary or his delegate, a notice of filing of the application under section 317 of the Trade Expansion Act of 1962 for tax assistance, and, after its issuance, a copy of the certification under such section, and

"(ii) the taxpayer consents in writing to the assessment within such period as may be agreed upon with the Secretary or his delegate, of any deficiency for any year to the extent attributable to the disallowance of a deduction previously allowed with respect to such net operating loss, even though at the time of filing such consent the assessment of such deficiency would otherwise be prevented by the operation of any law or rule of law.

"(B) In the case of—

"(i) a partnership and its partners, or

"(ii) an electing small business corporation under subchapter S and its shareholders,

paragraph (1)(A)(ii) shall apply as determined under regulations prescribed by the Secretary or his delegate. Such paragraph shall apply to a net operating loss of a partner or such a shareholder only if it arose predominantly from losses in respect of which certifications under section 317 of the Trade Expansion Act of 1962 were filed under this section."

(c) Subsection (h) of section 6501 of the Internal Revenue Code of 1954 (relating to limitations on assessment and collection in the case of net operating loss carrybacks) is amended by inserting before the period: ", or within 18 months after the date on which the taxpayer files in accordance with section 172(b)(3) a copy of the certification (with respect to such taxable year) issued under section 317 of the Trade Expansion Act of 1962, whichever is later".

(d) Section 6511(d)(2)(A) of the Internal Revenue Code of 1954 (relating to special period of limitation on credit on refund with respect to net operating loss carrybacks) is amended to read as follows:

"(A) PERIOD OF LIMITATION.—If the claim for credit or refund relates to an overpayment attributable to a net operating loss carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends with the expiration of the 15th day of the 40th month (or the 39th month, in the case of a corporation) following the end of the taxable year of the net operating loss which results in such carryback, or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later; except that—

"(i) with respect to an overpayment attributable to a net operating loss carryback to any year on account of a certification issued to the taxpayer under section 317 of the Trade Expansion Act of 1962, the period shall not expire before the expiration of the sixth month following the month in which such certification is issued to the taxpayer, and

"(ii) with respect to an overpayment attributable to the creation of, or an increase in, a net operating loss carryback as a result of the elimination of excessive profits by a renegotiation (as defined in section 1481(a)(1)(A)), the period shall not expire before September 1, 1959, or the expiration of the twelfth month following the month in which the agreement or order for the elimination of such excessive profits becomes final, whichever is the later.

In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b)(2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback."

SEC. 318. PROTECTIVE PROVISIONS.

(a) Each recipient of adjustment assistance under section 313, 314, or 317 shall keep records which fully disclose the amount and disposition by such recipient of the proceeds, if any, of such adjustment assistance, and which will facilitate an effective audit. The recipient shall also keep such other records as the Secretary of Commerce may prescribe.

(b) The Secretary of Commerce and the Comptroller General of the United States shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient pertaining to adjustment assistance under sections 313, 314, and 317.

(c) No adjustment assistance shall be extended under section 313, 314, or 317 to any firm unless the owners, partners, or officers certify to the Secretary of Commerce—

(1) the names of any attorneys, agents, and other persons engaged by or on behalf of the firm for the purpose of expediting applications for such adjustment assistance, and

(2) the fees paid or to be paid to any such person.

(d) No financial assistance shall be provided to any firm under section 314 unless the owners, partners, or officers shall execute an

agreement binding them and the firm for a period of 2 years after such financial assistance is provided, to refrain from employing, tendering any office or employment to, or retaining for professional services any person who, on the date such assistance or any part thereof was provided, or within one year prior thereto, shall have served as an officer, attorney, agent, or employee occupying a position or engaging in activities which the Secretary of Commerce shall have determined involve discretion with respect to the provision of such financial assistance.

SEC. 319. PENALTIES.

Whoever makes a false statement of a material fact knowing it to be false, or knowingly fails to disclose a material fact, or whoever willfully overvalues any security, for the purpose of influencing in any way the action of the Secretary of Commerce under this chapter, or for the purpose of obtaining money, property, or anything of value under this chapter, shall be fined not more than $5,000 or imprisoned for not more than two years, or both.

SEC. 320. SUITS.

In providing technical and financial assistance under sections 313 and 314, the Secretary of Commerce may sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against him or his property. Nothing in this section shall be construed to except the activities pursuant to sections 313 and 314 from the application of sections 507(b) and 2679 of title 28 of the United States Code, and of section 367 of the Revised Statutes (5 U.S.C., sec. 316).

CHAPTER 3—ASSISTANCE TO WORKERS

SEC. 321. AUTHORITY.

The Secretary of Labor shall determine whether applicants are entitled to receive assistance under this chapter and shall pay or provide such assistance to applicants who are so entitled.

Subchapter A—Trade Readjustment Allowances

SEC. 322. QUALIFYING REQUIREMENTS.

(a) Payment of a trade readjustment allowance shall be made to an adversely affected worker who applies for such allowance for any week of unemployment which begins after the 30th day after the date of the enactment of this Act and after the date determined under section 302(d), subject to the requirements of subsections (b) and (c).

(b) Total or partial separation shall have occurred—

(1) after the date of the enactment of this Act, and after the date determined under section 302(d), and

(2) before the expiration of the 2-year period beginning on the day on which the most recent determination under section 302(d) was made, and before the termination date (if any) specified under section 302(e).

(c) Such worker shall have had—

(1) in the 156 weeks immediately preceding such total or partial separation, at least 78 weeks of employment at wages of $15 or more a week, and

(2) in the 52 weeks immediately preceding such total or partial separation, at least 26 weeks of employment at wages of $15 or more a week in a firm or firms with respect to which a determination of unemployment or underemployment under section 302 has been made, or

if data with respect to weeks of employment are not available, equivalent amounts of employment computed under regulations prescribed by the Secretary of Labor.

SEC. 323. WEEKLY AMOUNTS.

(a) Subject to the other provisions of this section, the trade readjustment allowance payable to an adversely affected worker for a week of unemployment shall be an amount equal to 65 percent of his average weekly wage or to 65 percent of the average weekly manufacturing wage, whichever is less, reduced by 50 percent of the amount of his remuneration for services performed during such week.

(b) Any adversely affected worker who is entitled to trade readjustment allowances and who is undergoing training approved by the Secretary of Labor, including on-the-job training, shall receive for each week in which he is undergoing any such training, a trade readjustment allowance in an amount (computed for such week) equal to the amount computed under subsection (a) or (if greater) the amount of any weekly allowance for such training to which he would be entitled under any other Federal law for the training of workers, if he applied for such allowance. Such trade readjustment allowance shall be paid in lieu of any training allowance to which the worker would be entitled under such other Federal law.

(c) The amount of trade readjustment allowance payable to an adversely affected worker under subsection (a) or (b) for any week shall be reduced by any amount of unemployment insurance which he has received or is seeking with respect to such week; but, if the appropriate State or Federal agency finally determines that the worker was not entitled to unemployment insurance with respect to such week, the reduction shall not apply with respect to such week.

(d) If unemployment insurance, or a training allowance under the Manpower Development and Training Act of 1962 or the Area Redevelopment Act, is paid to an adversely affected worker for any week of unemployment with respect to which he would be entitled (determined without regard to subsection (c) or (e) or to any disqualification under section 327) to a trade readjustment allowance if he applied for such allowance, each such week shall be deducted from the total number of weeks of trade readjustment allowance otherwise payable to him under section 324(a) when he applies for a trade readjustment allowance and is determined to be entitled to such allowance. If the unemployment insurance or the training allowance paid to such worker for any week of unemployment is less than the amount of the trade readjustment allowance to which he would be entitled if he applied for such allowance, he shall receive, when he applies for a trade readjustment allowance and is determined to be entitled to such allowance, a trade readjustment allowance for such week equal to such difference.

(e) Whenever, with respect to any week of unemployment, the total amount payable to an adversely affected worker as remuneration for services performed during such week, as unemployment insurance, as a training allowance referred to in subsection (d), and as a trade readjustment allowance would exceed 75 percent of his average weekly wage, his trade readjustment allowance for such week shall be reduced by the amount of such excess.

(f) The amount of any weekly payment to be made under this section which is not a whole dollar amount shall be rounded upward to the next higher whole dollar amount.

(g)(1) If unemployment insurance is paid under a State law to an adversely affected worker for a week for which—

(A) he receives a trade readjustment allowance, or

(B) he makes application for a trade readjustment allowance and would be entitled (determined without regard to subsection (c) or (e)) to receive such allowance,

the State agency making such payment shall, unless it has been reimbursed for such payments under other Federal law, be reimbursed from funds appropriated pursuant to section 337, to the extent such payment does not exceed the amount of the trade readjustment allowance which such worker would have received, or would have been entitled to receive, as the case may be, if he had not received the State payment. The amount of such reimbursement shall be determined by the Secretary of Labor on the basis of reports furnished to him by the State agency.

(2) In any case in which a State agency is reimbursed under paragraph (1) for payments of unemployment insurance made to an adversely affected worker, such payments, and the period of unemployment of such worker for which such payments were made, may be disregarded under the State law (and for purposes of applying section 3303 of the Internal Revenue Code of 1954) in determining whether or not an employer is entitled to a reduced rate of contributions permitted by the State law.

SEC. 324. TIME LIMITATIONS ON TRADE READJUSTMENT ALLOWANCES.

(a) Payments of trade readjustment allowances shall not be made to an adversely affected worker for more than 52 weeks, except that, in accordance with regulations prescribed by the Secretary of Labor—

(1) such payments may be made for not more than 26 additional weeks to an adversely affected worker to assist him to complete training approved by the Secretary of Labor, or

(2) such payments shall be made for not more than 13 additional weeks to an adversely affected worker who had reached his 60th birthday on or before the date of total or partial separation.

(b) Except for a payment made for an additional week specified in subsection (a), a trade readjustment allowance shall not be paid for a week of unemployment beginning more than 2 years after the beginning of the appropriate week. A trade readjustment allowance shall not be paid for any additional week specified in subsection (a) if such week begins more than 3 years after the beginning of the appropriate week. The appropriate week for a totally separated worker is the week of his most recent total separation. The appropriate week for a partially separated worker is the week in respect of which he first

receives a trade readjustment allowance following his most recent partial separation.

SEC. 325. APPLICATION OF STATE LAWS.

Except where inconsistent with the provisions of this chapter and subject to such regulations as the Secretary of Labor may prescribe, the availability and disqualification provisions of the State law—

(1) under which an adversely affected worker is entitled to unemployment insurance (whether or not he has filed a claim for such insurance), or

(2) if he is not so entitled to unemployment insurance, of the State in which he was totally or partially separated,

shall apply to any such worker who files a claim for trade readjustment allowances. The State law so determined with respect to a separation of a worker shall remain applicable, for purposes of the preceding sentence, with respect to such separation until such worker becomes entitled to unemployment insurance under another State law (whether or not he has filed a claim for such insurance).

Subchapter B—Training

SEC. 326. IN GENERAL.

(a) To assure that the readjustment of adversely affected workers shall occur as quickly and effectively as possible, with minimum reliance upon trade readjustment allowances under this chapter, every effort shall be made to prepare each such worker for full employment in accordance with his capabilities and prospective employment opportunities. To this end, and subject to this chapter, adversely affected workers shall be afforded, where appropriate, the testing, counseling, training, and placement services provided for under any Federal law. Such workers may also be afforded supplemental assistance necessary to defray transportation and subsistence expenses for separate maintenance when such training is provided in facilities which are not within commuting distance of their regular place of residence. The Secretary of Labor in defraying such subsistence expenses shall not afford any individual an allowance exceeding $5 a day; nor shall the Secretary authorize any transportation expense exceeding the rate of 10 cents per mile.

(b) To the extent practicable, before adversely affected workers are referred to training, the Secretary of Labor shall consult with such workers' firm and their certified or recognized union or other duly authorized representative and develop a worker retraining plan which provides for training such workers to meet the manpower needs of such firm, in order to preserve or restore the employment relationship between the workers and the firm.

SEC. 327. DISQUALIFICATION FOR REFUSAL OF TRAINING, ETC.

Any adversely affected worker who, without good cause, refuses to accept or continue, or fails to make satisfactory progress in, suitable training to which he has been referred by the Secretary of Labor shall not thereafter be entitled to trade readjustment allowances until he enters or resumes training to which he has been so referred.

Subchapter C—Relocation Allowances

SEC. 328. RELOCATION ALLOWANCES AFFORDED.

Any adversely affected worker who is the head of a family as defined in regulations prescribed by the Secretary of Labor and who has been totally separated may file an application for a relocation allowance, subject to the terms and conditions of this subchapter.

SEC. 329. QUALIFYING REQUIREMENTS.

(a) A relocation allowance may be granted only to assist an adversely affected worker in relocating within the United States and only if the Secretary of Labor determines that such worker cannot reasonably be expected to secure suitable employment in the commuting area in which he resides and that such worker—

(1) has obtained suitable employment affording a reasonable expectation of long-term duration in the area in which he wishes to relocate, or

(2) has obtained a bona fide offer of such employment.

(b) A relocation allowance shall not be granted to such worker unless—

(1) for the week in which the application for such allowance is filed, he is entitled (determined without regard to section 323 (c) and (e)) to a trade readjustment allowance or would be so entitled (determined without regard to whether he filed application therefor) but for the fact that he has obtained the employment referred to in subsection (a)(1), and

(2) such relocation occurs within a reasonable period after the filing of such application or (in the case of a worker who has been referred to training by the Secretary of Labor) within a reasonable period after the conclusion of such training.

SEC. 330. RELOCATION ALLOWANCE DEFINED.

For purposes of this subchapter, the term "relocation allowance" means—

(1) the reasonable and necessary expenses, as specified in regulations prescribed by the Secretary of Labor, incurred in transporting a worker and his family and their household effects, and

(2) a lump sum equivalent to two and one-half times the average weekly manufacturing wage.

Subchapter D—General Provisions

SEC. 331. AGREEMENTS WITH STATES.

(a) The Secretary of Labor is authorized on behalf of the United States to enter into an agreement with any State, or with any State agency. Under such an agreement, the State agency (1) as agent of the United States, will receive applications for, and will provide, assistance on the basis provided in this chapter, (2) where appropriate, will afford adversely affected workers who apply for assistance under this chapter testing, counseling, referral to training, and placement services, and (3) will otherwise cooperate with the Secretary of Labor and with other State and Federal agencies in providing assistance under this chapter.

(b) Each agreement under this subchapter shall provide the terms and conditions upon which the agreement may be amended, suspended, or terminated.

(c) Each agreement under this subchapter shall provide the unemployment insurance otherwise payable to any adversely affected worker will not be denied or reduced for any week by reason of any right to allowances under this chapter.

SEC. 332. PAYMENTS TO STATES.

(a) The Secretary of Labor shall from time to time certify to the Secretary of the Treasury for payment to each State which has entered into an agreement under section 331(1) the sums necessary to enable such State as agent of the United States to make payments of allowances provided for by this chapter, and (2) the sums reimbursable to a State pursuant to section 323(g). The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, from the funds for carrying out the purposes of this chapter. Sums reimbursable to a State pursuant to section 323(g) shall be credited to the account of such State in the Unemployment Trust Fund and shall be used only for the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

(b) All money paid a State under this section shall be used solely for the purposes for which it is paid; and any money so paid which is not used for such purposes shall be returned, at the time specified in the agreement under this subchapter, to the Treasury and credited to current applicable appropriations, funds, or accounts from which payments to States under this section may be made.

(c) Any agreement under this subchapter may require any officer or employee of the State certifying payments or disbursing funds under the agreement, or otherwise participating in the performance of the agreement, to give a surety bond to the United States in such amount as the Secretary of Labor may deem necessary, and may provide for the payment of the cost of such bond from funds for carrying out the purposes of this chapter.

SEC. 333. LIABILITIES OF CERTIFYING AND DISBURSING OFFICERS.

(a) No person designated by the Secretary of Labor, or designated pursuant to an agreement under this subchapter, as a certifying officer, shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to the payment of any allowance certified by him under this chapter.

(b) No disbursing officer shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this chapter if it was based upon a voucher signed by a certifying officer designated as provided in subsection (a).

SEC. 334. RECOVERY OF OVERPAYMENTS.

(a) If a State agency or the Secretary of Labor, or a court of competent jurisdiction finds that any person—

(1) has made, or has caused to be made by another, a false statement or representation of a material fact knowing it to be false, or has knowingly failed or caused another to fail to disclose a material fact; and

(2) as a result of such action has received any payment of allowances under this chapter to which he was not entitled,

such person shall be liable to repay such amount to the State agency or the Secretary of Labor, as the case may be, or either may recover such amount by deductions from any allowance payable to such person

under this chapter. Any such finding by a State agency or the Secretary of Labor may be made only after an opportunity for a fair hearing.

(b) Any amount repaid to a State agency under this section shall be deposited into the fund from which payment was made. Any amount repaid to the Secretary of Labor under this section shall be returned to the Treasury and credited to the current applicable appropriation, fund, or account from which payment was made.

SEC. 335. PENALTIES.

Whoever makes a false statement of a material fact knowing it to be false, or knowingly fails to disclose a material fact, for the purpose of obtaining or increasing for himself or for any other person any payment or assistance authorized to be furnished under this chapter or pursuant to an agreement under section 331 shall be find not more than $1,000 or imprisoned for not more than one year, or both.

SEC. 336. REVIEW.

Except as may be provided in regulations prescribed by the Secretary of Labor to carry out his functions under this chapter, determinations under this chapter as to the entitlement of individuals for adjustment assistance shall be final and conclusive for all purposes and not subject to review by any court or any other officer. To the maximum extent practicable and consistent with the purposes of this chapter, such regulations shall provide that such determinations by a State agency will be subject to review in the same manner and to the same extent as determinations under the State law.

SEC. 337. AUTHORIZATION OF APPROPRIATIONS.

There are hereby authorized to be appropriated to the Secretary of Labor such sums as may be necessary from time to time to carry out his functions under this chapter in connection with furnishing adjustment assistant to workers, which sums are authorized to be appropriated to remain available until expended.

SEC. 338. DEFINITIONS.

For the purposes of this chapter—

(1) The term "adversely affected employment" means employment in a firm or appropriate subdivision of a firm, if workers of such firm or subdivision are eligible to apply for adjustment assistance under this chapter.

(2) The term "adversely affected worker" means an individual who, because of lack of work in an adversely affected employment—

(A) has been totally or partially separated from such employment, or

(B) has been totally separated from employment with the firm in a subdivision of which such adversely affected employment exists.

(3) The term "average weekly manufacturing wage" means the national gross average weekly earnings of production workers in manufacturing industries for the latest calendar year (as officially published annually by the Bureau of Labor Statistics of the Department of Labor) most recently published before the period for which the assistance under this chapter is furnished.

(4) The term "average weekly wage" means one-13th of the total wages paid to an individual in the high quarter. For purposes of this computation, the high quarter shall be that quarter in which the individual's total wages were highest among the first 4 of the last 5 completed calendar quarters immediately before the quarter in which occurs the week with respect to which the computation is made. Such week shall be the week in which total separation occurred, or, in cases where partial separation is claimed, an appropriate week, as defined in regulations prescribed by the Secretary of Labor.

(5) The term "average weekly hours" means the average hours worked by the individual (excluding overtime) in the employment from which he has been or claims to have been separated in the 52 weeks (excluding weeks during which the individual was sick or on vacation) preceding the week specified in the last sentence of paragraph (4).

(6) The term "partial separation" means, with respect to an individual who has not been totally separated, that he has had his hours of work reduced to 80 percent or less of his average weekly hours in adversely affected employment and his wages reduced to 75 percent or less of his average weekly wage in such adversely affected employment.

(7) The term "remuneration" means wages and net earnings derived from services performed as a self-employed individual.

(8) The term "State" includes the District of Columbia and the Commonwealth of Puerto Rico; and the term "United States" when used in the geographical sense includes such Commonwealth.

(9) The term "State agency" means the agency of the State which administers the State law.

(10) The term "State law" means the unemployment insurance law of the State approved by the Secretary of Labor under section 3304 of the Internal Revenue Code of 1954.

(11) The term "total separation" means the layoff or severance of an individual from employment with a firm in which, or in a subdivision of which, adversely affected employment exists.

(12) The term "unemployment insurance" means the unemployment insurance payable to an individual under any State law or Federal unemployment insurance law, including title XV of the Social Security Act, the Railroad Unemployment Insurance Act, and the Temporary Extended Unemployment Compensation Act of 1961.

(13) The term "week" means a week as defined in the applicable State law.

(14) The term "week of unemployment" means with respect to an individual any week for which his remuneration for services performed during such week is less than 75 percent of his average weekly wage and in which, because of lack of work—

(A) if he has been totally separated, he worked less than the full-time week (excluding overtime) in his current occupation, or

(B) if he has been partially separated, he worked 80 percent or less of his average weekly hours.

CHAPTER 4—TARIFF ADJUSTMENT

SEC. 351. AUTHORITY.

(a)(1) After receiving an affirmative finding of the Tariff Commission under section 301(b) with respect to an industry, the President may proclaim such increase in, or imposition of, any duty or other import restriction on the article causing or threatening to cause serious injury to such industry as he determines to be necessary to prevent or remedy serious injury to such industry.

(2) If the President does not, within 60 days after the date on which he receives such affirmative finding, proclaim the increase in, or imposition of, any duty or other import restriction on such article found and reported by the Tariff Commission pursuant to section 301(e)—

(A) he shall immediately submit a report to the House of Representatives and to the Senate stating why he has not proclaimed such increase or imposition, and

(B) such increase or imposition shall take effect (as provided in paragraph (3)) upon the adoption by both Houses of the Congress (within the 60-day period following the date on which the report referred to in subparagraph (A) is submitted to the House of Representatives and the Senate), by the yeas and nays by the affirmative vote of a majority of the authorized membership of each House, of a concurrent resolution stating in effect that the Senate and House of Representatives approve the increase in, or imposition of, any duty or other import restriction on the article found and reported by the Tariff Commission.

For purposes of subparagraph (B), in the computation of the 60-day period there shall be excluded in the days on which either House is not in session because of adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die. The report referred to in subparagraph (A) shall be delivered to both Houses of the Congress on the same day and shall be delivered to the Clerk of the House of Representatives if the House of Representatives is not in session and to the Secretary of the Senate if the Senate is not in session.

(3) In any case in which the contingency set forth in paragraph (2)(B) occurs, the President shall (within 15 days after the adoption of such resolution) proclaim the increase in, or imposition of, any duty or other import restriction on the article which was found and reported by the Tariff Commission pursuant to section 301(e).

(4) The President may, within 60 days after the date on which he receives an affirmative finding of the Tariff Commission under section 301(b) with respect to an industry, request additional information from the Tariff Commission. The Tariff Commission shall, as soon as practicable but in no event more than 120 days after the date on which it receives the President's request, furnish additional information with respect to such industry in a supplemental report. For purposes of paragraph (2), the date on which the President receives such supplemental report shall be treated as the date on which the President received the affirmative finding of the Tariff Commission with respect to such industry.

(b) No proclamation pursuant to subsection (a) shall be made—

(1) increasing any rate of duty to a rate more than 50 percent above the rate existing on July 1, 1934, or, if the article is dutiable but no rate existed on July 1, 1934, the rate existing at the time of the proclamation,

(2) in the case of an article not subject to duty, imposing a duty in excess of 50 percent ad valorem.

For purposes of paragraph (1), the term "existing on July 1, 1934" has the meaning assigned to such term by paragraph (5) of section 256.

(c)(1) Any increase in, or imposition of, any duty or other import restriction proclaimed pursuant to this section or section 7 of the Trade Agreements Extension Act of 1951—

(A) may be reduced or terminated by the President when he determines, after taking into account the advice received from the Tariff Commission under subsection (d)(2) and after seeking advice of the Secretary of Commerce and the Secretary of Labor, that such reduction or termination is in the national interest, and

(B) unless extended under paragraph (2), shall terminate not later than the close of the date which is 4 years (or, in the case of any such increase or imposition proclaimed pursuant to such section 7, 5 years) after the effective date of the initial proclamation or the date of the enactment of this Act, whichever date is the later.

(2) Any increase in, or imposition of, any duty or other import restriction proclaimed pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 may be extended in whole or in part by the President for such periods (not in excess of 4 years at any one time) as he may designate if he determines, after taking into account the advice received from the Tariff Commission under subsection (d)(3) and after seeking advice of the Secretary of Commerce and the Secretary of Labor, that such extension is in the national interest.

(d)(1) So long as any increase in, or imposition of, any duty or other import restriction pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 remains in effect, the Tariff Commission shall keep under review developments with respect to the industry concerned, and shall make annual reports to the President concerning such developments.

(2) Upon request of the President or upon its own motion, the Tariff Commission shall advise the President of its judgment as to the probable economic effect on the industry concerned of the reduction or termination of the increase in, or imposition of, any duty or other import restriction pursuant to this section or section 7 of the Trade Agreements Extension Act of 1951.

(3) Upon petition on behalf of the industry concerned, filed with the Tariff Commission not earlier than the date which is 9 months, and not later than the date which is 6 months, before the date any increase or imposition referred to in paragraph (1) or (2) of subsection (c) is to terminate by reason of the expiration of the applicable period prescribed in paragraph (1) or an extension thereof under paragraph (2), the Tariff Commission shall advise the President of its judgment as to the probable economic effect on such industry of such termination.

(4) In advising the President under this subsection as to the probable economic effect on the industry concerned, the Tariff Commission shall take into account all economic factors which it considers relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment.

(5) Advice by the Tariff Commission under this subsection shall be given on the basis of an investigation during the course of which the Tariff Commission shall hold a hearing at which interested persons shall be given a reasonable opportunity to be present, to produce evidence, and to be heard.

(e) The President, as soon as practicable, shall take such action as he determines to be necessary to bring trade agreements entered into under section 350 of the Tariff Act of 1930 into conformity with the provisions of this section. No trade agreement shall be entered into under section 201(a) unless such agreement permits action in conformity with the provisions of this section.

SEC. 352. ORDERLY MARKETING AGREEMENTS.

(a) After receiving an affirmative finding of the Tariff Commission under section 301(b) with respect to an industry, the President may, in lieu of exercising the authority contained in section 351(a)(1) but subject to the provisions of sections 351(a)(2), (3), and (4), negotiate international agreements with foreign countries limiting the export from such countries and the import into the United States of the article causing or threatening to cause serious injury to such industry, whenever he determines that such action would be more appropriate to prevent or remedy serious injury to such industry than action under section 351(a)(1).

(b) In order to carry out an agreement concluded under subsection (a), the President is authorized to issue regulations governing the entry or withdrawal from warehouse of the article covered by such agreement. In addition, in order to carry out a multilateral agreement concluded under subsection (a) among countries accounting for a significant part of world trade in the article covered by such agreement, the President is also authorized to issue regulations governing the entry or withdrawal from warehouse of the like article which is the product of countries not parties to such agreement.

CHAPTER 5—ADVISORY BOARD

SEC. 361. ADJUSTMENT ASSISTANCE ADVISORY BOARD.

(a) There is hereby created the Adjustment Assistance Advisory Board, which shall consist of the Secretary of Commerce, as Chairman, and the Secretaries of the Treasury, Agriculture, Labor, Interior, and Health, Education, and Welfare, the Administrator of the Small Business Administration, and such other officers as the President deems appropriate. Each member of the Board may designate an officer of his agency to act for him as a member of the Board. The Chairman may from time to time invite the participation of officers of other agencies of the executive branch.

(b) At the request of the President, the Board shall advise him and the agencies furnishing adjustment assistance pursuant to chapters 2 and 3 on the development of coordinated programs for such assistance, giving full consideration to ways of preserving and restor-

ing the employment relationship of firms and workers where possible, consistent with sound economic adjustment.

(c) The Chairman may appoint for any industry an industry committee composed of members representing employers, workers, and the public, for the purpose of advising the Board. Members of any such committee shall, while attending meetings, be entitled to receive compensation and reimbursement as provided in section 401(3). The provisions of section 1003 of the National Defense Education Act of 1958 (20 U.S.C. 583) shall apply to members of such committee.

TITLE IV—GENERAL PROVISIONS

SEC. 401. AUTHORITIES.

The head of any agency performing functions under this Act may—

(1) authorize the head of any other agency to perform any of such functions;

(2) prescribe such rules and regulations as may be necessary to perform such functions; and

(3) to the extent necessary to perform such functions, procure the temporary (not in excess of one year) or intermittent services of experts or consultants or organizations thereof, including stenographic reporting services, by contract or appointment, and in such cases such services shall be without regard to the civil service and classification laws, and, except in the case of stenographic reporting services by organizations, without regard to section 3709 of the Revised Statutes (41 U.S.C. 5). Any individual so employed may be compensated at a rate not in excess of $75 per diem, and, while such individual is away from his home or regular place of business, he may be allowed transportation and not to exceed $16 per diem in lieu of subsistence and other expenses.

SEC. 402. REPORTS.

(a) The President shall submit to the Congress an annual report on the trade agreements program and on tariff adjustment and other adjustment assistance under this Act. Such report shall include information regarding new negotiations, changes made in duties and other import restrictions of the United States, reciprocal concessions obtained, changes in trade agreements in order to effectuate more fully the purposes of the trade agreements program (including the incorporation therein of escape clauses), the results of action taken to obtain removal of foreign trade restrictions (including discriminatory restrictions) against United States exports, remaining restrictions, and the measures available to seek their removal in accordance with the purposes of this Act, and other information relating to the trade agreements program and to the agreements entered into thereunder.

(b) The Tariff Commission shall submit to the Congress, at least once a year, a factual report on the operation of the trade agreements program.

SEC. 403. TARIFF COMMISSION.

(a) In order to expedite the performance of its functions under this Act, the Tariff Commission may conduct preliminary investigations, determine the scope and manner of its proceedings, and consolidate proceedings before it.

(b) In performing its functions under this Act, the Tariff Commission may exercise any authority granted to it under any other Act.

(c) The Tariff Commission shall at all times keep informed concerning the operation and effect of provisions relating to duties or other import restrictions of the United States contained in trade agreements entered into under the trade agreements program.

SEC. 404. SEPARABILITY.

If any provision of this Act or the application of any provision to any circumstances or persons shall be held invalid, the validity of the remainder of this Act, and of the application of such provision to other circumstances or persons, shall not be affected thereby.

SEC. 405. DEFINITIONS.

For purposes of this Act—

(1) The term "agency" includes any agency, department, board, wholly or partly owned corporation, instrumentality, commission, or establishment of the United States.

(2) The term "duty or other import restriction" includes (A) the rate and form of an import duty, and (B) a limitation, prohibition, charge, and exaction other than duty, imposed on importation or imposed for the regulation of imports.

(3) The term "firm" includes an individual proprietorship, partnership, joint venture, association, corporation (including a development corporation), business trust, cooperative, trustees in bankruptcy, and receivers under decree of any court. A firm, together with any predecessor, successor, or affiliated firm controlled or substantially beneficially owned by substantially the same persons, may be considered a single firm where necessary to prevent unjustifiable benefits.

(4) An imported article is "directly competitive with" a domestic article at an earlier or later stage of processing, and a domestic article is "directly competitive with" an imported article at an earlier or later stage of processing, if the importation of the imported article has an economic effect on producers of the domestic article comparable to the effect of importation of articles in the same stage of processing as the domestic article. For purposes of this paragraph, the unprocessed article is at an earlier stage of processing.

(5) A product of a country or area is an article which is the growth, produce, or manufacture of such country or area.

(6) The term "modification", as applied to any duty or other import restriction, includes the elimination of any duty.

(The following letter from the President was received by the committee:)

THE WHITE HOUSE,
Washington, May 11, 1970.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representative, Washington, D.C.

DEAR MR. CHAIRMAN: It is gratifying to me that you are today beginning hearings on trade legislation. The administration welcomes the chance to testify on behalf of the trade bill which I submitted last November, passage of which we believe to be necessary to provide a start in adjusting U.S. trade policy to meet the problems of the 1970's. These hearings will also be useful in giving all interested citizens a chance to explain their views on a subject which is of great economic and foreign policy significance for this country.

I urge speedy enactment of the proposals which I have sent to the Congress. The proposals are modest in scope, but they provide needed flexibility for U.S. trade policy in a number of significant ways. They would:

Restore the authority needed by the President to make limited tariff reductions. This authority is not intended for major negotiations, but rather to permit minor adjustments, such as would be required to extend compensation to other countries hurt by U.S. escape clause actions—thereby avoiding retaliation against U.S. exports.

Recognize the very real plight of particular industries, companies and workers faced with import competition, by providing for a readier escape clause and adjustment assistance relief where justified.

Eliminate the American selling price system of customs valuation, a major obstacle impeding progress toward the reduction of nontariff barriers.

Strengthen the hand of the President in his efforts to insure fair treatment for U.S. exports.

Since I submitted this legislation to the Congress in November, there have been a number of developments which add to its urgency. I cite only the important decisions taken by the European Communities on the future evolution of that great trading area, and the consideration by the Congress of new U.S. farm legislation, which would further increase the importance of our access to foreign markets. At a time of rapid movement in international trade relations and patterns, the United States will find itself at a disadvantage unless we have the added flexibility which I have requested.

Progress toward freer trade should continue. We must encourage it. Without the strong support of the United States, the world's largest trader, this progress could falter. Passage of the legislation I have submitted will keep us headed in the right direction.

FOR THE FUTURE

The legislation proposed by the administration represents an interim step toward developing the flexible trade policies needed for the world of the 1970's. For the long range, it is important to reexamine our entire approach. Changes in production, trade, and investment patterns, and the rapid progress in communications, transportation, and technology impel us toward a basic reassessment of our trade policy. I have recently announced the appointment of the chairman of my Commission on International Trade and Investment Policy, which will assist in this reexamination, and I will sortly announce its full membership. The Commission is charged with examining the entire range of our trade and related policies, and of preparing recommendations for the next decade.

We need more information regarding the competitive position of U.S. industries. So that we will have an adequate factual base, I am requesting that the Tariff Commission make a broad survey of the competitiveness of particular industries. I believe that such a broad study, which the Tariff Commission is best suited to conduct will be of great assistance to us in our future policies and trade actions and in the work of my Commission on International Trade and Investment Policy.

It is my intention to marshal the forces of the executive branch to expedite efficient adjustment to economic changes brought about by increased imports. I intend to activate the Trade Adjustment Assistant Advisory Board called for in the Trade Expansion Act of 1962 to lead a broad coordinated executive effort to make adjustment assistance more effective in opening opportunities for workers and firms. I also intend to request additional funds for adjustment assistance as they are needed.

Certain aspects of our trading relations have been of particular concern in recent years. The decline in our trade surplus, from about $7 billion in 1964 to only $0.8 billion in 1968, and $1.3 billion in 1969, stems from a variety of causes: the inflationary forces which have dominated our economy in the late sixties; the growing economic strength and technological progress of our trading partners; the increase in agricultural self-sufficiency abroad; and the increasing demand of American consumers for goods made in other countries. As I mentioned in my balance-of-payments statement of April 1969, it is appropriate to deal with fundamental problems by the use of fundamental remedies. One of the required fundamental remedies has been the reduction of inflationary pressures. With the steps we have taken to gain control of inflation, there has been some modest evidence if improvement of our trading position. As our anti-inflationary policies continue, we expect a further improvement. At the same time, it is important to take vigorous steps to improve our exports.

One of the most disquieting trade developments has come in the field of agricultural trade. Although there has been a general reduction in trade barriers in recent decades, there have been contrary trends in agricultural trade. In particular, high trade barriers in a number of countries, used to protect high domestic prices, have created difficulties for our agricultural exports. We have protested against these measures as each new barrier has been raised and have on occasion been reluctantly forced to threaten or to actually take retaliatory measures.

During the past decade, there has been a major integration of the economies of Western Europe. We see ahead the prospect of an enlargement of this community. We wish our friends in Europe well in their efforts toward economic and political unity and will watch their steps toward this end with sympathetic interest—remaining alert, however, to the need for respect for our commercial interests. We would expect, of course, that in the process of enlargement of the European Community, due regard will be given to the rights and interests of the United States and other third countries.

IMPROVED EXPORT PERFORMANCE

For a number of reasons it is possible that American industry has been less export-minded than that of other major competing industrialized countries. Attractive alternatives to export sales development—in our very large domestic market for example, and in the alternative of direct foreign investment abroad for manufacture of products in locations closer to the foreign markets being served—have existed for American industries to a greater degree than for foreign companies. Furthermore, our tax laws tend to favor sales by foreign subsidiaries of U.S. corporations over exports from the United States. Administration witnesses will submit a legislative proposal to improve the tax situation for income earned on exports.

U.S. exports have increasingly shown a concentration in capital goods and other technologically advanced products. It is customary in domestic as well as international trade in such items for the seller to provide credit on comparable conditions with those provided by his competitors. Important steps have been taken by the Export-Import Bank in the past year to make U.S. Government export credit and guarantee programs as flexible and useful as possible to a wide range of American producers. These steps include a complete revision of the commercial bank discount program to encourage banks throughout the country to respond favorably to financing requests from exporters on a continuing basis, and initiation of an advance commitment procedure that has been most useful to buyers, suppliers, and manufacturers.

Significant steps also have been taken to assist U.S. engineering and contracting firms in achieving contract awards for major projects. Money sources from outside the United States have been attracted to finance American exports as a result of the extension of the Export-Import Bank's guarantee authority. Special attention has been given to small business and agriculture through modification of the export insurance operations and through specific program assistance. The American aircraft industry and nuclear power developments have been substantially aided through the actions of the Bank. The key aspect of the Export-Import Bank's new look is greater cooperation and flexibility. Our exporters can look forward to continued expansion of Export-Import Bank activities.

The export programs I have just described, when taken together with the stepped up trade promotion programs of the Department of Commerce and the opening up of foreign markets through the reduction in foreign tariffs and other

obstacles to trade, provide strong incentives for American industry to export more. These programs take into account the advice received from all segments of American business, both large and small, as represented by the National Export Expansion Council, as well as other groups. The benefits of an increase in exports should be felt throughout our entire economy. One statistic alone makes this point very strongly: In 1969, about 2.7 million jobs were attributable to U.S. exports.

As you begin hearings on this most important legislation, I want to express my appreciation for your careful attention and my high hope for results that will greatly enhance the U.S. trade position.

Sincerely

RICHARD NIXON.

The CHAIRMAN. Ambassador Gilbert, we welcome you to the committee this morning. Please come forward and proceed.

STATEMENT OF AMBASSADOR CARL J. GILBERT, SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS; ACCOMPANIED BY THEODORE R. GATES, ASSISTANT SPECIAL REPRESENTATIVE FOR INDUSTRY AND LABOR; MORTON POMERANZ, ACTING GENERAL COUNSEL, AND EXECUTIVE SECRETARY, TRADE EXECUTIVE COMMITTEE; AND ALLEN H. GARLAND, CHAIRMAN, TRADE STAFF COMMITTEE, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

Ambassador GILBERT. Yes, sir.

The CHAIRMAN. We are pleased to have you with us today. You are recognized, sir, to make your statement. We will hear you through your statement before we begin interrogating you, unless there is some objection.

Ambassador GILBERT. Very good, Mr. Chairman.

Mr. Chairman and members of the committee, I am delighted to appear before you today to begin the discussion of the proposed Trade Act of 1969, submitted to the Congress by the President and introduced by the chairman and Mr. Byrnes as H.R. 14870. In my remarks I will try to avoid duplicating what members of the Cabinet, who will appear before you later this week, will be discussing with you. I also do not intend to dwell long on the past history of our foreign trade policies nor how they have evolved since we embarked on our present course in 1934.

Rather, I would stress to you the need for meeting the problems of today. There are pressing issues before us which must be resolved. We have lived too long with a course that was last set in 1962, while times and realities have not only been changing, but changing at a steadily faster pace.

We have steadfastly pursued this course now for 36 years. We have long recognized that competition cannot stop at the ocean's edge or at international border and that expanding trade on a fair and equitable basis with adequate provision for both domestic and international adjustment is in our national interest, as it is in the interests of others.

This administration has reviewed this policy carefully. It has examined its results and its means. We find that its continuation remains clearly and most assuredly in our national interest. At the same time, however, it is also clear that the problems and the goals in world trade differ today and will differ in the future from those of the past.

The rapid tempo of change in our rapidly changing world will require new responses and new initiatives.

The purpose of the proposals before you is to meet these needs and to provide us with the means to meet the new patterns and problems of world trade. They do so with full recognition that economic interdependence, a theme that once was a goal, has now become a reality, and others can now compete in world markets with us on far more even terms than they could not long ago.

They also take full account of the current fact that the traditional surplus in trade we long enjoyed has diminished. They reject without qualification, however, the argument that we therefore must abandon our traditional approach and seek to turn inward or to set some arbitrary limits on the forces of free world competition. Our reasons can be expressed simply. As the President stated in his message to the Congress last fall:

> I reject this argument not only because I believe in the principle of freer trade, but also for a very simple and pragmatic reason: Any reduction in our imports produced by U. S restrictions not accepted by our trading partners would invite foreign reaction against our own exports—all quite legally. Reduced imports would thus be offset by reduced exports, and both sides would lose. In the longer term, such a policy of trade restriction would add to domestic inflation and jeopardize our competitiveness in world markets at the very time when tougher competition throughout the world requires us to improve our competitive capabilities in every way possible.
>
> In fact, the need to restore our trade surplus heightens the need for further movement toward freer trade. It requires us to persuade other Nations to lower barriers which deny us fair access to their markets. An environment of freer trade will permit the widest possible scope for the genius of American industry and agriculture to respond to the competitive challenge of the 1970s.

The proposals before you are modest in scope, but significant in their impact. They will permit us to continue to move forward toward freer world trade on a fair and balanced basis. They will better equip us to meet the perplexing and often difficult problems of import competition. They fundamentally recognize and provide the necessary answers to the need that, while we seek to advance the interests of all the world's peoples, we must first of all respect and provide for our own legitimate interests.

We are a large Nation with many interests. Our goal must be the interests of all 205 million of us. We would do ourselves a disservice, for example, to look inward and seek to protect our industries from the forces of competition, whether originating here or abroad. Yet we cannot let the burden of a policy that is in the interests of all fall unduly on the few, nor can we sit by if others do not equally open their markets to us or fail to live up to the established rules of the game.

We must seek a middle course, of sharing and competing, of providing necessary relief and insuring that adjustment is made to our changing times in an adequate and humane manner. Where the forces of competition loom too rapidly or too large for the normal processes of adjustment which are inherent and basic to our market economy, we should intervene to moderate the impact and to facilitate the adjustment process.

But in so doing we should not depart from what has long been the keystone of our trade policy and is, indeed, the keystone of the international trading system embodied in the principles of the General

Agreement on Tariffs and Trade. This concept is that a nation can take these measures only when injury occurs or is threatened. It is fundamental to the trading world in which we live, to the system of rights and obligations we have gradually built among nations. Without it there could be no rule of law in trade, no reasonable expectation of certainty so necessary for economic activity, no means of policing or enforcing binding obligations. It works to protect our rights, which, as the world's largest exporter, are of great importance to us. It would not be difficult to envision the results if we were to cease to respect this concept or to embark on a unilateral course affecting the vital interests of others.

The specific proposals before you in H.R. 14870 are designed to accomplish these purposes, to strengthen our ability to live within the world trading system we have done so much to create, and to insure that the interests of all our citizens are well served. The first of these is the proposed amendments of the escape clause as it was provided for in the Trade Expansion Act of 1962. This provision, I need not tell you, has not worked. Its tests proved so stringent, so rigid, and so technical that in only three instances in 8 years has the Tariff Commission been able to justify a recommendation of relief to the President. This must be changed. As the President has stated:

> Freer trade brings benefits to the entire community, but it can also cause hardship for parts of the community. The price of a trade policy from which we all receive benefits must not fall unfairly on the few—whether on particular industries, on individual firms, or on groups of workers. As we have long recognized, there should be prompt and effective means of helping those faced with adversity because of increased imports.

The proposals before you provide significant improvement in the means by which U.S. industries can receive assistance to meet injury caused by imports. They will better enable us to provide, case-by-case, careful, adequate, and expedited consideration of petitions for relief on a fair and reasonable basis.

We propose that the test be simple and clear: Relief should be available to industries whenever increased imports are the primary cause of actual or threatened injury. The present link to a past tariff concession has been the major stumbling block encountered by the Tariff Commission. It should be removed and our attention properly focused on the real issue: Has import competition been the cause of injury? By replacing the present test of major cause and requiring a finding that it be determined to be the primary cause—that is, greater than any other cause, but not necessarily greater than all other causes combined—we would insure that action be taken only when imports are the most important, single cause but still leaves the escape clause a realistic avenue of relief.

Since such a finding can lead to industrywide relief and since it normally will require payment of compensation indirectly by other American interests, it should not be taken on any lesser grounds. The bill before you would make no other changes in the present escape-clause provisions in the belief that with the changes proposed the act will offer the means to provide fair and reasonable treatment.

The bill, moreover, continues the vital premise that industrywide relief should remain a temporary measure, a measure designed to permit time for adjustment, and not a means to effect permanent changes

in our tariff system. An industry provided with relief must assume responsibility for improving its competitive position and must take positive measures during its period of grace. Thus, the bill also provides for regular reports on these efforts and that the reports be taken into account in determining whether and to what extent relief should be continued.

The second major feature is one which Secretaries Shultz and Stans will discuss in greater detail with you. I only note that liberalized adjustment-assistance proposals are equally necessary at this time.

The difficulties in the interpreation of the present provisions should be removed so that firms and workers in demonstrable need of assistance can reasonably expect expedited, sympathetic consideration. I would also note briefly our belief that direct aid to firms and workers injured by competition, while the rest of their particular industry is not in need, should be more readily available than tariff or quota relief for an industry. Such assistance can be more properly tailored to the particular needs to provide measures of domestic assistance, without having adverse side effects on our overall trade policy.

The third major proposal before you is to equip the President with modest tariff-reducing authority. The authority delegated to him by the Congress in 1962 expired in 1967. Since then he has had no authority to engage even in minor adjustments in fulfillment of our international obligations nor to seek to correct or improve situations which otherwise would be considered to be in our interest to do so.

The requested authority is not designed to be used as authority for any major tariff negotiations, for none are contemplated in the immediate future. Rather, it is intended to make possible such minor adjustments as individual circumstances from time to time require as, for example, when it becomes necessary to raise the duty on an article as the result of a favorable escape-clause action or when a statutory change is made in a tariff classification. Our trading partners are then entitled to reasonable compensation, just as we are entitled to receive it from time to time under the same circumstances. The lack of such authority unnecessarily exposes our exports to the withdrawal of tariff concessions of vital interest to us.

We propose that the Congress provide the President with such authority through June 30, 1973. Authority to make reductions up to 20 percent or by 2 percentage points would be used sparingly and judiciously with all of the prenegotiation requirements fulfilled as now specified in existing legislation. It would not be used to reduce any duty on products now experiencing severe import competition, nor for any new, large negotiations.

Parenthetically, I might say that the tariff-cutting authority provided by H.R. 16920, also before the committee, would not, as we see it, be effective, since by and large the only residual authority remaining after the Kennedy round cuts is confined almost entirely to import sensitive areas which we would not find it feasible to utilize.

The fourth major proposal involves what I believe is an essential first step in the direction of a sustained and serious effort to reduce nontariff barriers to trade—the elimination of the American selling price system of customs valuation. This is necessary to carry out the supplementary agreement on chemicals, an agreement entered into in 1967, which provides benefits to other industries as well as the chem-

ical industry itself. The ASP system primarily affects certain chemicals and rubber-soled/canvas-upper footwear, as well as canned clams and an obsolete category of wool gloves.

Since I began, Mr. Chairman, a messenger has brought a communication directed to you, sir, from the White House. The ink has not quite dried on it, so that we have not had a chance to make copies.

The CHAIRMAN. Do you want to read it into the record, or do you prefer that we do it?

Ambassador GILBERT. I think it would be preferable to have a more distinguished reader.

The CHAIRMAN. Do you want me to interrupt your statement to do so?

Ambassador GILBERT. It would seem more appropriate.

The CHAIRMAN. With the understanding that the entire statement will be entered into the record just prior to the Ambassador's statement, I will read it for the benefit of the members. And we will see to it that each member is given a copy before the day expires.

(For text of letter see page 65.)

The CHAIRMAN. Off the record.

(Discussion off the record.)

Ambassador GILBERT. This proposal was submitted to the Congress by the previous administration. It has now been carefully reviewed by this administration. We consider the arguments in favor of elimination to be valid. The ASP system is an obsolete, unfair, and an unnecessary provision of our present law which places an altogether disproportionate burden upon our ability to seek fair treatment and to advance our own proper commercial interests abroad.

I will not here repeat all of the case for elimination of ASP in detail since the committee has previously held hearings and the public record on this issue is particularly extensive. I also understand we will have a later opportunity to discuss the issues involved in greater detail. The removal of ASP will not adversely affect our interests but, rather, will bring reciprocal reductions in both foreign tariffs and certain nontariff barriers to our trade. Beyond this, it will serve to unlock the door to new negotiations on modification or elimination of other nontariff barriers. Because of the symbolic importance our trading partners attach to ASP, it has become a major barrier to the removal of other barriers.

The principal area of controversy, as you well know, revolves almost entirely around this proposal as it applies to certain chemicals known as benzenoid chemicals. This system dates from 1922, when the Congress determined that our then infant chemical industry was in need of a very special and very steep form of protection, in certain instances ranging to over 100 percent. There can be no doubt today that benzenoids are no longer an infant industry. Instead, they are now an integral part of our overall chemical industry.

There can similarly be no doubt that conditions in 1970 are vastly different from those of 1922. Companies devoted solely to benzenoid production today are rarities. The large, integrated American chemical firms have established their competitive ability and industrial leadership both at home and abroad. Five of them, for example, account for two-thirds of all benzenoid intermediates, four make more than half of all dyes, and eight produce three-fourths of the bulk drugs. For

these industry leaders, benzenoids are but a part of their overall business.

The chemical industry's large and consistently growing surplus in world trade clearly attests to its international competitiveness. That surplus is now over $2 billion a year, double what it was as recently as 1961 and $300 million larger than it was when the Kennedy round ended. This favorable trade balance in chemicals is all the more noteworthy in that it is built on surpluses in chemicals with every major region of the world, including our principal competitors. And we have a trade surplus in benzenoids, too, the area for which we have been providing extraordinary protection. The industry has accomplished this record, moreover, while at the same time investing large sums in production capacity overseas.

While the ASP tariff system imposed in 1922 impels us to treat benzenoids separately, it is not possible to isolate precisely their production from that of the rest of the industry. What do the available facts show?

The benzenoid segment of our chemical industry accounts for almost 10 percent of the industry's sales. The recent annual growth rate in this segment has been about 30 percent above that of the chemical industry as a whole. It is one of the more rapidly growing lines of the industry and, indeed, of our entire economy.

Benzenoid export sales, moreover, have grown even more rapidly than domestic benzenoid sales. They probably now total about one-fourth of all chemical exports from the United States. While separate export data are not compiled, a reasonable estimate is that benzenoid exports are running at eight times imports and are 15 times greater than those imports of benzenoids which the Bureau of Customs classifies as competitive.

Salient facts such as these speak for themselves. The benzenoid sector is a strong and growing segment of a larger, powerful industry of which our Nation is proud. Its competitive ability has been proven, and there is little reason to expect prospects for the future to be vastly different. Certainly it is no longer an infant industry.

The administration believes that the chemical industry itself will be the major beneficiary of the chemical's agreement negotiated in 1967 if the trade opportunities are fully exploited. If the separate supplementary agreement on chemicals is implemented, there will be virtually no European Community or United Kingdom chemical rate above 12.5 percent. Japanese duties will be well below 15 percent. Our duties, on the other hand, for the allegedly sensitive areas will remain well above the rates prevailing in other countries. U.S. dyestuff tariffs, for example, will be 30 percent, as against 15 in the United Kingdom and 10 percent in the Community. In sum, chemical tariffs in our major markets will uniformly be reduced to very low levels. These reductions should provide important new opportunities for both increased export sales, new jobs, and greater profits on our current exports.

Other trade benefits and elimination of some foreign nontariff barriers will accrue to the United States if ASP is repealed. These benefits are important to other U.S. industries.

The fifth major proposal before the committee is a request that the Congress join in the task ahead of us of dealing with other non-

tariff trade barriers. This task will require much detailed negotiating and hard bargaining. Unlike tariffs, these barriers are very complex, elusive, sometimes hard to define and identify. Also, unlike tariffs, any approach to dealing with them is difficult to embody in a prior delegation of authority such as that which has been the principal vehicle for congressional guidance and authority to trade negotiators since our trade agreements program began decades ago.

Many of these problems—here as well as abroad—have deep roots in purely domestic concerns, in social, political, and economic origins. They are often only indirectly related to foreign trade and often originate in domestic legislation. As such, their removal would often require specific legislative action, though the nature of such action in many cases could not finally be clear until actual negotiations develop what is possible and what price we might have to pay.

For these reasons, the President has stated that he would welcome a statement of congressional intent with regard to nontariff barriers. I can assure you from my brief experience in my present capacity as Special Representative that this expression would greatly strengthen our efforts to come to grips with the many problems in this area and, eventually, to secure reciprocal lowering of such barriers.

The President has pledged, in proceeding under such a declaration, to keep the Congress fully informed of developments, to maintain close consultation with it during the course of any negotiations, and, of course, to submit for its consideration any agreement which would affect legislation.

As the President has stated:

> * * * The purpose of seeking such an advance declaration if not to bypass Congress but to strengthen our negotiating position.
>
> In fact, it is precisely because ours is a system in which the Executive cannot commit the legislative branch that a general declaration of legislative intent would be important to those with whom we must negotiate.

The sixth major issue the bill puts before you is our request for strengthening our hands when our interests are treated unfairly abroad. By its nature, trade must be a two-way street. One of our major responsibilities is to make every effort to insure that American products are allowed to move freely and fairly along that street, to compete in world markets on equitable terms.

These efforts will be more successful if we have adequate means to take effective action when confronted with illegal or unjust restrictions on our exports. We now have unlimited authority in section 252 of the Trade Expansion Act of 1962 to impose duties or other import restrictions when our agricultural exports are unjustifiably restricted. There is no reason why this power should be confined to agricultural products. It should apply to industrial goods as well. Such authority on the books acts as a deterrent even though in fact it may not be exercised. It has proven to be, for example, a most useful persuader in the case of soybeans where a tax on our exports of soybean oil is from time to time proposed. It has been equally effective in other cases.

This authority, however, has not been useful in dealing with the problem of meeting unfair competition in third-country markets, where a competitor's product, for example, may be enjoying an advantage over our exports which is not justified. The bill requests authority to take appropriate action against countries practicing what

amounts to subsidized competition in third-country markets when that competition unfairly affects us.

Any such weapon is most effective when its presence makes its use unnecessary. With these two new provisions, we should be better able to defend the legitimate interests of our exporters.

We propose no simple, comprehensive answers to the complicated and changing problems this Nation faces in the trade field. Instead, we seek constructive changes in our authority which should make possible new initiatives to seek sound and reasonable solutions to the problems we face ahead.

Thank you, Mr. Chairman.

If I might add, sir, with respect to H.R. 16920, let me make two comments.

First, as to textiles, we prefer a voluntary solution to the textile matter. And we believe now that we are making headway in our discussions. Mr. Stans will have more to say on this subject tomorrow.

As to footwear, an interagency footwear task force has just concluded a study of the footwear industry and has recently submitted its report to the White House. I think that all I can say at this time is that there was unanimity in the task force that the wide variations in conditions and problems in different segments of the footwear industry made industrywide relief in the form of quotas inappropriate. The administration will put into effect a program designed to remedy the situation.

It is too early to be specific as to that program, but it will be announced at an early date. If the administration program proves to be ineffective after a fair trial, we will be prepared to discuss the problem with the Congress at a later date.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Ambassador, for coming to the committee and giving us your statement, which we have listened to with a great deal of interest.

I have a number of questions. I don't mind deferring if there are others on the committee who want to interrogate you first.

Mr. Ullman?

Mr. ULLMAN. Mr. Ambassador, I want to join in welcoming you before the committee. I would like very much as one member of the committee to vote for and continue to sustain a free American trade policy, but I find very many ominous signs in the whole structure of world trade with respect to the American position.

On the one hand, I see inflation here at home, rapid inflation eroding our competitive position around the world as it certainly does.

On the other hand, I see in other parts of the world some retreat from the freer trade policy.

I presume you are prepared to report to us on the whole gamut of this trade situation, for instance, the matter of our present balance of trade. Are you prepared to deal with that?

Ambassador GILBERT. Let me make a quick answer to your first question, sir.

I certainly am prepared to discuss with the committee both of these matters. I would not express the arrogance, so to speak, that I think I am fully prepared to understand all of the problems that are in this situation. It is not a simple one, and it is a very difficult one on

which to come up with conclusions. This is one that obviously has attracted a great deal of attention in my small office, a much greater weight of attention throughout the Government as a whole and certainly will continue to do so.

The problems you put are certainly problems which accentuate the serious problems of a trade approach. Let me try to make a few comments, and we can fill them in in greater detail either by submitting further information to the committee or by other witnesses, as the case may be.

Mr. ULLMAN. Thank you.

Ambassador GILBERT. On our trade surplus, as you know at least as well as I, we did have some serious accentuation of the problems in the year 1968. It apparently is generally accepted to be the case that when the heating up of the U.S. economy and growth in the gross national product reach a point where it places some strain on the ability of domestic industry to meet demand, and demand is unreasonably acute due to an inflationary psychology, imports rise at a much higher rate than the level of increase in the GNP once that not too precise area of growth is passed.

We did see a very large growth in GNP in 1968 and as I recall it, there was a growth of imports of the order of magnitude of 22 or 23 percent.

Mr. ULLMAN. Excuse me for interrupting you.

Ambassador GILBERT. Yes.

Mr. ULLMAN. Do you have the trade-balance figures during the last 5 years? And if you do have, could you read them into the record?

Ambassador GILBERT. Yes, indeed, I will be glad to supply some tables subsequently.

Mr. ULLMAN. I hope you will.

Ambassador GILBERT. Yes, sir.

(The table referred to follows:)

U.S. MERCHANDISE—EXPORTS, IMPORTS, AND TRADE BALANCE, 1960–69

[Dollar amounts in billions]

Year	U.S. exports, excluding military grant shipments [1]	Year-to-year percent change	U.S. general imports [1]	Year-to-year percent change	Merchandise balance (col. A minus col. B)	Merchandise exports financed by AID and Public Law 480 programs	Excluding military grant shipments and merchandise exports financed by AID and Public Law 480 programs: U.S. exports (col A minus col. D)	Excluding military grant shipments and merchandise exports financed by AID and Public Law 480 programs: Merchandise balance (col. E minus col. B)
	(A)		(B)		(C)	(D)	(E)	(F)
1969	$37.3	+9.4	$36.1	+8.7	+$1.3	[2] $2.0	[2] $35.3	[2] −$0.8
1968	34.1	+10.0	33.2	+23.4	+.8	2.2	31.8	−1.4
1967	31.0	+5.1	26.9	+5.1	+4.1	2.5	28.5	+1.6
1966	29.5	+10.1	25.6	+19.6	+3.9	2.5	27.0	+1.4
1965	26.8	+3.9	21.4	+14.4	+5.3	2.5	24.3	+2.9
1964	25.8	+14.7	18.7	+8.7	+7.1	2.7	23.1	+4.4
1963	22.5	+7.1	17.2	+4.2	+5.3	2.6	19.9	+2.7
1962	21.0	+3.4	16.5	+11.5	+4.5	2.3	18.7	+2.2
1961	20.2	+2.5	14.8	−2.0	+5.5	1.9	18.3	+3.5
1960	19.7	.....	15.1	.....	+4.6	1.7	17.9	+2.8

[1] Includes U.S. sales and purchases of military equipment.
[2] Estimated.

Source: Department of Commerce.

Ambassador GILBERT. In 1969, taking our last full year, U.S. exports, excluding military-grant shipments, but including merchandise exports financed by AID and Public Law 480 were $37.3 billion, which was a 9.4-percent increase over 1968.

Mr. ULLMAN. What is that figure again?

Ambassador GILBERT. $37.3 billion.

Mr. ULLMAN. What does it represent?

Ambassador GILBERT. That represents U.S. exports excluding military-grant shipments but including merchandise exports financed by AID and Public Law 480. That represented an increase of 9.4 percent.

U.S. general imports were $36.1 billion in 1969, an increase of 8.7 percent, and the merchandise balance was $1.3 billion.

Mr. ULLMAN. Tell me, Mr. Ambassador, on the import figures, are they computed on the basis of the American price or the price on the foreign shores?

Ambassador GILBERT. These are all on an f.o.b. basis, both exports and imports, sir.

Mr. ULLMAN. By that, what do you mean? They are from the point of origin?

Ambassador GILBERT. At the shipping point.

Mr. ULLMAN. At the shipping point.

Ambassador GILBERT. Right, so that they are not distorted by carriage insurance and freight, which are included in the CIF basis.

Mr. ULLMAN. These are the value of the imports on the foreign shores?

Ambassador GILBERT. That is correct.

Mr. ULLMAN. Now, would that represent the amount that the American importer paid for them there?

Ambassador GILBERT. At the point of origin in the foreign country, right.

Mr. ULLMAN. All right.

Ambassador GILBERT. To make that story complete——

Mr. ULLMAN. That is a deficit of how much?

Ambassador GILBERT. That is a surplus of $1.3 billion.

I should qualify that, however, by pointing out that included in the exports were $2 billion of merchandise imports financed by AID and Public Law–480 programs, so that if you take the extreme view that AID financed and Public Law 480 exports should be excluded entirely, we showed a trade deficit of $800 million in 1969.

Mr. ULLMAN. I can't, Mr. Ambassador, fully accept the f.o.b. basis. Do you consider that an equitable way to compute it? It would seem to me that if you computed them both on the basis of their value at the American shoreline, you would be painting a more realistic picture than you would be on the f.o.b. value abroad.

Ambassador GILBERT. Of course, one reason why the f.o.b. basis has been used over the years in the compilation of these statistics is that by law that is the basis on which duties are assessed. So in the buildup statistically of the figures over a long period of years, since customs valuations are on f.o.b. statistics, the trade figures are on the f.o.b. basis.

It also is a pretty good reflection if one is looking at these figures to get a feel of relative competitiveness of the U.S. economy as com-

pared to the principal exports to the United States. The f.o.b. basis is probably the most solid way of looking at it.

Mr. ULLMAN. On the basis, then, of that kind of computation can you give me not just the export and import figure, but the national-balance figure for the past 5 years.

Ambassador GILBERT. Right. We showed in 1969 a surplus of $1.3 billion.

In 1968, a miniscule surplus of only $800 million.

Mr. ULLMAN. Would you give me the net after computing the AID and Public Law 480?

Ambassador GILBERT. In 1969, it was a $1.3 billion surplus which, however, reduced by use amount of merchandise export financed by AID and Public Law 480, was a deficit of $800 million.

In 1968 the comparable figures are $800 million and a deficit of $1.4 billion. In 1967 a surplus of $4.1 billion, similarly reduced to a surplus of $1.6 billion.

In 1966 it was a $3.9 billion surplus on the first basis, reduced to a $1.4 billion surplus on the second basis.

I have the figures here back to 1950.

Mr. ULLMAN. Let's just take 1965.

Ambassador GILBERT. 1965, a surplus of $5.3 billion, similarly reduced to a surplus of $2.9 billion.

Mr. ULLMAN. To what extent do military expenditures get involved in this kind of thing? Do they have an impact on actual trade balances?

Ambassador GILBERT. On the figures I have been giving you, no, sir. These figures are based on U.S. exports excluding military-grant shipments.

Mr. ULLMAN. Tell me this. There is a slight pickup in 1969 as against 1968. To what do you attribute that?

Ambassador GILBERT. Primarily, of course, because there were the first signs of some check on the inflation, so that the percentage increase in exports in 1969 was 9.4 percent and the percentage increase in imports was 8.7 percent, whereas in the previous year there had been a 10-percent change in exports but a 23.4-percent increase in imports.

So the increases in imports have taken a sharp turn down.

Mr. ULLMAN. I would like to have the full table, just roughly, in the last 3 years, so we can look at the net exports.

Have they been increasing, and at what rate?

Ambassador GILBERT. Our export increases? I am not sure the net of what.

Mr. ULLMAN. First take the exports and then the imports on a percentage basis.

Ambassador GILBERT. Our exports have shown an increase in 1969 of plus 9.4 percent; plus 10 percent in 1968; plus 5.1 percent in 1967; plus 10.1 percent in 1966; and back in 1965, plus 3.9 percent.

Mr. ULLMAN. That is exports. Now, what about imports?

Ambassador GILBERT. Imports increased plus 8.7 percent in 1969, plus 23.4 percent in 1968, plus 5.1 percent in 1967, plus 19.6 percent in 1966, plus 14.4 percent in 1965.

Going on back, there has been an increase in the import side every year since 1961, when there was a decrease of 2 percent.

Mr. ULLMAN. What is your experience with the figures you have to date in 1970?

Ambassador GILBERT. The 1970 figures show some encouragement. It is too early, of course, to project years on the basis of 3 months' figures. There would appear to be a clear continuation of the trend.

If I could give you some quarterly figures for 1969, Mr. Ullman—and this is in terms of trade balance—the first quarter of 1969 showed a minus figure of $300 million; the second quarter, plus $900 million; the third quarter, plus $2.3 billion; the fourth quarter, $2.1 billion. Then in the first 3 months of 1970, a balance of plus $55 million; a balance of plus $372 million, and plus $165 million.

So in the first quarter of 1970, we show a balance of plus $2.3 billion at an annual rate.

Mr. ULLMAN. Although that doesn't compare favorably with the same quarter last year, does it?

Ambassador GILBERT. Last year the first quarter showed a deficit of $300 million.

Mr. ULLMAN. I see.

Ambassador GILBERT. So the $2.3 billion surplus at an annual rate appears to be a continuation of the same trend established in the third and fourth quarters of last year.

Mr. ULLMAN. We know that many segments of the economy are not experiencing this turnaround. I would like to turn now to a cross-section of what really we are talking about.

What are the most favorable export positions and the heaviest import position that are creating this situation? That is the question.

Ambassador GILBERT. That is a very good question, sir. I do not have the complete data at present to answer it. I would be very happy to have it prepared and submitted for the record. It is the sort of thing we try to keep studying, but I do not have any solid data with me that I would be prepared to testify on.

The CHAIRMAN. If I may interrupt, I think that information will be very helpful to the committee. If it is possible, I would like to have it, Mr. Ullman being agreeable, by the time we start with our public witnesses next Monday.

Ambassador GILBERT. I think we should be able to do that with ease, sir. We are not absent the information. We have done some work on it. We don't have it in the position that I would like to submit it.

(The information referred to follows:)

U.S. IMPORTS OF PRINCIPAL PRODUCTS, 1968-69

[Values in millions of dollars]

Commodity	1968 value	1969 value	Change from 1968-69	
			Value	Percent
Industrial supplies and materials, total	$14,159	$14,163	+$4	+(1)
Petroleum and products	2,339	2,556	+217	+9
Iron and steel-mill products	1,962	1,724	−238	−12
Iron ore	454	402	−52	−11
Copper metal	855	486	−369	−43
Aluminum metal	350	264	−86	−25
Newsprint	863	939	+76	+9
Textile yarns and fabrics	841	883	+42	+5
Industrial and agricultural chemicals	689	708	+19	+3
Lumber	569	639	+70	+12
Woodpulp	432	501	+69	+16
Crude rubber	188	275	+87	+46
Other products	4,617	4,786	+169	+4
Capital equipment, total	3,304	4,053	+749	+23
Nonelectrical machinery	1,938	2,284	+346	+18
Electrical machinery	700	870	+170	+24
Truck and chassis	479	722	+243	+51
Civilian aircraft and parts	187	177	−10	−5
Consumer goods, total	9,146	11,128	+1,982	+22
New automobiles	2,782	3,355	+573	+21
Automotive parts and equipment	1,020	1,255	+235	+23
Clothing	855	1,106	+251	+29
Footwear	388	488	+100	+26
Radio and TV sets	459	643	+184	+40
Sound recorders and reproducers	251	360	+109	+43
Toys, games, and sporting goods	283	348	+65	+23
Other products	3,108	3,573	+465	+15
Foods and beverages, total	5,271	5,239	−32	−1
Green coffee	1,140	894	−246	−22
Meat and preparations	746	864	+118	+16
Fish and preparations	629	690	+61	+10
Whisky and other alcoholic beverages	626	648	+22	+4
Sugar	640	638	−2	(1)
Other products	1,490	1,505	+15	+1

[1] Less than 0.5 percent.

Source: U.S. Department of Commerce.

U.S. DOMESTIC EXPORTS OF PRINCIPAL PRODUCTS, 1968–69

[Values in millions of dollars]

Commodity	1968 value	1969 value	Change from 1968–69	
			Value	Percent
Nonagricultural commodities, total	$27,972	$31,508	+$3,536	+13
Machinery, total	8,844	10,138	+1,294	+15
Engines and other power generating machinery	1,158	1,257	+99	+9
Electronic computers and parts	485	728	+243	+50
Telecommunications apparatus	535	619	+84	+16
Electric power machinery	531	561	+30	+6
Materials handling equipment	462	531	+69	+156
Tracklaying and off-highway tractors and parts	460	497	+37	+8
Agricultural tractors, machinery, and parts	414	421	+7	+2
Construction and maintenance equipment	355	386	+31	+9
Air-conditioning and refrigerating equipment	328	362	+34	+10
Solid state semiconductor devices	204	346	+142	+70
Other machinery	3,912	4,430	+518	+13
Transport equipment, total	5,603	6,242	+639	+11
New motor vehicles	1,464	1,613	+149	+10
Automotive parts and accessories	1,529	1,756	+227	+15
Civilian aircraft	1,405	1,241	−164	−12
Military aircraft	405	601	+196	+48
Aircraft parts and accessories	499	556	+57	+11
Other transport equipment	301	475	+174	+58
Chemicals, total	3,287	3,383	+96	+3
Organic chemicals	848	905	+57	+7
Inorganic chemicals	348	373	+25	+7
Plastic materials and resins	590	590		
Medicinals and pharmaceuticals	314	363	+49	+16
Other chemicals	1,187	1,152	−35	−3
Other nonagricultural products, total	10,238	11,745	+1,507	+15
Iron and steel mill products	583	940	+357	+61
Iron and steel scrap	201	303	+102	+51
Aluminum	191	294	+130	+54
Coal	503	594	+91	+18
Paper and manufactures	545	585	+40	+7
Textiles other than clothing	522	576	+54	+10
Petroleum and products	454	434	−20	−4
Other products	7,239	8,019	+780	+11
Agricultural commodities, total	6,227	5,936	−291	−5
Soybeans	810	822	+12	+1
Wheat	993	726	−267	−27
Corn	734	726	−8	−1
Rice	348	348		
Fruit and vegetables	439	497	+58	+13
Cotton, excluding linters	459	280	−179	−39
Other agricultural commodities	2,444	2,537	+93	+4

Source: U.S. Department of Commerce.

The following commodities are examples of major U.S. imports which declined and exports which increased between the fourth quarter of 1969 and the first quarter of 1970. Comparison of first quarter 1970 with first quarter 1969 imports and exports by commodity would be misleading because of the distorted trade patterns resulting from the dock strike in the spring of 1969.

IMPORTS

[Dollar amounts in millions]

Commodity	October to December 1969	January to March 1970	Percent change
Fish and preparations	$187	$175	−6
Sugar	170	131	−23
Alcoholic beverages	217	144	−34
Pulp and waste paper	143	128	−10
Ores and metal scrap	308	216	−30
Motor vehicles and parts	1,409	1,330	−6
Paper and manufactures	292	269	−8
Newsprint	252	229	−9
Gem diamonds	128	110	−14
Iron and steel mill products	440	352	−20
Clothing	277	261	−6
Sound reproducers and recorders	113	93	−18

EXPORTS

[Dollar amounts in millions]

Commodity	October to December 1969	January to March 1970	Percent change
Wheat	$197	$229	+16
Pulp and waste paper	90	103	+14
Cotton, excluding linters	54	114	+111
Metal ores and scrap, excluding steel	99	113	+14
Chemicals	890	981	+10
Power generating machinery	330	341	+3
Electronic computers, other office machines	320	341	+7
Civilian aircraft	322	479	+49
Copper	73	93	+27
Aluminum	89	111	+25

Mr. ULLMAN. Wouldn't you agree that we have some segments of our industry that have dominated foreign markets and that have amounted to tremendous total figures in exports, but we have many other segments of our economy where the balance has not been good at all? And, as a matter of fact, the trends are definitely in reverse?

Ambassador GILBERT. That is certainly correct.

Mr. ULLMAN. I would hope that you could give us figures in depth so that we can come to some kind of intelligent conclusion as to where the problem is located? Although the total figures give us some grounds for hope, I don't see that same grounds for hope in industry after industry in this country.

Let me ask on the second point that I raised. That is the mounting trade barriers in other parts of the world.

First, with respect to the problem in Japan. There is no question that our trade with Japan is a problem. Tell me first what is our trade basis with Japan at the present time.

Ambassador GILBERT. Without refreshing my mind as to the figures, I can agree with you completely that it is a very substantial problem and a very serious one.

Our current bilateral trade balance with Japan has shifted in the last 10 years from a plus balance of $303 million in 1960 to a minus figure of approximately $1,400 million in 1969.

Mr. ULLMAN. In 1969?

Ambassador GILBERT. That is right. That is a sharp increase over a $1.1 billion figure in 1968.

Mr. ULLMAN. It was $1.1 billion in 1968?

Ambassador GILBERT. That is correct.

Mr. ULLMAN. Is this deficit primarily in increased imports from Japan or declining exports to Japan?

Ambassador GILBERT. Let me give that in a little detail, sir.

The exports have continued to rise. Take, for example, in 1960, our exports to Japan were $1,452 million. In 1968 they were $2,954 million. In 1969 they were $3,490 million. But the imports have risen from 1960, $1,149 million in 1960 to 1968, $4,054 million in 1968 and in 1969 were approximately $4,890 million.

While both have been growing, it is the imports which have grown a great deal faster than the exports.

Mr. ULLMAN. Here again, will you give us a breakdown as much as you can on a commodity basis, so that we will have some intelligent analysis of this?

Ambassador GILBERT. We certainly can and will. We have that information.

(The breakdown referred to follows:)

U.S. TRADE WITH JAPAN BY MAJOR PRODUCTS, 1965 AND 1969

[Dollar amounts in millions]

Commodity	1965	1969
Exports, total	$2,084	$3,490
Domestic exports, excluding "special category"	2,045	3,427
Agricultural commodities, total	876	934
Wheat	109	119
Corn	138	191
Grain sorghums	70	87
Soybeans	153	200
Cotton	127	55
Other agricultural commodities	279	282
Nonagricultural commodities, total	1,169	2,493
Logs	68	246
Metal ores and scrap	135	214
Coal	77	244
Chemicals	148	304
Nonferrous metals	31	100
Electronic computers and parts	31	91
Other nonelectric machinery	200	391
Electrical apparatus	71	162
Aircraft parts and commercial aircraft	97	141
Other nonagricultural commodities	311	600
Reexports and "special category" exports	39	63
General imports, total	[1] 2,414	4,888
Foods, feeds, and beverages, total	93	137
Industrial supplies and materials, total	1,012	1,549
Fabrics and twine	166	217
Industrial chemicals	32	87
Building materials, other than metals	91	120
Iron and steel	531	836
Capital goods, including trucks and buses, total	171	613
Electrical machinery	88	223
Nonelectrical industrial machinery and components	41	209
Business machines and computers	5	73
Consumer goods, including automobiles and parts, total	1,106	2,523
Passenger cars	25	303
Automotive parts and engines	7	120
Apparel; textile household goods	159	268
Leather and rubber footwear and related goods	63	116
Metal cookware, cutlery, and other household wares	56	112
Radios and TV sets	159	493
Other electrical household appliances	114	269
Other imports	43	66

[1] Commodity data as adjusted by the Office of Business Economics.

Mr. ULLMAN. Do you see any hope of opening up the Japanese market to American industry? This is the complaint I hear the most, that our market is open but their market is closed, that by the very nature of their system, it is impossible for the average American to go over and sell as he does to other countries.

Do you see any hope of this situation changing?

Ambassador GILBERT. The answer is yes and no. The record would show a gradual reduction of Japanese limitations on trade, but you would have to strongly underline the word "gradual." They came from a position not so many years ago where there were obviously needs to control imports due to the fact that they were in the process of reconstructing an economy, they needed financing, they were not in strong shape financially.

Of course, what has happened in the last few years is that their industrial strength and their financial strength have completely turned around, but their approach toward trade policy and limitations on imports has not made a similar change. This is a subject matter of repeated, if not continuous, discussion between various U.S. Government agencies and the Japanese.

Again I repeat, you have to underline doubly or triply the word "gradual," because, speaking personally, it doesn't please me very much to be told they are going to give active consideration to removal of barriers by the end of 1972. Some of these barriers ought to be off now. But this is a process of persuasion.

Unfortunately, no one has issued me a wand that I can change the situation overnight.

But to go back to the first question, I have to be hopeful. I think they will change.

Mr. ULLMAN. Isn't the basic problem, Mr. Ambassador, that their trading situation is so closely interwoven with national policy that it is difficult to compare with our kind of a situation, where there is virtually no national policy involved but straight private enterprise.

Ambassador GILBERT. I would like to suggest an answer with a certain amount of diffidence, because I am not sure the answer is right. I think I can make a case for the fact that the problem basically arises not only out of the fact that imports are so closely intergrated with the whole structure of the government activity but it is a country in which it is almost monolithic—Government, production, banking, industry being a pretty solid group.

What we have to be pushing for is not only a relationship of identifiable restrictions but also for a change in point of view which will tend to open the country to the kind of participation in world trade that their present financial-industrial strength would fully justify, in my judgment.

Mr. ULLMAN. I couldn't agree with you more.

Do you see evidence of the Japanese as well as others building huge industrial plants solely for the purpose of exploiting American markets?

Ambassador GILBERT. One hears the statement made. I am not in a position to either confirm or deny. It wouldn't surprise me that in a country in which world-trade participation is as important as it is to the Japanese that the installation of production facilities might well be specifically oriented toward export.

Mr. ULLMAN. I wish you could get us some examples of this kind of thing. If there is any way it can be substantiated, we would like to have some evidence of it.

Ambassador GILBERT. I can't be as helpful as to the availability of that information as I was in response to your other two questions, sir. But we will produce what we can.

Mr. ULLMAN. I had assumed we would have to get that information from other sources.

(The following information was received by the committee:)

There is no information available within the executive branch which would definitely establish the reason for the establishment of new production facilities in Japan, including those which may be specifically or entirely oriented to the U.S. market.

Mr. LANDRUM. Will you yield at this point?

Mr. ULLMAN. I am happy to yield.

Mr. LANDRUM. Mr. Ambassador, with regard to supplying information in response to Mr. Ullman's request on the areas where we are perhaps enjoying a surplus, will you be able to show for us also, please, just how rapidly imports in the specific fields where we now enjoy a surplus may be tending to reduce sharply?

Ambassador GILBERT. If I understand you, sir, it would be an attempt on our part to predict the possibilities of future trends by class of commodity.

Mr. LANDRUM. In identical fields, for example, transport equipment. We export more than we import. But what is the increase in the field of transport equipment?

Ambassador GILBERT. We will do the best we can. But I can assure you that this is one of the areas which will be a matter of continuing study as long as we are around, sir.

(The information referred to follows:)

U.S. EXPORTS AND IMPORTS OF MAJOR MANUFACTURED PRODUCTS, 1960-69

[In millions of dollars]

Commodity	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
INDUSTRIAL MATERIALS										
Organic and inorganic chemicals:										
Exports	470	593	615	722	889	927	973	1,047	1,197	1,278
Imports	194	180	198	217	273	318	429	437	541	617
Plastic materials and resins:										
Exports	315	308	316	323	402	425	473	473	590	590
Imports	11	8	13	16	31	41	60	60	94	99
Manufactured fertilizers:										
Exports	72	79	99	92	137	153	221	231	265	218
Imports	77	81	88	90	105	112	131	142	140	137
Iron and steel mill products:										
Exports	635	454	455	505	664	607	537	539	583	940
Imports	431	346	457	598	715	1,140	1,183	1,289	1,962	1,724
Copper metal:										
Exports	291	271	222	208	228	293	307	209	282	282
Imports	353	280	297	331	400	425	611	656	855	486
Aluminum:										
Exports	154	93	115	126	159	159	178	197	191	294
Imports	107	131	174	195	200	264	301	244	350	264
Fabrics, yarns, and made-up articles of cotton, wool, and manmade fibers: [1]										
Exports	(2)	(2)	(2)	410	492	431	447	430	438	495
Imports	(2)	(2)	357	346	343	447	557	495	638	672
Paper and manufactures:										
Exports	255	280	286	312	374	389	443	466	545	585
Imports	756	752	774	765	827	870	985	963	976	1,081
Rubber manufactures:										
Exports	152	140	146	148	161	165	168	156	188	195
Imports	44	46	56	52	42	47	64	92	131	145
CAPITAL EQUIPMENT										
Aircraft and parts:										
Exports	1,024	903	980	817	874	1,137	1,097	1,519	2,309	2,398
Imports	54	137	123	91	83	140	273	248	294	283
Trucks, including chassis:										
Exports	339	282	227	229	290	279	301	338	347	447
Imports	29	13	16	18	10	22	162	231	380	558
Engines, turbines, and parts: [1]										
Exports	432	492	556	560	578	756	855	950	1,057	1,146
Imports	24	35	28	49	136	195	331	380	515	600

See footnotes at end of table, p. 87.

U.S. EXPORTS AND IMPORTS OF MAJOR MANUFACTURED PRODUCTS, 1960–69—Continued

[In millions of dollars]

Commodity	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
CAPITAL EQUIPMENT—Continued										
Electric power machinery and switchgear:										
Exports	250	255	264	326	356	472	488	510	531	561
Imports	23	28	25	22	41	67	105	133	168	196
Agricultural tractors, machinery, and parts:										
Exports	250	252	266	320	418	434	448	451	414	421
Imports	[3] 135	[3] 115	[3] 152	[3] 172	182	224	296	317	301	314
Tractors and parts other than agricultural:										
Exports	314	290	292	324	408	431	412	392	459	496
Imports	(4)	(4)	(4)	(4)	13	25	29	24	21	31
Materials handling equipment:										
Exports	193	212	218	262	298	397	432	446	462	531
Imports	4	6	16	18	18	24	36	40	61	89
Electronic computers and parts:										
Exports	48	110	136	187	218	223	295	432	485	728
Imports	4	5	8	10	4	4	15	20	18	37
Office machines other than computers: [1]										
Exports	160	200	188	175	216	248	262	275	262	323
Imports	64	70	77	88	100	132	176	205	239	335
Electrical measuring and controlling instruments:										
Exports	141	172	186	205	238	197	240	290	313	350
Imports	9	10	13	16	18	24	37	45	55	64
Aircraft flight instruments, other measuring and controlling instruments and parts:										
Exports	123	153	192	192	208	288	332	363	377	453
Imports	14	15	18	22	37	43	49	60	68	77
Construction, excavating, and maintenance equipment:										
Exports	270	276	311	322	383	323	319	349	355	386
Imports [4]	7	5	8	11	14	12	15	21	35	46
Metalworking machinery:										
Exports	293	391	435	347	408	332	338	339	334	343
Imports	37	34	41	48	40	63	135	203	204	183
Air conditioning and refrigeration equipment: [1]										
Exports	135	138	144	160	193	210	251	288	327	362
Imports	(5)	(5)	(5)	(5)	(5)	3	4	4	9	15

Electronic components: [1]										
Exports	80	69	86	88	109	140	202	230	280	434
Imports	13	18	27	31	34	63	102	101	141	174
Pumping equipment:										
Exports	81	85	94	103	110	143	170	185	191	217
Imports	(4)	3	4	4	7	12	18	20	24	30
Mining and well drilling machinery:										
Exports	131	113	121	113	129	141	145	165	210	240
Imports	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Photographic and motion picture equipment and supplies: [1]										
Exports	109	122	129	154	184	233	290	328	368	400
Imports	31	65	82	82	94	95	111	126	157	180
CONSUMER GOODS										
Automobiles, new:										
Exports	237	228	265	286	347	393	564	812	972	1,010
Imports	514	307	422	449	579	658	1,236	1,695	2,782	3,355
Automotive parts, excluding engines:										
Exports	524	529	636	726	848	875	1,023	1,110	1,529	1,756
Imports	54	48	66	78	70	99	199	264	436	532
TV's, radios, and radio-phonographs:										
Exports	25	35	34	29	42	46	52	50	62	83
Imports	91	111	136	143	152	209	308	368	526	710
Footwear:										
Exports	10	10	9	10	10	9	10	9	9	9
Imports	148	123	133	124	140	60	190	263	388	488
Medicinal and pharmaceutical products:										
Exports	238	234	240	238	235	256	269	288	314	363
Imports	47	56	56	50	41	58	75	72	76	83
Apparel of cotton, wool, and manmade fibers:										
Exports	(2)	(2)	(2)	74	82	90	101	106	117	151
Imports	(2)	(2)	292	332	374	458	518	561	743	956

[1] Includes some consumer goods.
[2] Data comparable with later years are not available.
[3] Includes small amounts of nonagricultural tractors.
[4] Imports of mining and well drilling machinery included with construction, excavating, and maintenance equipment.
[5] Data were not separately reported in these years.
[6] Less than $500,000.

Source: U.S. Department of Commerce.

Mr. ULLMAN. Mr. Ambassador, I would like to query you more with respect to the Japanese licensing system, but I am going to leave that to other members and will turn briefly to the Common Market situation and get your views as to whether we are making progress with the Common Market, or whether in fact this in its totality has grave forebodings for the future with respect to our trade position.

Ambassador GILBERT. You ask extremely good questions, which are very difficult to answer.

Let me make two comments, first. The history of our trade with the European Common Market has not been a bad one. In 1960, our exports to the European Economic Community were $3,992 million, with a bilateral trade surplus of $1,728 million. In 1969, our exports were $6,981 million and imports $5,800 million, for a surplus of $1,181 million. The surplus has gone down. It has varied from year to year in the intervening years.

I think my feeling is that, leaving out the special problems of agriculture for the moment, we have been doing moderately well in our trade with the Community, particularly since within the European Economic Community their concentrations of skills and production capacity pretty much parallel our own.

So that the history of our trade with the Community countries would seem to be a fairly good indication that we are able to fight pretty well on common ground with them.

The agricultural area is much more complicated. Secretary Hardin can go into it with much more detail and feeling, but a word to put it in perspective: This group of six nations did form a customs union. They had the feeling then, and I think the feeling in this country at that time pretty clearly was and, as the President's message on foreign policy of several months ago to the Congress indicated, continues to be that efforts of the Europeans to get together had some political hopes for all of us. It is pretty much evident in Europe and here that we are rather pleased to see the Community formed.

The Community is really held together by two things: One, the common external tariff established as a part of the customs union, and the other, their common agricultural policy.

If they were to have a full-scale customs union looking toward closer and closer political union over the years, a common agricultural policy was undoubtedly necessary.

The areas where we are troubled by their common agricultural policy is not the fact that they have one, but that in the execution of it they have followed a route of price supports at unrealistically high levels, which, of course, means a requirement of excluding foreign competition, or else you can't maintain prices at very high levels.

Their level is so high that they have induced uneconomic production, which then has to be moved in the world markets by extensive subsidy, which has created and is creating major headaches for American agriculture.

Mr. ULLMAN. In all candor, you can't be particularly optimistic about the future in this area; can you?

Ambassador GILBERT. Well, on the industrial side, I think you can. On the agricultural side, such straws as there are in the wind I would think are in the direction that the Community itself is having to recog-

nize the fact that the attempts to maintain price levels at the levels that they are maintaining them is just costing them and their consumers all outdoors. There is some reason to hope that they will see that, if they are going to have prices at very high levels, they must accompany them by production controls in one form or another.

Mr. ULLMAN. Do you see any evidence in the past few months, Mr. Ambassador, that the Community is turning more toward trade with the Soviet Union and less with us?

Ambassador GILBERT. I am afraid I couldn't intelligently comment as to whether it is increasing or decreasing. Europeans, of course, have traded with the Soviet Union, both prerevolution and afterrevolution, on a great deal freer basis, less disturbed, if you like, than we have.

I would suspect that their trade probably has increased, whether as a result of a change in attitude on the part of the Europeans or just as a natural development of perhaps things getting a little better inside of Russia, if they are, and obviously greater interest on the part of the Russians of doing more trade with the West.

Mr. ULLMAN. Finally, Mr. Ambassador, some of us see the possibility of the United Kingdom joining the Community as a blow to American trade. How do you view such a possibility?

Ambassador GILBERT. I wouldn't characterize it as a blow. I think it has the seeds of certain problems, some of which are inherent, if you like, in the mere fact of the Community getting larger by the accession of the British, and, of course, probably along with them would come the Danes and the Norwegians.

You will note in the President's letter to you this morning that he commented on this. I think what he said was very pertinent in this area:

> During the past decade, there has been a major integration of the economies of Western Europe. We see ahead the prospect of an enlargement of this community. We wish our friends in Europe well in their efforts toward economic and political unity and will watch their steps toward this end with sympathetic interest—remaining alert, however, to the need for respect for our commercial interests. We would expect, of course, that in the process of enlargement of the European Community, due regard will be given to the rights and interests of the United States and other third countries.

My own view on this, Mr. Ullman, is that this poses one of the more interesting, challenging, and delicate problems for the administration which I could visualize, because certainly this country is not going to take any position in opposition to the enlargement of the Community.

Mr. ULLMAN. Mr. Ambassador, would you also give us the same kind of a breakdown of figures with respect to the Community that I asked you to give us overall, and with respect to Japan, so that we can have some kind of an intelligent analysis of what kind of trade we are talking about?

Ambassador GILBERT. Right.

(The information referred to follows:)

U.S. TRADE WITH THE EUROPEAN ECONOMIC COMMUNITY BY MAJOR PRODUCTS, 1965 AND 1969

[In millions of dollars]

Commodity	1965	1969
Exports, total	$5,256	$6,981
Domestic exports, excluding "special category"	4,912	6,669
Agricultural commodities, total	1,477	1,269
Corn	342	221
Animal feeds	139	237
Unmanufactured tobacco	106	149
Soybeans	226	277
Cotton	76	27
Other agricultural commodities	588	358
Nonagricultural commodities, total	3,433	5,400
Metal ores and scrap	77	219
Coal	201	135
Chemicals	555	828
Iron and steel mill products	42	146
Copper and aluminum	139	192
Engines and other power generating machinery	132	182
Electronic computers and parts	83	256
Paper and manufactures	71	137
Other nonelectrical machinery	568	824
Electrical apparatus	316	492
Aircraft parts and commercial aircraft	219	484
Professional, scientific, and controlling instruments	106	158
Other nonagricultural commodities	924	1,347
Reexports and "special category" exports	344	314
General imports, total	[1] 3,322	5,800
Foods, feeds, and beverages, total	226	338
Whiskey and other alcoholic beverages	84	137
Industrial supplies and materials, total	1,173	1,703
Fabrics and twine	98	128
Industrial chemicals	121	224
Iron and steel	464	621
Finished metal and advanced metal manufactures	61	95
Capital goods, including trucks and buses, total	451	967
Electrical machinery	61	134
Nonelectrical industrial machinery and components	237	522
Business machines and computers	64	129
Consumer goods, including automobiles and parts, total	1,340	2,546
Passenger cars	435	1,025
Automotive parts and engines	50	106
Wearing apparel	143	182
Footwear	65	224
Other consumer durables	414	669
Other imports	153	246

[1] Commodity data as adjusted by the Office of Business Economics.

Source: Department of Commerce.

Mr. ULLMAN. Mr. Ambassador, we went down this same road during our consideration of the Kennedy round. I see exactly the same problem, only even more intensified, with respect to foreign trade barriers, with respect to all kinds of special situations that we had then.

I had hoped that you would come up with some new thinking with respect to this whole trade picture, but in your recommendations I see generally almost an identical pattern and it gives me some cause for concern.

I want, and I think everybody wants, more trade, and freer trade, but at the same time, we can't put our head in the sand and ignore what is going on around the world. This committee has to analyze whether in fact the same trade policy will continue to foster the growth of commerce and trade, and preserve the integrity of American industry.

I for one am going to be intently watching the hearings, and hoping possibly that we can evolve a new look at the world trade picture, that

maybe we can revitalize somehow a balanced world trade that I think is getting out of kilter.

Frankly, I wish I knew the answer. I hope you are thinking, too, in this direction.

Ambassador GILBERT. I think I can reiterate your wish, that I wish I knew the answers to all these problems.

Mr. ULLMAN. Thank you, Mr. Ambassador.

The CHAIRMAN. Mr. Betts.

Mr. BETTS. Mr. Ambassador, I want to welcome you here. I am sure that your appearance here will be helpful to all of us.

I have some concerns that I would like to discuss with you for a moment, if I may. In the first place, when we passed the Trade Expansion Act of 1962, there were a great many claims that a great many things were going to happen to help American industry and American trade, and since that time, as I look over the situation, it seems to me that the results are pretty much on the negative side, rather than the positive.

For instance, when I look over the list of domestic industries which apparently are in some sort of trouble because of imports, and the list is increasing all the time, I am wondering just what this proposal of yours would do that the trade expansion bill hasn't done, and what the particular remedies are that you propose here.

I know you have gone over them in general, but would you pinpoint them again for me, so that I can clear up in my mind just what you propose as to how we could help these industries, if that is the intention of this bill?

In other words, when they write me and say that they are in trouble, that they are laying off men, and that some of the shops have to go out of business, which would hurt the economy of the community, is there anything in this bill which can assure them that if this bill were to become law, that they won't have to be faced with this economic difficulty?

Ambassador GILBERT. May I comment first?

Mr. BETTS. This is a practical thing that we have to face, and which concerns me quite a bit.

Ambassador GILBERT. It is not only a practical thing you have to face, but it is a very important consideration.

As I tried to say in my statement, and as the President has said several times, we can't sit idly by and see some specific areas of industry or communities taking the lug for supporting a trade policy that is clearly in the interests of the country as a whole. Some devices are needed.

Without in any way putting myself in the position of defending everything which has been done in the last 8 years, particularly because at that time I was a businessman and not a bureaucrat of this or any other administration——

Mr. BETTS. Do you find anything different in being a businessman than a bureaucrat?

Ambassador GILBERT. From time to time, yes.

I think it is fair to comment, or fair to point out that in 1962, at the time of the enactment of the Trade Expansion Act, our total exports were $21 billion, and they are now $37.3 billion.

The production of goods both on the farm and in the factory to sell $16 billion worth of goods means a lot of activity, and a lot of jobs, and strength for American industry. So I think it is fair to point out, sure, we have headaches, but I don't think it is such a bad track record of accomplishment in the last 8 years.

Mr. BETTS. I will agree that the exports have gone up. But, the overall picture is one of diminishing of the balance. I think that is where the trouble is. Imports have increased faster than the exports have increased. I think that is the trouble.

Ambassador GILBERT. I wasn't trying to avoid answering your weighty question, but just in passing to say that of course you can look at an international trade policy in terms of trade balance. You can also look at it, and I think my view would be to look at it in terms of industrial activity, jobs created, jobs supported in the production of goods that will add $16 billion to the exports. This is activity in the country. It is results.

The imports are statistically bad, and in the emphasis I am going to come to in a second, create real problems. But these imports are consumed in the country. They are not a total loss to the country.

It is a little hard to come up with a figure, because it will vary from time to time, but a substantial portion, of course, of our imports are necessary for us to consume in industry.

Mr. BETTS. Yes.

Ambassador GILBERT. The other imports are serving a function for our consumers through wider areas of choices and some breakdown of inflationary price spirals.

Imports are bad statistically, but they are not all that bad, necessarily for the country. When they do hit a particular area of industry, and hit it harder than industry as a whole, there is a problem and something needs to be done about it.

Perhaps this isn't the most dramatic answer that people could think of, but I think the soundest approach is the one the President has suggested, namely, that one of the reasons why under existing law it has been impractical really to do a proper job of moderating the impact of imports on especially import-sensitive industries has been that the escape clause was not well drawn.

It set far too rigid standards. I referred to the fact that in only three cases has the Commission been able to find justification for a recommendation. I am sure that in the very nature of things, many petitions for escape clause relief were not even considered for filing because of a feeling on the part of industries and counsel that it was not really a very profitable route to go down.

On the other hand, I think if we can get industries or establishments or groups of workers that see themselves beginning to be threatened or affected to move in fast and let the administration have some facts, then after a full hearing, with both sides heard, and consideration by a specially expert body, the Tariff Commission, I think we can take appropriate action to moderate but not shut off imports, and try to be selective and sensible, if you like, in the type of relief which is proposed.

This is the major reason why the administration has moved in the direction of asking for a very substantial change in the escape clause eligibility requirements.

Mr. BETTS. Are you referring to the test of the primary cause?

Ambassador GILBERT. Really two tests, the primary as against major importance.

Mr. BETTS. Just explain to me what the difference is between primary and major cause.

Ambassador GILBERT. Major cause has been interpreted as meaning a cause which is not only the most important cause, but is more important than the results of all the other causes in combination. This is a pretty tough finding to make.

Mr. BETTS. Isn't that easier to find than to take a lot of causes and try to determine which is the primary cause?

Ambassador GILBERT. The primary cause, as defined, would mean the single most important cause, but not necessarily more significant than the combination of all the other contributing causes.

Mr. BETTS. It just seems to me that the primary cause adds one more burden of testing than the major cause, because with the major cause all you have to do is look them all over and see which is the major cause, but in the primary cause you not only have to do that, but weigh them in relation to every other cause.

Ambassador GILBERT. The way the term is interpreted is that in order to find that import competition is "the major cause," the Commission must find that it is not only a very important cause, but that its importance must be weighed as being greater than the weight of all of the other contributing causes. That it is a much tougher question to answer than one involving primary cause.

Mr. BETTS. I will accept your answer, but I want to think that over a little more, because it seems to me that industry is going to have better consideration if its injury is tested on whether or not the loss of imports is a major cause, rather than a primary cause.

Ambassador GILBERT. We have concentrated on only one of these tests. Perhaps the more important is that under existing law, the import injury must be traced, if I remember the language specifically, "in major part to a previous tariff concession." The Tariff Commission under the present law is required not only to find that import competition is more important than all the other contributing causes combined, but be able to trace it back to a specific tariff concession prohibited in the past. There are a couple of very big hurdles that are awfully hard to jump. We think those hurdles ought to be put down to a jumpable level, or reduced. In the legislation that is proposed there is no requirement that the damage or threatened damage be traced to a previous tariff concession.

Mr. BETTS. Do I understand that in the bill, when labor petitions for adjustment relief, that the test is substantial injury?

Ambassador GILBERT. In the case of eligibility for a single establishment, a single firm or establishment, or group of workers, the test, instead of primary cause, is substantial cause.

Mr. BETTS. Now, what is the difference between primary and substantial?

It seems to me that we are dealing with words, here, or else, if we are not, then we are favoring labor over industry, or industry over labor, by using two different tests for two different types of complaints.

What is the difference between substantial injury and primary cause?

Ambassador GILBERT. Substantial means that it is not inconsequential, something substantial or something more than de minimis.

The reason for a differentiation, as I tried to point out in my statement, is that in an escape clause which is affecting a whole industry, there are consequences that flow from it affecting both prices in the country as a whole and the possibility or probability of having to pay compensation to other countries. This one ought to be approached pretty soberly.

However, in the case of the assistance to workers where it is a single establishment, this can be tailored to meet individual, specific situations. Countrywide effects would not flow automatically from it, and it would not have the kind of repercussions on trade policy as a whole which are involved in an escape clause.

Mr. BETTS. Of course, the application could be made by a labor union; could it not?

Ambassador GILBERT. A union, or a group of workers.

Mr. BETTS. If there is injury which affects a whole labor union, wouldn't that be just as liable to have a national effect on some industry?

Ambassador GILBERT. Well, this is not tied to a whole union, unless it is a single-plant union.

Mr. BETTS. In other words, it is limited to a single plant?

Ambassador GILBERT. The company or the establishment of a company which has been affected.

Mr. BETTS. But as far as industry is concerned, it has to be industrywide and not some particular one?

Ambassador GILBERT. For the escape clause.

Mr. BETTS. In other words, it has to be industrywide?

Ambassador GILBERT. For the escape clause, but an industrial organization looking for adjustment assistance would not have to comprise the industry as a whole.

Mr. BETTS. One industrial organization could ask for adjustment relief, as well as a whole industry, the same as in the Trade Expansion Act of 1962. Is that correct?

I say one industrial organization could ask for adjustment relief. If one industrial organization asked for adjustment relief, would that have a nationwide impact?

Ambassador GILBERT. Not as we see it; no.

Mr. BETTS. Why not apply that same reasoning to application of a labor organization? Why wouldn't we have a substantial injury test there, if it has no nationwide impact?

Ambassador GILBERT. Substantial is exactly the same as to workers or industry for adjustment assistance.

Mr. BETTS. So far as primary?

Ambassador GILBERT. It is the primary requirement which applies only to industrywide escape-clause proceedings.

Mr. BETTS. I see.

Mr. VANIK. Mr. Chairman, would the gentleman yield on this point?

Mr. BETTS. Yes.

Mr. VANIK. I wonder if we might have in the record the cost of adjustment relief since we have been paying it out under our Federal trade programs. We have had the Canadian auto parts agreement, and I include that in this category. I would like to know what it has

been costing us every year, so we have some idea of the potential cost of further adjustment relief.

Ambassador GILBERT. We will provide it for the record.

I suppose the caution is unnecessary that, aside from the Canadian automobile agreement, until last November there had never been a finding in favor of adjustment assistance, so there isn't a great deal of history on which one can project.

Mr. VANIK. I understand.

(The information referred to follows:)

PAYMENTS FOR ADJUSTMENT RELIEF

[In millions]

	Automotive Products Act	Trade Expansion Act
1966	$1.3	
1967	1.8	
1968	.9	
1969	.1	
1970		[1] $0.5

[1] Includes payments from December 1969 to Apr. 1, 1970.

Source: U.S. Department of Labor.

Mr. BETTS. Mr. Ambassador, if all of these industries applied for relief, do you anticipate that there will be more relief granted in your bill under the adjustment provisions than under the present law?

Ambassador GILBERT. That is correct.

Mr. BETTS. And simply because you have changed a word from major cause to primary cause?

Ambassador GILBERT. Don't forget the other point I made which is that the most difficult of the various difficult tests that exist under the present law we want to change both as to adjustment assistance for workers and escape clause. Present law calls for a finding by the Commission that the injury is traceable to a previously granted tariff concession, and in major part traceable to that.

This is a very, very difficult thing to find, and, as you look at the Tariff Commission cases, I think this has been the biggest hurdle to jump.

Since we are talking about action to ease the burden of import competition, and since we have a history since 1934 of trade agreements, tariff concessions of one sort or another, to try to pin it down to a specific concession really doesn't make a great deal of sense. Hence, we recommend removing that requirement.

Mr. BETTS. You mentioned the fact that the decisions of the Tariff Commission enter into this. Is that correct?

Ambassador GILBERT. I am sorry, sir.

Mr. BETTS. You mentioned that the decisions of the Tariff Commission enter into your determinations under escape clause provisions.

Ambassador GILBERT. Under the escape clause, there would be a Tariff Commission hearing and finding. Under the proposed changes to the adjustment assistance requirements, there would be a Tariff Commission examination of the facts, but a determination by the President of the implications of the facts.

Mr. BETTS. You mentioned the fact that the Tariff Commission are experts. On their findings, do they make recommendations, or do they find that there is injury or not injury?

Ambassador GILBERT. They determine whether there is injury.

Mr. BETTS. I am just wondering what your reaction would be if we left it there, rather than pass it on to somebody else for decision. If the Tariff Commission are the experts, and they made a finding that there is some injury, why can't the deciding process stop there?

Ambassador GILBERT. It is seldom that the problems are simple.

Mr. BETTS. That is the reason we set up a Tariff Commission, I assume; isn't it?

Ambassador GILBERT. I am a sort of slow starter at this point. There are overall considerations of the national interest, there are foreign policy considerations which arise from time to time, and actions affecting other nations can have serious implications. So it would appear to me that the final decision is what the President gets paid to do.

Mr. BETTS. The thing that bothers me about that is first you set up a test of primary cause, and that is a finding, I assume, by the experts. Then you say there are other tests such as the President might find which could arise coming out of international interests and other concerns. Is that correct? So that the primary cause isn't the last determining factor. It is something after it leaves the Commission, and the President considers it. Is that correct?

Ambassador GILBERT. The final determining factor is the decision by the President of the United States as to what relief to implement.

Mr. BETTS. What I am saying is that what you consider the test is the "primary cause," in the Tariff Commission, who are experts, makes a finding. If they find that the "primary cause" contributes to injury, I don't see why we don't leave it to the decision of the experts in line with the actual statutory test that you have set down in the bill.

Ambassador GILBERT. The structure of the present law in which we are not suggesting any changes is that after a finding and report to the President from the Tariff Commission, the President may then decide whether to take their advice or not. If he decides not to take it, he has to report that fact to Congress, and Congress can overrule him in 60 days.

But even if he accepts the Commission's report, it is left to the President to decide which and in what combination the various forms of relief to try to remedy the situation are to be provided.

The present law, as I recall it, gives the President a choice between raising tariffs within specified limits, establishing quotas, promoting or entering into so-called orderly marketing agreements, or he can decide that this is really an adjustment assistance case not calling for any trade restrictive action.

We are proposing no change in that.

Mr. BETTS. I understand your explanation, Mr. Ambassador.

The thing that just bothers me is that you set a test, and that is the finding of the primary cause, by those whom you say are experts, and yet you have applied means of overruling that. I understand your explanation of that. It doesn't satisfy me, but I understand it.

Ambassador GILBERT. If I could stay with it 1 more second, I think perhaps I could satisfy you on it.

If the President doesn't accept the Tariff Commission's finding that injury has been shown, then the Congress has the right to overrule him. If injury is shown, there is still required, and must be in some hands, a decision as to what to do about it. This gets over into an executive area of responsibility, so the President, under the present law, is given the choice of what to do about the findings from the Commission.

It is that second area that I would think in the very nature of things has to be an executive branch decision.

Mr. BETTS. I understand, but it seems to me that if the experts had found injury, maybe they would be the ones to determine what the remedy is.

Ambassador GILBERT. It is very hard to make decisions in a committee.

Mr. BETTS. You mentioned in your discussion this morning, and I think Mr. Ullman got into the act, that one of the real problems here are these nontariff barriers.

Is there anything in the bill dealing with that?

Ambassador GILBERT. I am sorry.

Mr. BETTS. Is there anything in the bill dealing directly with nontariff barriers?

Ambassador GILBERT. No. This I tried to explain. The nontariff barrier area is one where I do not believe any administration could or should ask the Congress for delegation of power.

It seems to me as an ex-lawyer that the separation of powers is so clear that the Congress couldn't seriously consider a question of delegating to the President the power to alter existing domestic law. So this inherently has to be done, in my judgment, by coming back to the Congress on an ad referendum basis, after finding out what we can succeed in accomplishing in negotiations.

But in the past there have been instances in which administrations have negotiated agreements affecting trade which needed ad referendum treatment and which were presented to the Congress on a take-it-or-leave-it basis, if you like. I can easily understand why the Congress hasn't cared for this procedure.

What we are trying to say is that it would help us in getting the people with whom we have to work in trying to get our arms around this nontariff barrier area problem, if we had a general instruction, if you like, or a blessing from the Congress, and, as far as I am concerned.

If you were to say, "It is our feeling that we can't understand why you haven't done more about this before, get going on it," that is the kind of blessing I refer to.

In the course of working these things out, it is going to be absolutely required on our part that we keep the appropriate people in Congress informed as to what looks as though we might get if we were good enough at negotiating, and what we might have to pay for it, and then proceed from then on under guidance of a clear understanding of what the Congress is ready to consider at a future date, not to commit them in advance to approve an agreement, but at least to be sure that the administration does not do what some of our prede-

cessors have done, to negotiate agreements, and then find that Congress would have preferred us not negotiating in that area.

Mr. BOGGS. Would the gentleman yield?

Mr. BETTS. I yield.

Mr. BOGGS. Mr. Ambassador, the problem as I see it, is not the impact insofar as the nontariff barriers is concerned upon domestic law in this country, but upon domestic law in other countries.

If you have no authority at all to go into these nontariff barriers, it seems to me that you really have very little, if any, authority to take on the problem.

Ambassador GILBERT. I think that is correct.

Mr. BOGGS. We negotiated something like 3,000 items in the Kennedy round, did we not?

Ambassador GILBERT. I would have to defer on that.

Mr. BURKE. 6,000.

Mr. BOGGS. I don't think it was 6,000, but it was a very large number, in any event, and, of course, that is over a graduated period of time. They haven't become effective as yet, a considerable number of them.

But, now, dealing with the Common Market, or dealing with Japan, practically all the barriers are nontariff barriers.

Ambassador GILBERT. They certainly have reached the point where they are the most conspicuous and perhaps in the early future the areas that seem to be most profitable to work on.

Mr. BOGGS. I don't want to take Mr. Betts' time.

Go ahead.

Mr. BETTS. This leads to two matters which concern me.

In other words, you are leaving the question of eliminating nontariff barriers to negotiation. Is that correct?

Ambassador GILBERT. That is right.

Mr. BETTS. Now, then, how do we judge the possibility of success, by what has happened in our negotiations with Japan?

Ambassador GILBERT. I wouldn't think so.

Mr. BETTS. I am asking that not to be frivolous, but I think it is serious. The only thing we have to go by as far as negotiation in the immediate past up to now is our attempt at negotiations with Japan.

I am wondering if that is all we can look forward to in the future as far as elimination of nontariff barriers is concerned.

Ambassador GILBERT. I would have to give you a rather discursive answer to the question, if I may.

Beginning I think in 1968, there began to be extensive international concern about nontariff barriers, somewhat stirred up, I think, historically by some rather strong feelings of the United States.

Since that time, under the auspices of the GATT, there has been a great deal of work done on the subject of nontariff barriers.

In the first instance, and I hope my colleagues, some of whom were around at the time, will correct me if my off-the-cuff history is a big wrong, every country was asked to submit to the GATT Secretariat their notifications of what they regarded as being offensive nontariff barriers maintained by other nations against their exports.

Out of this came a very extensive catalog, if you like, of nontariff barriers that had been asserted by the various nations who are contracting parties to the GATT.

The compilation of that was completed about last May. During the summer, the GATT Secretariat made the first attempt to classify these things. They range all the way from the road taxes to testing requirements on health and safety standards. It is an enormously disparate collection of devices.

Since the end of September, there has been a rapidly increasing tempo of working groups under the GATT working on various classifications and groups of these nontariff barriers, not negotiating, but trying to find out what they really are, what they really do, and discussing and trying to come up with recommendations as to possible methods of negotiating on them, suggestions of various avenues of solution that the countries involved might get involved in.

This is virtually a marathon process right now looking toward the completion of this job, so that a report may be available sometime in midsummer, which undoubtedly will lead to some further digging. The contracting parties to GATT at their annual meeting at the end of February agreed that instructions should be given to all the national groups working on the subject that they should complete their work in the year 1970, so that the countries could decide early in 1971 what course of action to follow from then on.

Until that work is completed, I couldn't in honesty make any appraisal of what we might get in negotiations, or what we might have to pay in the form of our own nontariff barriers in those negotiations.

Sometimes nontariff barriers are inadvertent results of a purely and thoroughly justified domestic consideration. One of those that is talked about, for example, one class of those that is most likely to be a profitable area in negotiation, I believe, is health and safety standards, where maybe we have some that quite inadvertently do not provide any means whereby an overseas potential supplier could meet them. Maybe the Europeans have some of these.

Actually, to divert from my own area of responsibility, I rather suspect this country has to take some serious look at the whole question of standards, the degree of Government participation or sponsorship of standards setting by the various means they are now. The Europeans are moving this way, and, unless we are going to find that they are virtually continentwide in a few years, a system of communitywide compliance with standards turning into a very effective tariff barrier against us, we are going to have to develop the kind of machinery which makes it possible to knock on the door and say, "Let us in this club."

We have a problem now that has been in the press. I don't know the answers to it. There is a problem on the so-called tripartite standards arrangement on electronic components.

I am not an expert on the whole problem, and don't purport to be, but I think this, without any doubt, is going to present us with a requirement that somehow or other we develop the kind of Government sponsorship of a standards operation which would make it clear that they were discriminating against us unless they let us into the same system.

I don't believe that this has been a matter of major executive branch consideration or congressional consideration, since back in the days of Herbert Hoover.

Mr. BETTS. Do you consider the American selling price a nontariff barrier?

Ambassador GILBERT. Yes, I do; and certainly everybody on the other side of the water does.

Mr. BETTS. I know. The thing that bothers me about that is that as far as this bill is concerned, you would repeal that. Is that correct?

Ambassador GILBERT. That is correct.

Mr. BETTS. In other words, we will take care of removing nontariff barriers as far as our own industry is concerned right now, with this bill, but as far as removing nontariff barriers of foreign countries, we have to rely on the reasonable hope through trade negotiations.

I am wondering how we tell our own industry that this is the way we are handling this problem.

Ambassador GILBERT. I don't think that is really a fair way to put it.

Mr. BETTS. OK. I am interested in having your explanation.

Ambassador GILBERT. I understand. My opening sentence was not a resentment of your question at all, sir.

Mr. BETTS. That is all right.

Ambassador GILBERT. The repeal of ASP is not a step to be taken in the hope of getting something in response for it. The ASP elimination is necessary to complete the execution of an agreement known as a supplemental agreement on chemicals and other matters which was supplemental to the Kennedy round and negotiated on the basis that it was self-balancing within itself because it involved the reduction of duties on American exports, the commitment to eliminate the discriminatory effect of the road tax structure in three countries, Italy, France, and Belgium. It is not a part of something to be given away now in the hope of getting something in the future.

Rather, it is that, if we fail to go ahead and complete an agreement which was negotiated on an ad referendum basis 3 years ago, we will in fact really shut the door to the possibility of getting people to talk with us again about trying to negotiate an ad referendum agreement. That agreement has to stand on its merits.

Mr. BETTS. Is that about the only nontariff barrier we have?

Ambassador GILBERT. That is the only one?

Mr. BETTS. Yes.

Ambasador GILBERT. I wouldn't think so; no, sir. Nor would I like to give away to any of my friends in other parts of the world any admissions publicly as to some other things.

Mr. BETTS. Rather than repeal some of these, wouldn't it be well to use that as the one chance we have to negotiate for nontariff reductions, or elimination of nontariff barriers abroad?

It seems to me that when we have eliminated it here, we have taken away one of the real levers we have to negotiate the removal of nontariff barriers abroad.

Ambassador GILBERT. I would put it the other way around, that without the elimination of it, there is no possibility of anybody taking us seriously when we say we want to talk about some others.

Mr. BETTS. Should they take it seriously when we say we want it?

Ambassador GILBERT. I hope so.

Mr. BETTS. You are hoping they will, but you are assuming that they won't, as far as we are concerned. To me, it is a two-way street. We will say, "We will do this, and you do that."

Ambassador GILBERT. I tried to make the point a moment ago that the ASP repeal involves the effectiveness of a preexisting agreement which provides benefits to the United States as well.

The people who have negotiated that agreement—and this administration is expressing the same judgment—felt that it was a good agree-

ment, and we would like to see the repeal of ASP in order that that agreement may become effective, because we think that this will bring benefits to the United States.

The question of tying the association of that with nontariff negotiations is not giving something away now with the hope of getting something in the future, but rather, if you and I make an agreement subject to confirmation by our bosses, and the boss—either your boss or my boss—says, "I don't think he is a very responsible fellow," I am not intereted in discussing the next agreement with you on that basis.

Mr. BETTS. Of course, to me, that is sort of economic disarmament.

Ambassador GILBERT. I don't like that stuff. I am not for it.

Mr. BETTS. At SALT hearings we are saying, "We will go along with you, if you go along with us on this."

But when it comes to the economics of international politics, we say, "We will do this, and hope that you do that."

Those are some of the problems that concern me.

What about our relations with Canada? Is that an area of trade that we ought to look into? Are there imbalances there, or opportunities for freer trade?

Ambassador GILBERT. Could I make a quick comment on your last statement?

Mr. BETTS. Surely.

Ambassador GILBERT. I am not an economist, either practicing or theoretical. I was brought up in, I suppose, about the toughest competitive business that there was, and my disposition is to be just as tough in looking out for our interests as I possibly can be. There is no theoretic economist basis which is going to get me interested in giving away things for some vague hope for the future.

Mr. BETTS. I just want to answer that. I appreciate that comment. Of course, I was just comparing tactics here, not personalities. anyway.

As far as Canada is concerned, now?

Ambassador GILBERT. Our relations with Canada, of course, are intimate in every respect, including commercial. The possibility of more extensive opening of trade across the Canadian border is, of course, an interesting possibility.

I would not have thought that it was one that was by any means ripe for consideration on a broad-scale basis, really, on either side of the border. I think the Canadian auto pact of 1965 is perhaps still in a period of aging and maturity. As you know, the full impact of that on the Canadian economy has not yet been felt, because there were some provisions in the agreement which provided the Canadians a period of years in which to adapt to the new conditions.

I think I can fairly say that there has been no enthusiasm on the part of the Canadians shown thus far toward the early elimination of those partial applications of it. It may well be that there will develop areas of specific cross-border trade where it may be in the Canadians' interest and ours to try to develop some specific methods of treatment. Except for single issues of cross-border trade which might be routinely handled within a delegation of authority in the tariff negotiating power such as contemplated by this bill, I would think any even relatively broad approach to this is something which would need extremely sober and careful consideration, and certainly congressional authority.

Mr. BETTS. And if you have any ideas about this, I assume you would transmit them on to the committee.

If you have any further ideas about future Canadian-American relations, we would have the opportunity to see those?

Ambassador GILBERT. Yes, sir.

It has been pointed out to me that I should have mentioned the fact that a very high percentage of Canadian trade is already duty free.

Mr. BETTS. Already what?

Ambassador GILBERT. Already free of duty across the border. About 60 to 70 percent, in both directions, is the figure.

You have put your finger on a point that is of real interest to both us and the Canadians.

Mr. BETTS. I want to say that my purpose is to exchange some views with you. I have not really made up my mind. I think your views will be helpful, and also I want to find some ways to answer some of the inquiries I get, particularly from little industries, small industries, I am thinking of southeastern Ohio, where the pottery industry is practically wiped out. I am just hopeful that somewhere along the line we can find some way to prevent this.

I appreciate your answers to my questions.

Ambassador GILBERT. Thank you.

The CHAIRMAN. Mr. Boggs will inquire.

Mr. BOGGS. Mr. Chairman, I have just a few questions.

I wonder if you would give us just briefly the value of imports into this country which are noncompetitive imports. Do you have that figure? I mean coffee, bananas, bauxite.

Ambassador GILBERT. Not to defer or push off a response, Congressman Boggs, but Secretary Shultz in his testimony on Wednesday is planning to get into this in some great detail.

Mr. BOGGS. Do you have a precentage figure?

Mr. GARLAND. According to 1966 data about 13 percent is not produced in the United States at all. There is another wide percentage in which we have insufficient domestic production, and then there is another large number of products, perfumes and so forth, which you may or may not consider competitive.

Mr. BOGGS. Scotch whiskey would be one, wouldn't it?

Mr. GARLAND. Yes.

Ambassador GILBERT. There are those who like bourbon, sir.

The CHAIRMAN. Identify yourself for the record.

Mr. GARLAND. Allen Garland.

Mr. BOGGS. That range of 13 percent entirely noncompetitive, and the broader range, like let us say copper?

Mr. GARLAND. There is bauxite, manganese.

Mr. BOGGS. Lead?

Mr. GARLAND. Copper.

Mr. BOGGS. Do you have any idea how big that percentage would be?

Mr. GARLAND. No, sir. I can get it for you, though.

(The information referred to follows:)

COMPETITIVE VERSUS NONCOMPETITIVE IMPORTS

The word "competitive" has different meanings to different people. In one sense all products compete for the consumer's dollar in that a purchase of one item may require forgoing another. For example, the purchase of a new automobile by a family may force the postponement of a purchase of new furniture. Or, the housewife, in her weekly shopping, may decide to purchase oranges

instead of bananas. Thus, almost all products whether imported or not would be competitive under this concept.

To measure the effects of imports on domestic producers, so as to separate noncompetitive from competitive imports, it is necessary to narrow the scope of that concept of competition. However, any such effort is limited in that statistical data which must be used to obtain the desired determinations do not permit a refined analysis. For example at the outset, one must exclude from the comparison certain goods which cannot appropriately be placed in either the noncompetitive or competitive classes. Most of these imports, because of their nature, are accorded special treatment in the tariff. In total they account for 13 percent of all imports (see list 3).

Once the above items are segregated, available data restricts the determination of noncompetitive imports to two broad categories of goods which provide a conservative measure of the size of noncompetitive imports. These categories are:

(1) Goods which are not or cannot be produced in the United States.

(2) Goods which, for one reason or another, are not available from domestic sources in sufficient quantities to meet demand.

All other articles are characterized as competitive although many are only marginally competitive or noncompetitive. Such imports include: items which supply a different price demand or taste than domestic production; items of a luxury nature; noncompetitive items which cannot be separated statistically from competitive goods; specialty items and goods made to specifications; and noncompetitive articles in which imports amounted to less than $1 million (rounded), unless they can be grouped together conveniently.

Further, in making determinations of competitive versus noncompetitive goods, three concepts have been rejected. The first is that a country such as the United States can produce anything in sufficient quantities to meet demand if it is determined to do so. The argument follows that the United States can produce all the newsprint it consumes if sufficient resources are applied to achieve the purpose. This theory, however, entirely ignores overriding economic considerations and the unlikelihood that the Nation can or should support unreasonably high cost, uneconomic production when adequate supplies are available at world prices.

The second concept generally rejected is that dealing with intermaterial competition when the imported articles have qualities differing from domestic products. The argument is frequently made that domestic products would be substituted for imports of kinds of products not produced in the United States if imports were not allowed. Thus it is contended that imports of raw silk displace domestic cotton or wool and pistachio nut imports have a depressing effect on consumption of other kinds of nuts produced in the United States.

The third concept rejected is interproduct competition, such as the housewife's selection of oranges over bananas. Her decision may be made for dietary or other reasons unrelated to the source of the product.

Using these criteria, the attached three lists have been prepared to provide a measure of the volume of U.S. imports which are not competitive with U.S. production. A summary of imports for 1969 recorded on the three attached lists plus the residual or competitive import total follows:

[Dollar amounts in millions]

	Amount	Percent
Total imports for consumption	$35,870	100.0
Noncompetitive imports, total	11,553	32.2
Not produced in the United States	3,229	9.0
Not available in sufficient quantities	8,324	23.2
Special-category items	4,680	13.1
Competitive imports	19,637	54.7

It should be noted that the Department of Agriculture has submitted for the record a list of "supplementary" and "complementary" imports in the agricultural area. That list is compiled on the basis of different criteria.

In the preparation of these lists, the Office of the Special Representative for Trade Negotiations had the assistance of the Tariff Commission in reviewing the competitive position of imported products. However, assignment of particular products to the competitive status indicated in these lists has been made by the Office of the Special Representative for Trade Negotiations.

List I.—Products not produced in the United States

	U.S. imports 1969 (Dollars in millions)
Cashews, brazil nuts, pistachios, and coconuts	89
Bananas	184
Mandarin oranges, canned	15
Coco beans	168
Poppyseed and sesame seed	7
Copra	47
Palm oil	10
Sperm oil	3
Seed lac	2
Chicle, crude	4
Gum arabic and other gums	22
Licorice root	2
Vanilla beans	9
Coffee, tea and mate	991
Spices, various	49
Scotch whisky	264
Turkish tobacco	97
Tropical logs and certain lumber	8
Cork, cork stoppers and insulation board	5
Bamboo and rattan	4
Tourist literature, catalogs, and postage stamps	9
Foreign newspapers and periodicals	14
Certain cotton	3
Abaca fiber	6
Flax fiber	2
Jute	6
Kapok	4
Sisal and henequen	7
Coir fiber and yarn	1
Certain flax, hemp and ramie yarn	2
Jute yarn	1
Carpet and other coarse wools	48
Camel, alpaca, llama, cashmere and angora rabbit hair	8
Silk, raw	13
Jute fabrics (burlap)	204
Fabrics of vegetable fibers, chiefly linen, except cotton	23
Oriental rugs, handmade	22
Dicyandiamide	8
Benzenoid chemicals not produced in the United States	[1] 54
Certain floral essences	4
Certain essential oils	21
Pyrethrum	6
Quinine and salts	2
Opium and certain natural crude drugs	3
Natural rubber	280
Camphor	2
Vegetable waxes	5
Tartaric acid	2
Vegetable dyeing and tanning materials	3
Casein	23
Natural industrial diamonds	47
Precious and semiprecious stone articles	1
Natural gemstone diamonds	288
Chrome ore	20
Various other metal ores	13
Nickel oxide	55
Rutile	13
Needles	2
Lacemaking machines	1
Cultured pearls	12
Instruments and apparatus not manufactured in the United States, imported by nonprofit institutions	8
Certain musical instruments	3
Total	3,229

[1] 1968 data—1969 not available.

List II.—Products not available in sufficient quantities

	U.S. imports 1969 (Dollars in millions)
Hides and skins, other than bovine	54
Furskins	108
Feathers, downs, bristles, and hair	22
Fish and shellfish, except groundfish and sardines	237
Live plants and bulbs	16
Seeds	16
Sugar and molasses	674
Certain vegetables, fresh, chilled or frozen	30
Vegetables, dried, desiccated or dehydrated	3
Certain vegetables, prepared or preserved	14
Certain fruit, fresh, prepared or preserved	75
Certain fruit flours, peels, paste, etc	7
Castor oil	15
Coconut oil	50
Guar gum	3
Seaweed and carrageen	2
Christmas trees	5
Straw and other fibers	3
Crude vegetable substances	5
Certain miscellaneous animal products	4
Fish meal	41
Certain hardwood logs and lumber	41
Mahogany and other wood household articles	41
Cork manufacturers	4
Certain veneers and plywood	221
Woodpulp and other papermaking materials	502
Newsprint paper	939
Cotton linters	5
Wools, fine	72
Wool waste	12
Angora rabbit hair yarn	1
Cordage, hard fiber	26
Trinitrotoluene	4
Aluminum oxide	106
Certain inorganic chemicals	114
Peat moss	14
Residual fuel oil	875
Petroleum, natural gas and products derived therefrom	1,856
Certain crude drugs and related products	40
Agar	2
Glue stock	6
Waxes	7
Tanning and dyeing extracts	8
Marble, breccia and onyx and articles	13
Travertine	2
Electrodes for producing aluminum	10
Bauxite, calcined	6
Cryolite	4
Natural mineral fluxes	5
Precious and semiprecious stone	5
Cut gemstones	247
Sheet mica	3
Natural graphite	2
Asbestos	76
Glass prisms	7
Antimony ore	5
Beryllium ore	3
Bauxite (aluminum ore)	166
Iron ore	403
Manganese ore	39
Precious metal ores	2
Ilmenite	7
Cobalt	22
Tungsten ore	3

List II.—Products not available in sufficient quantities—Continued

	U.S. imports 1969 (Dollars in millions)
Ores of copper, lead and zinc and intermediate ore products	121
Cadmimum bearing flue dust	1
Titanium bearing slag	6
Platinum metals	6
Gold or silver bullion, industrial	73
Scrap of precious metals	7
Ferronickel	10
Crude copper	238
Copper and other metal scrap	10
Nickel, unwrought	224
Tin, unwrought, other than alloys	185
Antimony	1
Bismuth	4
Cadmimum	3
Mercury	15
Selenium	3
Alloys of bismuth	3
Unset antifriction jewels	1
Feathers and articles	2
Imitation beads and gemstones	18
Total	8,324

List III.—Special category items

	U.S. imports 1969 (Dollars in millions)
U.S. articles returned—without being advanced in value	754
U.S. articles returned as components of articles assembled abroad (value of U.S.-made components of article imported under tariff items 806.30 and 807.00)	425
Articles imported from Canada under the Automotive Products Trade Act	3,134
U.S. articles exported for repair or alteration (value of repair or alteration)	21
U.S. photographic film exposed abroad and returned	2
Records of business, engineering or exploration operations conducted outside the United States	5
Articles for religious institutions	3
Articles for public or nonprofit institutions	12
Articles for exhibition	2
Visual and auditory material of an educational character	1
Metal articles for remanufacture	3
Entries under $251 each	314
Repairs of U.S. vessels abroad	3
Salvage articles	1
Total	4,680

Mr. BOGGS. Of all imports into the United States, how many would you classify as sensitive imports insofar as domestic competition is concerned?

Ambassador GILBERT. Of course, that will very from time to time and industry to industry, Mr. Boggs, but I think perhaps this is something I better give you a memorandum on, if I may, for the record. I would like to be sure that we are accurate on this.

Mr. BOGGS. Well, would it run into hundreds, thousands?

Ambassador GILBERT. Of items?

Mr. BOGGS. Yes.

I have the impression that it is relatively small. I have been on this committee for a long time, and firewood used to be a subject, shoes, textiles.

Ambassador GILBERT. I think we can get that information for you, sir.

(The information referred to follows:)

IMPORT SENSITIVE PRODUCTS

For the following products domestic producers have claimed that increases in imports are having an adverse effect on their ability to maintain or improve their position in the domestic market. The list is not exhaustive but includes most of the products which have been a subject of known concern among either the firms or workers involved in recent years.

Ball and roller bearings
Barber chairs
Baseball gloves
Bicycles
Broomcorn
Carpets, wilton and velvet
Ceramic tile
Confectionery
Dairy products
Earthenware
Electronic products
Eyeglass frames
Ferroalloys
Footwear
Glass and glassware
Glycine
Groundfish
Honey
Ice skates
Iron ore
Lead and zinc
Leather gloves and other leather goods
Machine tools
Meat and meat products
Mink skins
Mushrooms
Olives
Papermaking machinery
Petroleum and petroleum products
Pianos and parts
Potash
Sardines, canned
Scissors and shears
Stainless steel flatware
Steel
Strawberries
Textiles
Tomatoes
Toys and games
Umbrellas
Watches
Wigs

Mr. BOGGS. Have you given any thought to the subject of the preferential treatment of various countries, of which the Common Market is the principal offender, if that is what you might want to call it?

Ambassador GILBERT. I regret to say that I have given a great deal of thought to it. It is a matter of real concern. If this were to proceed without let or hinderance, it would certainly very seriously impair the MFM commitment which is very basic to the world commitment set up under the GATT.

Unfortunately, there don't seem to be any simple problems in this area.

Mr. BOGGS. If the United Kingdom comes into the Common Market, will it bring with it all of the preferential agreements it now has with the Commonwealth?

Ambassador GILBERT. This certainly is an area which will be predictably a major source or a major cause of serious discussions and debates between the United Kingdom and the Community.

The structure of preferences between the United Kingdom and the developed members of the Commonwealth has been weakening anyway over the past few years, and I would be surprised, and this can't be more than conjecture at this point, if preferences to the developed members of the Commonwealth continue.

It is commonly expressed in the press that the United Kingdom's commitment to New Zealand as to preferential treatment for certain large quantities of butter is something which probably will have to be given some respect to. How they will handle it, I have no real judgment.

The area where one can perhaps expect the most likelihood of continuation of the Commonwealth preference scheme in one form or another is in the less-developed or developing countries in the Commonwealth. It is our hope, of course, that all of this sort of thing can be subsumed, as the watchword I have learned to use in the last few months, into a general preference scheme which, as you know, is under debate between the United States and the Community.

This would be a more sensible and orderly method, I would think, over the years in seeing the relationship between the developed countries and the developing countries.

Mr. BOGGS. Do you feel that in those two areas, the area of nontariff barriers and the area of preferential treatment, that the proposed legislation gives us any tools of any consequence?

Ambassador GILBERT. Yes, I do. I think in the nontariff-barrier area, if we are put in a position where we can make the supplementary agreement to the Kennedy round effective, and have an expression of Congress that it is desirable for us to move in the direction of trying to resolve the nontariff-barrier problems as a whole, that these tools will be effective.

I also think that the additions to the power of the President requested by the amendments to section 252 will be useful.

Mr. BOGGS. Of course, despite the nontariff barriers, we have had a rather significant increase in trade, have we not, with the Common Market, since its inception?

Ambassador GILBERT. We certainly have. As I commented earlier, our exports since 1960 have risen from just under $4 billion to just under $7 billion. Our imports have similarly increased, but we still are maintaining a substantial and healthy trade balance with the Community.

I think there is every likelihood of our ability to continue to export agricultural products to the Community. The variable levy, the other determinations to move in the direction of self-sufficiency on wheat and feed grains have cut down some of our exports, but, as you know, our exports of soybeans, for example, and soybean oil, are strong and growing, and are very important.

I don't think the amendments to the enabling legislation that are proposed are other than the clearing of the slate by moving ahead on the supplementary agreement, which would be somewhat of a magic wand toward getting going on serious non-tariff-barrier discussions.

Mr. BOGGS. Does the repeal of the American selling price involve nontariff barriers, or tariff barriers?

Ambassador GILBERT. The agreement covered both, sir. We are planning, of course, as you know, to spend the day on this on Thursday, at which time I will be more freshly briefed, but there are substantial reductions in chemical tariffs, as well. The nontariff area is really the road taxes, and, on the part of the British, to remove the preference for Rhodesian tobacco.

Mr. BOGGS. Mr. Vanik asked you about the adjustment program. Aside from the Canadian Automobile Agreement, which is a separate instrument, have there been any payments at all under the adjustment provision?

Ambassador GILBERT. There is a recent steelworkers' petition which has been allowed by the Tariff Commission.

Except for the Canadian Automobile Agreement, the provisions for

adjustment assistance really has lay idle because of the deficiencies of the law, as I previously stated.

The amount of payments up to date, I don't know, but they, in the nature of things, have to be inconsequential. We will have those figures and supply them.

Mr. BOGGS. How many applications were made under the provision?

Ambassador GILBERT. How many applications were filed?

There were three steel cases, I am told. Currently pending, as I understand it, there are three steel cases, and four or five shoe workers' cases.

Mr. BOGGS. And there have been no others?

Ambassador GILBERT. There were petitions in the past, Mr. Boggs, but none approved until in November.

Mr. BOGGS. Which one was that?

Ambassador GILBERT. That was the steelworkers' case, sir.

The President has also, as you recall, invoked the adjustment assistance provisions in connection with the tariff relief granted to pane and sheet glass recently.

In the past, there was a total of 20 workers' cases filed before the Tariff Commission. There were 10 petitions by firms. There were pretty uniform negative results except for the few I have mentioned.

I would be glad to submit a list of these for the record, Mr. Chairman.

The CHAIRMAN. That would be helpful.

(The list requested follows:)

PETITIONS FOR ADJUSTMENT ASSISTANCE PROCESSED BY THE TARIFF COMMISSION

FIRM PETITIONS FOR ADJUSTMENT ASSISTANCE

	Affirmative determination	Negative determination
1. Household china tableware		X
2. Sodium gluconate		X
3. Crude petroleum		X
4. Ceramic floor and wall tile	(1)	(1)
5. Ceramic floor and wall tile		X
6. Plywood door skins	(2)	(2)
7. Barbers' chairs		X
8. Barbers' chairs		X
9. Barbers' chairs	(2)	(2)
10. Women's and misses' dress shoes	(3)	(3)

WORKER PETITIONS FOR ADJUSTMENT ASSISTANCE

1. Unmanufactured zinc		X
2. Transistor radios		X
3. Iron ore		X
4. Cotton sheeting		X
5. Ceramic mosaic tile		X
6. Certain ceramic tiles	(1)	(1)
7. Men's welt shoes		X
8. Buttwelt pipe and tubing	X	
9. Transmission towers	X	
10. Transmission towers	X	
11. Ceramic floor and wall tile		X
12. Transmission towers	X	
13. Rubber-soled fabric footwear	X	
14. Rubber-soled fabric footwear	X	
15. Women's and misses' dress shoes	(3)	(3)
16. Women's and misses' dress shoes	(3)	(3)
17. Women's and misses' dress shoes	(3)	(3)
18. Women's and misses' dress shoes	(3)	(3)
19. Men's, youths', and boys' soled moccasins and cement-process footwear		
20. Bicycle tires and tubes	(3)	(3)

[1] Petitition withdrawn.
[2] Commission divided evenly; the effect of the tie vote is a negative determination.
[3] Pending.

Mr. BOGGS. Just one or two questions, and I am finished.

What in your judgment accounts for the continued increase of the deficit of trade between this country and Japan? For quite a number of years, we had a trade surplus with Japan.

Ambassador GILBERT. In my judgment, and I don't know that I could assert that my judgment is all that learned, I would think that the rising trade deficit with Japan was a result of a combination of two causes. One, extremely aggressive, competent, forceful companies' export operations, with a pretty keen merchandising sense as to the sort of product for which there is a market, manufacturing to appropriate cost levels, and then very effective merchandising, so that they have moved in successfully, and in some degree have created markets in this country as a result of their activities. I think the transistor radio is a pretty good example of it.

On the other hand, on our export side, the growth in strength and effectiveness of the Japanese economy has not been paralleled with a similar relaxation of restrictions on imports. The two factors working together have created this problem, which has to be a problem of real concern.

If we proceed in the same direction, without any change in the trends, the results can scare you to death.

Mr. LANDRUM. Mr. Boggs, will you yield?

Mr. BOGGS. Yes; I yield for one question.

Mr. LANDRUM. If you could single out one element, Mr. Ambassador, which supports the Japanese in their aggressive merchandising policies which you have described, what would you say that single element is? Would it be wages being much lower than we in this country have?

Ambassador GILBERT. I don't know whether I would single that one out or not, sir. I would have to know a great deal more about the internal operation of the Japanese industrial area before I could pick any one of labor costs.

Mr. LANDRUM. You are aware, of course, of the general wage average in Japanese industry?

Ambassador GILBERT. Yes.

Mr. LANDRUM. As related to our own wage average?

Ambassador GILBERT. That is right. It is an easily identifiable one.

Mr. LANDRUM. Thank you, Mr. Boggs.

Mr. BOGGS. In connection with the statement you made about the aggressiveness of the Japanese in promoting exports, have we been equally aggressive, and if not, why not? Also, have we utilized to the fullest the resources of the Export-Import Bank?

Ambassador GILBERT. I think one of the very significant things in which small but important steps have been taken thus far, and the President is proposing to do much more, is to strengthen the activities of the Export-Import Bank. I think over the years it has been an extremely valuable adjunct to our export activities. Its inclusion, for good and sufficient reasons in the unified budget some years ago, I think has presented problems in the operation of the Bank, and, without suggesting in any way that they ought to have an unlimited capacity, I think the administration has been giving very keen attention to the need for improving the facilities of the Bank. It is widely appreciated at the highest levels in the administration that the Bank performs a very valuable function, and its function should be utilized to a greater extent.

I think added strength in the Bank will help our exports. To what degree that will help specifically in the Japanese area, I am afraid I don't know enough of the operations of the Bank to be able to intelligently comment.

Mr. BOGGS. My question was: Have our exporters been equally aggressive as exporters from other countries?

Ambassador GILBERT. I can only give an impression of that, sir, rather than an opinion. I doubt that they are. I think perhaps there is a perfectly easily appreciated reason why not.

Export and import trade are important to this country. We can't be talking in terms of $37 billion of exports without talking about a subject which has a very significant effect, but it is still a very small percentage of our total gross national product.

There is not in this country anything like the commitment to export activities that one would find in an island nation which has to import its raw materials, process them, and live on the results of their activities.

Japan is one. The United Kingdom is another. It is not geographically an island, but the same is true in Switzerland, and to some extent in Belgium There is no question in the mind of any businessman in those countries that the country has to export to live, and therefore the taxi driver in London will comment on what happened to the trade balance last month, which you will never hear here.

This is not necessarily criticism of American businessmen, but the businessman in these other countries just has his nose rubbed in the fact that he has to export every day in the week, whereas I am sure that in many areas of this country the domestic market is large enough, has enough challenges, enough calls on management, so why bother with taking on the additional headaches of trying to set up an export department or really get going aggressively to push the export business?

This is not true of some companies, but I think without any question over the years it is going to be important to find ways and means to get more people interested and devoted to trying to pursue export opportunities.

To make their lives in this new game as acceptable and reasonable as we can, as you know, there have been extensive National Export Expansion Council activities over the years. Whether this is a shotgun approach on a very wide scale and perhaps not as effective as specific inducements to get people in significant business positions to recognize the need of exports, I don't know.

I am sure there is a great deal more that needs to be done, and what is more important, that can be done, if we can get more people in this country to recognize the importance of export activity.

Mr. BOGGS. I have just one final question.

What, in your judgment, has been the impact on American exports of the development of the multination corporations?

Ambassador GILBERT. That is a whopper.

In the first place, having once run a company that I suppose would be called a multination company, I don't think there is any such thing. They are all American companies that have a lot of subsidiaries overseas. But there is only one jurisdiction they are responsible to.

You may have some multination headaches, but that is the only multination thing I know about a multination company.

There certainly has been an impact on U.S. trade of overseas investment. I am sure it is not all either plus or minus. It is a subject where, trying to guess as to the activities of a Presidential commission that has only partly been appointed, I would think this commission would probably be an ideal vehicle for trying to come up with and sift out the real facts and impacts, and try to work out a policy, if there are policies needed to be established within the Government, toward this sort of operation.

You know, our mutual friend, Mr. Vernon, has written many long documents on the subject. You have had many before your committee within the last 6 months.

My own personal slant on this is that the effect of overseas investment, and I am talking about the traditional hunt for opportunities around the world, in the long run has to be in the national interest, because it is an approach to try to exploit throughout the world rather than solely in the domestic market, the skills, the results of innovation of American industry. If we can see a return to this country come from activities in other markets as well as our own, this has to be to the national good.

The complications that come from it have come from other and more recent implications of overseas activity, but with that sort of activity, I have no personal familiarity.

Of course, it needs attention, but some of it is getting attention in hearings before the Tariff Commission on 807 and 806.30, which I am glad to see has been getting thorough attention on the part of both industry and labor concerned. I am sure we can look forward to some helpful thoughts on this as the result of the Commission's hearings.

Mr. BOGGS. We do have a rather substantial plus in the balance of payments from overseas investment.

Ambassador GILBERT. And one that is growing very rapidly.

Mr. BOGGS. Thank you very much, Mr. Gilbert. You have been very helpful.

I think I have taken too much time, Mr. Chairman.

The CHAIRMAN. The committee has another meeting in H–208 on another matter. We will reconvene here at 2:30, if there is no objection.

(Whereupon, at 12:45 p.m., the committee recesseed, to reconvene at 2:30 p.m., the same day.)

AFTER RECESS

(The committee reconvened at 2:30 p.m., Hon. Wilbur D. Mills (chairman of the committee) presiding.)

The CHAIRMAN. The committee will be in order.

STATEMENT OF AMBASSADOR CARL J. GILBERT, SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS; ACCOMPANIED BY THEODORE R. GATES, ASSISTANT SPECIAL REPRESENTATIVE FOR INDUSTRY AND LABOR; MORTON POMERANZ, EXECUTIVE SECRETARY, TRADE EXECUTIVE COMMITTEE; AND ALLEN H. GARLAND, CHAIRMAN, TRADE STAFF COMMITTEE, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS—Resumed

The CHAIRMAN. Mr. Burke, did you have questions?

Mr. BURKE. Thank you, Mr. Chairman.

I wish to welcome our Ambassador here to the committee. Because of his long record in our section of the country, he is held with deep respect, because of his work with the Boston Port and other work he has done throughout the years.

The CHAIRMAN. Does that mean now you support his position?

Mr. BURKE. No; I think we have a few differences of philosophy, and methods of getting around certain things. I think we might be able to come to an agreeable settlement if our Ambassador will follow my suggestions.

Mr. Ambassador, in explaining the exports—and I wasn't too clear on your answers—I would like you to explain what our exports are made up of, so far as military aid is concerned, Public Law 480, and also all other economic aid.

Ambassador GILBERT. The figures I gave this morning, Congressman Burke, of $37.3 billion in U.S. exports in 1969, excludes military grant shipments entirely.

The only figure or two figures which I gave in that connection, were in 1969 merchandise exports of $37.3 billion included $2 billion financed by AID and Public Law 480 programs. So the net balance of trade in 1969, after deducting the AID-financed and Public Law 480-financed exports, was a net deficit of $800 million.

If you are interested in the military figures, I think I can give you an overall figure, not divided by countries. But it is not included in the $37.3 billion.

In 1969, the figures which I have, show the total amount of military grant aid shipments was $674 million. Of the $2 billion figure I gave you as a combined figure for AID-financed shipments and Public Law 480 shipments, it was about evenly divided between the two, $1 billion of AID loans and grants, which, of course, has given an estimated effect of about $1 billion on shipments, and Public Law 480 shipments of $1,018 million, or approximately $2 billion total.

Mr. BURKE. On the recommendation of eliminating the American selling price, I think Mr. Landrum asked some questions about Japan, about the wage and hours and working conditions in those countries, do you think there is a possibility that in these negotiations they might take into consideration the wage and working conditions in some of these countries which I understand are horrible, and I particularly refer to Taiwan, Hong Kong, and Korea, where I understand that 10-year-old children are working in plants over there for a wage scale down as low as 15 cents an hour? Some of them are working, I understand, 10 hours a day. To me, this seems to be a most inhuman exploitation of labor.

In view of the fact that we have a minimum wage law here of $1.60 an hour, do you think it is possible for the negotiators to set up some sort of a system whereby imports coming into this country could be regulated according to the hourly wages and working conditions of the country that is importing into this country?

In other words, over here we have wage and hour conditions. We have child labor laws in this country. We have a $1.60 minimum wage law. This seems to be the real nub of the whole problem.

I know in the shoe industry we find many of the people, particularly in my area of New England, where they have closed down their plants and they have gone overseas and set up plants over there, the reason

being that the wage conditions are so low there that they can profit by it in a much better way.

Don't you think that in the negotiations field and in this legislation we should take into consideration the low wage conditions in these other countries if we are going to be competitive?

Ambassador GILBERT. I think my answer, Congressman Burke, would fall into two parts: On your very good point—not that they both aren't—of an interest on the part of the United States in the social, humane problems of handling of labor overseas, it would seem to me that this would more properly fall within the area of interest which the United States has expressed through the International Labor Organization and other international activities directed toward trying to improve the conditions of individual working people in other parts of the world.

From a trade point of view, I think the question is not so much that of specific wage rates, but of the final effective competitive ability of the exporter in the U.S. market, rather than isolating out the one specific element of cost of wages per hour.

The thing that I believe we need to be more interested in is the actual competitive conditions in the market in the United States resulting from a number of factors, including the wage-per-hour rates. To isolate that out as a specific measure of trade action, without involving questions of productivity of labor and all of the other things which go into determining the effective cost of manufacture, I would be inclined to think is a mistake.

Mr. BURKE. What I am trying to lead up to is if we can't do this, then, of course, our concern has to come back to these industries that are being closed down. Just what the Government is going to do for them is another point.

I notice in the letter of President Nixon to our honorable chairman, Mr. Mills, in the second-to-the-last paragraph, he says, "One statistic alone makes this point very strongly. In 1969, about 2.7 million jobs were attributable to U.S. exports." But I don't see any place in here, or in any of the testimony, how many jobs were lost as a result of the increased imports.

I was wondering if we could get an estimate from either you or possibly Secretary of Commerce Stans.

Ambassador GILBERT. I think the Secretary of Labor will be prepared to go into that in more detail, Mr. Burke.

Mr. BURKE. We hear this criticism that some of our shoe manufacturers, and other industries, are not staying modern enough, and are not keeping abreast of the market. But the information I have, for instance, in my district, the Victory Shoe Co. in Holbrook was closed down, and that was just built a little over 3 years ago. It had every technological and modern improvement that was possible to make. Yet, they found out they couldn't compete with the foreign imports.

What I am concerned about is what are we going to do for these people that are making technological changes and improvements, and everything else, to try to be competitive, when they are faced with this wage condition that exists in these other countries.

If our negotiators can't do anything about it, what can we do on our side? Is it possible, say, to grant these hard-hit industries, like the shoe industry, the textile industry, the electronic industry—is it pos-

sible for our Government to grant them some sort of an award for the suffering and loss of business, or are we going to do nothing?

I might point out to you that the shoe people in my district are opposed to the administration bill because they feel that if the firm closes down all they will receive is funeral expense. They would like to survive a little bit longer than the funeral.

I don't know what the administration expects, whether they expect to continue the workers on unemployment for another 26 weeks, but most of our employees in the textile and shoe industry in Massachusetts, and the rest of New England, are up around 50 years of age.

How do we get those people retrained and get them back into the economy as productive people?

How are we going to face the problem, if the President is able to win this war in Vietnam as he promised, and the defense work drops—in my district we have lost about 10,000 jobs since I came here in 1959 in the shoe industry—where are we going to pick up the slack? Where is the economic cushion going to be for these areas, unless we have some real help, possibly along the lines of tax concessions or training, or grants given to them for improved plants, things along those lines?

I would hope that the administration would come in with a stronger recommendation than they did in the trade bill that I voted for. In fact, the shoe people favored that bill. But I believe they were led down the road like many of us, feeling that if an industry was going to be injured, they would be able to get some assistance. Well, of course, the record indicates that outside of a few steelworkers, there has been no assistance given. Fifty-five shoe companies have gone out of business in the last 18 months in America. Many others are on the point of closing down.

You know about the Goodrich Rubber Co. up our way in Massachusetts. They had 5,000 employees there 5 years ago and today they are down to almost zero.

The Randy Shoe in my district had 1,400 people and are now down to about 600.

I could read the whole litany of these companies one after another. I don't believe that the shoe industry is expendable. I think there are too many communities in this Nation that are dependent upon it.

I am hopeful that you are going to come in with some stronger recommendations than have been presented here today, and in the other messages that I have received. We are in a real bind in New England. We are in one of the older sections of the country and we are competing with the west coast and all these areas coming in with all these new plants.

We have lost our textile industry, almost all of it. Now the electronic industry that was around Route 128 that you are acquainted with is now being hit with this competition.

I was wondering just how far we can go in this country, losing one industry after the other, and thousands and thousands of jobs being lost, and where the slack is going to be picked up, where the economic cushion is going to be to offset the loss of these jobs.

As the President points out, there were 2.7 million people employed in the jobs attributable to U.S. exports. I would like to have a report on how many jobs have been lost as a result of imports.

I would also like to point out that you say there is an $800 million deficit for 1969. That happens to coincide with the same deficit in the shoe industry, in the imbalance of trade. I understand it is around $800 million in the shoe industry.

I am wondering whether or not these foreign countries that we are dealing with are going to be realistic or whether they are going to force this country back into the days of protectionism that were in existence under the Smoot-Hawley Act, or whether our negotiators are going to be able to reason with them, to use commonsense, or whether or not they are going to continue to accelerate their imports in certain areas, glut the market, destroy some of the industries here, and then expect everything to continue on the way they want it.

Ambassador GILBERT. I believe specifically on the footwear industry that the program which will be forthcoming from the White House, which I mentioned this morning, will be sufficiently broad and comprehensive to give some real hope of some sound and lasting answers, Mr. Burke, in this area.

As you will recall, if eligibility for adjustment assistance for firms or workers is established, then there are all sorts of remedies, including financial, for the firms; tax carry-forward and carry-back; relatively low cost loans from the Small Business Administration and from other sources under the Department of Commerce sponsorship.

The real block to date in taking any of these actions has been the present form of the Trade Expansion Act eligibility requirements. That is one of the reasons why the administration is pressing so strongly for a relaxation of those standards under present law, so that more and more firms and groups of workers can become eligible for what we believe is some really meaningful assistance.

As the President pointed out this morning, instead of seeing this fragmented between one or two departments of the Government, to bring all of the effective forces within the executive department to activation of this Adjustment Assistance Advisory Board should serve bear on the problems of any specific industry that is before it.

I am hopeful that there will be concrete steps along the line you have been discussing, sir.

Mr. BURKE. Betty Furness testified before this committee a few years ago on trade management. She made a statement I later investigated and I found out it needed some clarification. I will be kind in saying it this way. She said that the American woman preferred the Italian-made shoe. Upon investigation on my part, I found out that concerning most of the women's shoes made in Italy and sold in this country, that the styles and everything connected with them in their creation starts in New York City; that the creators of style for women's shoes, and particularly Italian-made shoes, the creation and style are created in New York City and they send the style over to Italian footwear people and they make the shoes.

I would hope that we don't get any misinformation of that type during the process of these hearings.

I will yield to my friend from California.

Mr. CORMAN. Thank you.

As I understand it, part of this relief you anticipate, once an industry falls in the category where the primary reason for the difficulty in imports would be in small business loans.

Is that part of the relief package, Small Business Administration loans?

Ambassador GILBERT. Yes, that is part of the package. It is not limited to that.

Mr. CORMAN. I only want to suggest that there hasn't been any money in that agency for a long, long time. I hope if you anticipate that as part of the solution you can get them to fund direct loans because there hasn't been any direct loan money for a long, long time.

Perhaps we will get a new ally here from you to get some money in that agency.

Thank you for yielding, Mr. Burke.

Ambassador GILBERT. If I might comment, I can't predict what action the President will take in this, but my recommendation to the President in activating this Adjustment Assistance Board is that there are certain statutory members, and then there is the freedom of the President to designate other officers of the Government as he may elect. One recommendation was along the line you have just suggested.

Since this will be a moving program, it is very difficult to be sure 21 months in advance what is going to be needed for it, and certainly the Bureau of the Budget ought to be involved in the day-to-day considerations of this Board so they will be quickly alert to the needs for funds.

In a slightly different vein, my recommendation has been that certainly this Board should also include the Science Advisor to the President so that there is some reasonable executive branch input to be sure that what can be done by way of stirring up adequate technological input is being done.

I have no reason to believe that these suggestions will not be followed.

Mr. BURKE. Mr. Chairman, I have some questions to submit to our Ambassador on the stainless steel flatware.

Without objection, I would like to submit the questions and let the Ambassador reply to them.

(The questions and answers referred to follow:)

Question 1. It is my understanding that the United States notified the signatories to GATT on September 30, 1969, of its reservation of the right to modify the trade agreement concessions on stainless steel flatware. This option originally to expire December 31, 1969 was extended to June 30, 1970?

We are now in the second week of May and there apparently has been no agreement reached with the primary supplier, Japan on the country with which the original concession was granted, United Kingdom.

Can we expect this matter to be concluded by June 30?

Answer 1. The administration does not anticipate that this matter can be concluded by June 30. U.S. representatives in Geneva have been instructed to request a 6-month extension of the negotiating period. The formal request has been made.

Question 2. Are you aware that the competitive pressure has increased to the point where one import is sold for every one domestic made knife, fork, or spoon?

Answer 2. The Office of the Special Representative for Trade Negotiations is aware of the seriousness with which the domestic industry views this situation. Just recently the domestic industry supplied the Office with the most recent data on the subject.

Question 3. Is there any question in your Office that import adjustment is not only appropriate but urgently necessary?

Answer 3. The administration has not yet reached a firm decision on this matter. That decision will be reached only after we have had further consultations with the domestic industry and the importers.

Question 4. If the answer is no, then why delay notifying the domestic industry. If yes, why is there any reason for further delay?

Answer 4. We have notified the domestic industry that no decision has been reached. The delay in reaching a decision on this issue is attributable primarily to the priorities accorded to other import problems, particularly to textiles.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. Mr. Ambassador, I am rather intrigued with your comment that you would welcome a statement of congressional intent on nontariff barriers. I thought this committee was pretty clear with regard to nontariff barriers and the way they would be imposed or not imposed.

I wonder what more you need. You may need some modification, but as far as intention is concerned, I thought it was made pretty clear in 1962 in section 252, which I think was added at that time. This section authorized the President to take all appropriate steps within his power to eliminate such restrictions, to refrain even from negotiating the reduction or elimination of any U.S. import restrictions under section 201(a) in order to obtain the reduction or elimination of such restrictions.

While there is a facet of that section which relates to agriculture, certainly a major thrust of the whole section is the indication by Congress that we thought this was an area on which our Government had to concentrate, because we had gone through all those exercises in tariff reductions only to see spring up behind them in other countries so many various new restrictions.

Does the executive branch now feel that it has to have some expression from us as to what our intentions are? Or does it feel it has to have an expression as to our desires?

Ambassador GILBERT. The weight of the provisions of existing law, as I have understood them, were in the direction of powers, so to speak, to try to force the removal of nontariff barriers.

What I have been talking about is some indication from Congress of the recognition that these will have to be negotiated, not just fought against, and that we may have to pay something ourselves.

Mr. BYRNES. All you are talking about here are some of the nontariff barriers that we have?

Ambassador GILBERT. No; I am talking about the possibility of negotiating down some existing nontariff barriers maintained or which may be maintained by foreign governments, down or out, and that in the course of that we may have to negotiate down some existing nontariff barriers of ours.

Mr. BYRNES. I wonder if that doesn't indicate the kind of negotiating position we are in. How do you negotiate with Japan, which restricts practically everything?

Japan's list of restrictions constitutes a large volume. You just can't bring products in, period. What can we offer to get them to change that attitude as far as negotiation is concerned? What have we to give in light of the action recently taken by the Common Market in generalizing the added value tax in terms of a rebate on exports and an imposition of a tax on imports?

What have we to negotiate there?

My concern is that, in the past, we may have been rather bad Yankee traders, and I don't know what we have to bargain with anymore, unless it is our willingness to do some things to offset our present disadvantage.

If we are willing, then maybe we are in a posture to bargain. That is what worries me in this whole picture.

Ambassador GILBERT. I would like to try to separate these questions. On your comment as to Japan, I couldn't agree with you more. Any time that anyone has a good suggestion as to how to come down to earth in negotiations with Japan on liberalizing Japanese trade, I would be very glad to hear it. It is a difficult problem. I am not at all sure——

Mr. BYRNES. Well, I think you have, even under section 252, some mechanism to tell the Japanese that we just can't continue this kind of trade relation if it is going to be a one-way street. Because they use restrictions that are on the surface and apparent, and also restrictions that are under the surface, through their tie-in between the banking industry and the Government, and the industries and the Government.

Ambassador GILBERT. These may, in fact, be more important than the ones that are on the surface.

Mr. BYRNES. That is right. I am not too sure but what we have some authority today. I know we intended to give you that authority in 1962. We went into considerable detail about the restraints that were then in existence in Japan.

But maybe I interrupted you.

Ambassador GILBERT. No, I don't think so. I think our thoughts are going along somewhat the same line. I think the distinction I was trying to draw is that the powers as to nontariff barriers which exist in current law are to take action. To request for a congressional blessing, what I have been talking about, is intended to force some attempts to negotiate on a broad scale.

Frankly, in my mind, I am talking or thinking more about Europe than I am Japan in this direction. I think our exports of industrial products to Europe are very large. I think they are very significant to us.

What is going on, as far as one can sense it in the expansion of the European Community, the proposed expansion, is the development of a common commercial policy, which, of course, is one of the requirements of the Treaty of Rome which nothing much has been done about except talk and reports, their efforts to spread community-wide harmony action, a favorite word of theirs, of the health and safety standards of individual countries.

They seem to be talking terms of harmonizing these also with the other countries. I just have a feeling that if we are not in a position to do some very serious negotiation and conversation in these areas, that some of these can develop into very serious nontariff barriers, perhaps not initiated for that purpose at all but incidentally.

I am sure, on our own side, no one in this country set up the AMES rating on boilers as a means of interfering with trade. It was done because of perfectly sensible antipathy to having boilers explode.

On the other hand, some of the moves in similar directions that they have done are something else. I think we ought to be able to work out some system were we can meet their inspection standards without giving away any sovereignty or proper advantages, and provide them machinery so they can meet our inspection standards and be better off for it.

Mr. BYRNES. Let me address myself to one of the principal devices used by the Common Market. That is, the generalization of their value added tax, which they rebate. It would be just as though we forgave a high percentage of the taxes paid by people who export, at least as far as we could relate it to the exported items.

You alluded, in your statement, to an indication that we might get a recommendation from the Treasury related to export encouragement.

I assume that would take the form of some sort of a substitute for the rebate aspect of the value added tax.

Ambassador GILBERT. The allusion was not in my statement. This was in the President's message.

Mr. BYRNES. That is correct.

Ambassador GILBERT. I think we better look to the Treasury people when they are here to expand on that.

Mr. BYRNES. Then let us address ourselves just to the idea of the imposition of a special tax. Other than on liquor and narcotics, do we impose an additional tax, except for the duty, if we have any duty, on imports?

Ambassador GILBERT. On automobiles, tobacco.

Mr. BYRNES. The manufacturer's tax, right.

Ambassador GILBERT. Generally speaking, whenever there is an excise tax, it applies equally.

Mr. BYRNES. But we rely very little on the excise tax here.

Ambassador GILBERT. That is correct, sir.

Mr. BYRNES. And they rely very heavily.

Ambassador GILBERT. That is correct.

Mr. BYRNES. Don't you consider that a burden and a nontariff barrier? Can we just ignore that and say, "Well, we have reduced our duty and we have been successful in getting some of the European countries to reduce some of their duties"?

But then, up springs this greater reliance on, and heavier excise taxes on, the items that they import. Yet our taxes have gone up, too. We don't put on those kinds of taxes. We haven't said, "Well, we have to increase our tariffs now." We just do nothing.

Does anybody in your shop concern himself with this, which is obviously a burden on trade, and a burden on our exports into those countries, to say nothing about the competition in third markets with their products?

I am referring to those that are exported from the Common Market.

Ambassador GILBERT. To answer a minor question, first, yes, it has gotten a great deal of attention and a great deal of interest. It is a recurring subject of discussion—I won't say negotiation—with the Community, with individual European governments, and in the GATT.

I find myself somewhat inhibited in expressing any views on this subject.

First, there is no clearly established administration position on the subject. The Treasury may have more to say tomorrow on this area.

The other is that given an opportunity, I would enjoy very much swapping ideas on this subject with the committee. I would like not to do it under any circumstances so that I am giving away to any Europeans any piece of a trading position in the course of discussion.

I prefer not to discuss the subject on the record, if I may be permitted to say so.

Mr. BYRNES. I don't think it would hurt your position any if at least one member of this committee made clear that one thing we can't ignore is continuation of their using a tax law to provide a stimulus to their exports and an extra burden on their imports.

Apparently they won't give any recognition to the fact that our people pay taxes also in the production of goods, and not only Federal taxes but State taxes, and in some cases, local taxes.

It is about time, it seems to me, that we must recognize that as a real imbalance in trade.

Ambassador GILBERT. I don't think there is any question in my mind, Congressman Byrnes, that a greater reliance on consumption taxes, indirect taxes on the part of the Europeans, generally speaking, does give them an advantage in international trade.

To what extent this is something that we are entitled to quarrel about, their having a different tax system than we do, is an area that I think it is hard to be clear on. We need to become clearer on it.

I would appreciate what I could get out of an exchange of views on this subject, sir.

Mr. BYRNES. Thank you, sir.

We had considerable discussions with the executive branch in 1962 about these nontariff barriers. I know we haven't necessarily engaged in negotiation on them, but have we had any success in the past 8 years in either reducing nontariff barries that some countries might have had, or discouraging them from putting on nontariff barriers they may have contemplated?

Do we have any inventory of accomplishment, in other words, in this area?

Ambassador GILBERT. I can give you for the record, sir, a three-page memorandum which tries to go through the history of the period since 1962. I wish I had more dramatic examples of successes in these areas. It hasn't been completely lacking in successes.

One I alluded to this morning. Certainly, in the latter category of being able to dissuade people from imposition of barrier, there has been a success thus far, anyway, in being sure that a tax on soybean and soybean oil imports into Europe is not imposed.

I doubt that any commercial issue has ever stirred up quite as much diplomatic commotion as that particular issue has. Thus far, it has been successful.

There have been similar problems and some degree of similar successes as to proposed impositions of minimum import price limitations on canned fruits and vegetables into Europe, which is trade of substantial interest to some of our agricultural and packing industries.

There has been a series of less significant cases.

Mr. BYRNES. Why don't you submit them for the record.

Ambassador GILBERT. That I would be happy to do so, sir.

The CHAIRMAN. Without objection, they will be included in the record.

(The information requested follows:)

PROGRESS TOWARD ELIMINATING BARRIERS TO U.S. EXPORTS

During the June 1968 hearings on foreign trade and tariff proposals, summaries of progress in the elimination or reduction of trade barriers maintained by our major trading partners in the General Agreement on Tariffs and Trade were submitted to the Ways and Means Committee. The following material

describes further actions taken by these countries in removing trade barriers since mid–1968.

AUSTRALIA

In response to U.S. initiatives, Australia agreed on July 29, 1968 to a temporary halt on its subsidy of canned peach exports to major markets. The Australian government did not reinstate the subsidy at the expiration of the one-year moratorium and is not expected to resume export payments on canned peaches.

AUSTRIA

Austria removed import restrictions on matches in 1968 and on dead poultry in 1969. In February 1969 in response to U.S. requests Austria revoked its import fee on vegetable oilcake and agreed further that it would not replace the fee with a domestic tax or other measure of equivalent effect. A current draft procurement law proposes to eliminate discrimnation against foreign firms in Federal Government procurement.

BENELUX

On January 1, 1970, the Benelux countries liberalized imports of penicillin and medicaments containing penicillin.

CANADA

Canada revised its antidumping legislation effective January 1, 1969 to include a provision requiring a finding of injury to domestic indusrty before an antidumping duty can be levied. The legislative change was necessary for Canada to adhere to the GATT International Antidumping Code.

DENMARK

Denmark liberalized imports of fresh and preserved peas and broccoli and certain fermented beverages, such as cider, in 1968. Quantitative restrictions were removed on certain frozen or prepared fruits, macaroni and spaghetti, and live sheep and goats except breeding animals, in 1969. Effective January 1970, frozen and canned spinach, roasted coffee and coffee substitutes containing coffee, and wines and vermouths of fresh grapes were freed of import restrictions.

FINLAND

In 1969 slight progress was made in easing credit restrictions on imported automobiles. For cars imported from the United States and other countries, the down-payment was reduced from 60 percent to 50 percent with 12 months instead of 9 to pay the balance. For imports from certain bilateral trading countries such as the USSR and Czechoslovakia, the minimum down-payment required was reduced from 40 percent to 30 percent and the time in wihch to pay the balance was increased from 18 months to 20 months.

FRANCE

In July 1969 quantitative restrictions were eliminated on aircraft of weights up to 15 tons and on all helicopters. France also removed quantitative restrictions on the importation of pork lard and pork grease that are to be used for industrial purposes only. While the French Government recently agreed to liberalized licensing on semiconductors, importers are still encountering some difficulty in obtaining licenses.

FEDERAL REPUBLIC OF GERMANY

Import restrictions on processed cherries were eliminated in 1968.

ITALY

In December 1968 Italy announced liberalization of salt and pure sodium chloride, sulphur, citric acid and crude calcium citrate, tulle net fabrics and mechanically made lace and lace goods, articles of gold, and jewelry and other articles of precious metals. A bilateral quota was established in 1969 for wines originating in and coming from the United States. In March 1970 Italy reduced its border tax adjustments.

JAPAN

See separate page on Japan, page 244.

NEW ZEALAND

The New Zealand Government exempted 17 tariff items, mainly machinery, from import licensing effective November 1968. Included in these exemptions were equipment for bookbinding, papermaking, printing, glassworking, textile, and cement industries. The 1970–71 import licensing schedule eliminates licensing requirements for a variety of items. Products which will no longer require import licenses after July 1, 1970, include electronic data processing machines, plastic raw materials in powder and granular form, canned fish, pulses, certain iron and steep shapes, pneumatic tires and tubes, knitting machines, certain musical instruments, and outboard and inboard marine engines. As a result of these exemptions, approximately 68 percent of value of all private (nongovernmental) imports will be free of import licensing controls after July 1, 1970.

UNITED KINGDOM

The 1967 import restrictions were lifted on aircraft of an all-up weight of over 4,500 pounds imported from the dollar area. Similar restrictions were removed that year on most types of pig meat. Also in 1967 the United Kingdom eliminated its 1¼- to 3¼-percent export rebates which covered a broad range of products. The 50-percent import deposit requirement imposed in late 1968 was reduced to 40 percent, effective for a 1-year period beginning December 1969 and more recently to 30 percent. The steel loyalty rebate of up to £4 per ton initiated in July 1967 was eliminated in June 1969.

Mr. BYRNES. I understand that there are a number of advisory committees, or Cabinet committees, or task forces, working in the area of trade under the auspices of the administration.

I wonder if you could supply for the record the various committees that are functioning in that area and the items that they are supposed to be particularly concerned about.

Ambassador GILBERT. We would be delighted to do so.

(The information requested follows:)

ALPHABETICAL LIST OF MAJOR INTERAGENCY AND PUBLIC ADVISORY COMMITTEES CONCERNED WITH INTERNATIONAL TRADE AND THEIR PRINCIPAL PURPOSES

Advisory Committee on International Business Problems.—Purpose is to establish closer liaison between Department of State and U.S. business representatives.

Agricultural Trade Task Force (a subcommittee of the Cabinet Committee on Domestic Economic Policy).—Purpose is to insure that U.S. agricultural trade policies harmonize with the overall economic policy of the U.S. Government.

Automotive Agreement Adjustment Assistance Board.—Purpose is to determine eligibility of firms or groups of workers applying for adjustment assistance in connection with the United States-Canadian Automotive Products Trade Agreement of January 15, 1965.

Exporters' Textile Advisory Committee.—Purpose is to assist exporters in maintaining and developing export markets for textiles.

Fishing Industry Advisory Committee.—Purpose is to advise the State Department with regard to the formulation and implementation of international fisheries policies.

Importers' Textiles Advisory Committee.—Purpose is to provide continuing advice on import markets and importers' problems concerning the administration of international textile agreements.

Interagency Committee for IA-ECOSOC.—Purpose is to coordinate all aspects of U.S. participation in the Inter-American Economic and Social Council.

Interagency Textile Administrative Committee.—Purpose is to administer the long-term international arrangements for cotton textiles.

Management-Labor Textiles Advisory Committee.—Purpose is to provide continuing advice on textile problems to the President's Cabinet Textile Advisory

Committee, the Interagency Administrative Committee, U.S. representatives to the GATT Textile Committee and U.S. negotiations on bilaterial agreements.

National Advisory Council on International Monetary and Financial Policies.—Purpose is to coordinate the activities of the U.S. representatives to international financial organizations, the Eximbank, and all other agencies of the Government to the extent that they make or participate in the making of foreign laws or engage in foreign, financial exchange, or monetary transactions.

National Export Expansion Council.—Purpose is to advise the Secretary of Commerce on all U.S. export matters and to provide guidance and leadership to the 42 regional Export Expansion Councils throughout the United States.

Oil Policy Committee.—Purpose is to coordinate oil policy for the U.S. Government.

President's Cabinet Textile Advisory Committee.—Purpose is to explore such questions as the competitive position of the U.S. textile industry and its ability to meet the pressure of imports, the effect of technological developments in the industry, employment trends, competition among fibers, changes in consumer preferences, etc.

Presidential Commission on International Trade and Investment Policy.—Purpose is to examine the entire range of U.S. trade and related policies, to analyze the problem we are likely to face in the 1970's, and to prepare recommendations on future U.S. trade policy.

President's "E" Award Committee.—Purpose is to consider nominations for the President's "E" award and "E" certificates for export services to be given to private firms and organizations for significant contributions to the U.S. export expansion program.

Shipping Coordinating Committee.—Purpose is to advise the Department of State on matters that come before the Intergovernmental Maritime Consultative Organization.

Trade Expansion Act Advisory Committee.—Purpose is to make recommendations to the President on (1) basic policy issues arising in the administration of the trade-agreements program, (2) action the President should take on escape-clause reports of the Tariff Commission, and (3) on action the President should take with respect to foreign import restriction.

Trade Executive Committee.—Purpose is to plan, direct, and coordinate interagency activities concerning the trade agreements program, trade policy, and related matters at the assistant secretarial level.

Trade Information Committee.—Purpose is to provide an opportunity, by the holding of public hearings and by such other means as it deems appropriate, for any interested party to present an oral or written statement concerning any proposed trade agreement or any other trade policy issue, and furnish summaries of such hearings and other pertinent information so received to the Trade Staff Committee.

Trade Staff Committee.—Purpose is to plan, direct, and coordinate interagency activities concerning the trade-agreements program, trade policy, and related matters at the staff level.

United States FAO Interagency Committee.—Purpose is to insure that U.S. Government aids to the fullest extent in the proper functioning of the FAO and to coordinate U.S. participation therein.

Ambassador GILBERT. If I could make an irreverent comment suggested by one of your colleague's question to me this morning, of the differences that I find between being a businessman and a bureaucrat, committees are a big part of the difference, and not necessarily an improvement.

Mr. BYRNES. That is all I have at this time, Mr. Chairman.

Mr. WATTS (presiding). Mr. Vanik.

Mr. VANIK. Mr. Chairman, I would like to open up with some questions relating to a matter earlier raised by my colleague, Mr. Boggs.

I would like to know if you take out of the trade picture those things that are not the subject of negotiation, the things we need, and if we take out the things that we argue about, what is there left in dollar volume of the $37 billion that we deal with at the present time?

Do you follow me?

Ambassador GILBERT. I am not quite sure I do, sir.

Mr. VANIK. Let me put it this way: You estimated the nonnegotiable items involved are about 13 percent of the trade volume. Is that correct?

Mr. GILBERT. I don't think it was a nonnegotiable area.

Mr. VANIK. The things about which there is no dispute.

Mr. GILBERT. The things we really need and have to have, right.

Mr. VANIK. That would come to about 13 percent?

Ambassador GILBERT. This I would like to check, but that is about the way it stands; yes, sir.

Mr. VANIK. With respect to the bulk items that come in, what percentage of our $37 billion is in oil and minerals coming from abroad?

Ambassador GILBERT. I don't have the percentage, Mr. Vanik, but imports of petroleum and petroleum products in 1969 were of a value of $2,556 million.

Mr. VANIK. Do you have that for the other minerals?

Ambassador GILBERT. Iron ore, $402 million; copper, $486 million; aluminum metal, $264 million.

Mr. VANIK. Does that include bauxite?

Ambassador GILBERT. No, that is the actual refined metal.

Mr. VANIK. What about bauxite?

Ambassador GILBERT. $183 million, I am told.

Mr. VANIK. I would like to know this: In our imports, how does the importation of high labor items compare with importation of low labor items? If we use as a key for import and export, those items where 50 percent or more may be commodity and 50 percent or more represent a labor factor in producing the item, what percentage of our imports and exports is in the high labor category and which would be in the low labor category?

Ambassador GILBERT. I think my quick answer should be, Mr. Vanik, that I am not prepared, really, to answer that question. I think it is one that we should analyze, and we will. It has difficulties in analysis, as you know, in that one doesn't necessarily have available any precise information.

Mr. VANIK. This is the hour of truth now. We are charged with dealing with a problem. I want to know what the magnitude of the problem is and who is precisely affected by everything we do. It narrows down probably to a pretty small category of people and industries and dollars that are involved, when you really get to the bare analysis of it.

Let me ask, for example, what were agricultural exports that are counted in our export figure? What were those last year?

Ambassador GILBERT. Our agricultural exports in 1969 were $6 billion.

Mr. VANIK. Does that include Public Law 480?

Ambassador GILBERT. That does include Public Law 480.

Mr. VANIK. And what were the imports?

Ambassador GILBERT. Our imports in agricultural products were $5 billion.

Mr. VANIK. $5 billion?

Ambassador GILBERT. Yes, sir.

Mr. VANIK. In a statement that you made a short time ago, you said that 4 percent of our gross national product is all that is involved

in this. If we took out of our calculations the issues about which there is no argument in the trade bill, what are we talking about in terms of gross national product, either on export or import?

Ambassador GILBERT. At this stage of the game my answer would have to be a guess.

Mr. VANIK. Mr. Chairman, let me ask——

Ambassador GILBERT. Your line of analysis is a very interesting one to me, and it is one that I assure you we will pursue.

Mr. VANIK. I would like, Mr. Chairman, if we could have inserted into the record at this point the complete breakdown of our export trade and our import trade so that we could have some official statement by the Ambassador as to what it is we are talking about by category.

Is my request granted, Mr. Chairman?

Mr. WATTS. Without objection, the information will appear in the record at this point.

(The information referred to follows:)

U.S. Exports of Principal Commodities
(Value in millions of dollars and quantity as specified)

Commodity	1963	1964	1965	1966	1967	1968	1969
Exports, total	23,387	26,650	27,530	30,430	31,622	34,636	37,988
Foreign (reexports)	285	352	343	436	384	437	544
Total, excluding military grant-aid	22,467	25,832	26,751	29,490	31,030	34,063	37,314
Agricultural commodities	5,651	6,439	6,306	6,954	6,448	6,300	6,004
Nonagricultural commodities	16,816	19,393	20,445	22,536	24,582	27,763	31,310
Manufactured goods (domestic)	14,297	16,529	17,439	19,218	20,844	23,818	26,764
Military grant-aid	920	818	779	940	592	573	674
Estimated exports financed under PL-480, total	1,511	1,612	1,323	1,306	1,237	1,178	n.a.
Sales for foreign currency	1,162	1,232	899	815	736	539	n.a.
Donations, including disaster relief	259	248	253	211	287	251	n.a.
Barter for strategic goods	38	35	19	41	13	3	n.a.
Long-terms dollar credit sales	52	97	152	239	201	384	n.a.
AID expenditures for U.S. goods for export[1]	1,085	1,077	1,140	1,186	1,300	1,056	n.a.
Exports of domestic merchandise, including military grant-aid							
Total	23,102	26,297	27,187	29,994	31,238	34,199	37,444
Food and live animals	3,657	4,076	4,003	4,562	4,061	3,890	3,733
Meat and preparations, total	144	177	162	159	151	162	199
Meat, fresh, chilled, or frozen, total	121	150	136	130	122	134	172
(million pounds)	(466)	(573)	(463)	(420)	(409)	(445)	(511)
Dairy products and eggs, total	253	292	192	125	117	141	131
Nonfat dry milk	103	113	118	63	80	79	71
(million pounds)	(1,182)	(1,311)	(863)	(388)	(409)	(396)	(329)
Fish	30	43	49	63	67	57	86
Grains and preparations, total	2,380	2,662	2,637	3,190	2,678	2,463	2,127
Wheat	1,148	1,361	1,063	1,396	1,120	993	726
(million bushels)	(642)	(756)	(650)	(826)	(642)	(592)	(444)
Wheat flour	183	171	121	140	87	108	105
(million pounds)	(4,445)	(4,233)	(3,080)	(3,326)	(2,107)	(2,808)	(2,634)
Rice	178	206	244	230	316	348	348
(million pounds)	(2,644)	(2,939)	(3,420)	(2,991)	(4,047)	(4,191)	(4,235)
Corn	591	652	833	876	704	734	726
(million bushels)	(439)	(480)	(597)	(612)	(510)	(589)	(549)
Grain sorghums	138	122	209	357	299	171	132
(million bushels)	(116)	(100)	(172)	(291)	(228)	(140)	(107)
Other grains and preparations	142	150	167	191	152	109	90
Fruits and nuts, total	295	307	339	340	338	303	370
Fruits, fresh, total	133	143	145	156	161	133	161
Citrus fruits	65	66	73	81	90	71	93
(million pounds)	(734)	(820)	(926)	(1,036)	(1,183)	(779)	(1,120)
Fruits, canned	69	70	77	69	53	47	63
(million pounds)	(514)	(498)	(560)	(482)	(348)	(294)	(432)
Vegetables, total	170	153	148	169	154	161	170
Vegetables, fresh and frozen	60	53	57	69	68	74	71
(million pounds)	(1,200)	(887)	(925)	(1,181)	(1,190)	(1,290)	(1,169)
Soybean oil-cake and meal	117	134	169	212	235	249	270
(thousand short tons)	(1,489)	(1,729)	(2,170)	(2,504)	(2,717)	(2,974)	(3,343)
Other feed for animals	84	88	109	115	95	123	136
Other food and live animals	184	227	198	189	224	232	244
Beverages and tobacco	531	554	517	624	649	702	713
Tobacco, unmanufactured	403	413	383	432	498	524	540
(million pounds)	(505)	(514)	(468)	(551)	(572)	(599)	(577)
Cigarettes	107	115	105	111	116	134	129
(billions)	(24)	(25)	(23)	(23)	(24)	(26)	(25)
Beverages and other tobacco	21	26	29	31	34	44	45

See footnote at end of table.

U.S. Exports of Principal Commodities--Continued
(Value in millions of dollars and quantity as specified)

Commodity	1963	1964	1965	1966	1967	1968	1969
Crude materials, inedible, other than fuels	2,494	2,978	2,856	3,071	3,284	3,541	3,570
Hides and skins, other than fur skins, total	75	93	109	155	128	122	152
Cattle hides, whole	54	65	83	123	99	95	126
(thousands)	(7,563)	(10,620)	(11,698)	(11,335)	(11,472)	(12,589)	(14,542)
Soybeans	472	567	651	760	772	810	822
(million pounds)	(10,482)	(12,570)	(13,660)	(14,743)	(15,805)	(17,669)	(18,669)
Other oilseeds; peanuts	38	43	56	55	56	59	49
Synthetic rubber	156	179	161	175	170	180	140
(million pounds)	(634)	(720)	(631)	(691)	(672)	(643)	(507)
Wood in the rough	80	93	125	137	202	287	303
Softwood logs, except pulpwood	55	67	83	104	160	238	256
Lumber, softwood	85	94	94	101	105	127	150
(million board feet)	(740)	(745)	(828)	(855)	(942)	(1,025)	(1,013)
Wood pulp	182	208	190	210	234	255	282
(thousand short tons)	(1,422)	(1,580)	(1,402)	(1,572)	(1,721)	(1,916)	(2,104)
Textile fibers and wastes, total	712	818	617	566	591	605	439
Raw cotton, other than linters	577	682	486	432	464	459	280
(thousand bales)	(4,362)	(5,241)	(3,795)	(3,597)	(3,973)	(3,869)	(2,397)
Manmade fibers and waste	37	50	43	50	55	69	81
Crude fertilizers	44	59	67	87	96	106	90
(thousand short tons)	(5,247)	(6,464)	(7,496)	(9,283)	(10,309)	(12,121)	(11,425)
Sulfur	35	41	65	82	91	69	57
Ores and metal scrap, total	372	504	435	422	524	586	712
Iron ore	76	80	80	92	72	71	62
Iron and steel scrap	175	243	197	177	251	201	303
(thousand short tons)	(6,365)	(7,886)	(6,172)	(5,855)	(7,635)	(6,572)	(9,176)
Copper ores and scrap	22	64	65	45	77	138	73
Molybdenum ores	39	41	45	55	51	48	99
Other metal ores and scrap	60	76	48	53	73	128	175
Other crude materials, inedible, other than fuels	243	271	286	321	315	335	374
Mineral fuels and related materials	978	953	947	976	1,104	1,050	1,131
Coal	474	463	477	468	483	503	594
(million short tons)	(50)	(50)	(51)	(50)	(50)	(51)	(57)
Petroleum and products, total	479	461	418	434	539	454	434
Petroleum, crude and partly refined	5	4	3	10	91	6	6
(million barrels)	(2)	(1)	(1)	(4)	(28)	(2)	(2)
Lubricating oils	215	206	185	190	193	189	172
(million barrels)	(17)	(17)	(14)	(15)	(15)	(15)	(14)
Other mineral fuels and related materials	25	29	52	74	83	93	103
Animal and vegetable oils and fats	303	414	472	357	338	274	308
Tallow, inedible	104	154	179	153	144	123	127
(million pounds)	(1,629)	(2,111)	(1,998)	(1,826)	(2,072)	(2,072)	(1,773)
Soybean oil	120	140	162	125	143	97	95
(million pounds)	(1,103)	(1,273)	(1,202)	(848)	(1,129)	(941)	(871)
Other animal and vegetable oils and fats	79	120	131	79	51	55	86
Chemicals	2,009	2,364	2,402	2,675	2,802	3,287	3,383
Coal tar and other cyclic intermediates	164	186	154	163	182	220	229
Pesticides and agricultural chemicals, except formulations	106	126	78	95	111	132	115
Other organic chemicals	211	299	437	433	455	496	561
Inorganic chemicals	241	278	258	282	299	348	373
Dyeing, tanning, and coloring materials	79	91	93	106	109	124	121
Medicinal and pharmaceutical products, total	238	235	256	269	288	314	363
Biological and glandular products	27	31	38	44	49	51	60
Antibiotics	42	42	74	73	84	99	132
Essential oils; perfume and flavor materials; perfumery and cosmetics	60	70	62	69	71	80	83

U.S. Exports of Principal Commodities--Continued
(Value in millions of dollars and quantity as specified)

Commodity	1963	1964	1965	1966	1967	1968	1969
Soaps; cleaning and polishing preparations	48	53	60	66	70	82	79
Fertilizers, manufactured	92	137	153	221	231	265	218
Insecticides, fungicides, and herbicides	83	86	53	76	83	107	82
Plastic materials and resins	323	402	425	473	473	590	590
Additives for lubricating oils	58	67	69	77	85	109	100
Other chemicals	306	334	304	345	345	420	469
Machinery and transport equipment	8,243	9,369	10,147	11,155	12,574	14,447	16,380
Machinery[2], total	5,702	6,525	6,934	7,678	8,280	9,844	10,138
Machinery nonelectrical[2], total	4,209	4,860	5,274	5,778	6,181	6,560	7,461
Steam engines, turbines, power boilers, and parts	112	88	91	95	94	93	92
Engines, turbines, and parts, total	560	578	756	855	950	1,057	1,146
Aircraft engines and parts	286	246	256	292	336	376	388
Automotive engines and parts, total	n.a.	n.a.	161	200	225	245	273
Engines to Canada	12	15	42	85	116	115	129
Parts and accessories to Canada	(3)	(3)	[4]94	48	42	52	64
Parts and accessories to other countries	(3)	(3)		51	48	54	58
Other internal combustion engines	100	122	146	152	152	161	174
Parts for other internal combustion engines	98	117	[4]140	162	183	193	213
Agricultural machinery	183	225	219	233	237	215	214
Agricultural tractors and parts[2]	137	193	215	215	214	199	207
Tracklaying tractors	163	202	215	201	185	234	250
Contractors' off-highway wheel tractors	40	53	54	50	44	49	62
Parts and accessories for tracklaying and contractors' off-highway tractors[2]	121	153	162	161	163	176	184
Electronic computers, parts, and accessories[5]	187	218	223	295	432	485	728
Other office machines	175	216	248	262	275	262	323
Metalworking machinery, total	347	408	332	338	339	334	343
Metal forming machine tools	80	100	82	77	75	84	94
Metal cutting machine tools	133	191	159	145	162	141	159
Other metalworking machinery	134	117	91	116	102	108	90
Textile and leather machinery, total	190	228	207	227	206	207	239
Textile machinery	121	151	132	148	130	124	153
Construction, excavating, and maintenance equipment	322	383	323	319	349	355	386
Mining and well drilling machines	113	129	141	145	165	210	240
Paper, pulp-mill, and paper converting machines	74	64	64	60	70	74	64
Printing and bookbinding apparatus	75	87	78	89	98	109	124
Materials handling equipment	262	298	397	432	446	462	531
Air conditioning and refrigerating equipment and parts	160	193	210	251	288	327	362
Heating and temperature change equipment	121	134	118	141	138	145	147
Ball and roller bearings and parts	65	81	81	86	88	84	99
Pumping equipment, including parts	103	110	143	170	185	191	217
Compressors, n.e.c., centrifuges; filtering and purifying machines	101	112	177	200	231	244	255
Parts and accessories for metalworking machines	46	57	60	67	71	76	82
Bottling, canning, wrapping, and packaging machines	58	70	69	79	79	83	89
Pipe valves and parts	83	90	111	129	141	151	170
Other nonelectrical machines	411	490	580	678	693	738	907

See footnotes at end of table.

U.S. Exports of Principal Commodities--Continued
(Value in millions of dollars and quantity as specified)

Commodity	1963	1964	1965	1966	1967	1968	1969
Electrical apparatus, total	1,492	1,665	1,660	1,900	2,098	2,224	2,678
Power machinery and switchgear, total	326	356	472	488	510	531	561
Generators or generating sets	99	122	149	120	116	118	95
Transforming, converting, and transmission apparatus	109	119	120	132	132	137	141
Motors, starters, and controls	72	64	87	93	104	110	126
Telecommunications apparatus, total	390	404	345	381	477	535	619
Radio and television apparatus	334	346	304	340	421	476	543
Domestic electrical equipment	98	112	116	130	121	121	132
Electron tubes, transistors, and semiconductor devices	88	109	140	202	230	260	434
Starting and lighting equipment	74	80	75	88	87	106	120
Measuring and controlling instruments and apparatus	205	238	197	240	290	313	350
Other electrical apparatus	311	366	315	371	383	398	462
Transport equipment[2], total	2,540	2,844	3,214	3,478	4,294	5,603	6,242
Railway vehicles, total	140	112	140	116	145	81	86
Road motor vehicles and parts[2], total	1,518	1,749	1,744	2,154	2,503	3,123	3,515
New motor vehicles, total	686	760	762	1,017	1,276	1,464	1,613
Automobiles to Canada	27	45	113	275	563	703	748
Automobiles to other countries	259	302	280	289	249	269	262
Trucks to Canada	13	11	32	68	115	141	219
Trucks to other countries	216	279	247	233	223	206	228
Special purpose vehicles	41	35	49	59	70	78	77
Military vehicles	130	88	41	93	54	67	78
Parts and accessories to Canada[3]	432	514	570	704	794	1,203	1,376
Parts and accessories to other countries[3]	294	334	305	319	316	326	380
Aircraft, parts, and accessories, total	817	874	1,137	1,097	1,519	2,309	2,398
Civilian aircraft	248	287	478	553	790	1,405	1,241
Military aircraft	227	241	349	216	305	405	601
Parts and accessories	343	345	310	327	424	499	556
Other transport equipment	65	109	193	111	127	90	243
Other manufactured goods	4,046	4,795	4,890	5,388	5,468	6,084	7,001
Rubber manufactures	148	161	165	168	156	188	195
Paper and manufactures, total	312	374	389	443	466	545	585
Paper and paperboard, total	220	274	325	367	383	456	492
Kraft, in rolls or sheets	82	114	141	163	184	227	238
Paper and paperboard manufactures	92	100	63	76	84	89	93
Non-metallic mineral manufactures	282	301	302	342	340	389	448
Glass and glassware	95	118	128	140	142	153	167
Gem diamonds	35	41	43	59	61	95	122
Iron and steel-mill products, total[6]	505	664	607	537	539	583	940
(thousand short tons)	(2,350)	(3,562)	(2,671)	(1,920)	(1,868)	(2,416)	(5,474)
Bars, rods, shapes, and piling	55	82	79	53	49	55	109
(thousand short tons)	(293)	(463)	(424)	(239)	(221)	(261)	(563)
Plates and sheets	216	288	184	142	150	150	287
(thousand short tons)	(1,071)	(1,577)	(911)	(701)	(727)	(834)	(1,885)
Tubes, pipes, and fittings	130	129	160	189	181	185	204
(thousand short tons)	(406)	(350)	(353)	(407)	(368)	(422)	(410)

See footnotes at end of table.

U.S. Exports of Principal Commodities--Continued
(Value in millions of dollars and quantity as specified)

Commodity	1963	1964	1965	1966	1967	1968	1969
Silver bullion, refined.....	38	141	51	110	92	200	103
Nonferrous base metals, total...	406	487	539	582	517	600	712
Copper.....	208	228	233	307	209	282	282
(million pounds).....	(657)	(671)	(709)	(590)	(407)	(548)	(458)
Aluminum.....	126	159	159	178	197	191	294
(million pounds).....	(478)	(595)	(560)	(572)	(644)	(625)	(991)
Manufactures of metal, n.e.c., total.....	495	539	553	615	626	643	703
Finished structural parts and structures.....	77	68	84	90	89	85	103
Tools for use in hand or machine.....	114	130	141	156	158	169	188
Textiles other than clothing, total.....	489	577	528	554	531	522	576
Textile yarn and thread.....	123	153	131	128	110	112	142
Cotton broad-woven fabrics other than remnants.....	109	118	98	110	98	91	102
(million square yards)..	(383)	(408)	(299)	(337)	(288)	(273)	(300)
Broad-woven fabrics of man-made fibers.....	91	109	108	112	112	105	117
Other textiles.....	166	197	191	204	210	214	215
Sanitary, plumbing, heating, and lighting fixtures.....	53	63	54	61	65	66	71
Furniture.....	41	47	41	47	52	54	55
Clothing other than for charity.	94	104	112	125	129	144	178
Optical goods; medical and dental apparatus.....	77	85	89	102	116	128	160
Scientific measuring and controlling instruments.....	192	208	288	332	363	377	453
Photographic and motion picture equipment.....	65	81	103	131	148	159	176
Photographic supplies.....	89	103	130	159	180	208	224
Recording magnetic tape and wire[5].....	n.a.	n.a.	26	34	41	52	66
Sound reproducers, musical instruments, and parts.....	69	77	93	112	125	151	180
Printed matter.....	175	201	226	261	279	292	312
Articles of plastic or rubber, n.e.c.....	41	52	68	83	87	102	112
Toys, games, and sporting goods.	50	63	92	107	114	117	126
Other manufactured goods.....	445	467	434	483	502	564	626
Other transactions.....	841	794	954	1,187	959	924	1,227
Firearms of war and ammunition therefor.....	586	524	644	844	635	567	746
Estimate for shipments $100 or less[7].....	194	228	245	262	246	272	396
Other transactions.....	61	42	65	81	78	85	85

[1]Includes surplus agricultural commodities shipped under AID's barter transactions. [2]Nonelectrical machinery includes and transport equipment excludes parts for tractors. The Census Bureau reports tractor parts with transport equipment under road motor vehicles. [3]Parts for automotive engines, not reported separately in 1963-64, are included with automotive parts prior to 1965 and with engines thereafter. [4]Estimated. [5]Computer tape, which cannot be separated, is included with electronic computer parts and accessories prior to 1965 and with recording magnetic tape and wire thereafter. [6]Excludes pig iron. [7]Beginning October 1969 includes estimates for shipments $250 or less. n.a. Not available. n.e.c. Not elsewhere classified.

Source: Department of Commerce, Overseas Business Reports, March, 1970

U.S. General Imports of Principal Commodities
(Value in millions of dollars and quantity as specified)

Commodity	1963	1964	1965	1966	1967	1968	1969
Imports, total	17,207	18,749	21,429	25,618	26,889	33,226	36,052
Agricultural commodities[1]	4,020	4,143	4,082	4,530	4,472	5,054	4,954
Nonagricultural commodities[1]	13,049	14,606	17,347	21,088	22,418	28,173	31,098
Manufactured goods	8,070	9,106	11,245	14,446	15,756	20,624	23,021
Food and live animals	3,491	3,467	3,460	3,948	4,003	4,577	4,531
Cattle other than for breeding	43	42	98	97	59	91	94
Meat and preparations, total	527	410	426	600	645	746	864
Boneless beef, fresh or frozen	300	216	183	282	332	376	458
(million pounds)	(640)	(669)	(564)	(721)	(814)	(897)	(589)
Hams, shoulders, and bacon, canned, cooked, and boned	101	106	132	176	177	190	210
(million pounds)	(146)	(163)	(205)	(249)	(251)	(267)	(263)
Beef or veal, canned, pickled or cured	24	32	45	53	60	89	87
Cheese	38	39	43	61	65	70	67
Fish, total	394	426	469	553	522	631	692
Fresh or simply preserved	301	340	385	457	424	521	581
Canned or otherwise prepared	92	86	84	96	98	110	111
Grains and preparations	44	50	40	43	46	49	55
Fruits, total	175	229	264	287	283	327	333
Bananas	82	127	162	179	174	182	180
Nuts	60	72	75	82	77	110	96
Vegetables	109	125	139	170	195	215	233
Sugar	611	458	442	501	588	640	638
(million pounds)	(8,947)	(7,179)	(7,780)	(8,453)	(9,430)	(9,945)	(9,528)
Coffee, green	955	1,197	1,058	1,067	963	1,140	894
(million pounds)	(3,153)	(3,019)	(2,816)	(2,918)	(2,819)	(3,357)	(2,676)
Cocoa or cocoa beans	135	131	120	122	147	136	168
(million pounds)	(631)	(597)	(794)	(715)	(633)	(511)	(489)
Tea	58	60	58	57	58	61	53
Spices	35	39	51	50	46	48	51
Feeds for animals	57	72	54	85	100	106	69
Other food and live animals	135	137	123	173	209	207	224
Beverages and tobacco	462	535	553	642	698	786	778
Alcoholic beverages	345	387	426	497	528	626	648
Whiskey	235	264	295	344	362	425	430
(million gallons)	(41)	(46)	(51)	(57)	(60)	(73)	(73)
Tobacco, unmanufactured	113	142	121	137	162	148	117
Other beverages and tobacco	4	6	6	8	8	12	13
Crude materials, inedible, other than fuels	2,726	2,880	3,103	3,310	2,997	3,346	3,460
Hides and skins other than fur skins	65	82	80	89	61	78	62
Fur skins, undressed, total	114	102	113	126	92	103	94
Mink	62	61	64	73	55	55	48
(thousands)	(4,459)	(4,364)	(4,856)	(5,651)	(5,351)	(4,708)	(3,608)
Copra	38	43	55	42	46	62	47
(million pounds)	(521)	(548)	(615)	(536)	(610)	(643)	(600)
Rubber, including latex	197	201	182	177	170	188	275
(million pounds)	(850)	(988)	(998)	(967)	(1,014)	(1,210)	(1,311)
Lumber, softwood	305	294	300	307	327	491	546
(million board feet)	(4,964)	(4,738)	(4,748)	(4,613)	(4,796)	(4,682)	(5,773)
Lumber, hardwood	55	67	74	90	62	63	77
(million board feet)	(356)	(302)	(331)	(418)	(387)	(344)	(445)
Wood pulp	329	370	399	425	396	432	501
(thousand short tons)	(2,775)	(2,939)	(3,137)	(3,358)	(3,166)	(3,532)	(4,040)
Textile fibers and wastes, total	449	407	435	436	306	335	260
Wool and other animal hair	280	263	282	277	168	199	155
Vegetable fibers	96	66	60	61	63	47	34
Synthetic and man-made fibers	31	41	53	64	48	65	50
Sulfur	24	26	27	34	48	64	57
Industrial diamonds	50	60	56	69	53	48	42
Asbestos, unmanufactured	64	73	70	73	66	73	76
Ores and metal scrap, total	712	847	971	1,064	1,007	1,008	1,013
Iron ore and concentrates	323	421	444	462	444	454	403
(million short tons)	(37)	(48)	(50)	(52)	(50)	(49)	(46)
Silver ore and base bullion	48	54	56	44	33	50	47

See footnote at end of table.

U.S. General Imports of Principal Commodities--Continued
(Value in millions of dollars and quantity as specified)

Commodity	1963	1964	1965	1966	1967	1968	1969
Copper ore and scrap	29	25	38	75	45	40	54
Nickel ore and scrap	1	1	1	27	41	66	63
Bauxite and aluminum scrap	117	135	157	165	168	159	183
Zinc ore and scrap	32	44	59	70	74	76	85
Other nonferrous base metal ores and scrap	136	133	204	204	183	146	154
Crude vegetable materials, n.e.s.	102	98	107	110	107	110	115
Other crude materials inedible, except fuels	222	210	234	268	256	291	295
Mineral fuels and related materials	1,924	2,030	2,221	2,262	2,248	2,527	2,794
Petroleum and products, total	1,814	1,907	2,092	2,127	2,086	2,343	2,560
Petroleum, crude and partly refined	1,114	1,170	1,215	1,229	1,167	1,310	1,445
Jet fuel	70	70	89	99	102	135	154
(million barrels)	((26)	(25)	(31)	(34)	(35)	(45)	(51)
Fuel oils	570	621	719	738	774	854	909
(million barrels)	(277)	(302)	(348)	(372)	(389)	(426)	(475)
Natural gas	104	99	105	106	129	147	195
(billion cubic feet)	(411)	(428)	(453)	(459)	(549)	(628)	(804)
Other mineral fuels and related materials	6	24	24	29	33	37	39
Animal and vegetable oils and fats	105	119	116	146	122	158	137
Coconut oil	41	51	51	68	49	71	55
Chemicals	701	702	769	955	958	1,189	1,232
Organic chemicals, total	93	132	160	226	221	281	314
Coal-tar intermediates	28	26	39	50	45	71	81
Inorganic chemicals, total	124	141	158	203	217	260	303
Alumina	10	14	16	27	50	73	106
Uranium oxide	190	111	58	41	13	5	15
(thousand pounds)	(20)	(12)	(6)	(4)	(3)	(1)	(3)
Dyeing, tanning, and coloring materials	30	38	43	53	53	71	65
Medicinal and pharmaceutical products	50	41	58	75	72	76	83
Essential oils, cosmetics, and soaps	35	38	63	66	69	76	73
Fertilizers, manufactured	90	105	112	131	142	140	137
Plastic materials and resins	16	31	41	60	60	94	99
Other chemicals	73	65	76	100	111	130	143
Machinery and transport equipment	1,823	2,216	2,948	4,823	5,794	7,987	9,788
Machinery, total	1,054	1,314	1,800	2,629	3,099	3,772	4,571
Machinery, nonelectrical, total	635	871	1,160	1,677	1,963	2,280	2,624
Aircraft engines	5	7	20	33	31	38	33
Automotive engines and parts, total	n.a.	92	121	232	268	373	441
Engines from Canada	n.a.	23	27	106	123	189	207
Parts from Canada	n.a.	40	52	71	79	101	112
Parts from other countries	n.a.	24	37	46	58	74	115
Other power generating machinery	44	37	54	66	84	106	129
Agricultural machinery, total	117	144	156	190	216	188	189
Harvesting, cutting, and sorting machinery	63	114	124	149	165	153	149
Agricultural tractors and parts	55	38	68	106	101	113	125
Other tractors and parts	n.a.	13	25	29	24	21	31
Office machines, total	98	104	136	191	225	256	372
Typewriters	33	38	47	59	61	64	70
Calculators	25	20	25	36	50	74	108
Parts of office machines	6	16	22	30	41	53	104
Metalworking machinery, total	43	40	63	135	203	204	183
Machine tools	42	36	56	123	185	166	157
Textile and leather machinery, total	93	127	157	221	237	308	305
Textile machinery	42	58	78	129	144	129	172
Sewing machines, domestic	35	48	53	55	55	70	76
Printing and bookbinding machinery	25	26	32	38	52	69	68
Materials handling equipment	18	18	24	36	40	61	89
Ball and roller bearings	19	25	34	52	57	61	69

See footnote at end of table.

U.S. General Imports of Principal Commodities--Continued
(Value in millions of dollars and quantity as specified)

Commodity	1963	1964	1965	1966	1967	1968	1969
Other nonelectrical machines.	113	200	270	348	425	482	590
Electrical apparatus, total....	419	443	640	1,010	1,136	1,492	1,947
Power machinery and switchgear.....	22	41	67	105	133	168	196
Equipment for distributing electricity.....	10	23	36	85	82	76	90
TV receivers.....	23	39	60	116	124	202	298
(thousands).....	(391)	(714)	(1,052)	(1,530)	(1,668)	(2,723)	(4,053)
Transistor radios.....	74	82	108	132	152	232	326
(millions).....	(12)	(12)	(18)	(25)	(23)	(29)	(36)
Radio-phonographs, other radios, and parts.....	46	32	42	58	78	84	78
Other telecommunications apparatus.....	77	72	104	180	182	219	304
Electron tubes, transistors, and semiconductor devices...	31	34	63	102	101	141	174
Other electrical apparatus...	136	120	160	232	284	370	481
Transport equipment[8], total.....	784	902	1,148	2,135	2,695	4,215	5,198
Automobiles and parts, total...	563	686	810	1,618	2,266	3,712	4,624
Automobiles, new from Canada.	1	19	77	370	818	1,349	1,827
(thousands).....	(1)	(9)	(35)	(165)	(324)	(501)	(691)
Automobiles, new from other countries.....	448	560	581	866	878	1,433	1,528
(thousands).....	(411)	(528)	(539)	(748)	(697)	(1,120)	(1,156)
Trucks from Canada.....	(x)	(x)	12	82	171	259	348
(thousands).....	(x)	(x)	(6)	(40)	(75)	(114)	(143)
Chassis and bodies for trucks and buses from Canada.....	(x)	3	5	57	64	121	206
Automotive parts from Canada.	18	27	57	146	210	355	434
Automotive parts from other countries.....	60	43	42	53	54	81	98
Motorcycles.....	38	69	134	176	104	112	166
(thousands).....	(183)	(324)	(608)	(691)	(353)	(348)	(644)
Aircraft and parts, total.....	91	83	140	273	248	294	283
Civilian aircraft.....	19	4	66	154	59	109	110
Parts for aircraft, except engines.....	64	62	66	108	188	184	172
Other transport equipment.....	72	64	64	68	77	97	125
Other manufactured goods.....	5,546	6,188	7,528	8,668	9,004	11,508	12,021
Leather.....	48	52	66	79	69	83	89
Rubber tires and tubes.....	28	40	45	61	88	126	147
Wood manufactures other than furniture, total.....	232	260	271	304	303	420	466
Plywood.....	109	122	123	148	141	215	245
(million square feet)....	(1,630)	(1,957)	(2,118)	(2,531)	(2,513)	(3,853)	(4,257)
Paper and manufactures, total....	765	827	870	985	963	976	1,081
Newsprint.....	688	752	790	890	865	863	939
(thousand short tons)....	(5,413)	(5,949)	(6,323)	(6,990)	(6,605)	(6,464)	(6,790)
Construction materials of lime, cement, and clay.....	62	69	71	74	65	83	102
Glass.....	50	60	57	69	79	111	119
Glassware.....	27	34	36	46	48	57	62
Pottery.....	63	69	75	82	85	106	133
Diamonds, other than industrial..	224	260	308	375	389	478	511
Metals and manufactures, total...	1,903	2,123	2,875	3,300	3,442	4,647	4,037
Pig iron and ferroalloys.....	58	70	94	122	84	85	86
Iron and steel-mill products, total.....	598	715	1,140	1,183	1,289	1,962	1,724
(thousand short tons)....	(5,135)	(6,126)	(10,093)	(10,461)	(11,303)	(17,712)	(13,763)
Bars, rods, shapes, and pilings.....	233	264	377	368	385	528	508
(thousand short tons)....	(2,502)	(2,799)	(3,599)	(3,586)	(3,955)	(5,585)	(4,701)
Plates and sheets.....	138	196	475	492	567	968	734
(thousand short tons)....	(1,106)	(1,677)	(2,961)	(4,698)	(5,443)	(9,403)	(6,376)
Steel wire.....	54	66	79	83	84	108	112
Tubes, pipes, and fittings...	113	126	144	168	180	267	275
(thousand short tons)....	(792)	(847)	(982)	(1,119)	(1,122)	(1,697)	(1,730)
Silver, refined bullion.....	20	10	7	33	44	88	71
Platinum group metals.....	32	51	69	84	85	121	89

See footnotes at end of table.

U.S. General Imports of Principal Commodities--Continued
(Value in millions of dollars and quantity as specified)

Commodity	1963	1964	1965	1966	1967	1968	1969
Nonferrous base metals, total..	907	970	1,198	1,469	1,477	1,812	1,374
Copper, total.....	331	400	429	611	696	855	486
(million pounds).....	(1,000)	(1,255)	(1,119)	(1,310)	(1,354)	(1,616)	(958)
Blister and other unrefined	164	239	232	295	215	228	230
(million pounds)[1].....	(541)	(760)	(666)	(716)	(539)	(541)	(476)
Refined[1].....	55	83	95	145	308	435	133
(million pounds)[1].....	(189)	(276)	(275)	(329)	(657)	(800)	(262)
Nickel.....	163	154	189	180	204	210	219
Aluminum.....	195	200	264	301	244	350	254
Lead.....	45	47	61	76	89	82	72
Zinc.....	31	31	43	76	59	79	88
Tin.....	109	104	167	154	167	184	189
Other nonferrous base metals.	33	34	49	70	58	52	55
Manufactures of metal, n.e.s., total.....	289	307	366	411	463	579	693
Nails, screws, and bolts.....	66	78	101	101	106	128	156
Tools for use in hand or machine.....	27	33	40	49	59	74	85
Textiles, other than clothing, total.....	679	681	800	909	808	962	1,019
Textile yarn and thread.....	56	53	66	106	82	130	100
Cotton broad-woven fabrics.....	110	103	134	157	141	146	174
Jute woven fabrics.....	168	171	187	203	178	190	219
Broad-woven fabrics of wool....	78	79	105	91	88	109	96
(million square yards)..	(48)	(47)	(63)	(56)	(54)	(69)	(62)
Broad-woven fabrics of man-made fibers.....	26	32	51	69	64	88	114
Other broad-woven fabrics.....	76	67	80	86	67	80	77
Twine and cordage.....	52	56	48	45	41	38	36
(million pounds).....	(331)	(299)	(296)	(326)	(316)	(311)	(305)
Floor coverings.....	38	45	45	53	46	66	67
Clothing.....	395	451	543	608	649	855	1,106
Footwear.....	124	140	160	190	263	388	488
Furniture.....	36	47	60	81	91	133	192
Travel goods, hand bags, and small leather goods.....	28	40	50	56	72	95	97
Optical goods; medical and dental apparatus[1].....	47	63	71	96	99	120	146
Scientific measuring and controlling instruments[1].....	22	37	43	49	60	68	77
Photographic and projection equipment[1].....	47	51	52	65	77	96	111
Photographic supplies.....	35	43	43	46	49	58	69
Clocks and watches.....	77	83	100	136	142	151	161
Sound recorders, reproducers, and accessories.....	64	85	108	137	166	251	360
Musical instruments and parts[1]...	26	31	49	61	59	58	63
Printed matter.....	62	69	77	97	103	116	126
Articles of plastic and rubber, n.e.s.....	45	57	71	82	95	145	201
Toys and games.....	68	85	90	107	126	171	207
Sporting goods.....	55	56	66	73	86	112	141
Artworks and antiques.....	108	108	141	136	141	186	185
Jewelry and related articles.....	36	34	33	41	44	55	66
Other manufactured goods.....	190	233	297	323	438	401	459
Other transactions.....	518	591	730	866	1,065	1,208	1,331
U.S. goods returned.....	310	368	458	503	605	667	756
Estimate for low-value shipments[3]	174	181	233	261	284	322	304
Other transactions.....	34	42	39	102	176	219	271

[1]Data are imports for consumption for 1963 and general imports thereafter. [2]Nonelectrical machinery includes and transport equipment excludes parts for tractors. The Census Bureau reports tractor parts with transport equipment under road motor vehicles. [3]Includes formal entries valued $1 to $100 and informal entries under $250 through June 1965; beginning July 1965 includes both formal and informal entries under $250. n.e.s. - Not elsewhere specified. n.a. - Not available. (x) Less than half the unit specified.

Source: Department of Commerce, Overseas Business Reports, March, 1970

Mr. VANIK. I would like to ask this: Among the 500 largest corporations of America, isn't it true that most of them are both importers and exporters? Is that true or false? There are many that are both exporters and importers.

Ambassador GILBERT. There certainly are.

Mr. VANIK. Do you have a documentation of the trade balance for the 500 largest corporations of America so that we could see how they are doing comparing imports with exports? That has a bearing on our overall decision here. Is it possible that we could have prepared for us an analysis of the trade balance of the 500 largest corporations of America, the major corporations?

Ambassador GILBERT. I don't have any information of this type.

Mr. VANIK. I find, Mr. Ambassador, that some corporations will have one division contact me and be all excited about imports and the vice president of the next division will be having exactly the exact opposite argument relating to restrictions on exports.

It seems to me that it would be very helpful if we could have a balance sheet for the large corporations of America to indicate what their trade balance is.

Ambassador GILBERT. I doubt very much that there are any such analyses available. I will inquire of the Department of Commerce to see if they have any information along this line. They may have some in connection with their OFDI program over a period of years.

(The Department of Commerce reports that it has no information on trade balances for individual companies.)

Mr. VANIK. I am concerned, Mr. Ambassador, about another thing. In the case of a country like Germany or Japan, where we have a tremendous defense expenditure in each of these countries, can you tell me or do you have information concerning the total aggregate amount of American expenditure last year in Japan or in Germany for defense?

Ambassador GILBERT. I do not. I do have the military grant figure, but not the total military expenditure figure.

Mr. VANIK. With Japan, we have a trading imbalance of $1.5 billion; is that correct?

Ambassador GILBERT. $1.4 billion.

Mr. VANIK. Isn't that just about the amount we are spending in Japan to maintain a defense establishment?

Ambassador GILBERT. It would be in addition.

Mr. VANIK. It is only a part of the amount we are spending to maintain a defense establishment.

Ambassador GILBERT. In other words, they would be quite separate figures. One is a trade balance.

Mr. VANIK. Then, isn't it true that perhaps the great Japanese economic miracle and the German economic miracle result in some part because of the fact that these countires, the industries and people of these countries, are not carrying the tremendous defense burden that the American industry and the American people must shoulder?

Ambassador GILBERT. I think this has to be a factor, sir.

Mr. VANIK. I have felt for a long time that our troops ought to be taken out, that we should bring our people home. This may go on into the next century, into the next millennium.

I am wondering if perhaps the host countries can't help move them out. If we have difficulty moving them out here, maybe we ought to

consider a defense excise tax to help shoulder the excess cost in providing for this tremendous machinery that we are maintaining in these countries that are achieving economic miracles.

What is your thinking on something like that?

Ambassador GILBERT. I am afraid that my first reaction is that this is an interesting line of questions but it is a bit beyond the scope of any of my authority to have any strong opinions or certainly to speak on.

Mr. VANIK. But you must admit that it is certainly something that this committee ought to be concerned with. We ought to be taking every step possible to provide the ground rules for fair competition, for fair trade. This is certainly a factor that helps make it unfair. Certainly, as long as the American industry and the American worker must shoulder this tremendous additional burden, it puts him at a competitive disadvantage because it increases the cost of production in this country.

Wouldn't that be true?

Ambassador GILBERT. I think that is a very logical conclusion.

Mr. VANIK. Shouldn't we be as much concerned with that as with some of the other internal problems that we have that help create our trade imbalance in the country?

Would you give me any idea as to what, in your judgment, would be the definition of a low labor item as distinguished from a commodity item in trade?

Ambassador GILBERT. I know of no quick answer to that question. Of course, this is one of those problems which will vary country by country in part due to labor rates.

If labor rates are high, then there is a tendency to substitute capital improvements as a way of improving the efficiency of labor. This would vary country by country, product by product, company by company.

Mr. VANIK. Yes, but if we are going to make a sound decision on what we do here, we have to provide for compensation for the import damage to an industry, which is one of the important decisions we have to make here.

In order to make a really solid determination of these costs, it seems to me we ought to know whether or not the trade imbalance will be in items of high labor, which will generate high costs in the event of trade damage, or whether they will be items of low cost.

It seems to me that we ought to have some kind of a definition or some kind of way of determining which of the items of trade are going to fall in either category so that we can make some assessment as to what we are going to have to plan for in a rather extensive program of relief for labor that may be disturbed, for labor and management that may be disturbed, by a trade policy.

Ambassador GILBERT. Perhaps, Mr. Vanik, the best way to leave this is in trying to comply with your earlier request, for an analysis of export and import trade, we will do our best to categorize these commodities along the line you suggest.

I can't promise that we will be able to come up with a full satisfactory answer, but we will do what we can.

(The following information was received by the committee:)

There is no unique or unequivocal answer to the question of the comparative labor intensiveness of different products. The concept of labor intensiveness, itself, is subject to a variety of definitions, while the statistical data available to quantify any of the possible definitions are seldom precise or detailed enough to give much more than very crude measurements of a very broad nature.

Most concepts of labor intensity would normally involve some type of comparison of the quantity (or value) of the labor input necessary to create a unit of quantity (or value) of a given product. Within each concept there is the further complication that there are a variety of possible measurements of both the labor unit and the unit of product.

Measures of labor input could involve the number of employees the number of production workers only, the man-hours worked by either category of employees, the wages paid, the total payroll including fringe benefit costs, or related computations. Measures of output on the other hand, could involve the value of plant shipments either in current values or deflated for price changes, the value of total production including inventories and in-process work (also either in current values or deflated), output in terms of value added either adjusted or unadjusted for price change, output of specific products or output of related processes making similar or interrelated products, or measurements of product in quantity or physical terms. There is no concensus on the proper measurements to use. Selection among them would normally be on the basis of the purpose and uses involved in each application.

In no instance can the relative contribution or the role of labor be entirely isolated or accurately measured. The labor content of a product will and does necessarily vary between producing operations with the technology and the production processes employed, the skills of the labor force involved, the quantity and quality of capital also involved, managerial skills, industry practices, and government regulations, to name a few of the more important factors. At any given time, the labor content in a given product can vary appreciably within a single firm's operations, as well as within an industry's, and clearly can vary over time.

By the same token, imported products can vary in labor content, including variations between countries of origin. Imports, moveover, present further problems in analyzing labor content. While the available data on domestic production have many limitations and are seldom compiled with the purpose of facilitating labor intensity comparisons, they are relatively far more abundant and pertinent than data on imports for which little more than the total value of the product is generally known. Certain comparisons of domestic labor measures and with domestic product measures can be made on at least a crude basis, and at a relatively high level of aggregation (though only seldom on a specific product basis, the level where competition takes place). No such comparisons, however, can normally be made for imports. Consequently, any effort to obtain them must rely on the obviously defective assumption that the labor content of the import is similar to that of the domestic product which in some fashion can be measured.

For reasons such as these are no known, readily available and reliable data on the relative labor intensiveness of products important in either our import trade, or, for that matter, in our export trade. And, if they were available, the results would necessarily vary depending on which definition was used and which data were employed in the measurement. A product, or an industry, which ranked high in labor content according to one analysis might rank quite differently in relation to other products and industries in another analysis.

In an effort to provide a responsive answer to the question within the limited time available, several computations have been made to illustrate general magnitudes. It was not possible to apply these techniques to more than a select group of what are essentially industries or industry sub-groups, rather than specific products.[1] In order to illustrate the range of possible results, the groups selected were the eight largest export industries and the 10 largest import industries, both as classified by the Bureau of the Census on a three-digit, end-use basis. Of the 18 groups thus selected, five appeared in both the export and import listings (paper and paper products, iron and steel products, non-ferrous ores

[1] The perhaps most readily acceptable, and perhaps understandable, measure of labor intensiveness is the relationship between direct labor costs and total costs of a product on a unit or similar basis, i.e., the share of total unit production costs contributed by labor. While this measurement can be made by companies on the basis of internal, cost accounting data, comparable information for entire industries is not available in the usual sources of public statistics.

and metals, autos and parts, and electrical apparatus). The most recent data for these groups was for 1966.

These data were used in computing the six illustrative measures of labor intensiveness shown in the table below. These six measures were selected largely because the available data permitted their calculation and are submitted primarily as illustrative of the range of possible variation and of possible differences between industries. As very broad measures, moreover, they are inherently averages and do not reveal any information on the differences within each group. A ranking within each of the six measures is also shown to illustrate the differences in results depending on which measure is employed.

SOME ALTERNATIVE MEASURES OF LABOR INTENSIVENESS, SELECTED INDUSTRIES, 1966

Industry	Costs per dollar of—				Number of employees per million dollars of—	
	Shipments		Value added			
	Total payroll costs	Production worker wages only	Total payroll costs	Production worker wages only	Shipments	Value added
Aircraft and parts	$0.37	$0.19	$0.65	$0.33	42	74
Metal working machinery	.31	.20	.54	.34	43	74
Electrical apparatus	.30	.20	.50	.33	45	75
Apparel	.27	.21	.56	.43	70	144
Paper and paper products	.25	.17	.43	.30	32	70
Textile fabrics and twine	.23	.18	.54	.42	57	134
Business machines	.23	.12	.38	.20	31	51
Iron and steel products	.21	.16	.47	.36	26	58
Household appliances	.21	.16	.44	.32	33	68
Autos and parts	.15	.12	.43	.34	18	53
Nonferrous ore, metal, scrap	.10	.07	.29	.22	13	39
Fuels and lubricants	.05	.03	.22	.15	6	26
Meat and meat preparations	.09	.06	.55	.41	15	93
	Ranking within sample					
Aircraft and parts	1	3	1	6	5	5
Metal working machinery	2	2	4	5	4	5
Electrical apparatus	3	2	5	6	3	4
Apparel	4	1	2	1	1	1
Paper and paper products	5	5	8	8	7	6
Textile fabrics and twine	6	4	4	2	2	2
Business machines	6	7	9	10	8	10
Iron and steel products	7	6	6	4	9	8
Household appliances	7	6	7	7	6	7
Autos and parts	8	7	8	5	10	9
Nonferrous ore, metal, scrap	9	8	10	9	12	11
Fuels and lubricants	11	10	11	11	13	12
Meat and meat preparations	10	9	3	3	11	3

Mr. VANIK. Can you tell us at this time what trade arrangements were made after the conclusion of the Treaty on Okinawa?

Ambassador GILBERT. I cannot.

Mr. VANIK. I understand some trade concessions were involved. Am I correct or not?

Ambassador GILBERT. Not to my knowledge; no, sir.

Mr. VANIK. I must have been misreading the newspapers, because I thought there were some trade concessions that were involved.

Ambassador GILBERT. There were some expressions, as I read the press, on the part of the Prime Minister of Japan and the President hoping and expecting this sort of thing would happen, but anything directly connected to Okinawa I am not conscious of.

Mr. VANIK. They were directed, I think, toward investment rather than to trade. Is that correct?

Ambassador GILBERT. Perhaps coincidentally the Japanese Government did announce some further future liberalization both on imports and investment. But they were for a future date and, as I say, not directly connected with Okinawa, as far as I know.

Mr. VANIK. Mr. Chairman, if the Ambassador can provide this information for the record, I would like to have the export and import trade figures category by category. We haven't had any figures for 1969, if those are available, and I would like to have some determination made for the record as to the distinction between commodity items and high labor items so that we might have some information on the area of controversy that remains in the trade field.

I think as we narrow it down we can narrow the discussion to those issues and controversies and see how they are affected.

Maybe we shouldn't expect you to have this, but I will ask tomorrow for the total cost of the military, the U.S. military, expenditures in the countries of our trading partners.

I think we ought to have that so that we can see what relationship that bears to the trade imbalance with respect to the countries that are affected.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Watts.

Mr. WATTS. Mr. Ambassador, first, may I say that I am not an isolationist, but I do feel that in the field of tariff and trade relations we have been pretty much of a patsy in many instances.

You referred earlier to wanting some authority to negotiate, and Mr. Byrnes referred to an act of Congress where we objected, rather strenuously, to certain foreign practices that were going on.

But in view of the fact that we objected, does that inhibit you from negotiating?

Ambassador GILBERT. I had no intention of indicating that the fact that the Congress had objected inhibited negotiation.

The point I was trying to make was that the action taken by the Congress in the 1962 act gives powers to take action on a rather comprehensive basis against governments that maintain nontariff barriers.

Mr. WATTS. Under that authority, the threat that we were going to take action, we passed it in the hope that some negotiations would result from it, and that it could be said to the country, "Look, if you are not willing to negotiate this with us and settle on a reasonable basis, this action will be taken."

Has there been any effort made by you or anybody, or whoever preceded you, to negotiate along that line? Certainly, I don't see anything in it that stops you from trying to negotiate.

Ambassador GILBERT. In any negotiation on a nontariff barrier that takes place, if a success is to come out of it, it seems perfectly fair that it will have to be a reciprocal negotiation.

Mr. WATTS. In other words, to have success, we have to withdraw our objections and say we are going to talk about it?

Ambassador GILBERT. No, sir.

Mr. WATTS. That is what I followed from what you had said.

Ambassador GILBERT. I am not asking any withdrawal of the violent objections. My only request is that there be some indication that the Congress would be willing to have us, or would urge us, whatever the disposition of the Congress is, to proceed to negotiate.

Mr. WATTS. In other words, would you want that written in the bill? Would it be sufficient to say in the report——

Ambassador GILBERT. Perfectly sufficient in the report.

Mr. WATTS (continuing). That we urge the Ambassador to do and carry out the wishes of the 1962 act by trying to get these things removed by negotiation.

Ambassador GILBERT. That is all right, sir.

Mr. WATTS. It wouldn't have to be put into the act?

Ambassador GILBERT. No, sir.

Mr. WATTS. I like the idea that you have come forward with of relaxing the provisions that provide help for the industries that have already been seriously injured and that may be on the brink of disaster, some of them. However, I certainly don't think that we ever want to get ourselves in the position where the industries might remain have to support all the other industries because they have been ruined by foreign imports, do we?

Ambassador GILBERT. I should certainly think not.

Mr. WATTS. There is a limit beyond which we can't go in that direction, isn't there?

Ambassador GILBERT. I should think so.

Mr. WATTS. In other words, we don't want to stop trade, but we do want to see that we get fair treatment in our trade.

You touched on the subject of these various added value things and inspection fees. Shouldn't all those things be counted as tariffs, so far as we are concerned, if they put them on and we don't? What is the difference?

Ambassador GILBERT. I am afraid it is not really quite that simple, sir. I wish it were.

Mr. WATTS. I don't see any point in us negotiating to reduce our tariff on an item 10 percent and then to reduce their tariff 10 percent and then turn them around and make up that 10 percent by an added value tax or by an inspection tax, or some other tax.

In other words, if they are going to give us a reduction in tariffs, in view of us giving them a reduction in tariffs, it looks to me like status quo ought to remain, that they shouldn't be allowed to reach around behind our back and add something on that takes up all they have given us.

Ambassador GILBERT. Of course; this I don't think has happened.

Mr. WATTS. That is where you and I disagree, because I know it has happened in many instances. I don't know whether it has been done exactly that way or not, but you do know that there are a lot of gimmicks that they use to collect money out of people who export things into their country, don't you?

Ambassador GILBERT. I don't know of any that are discriminating against imports.

Mr. WATTS. I happen to represent a bourbon whisky section of the country and they tell me that in Spain it is impossible to get a license to go in there.

Ambassador GILBERT. In Spain?

Mr. WATTS. Yes. You can get one for scotch but you can't get one for bourbon.

Ambassador GILBERT. This has been a subject on which a great deal of effort has been made. We finally have an agreement out of the French that will permit the recognition of bourbon whisky as a distinctive U.S. product.

Mr. WATTS. I am talking about Spain. You are taking them country by country. Go ahead.

Ambassador GILBERT. Spain wasn't at the top of the list. But some progress has been made in this direction, and I can assure you I not only like bourbon whisky myself but I like to see it sold abroad.

Mr. WATTS. That is some little consolation, anyway.

I could go on all day. We had a fine chicken industry in this country. We were selling chickens over there. Mr. Landrum knows a whole lot more about that than I do because he represents a great chicken section. But something happened. It was not a tariff—no. The tariff was good. But something else was added on to more than offset the value that we got out of the reduction in tariffs.

Ambassador GILBERT. If I could interrupt, this was prior to the Kennedy Round agreements on tariffs.

Mr. WATTS. There are no exports of chickens over there now.

Ambassador GILBERT. It is part of this complicated and difficult agricultural support program of the foreigners, of the Europeans. Our market for chickens within the European Community has certainly disintegrated. You will remember this did provoke the chicken war.

Mr. LANDRUM. Will the gentleman yield?

Mr. WATTS. I will yield for a question; yes.

Mr. LANDRUM. Mr. Ambassador, isn't it true that our European market for processed poultry has disintegrated, as you say, because the gate fee which the Common Market placed against that product was so high that we can't get our product in there? Isn't that exactly why it has disintegrated?

Ambassador GILBERT. That is correct. And the gate gets a little bit taller every time you learn how to jump the present level.

Mr. LANDRUM. In other words, their poultry per pound that they raise costs them more than it costs us to raise, but they put the gate fee up there to keep us from coming in.

Ambassador GILBERT. That is absolutely correct.

Mr. LANDRUM. That isn't true yet in Japan, is it?

Ambassador GILBERT. I think not.

Mr. LANDRUM. But they are heading in that direction, and in limiting the markets into which we can go. They are restricting it now to maybe processed poultry and a few other agricultural products.

Thank you, Mr. Watts.

Mr. WATTS. Mr. Ambassador, I heard somebody say, you or Mr. Vanik, that there was a long list of things that the Japanese will not allow us to import into their country. I believe you said there wasn't anything that we didn't allow them to import into our country, except opium, maybe. I don't know whether we allow that or not, if they have any. Is that correct?

They have a long list of things that we cannot send into their country, we or anybody else. I don't think we can draw the line on the United States only.

Ambassador GILBERT. I am not conscious of any discriminatory limitation.

Mr. WATTS. But there is a list of things that cannot be sent to their country?

Ambassador GILBERT. There is a complicated structure of import quotas in one form or another but no actual important prohibitions, except in the health and safety area. I can't tick them off offhand.

Mr. WATTS. Would it strengthen your trading position if we gave your agency the right to put up a list of things that couldn't be imported into this country by them? You wouldn't have to use it, but you could say, "Look, if you are going to do this to us, I have authority, if you can't reach an agreement with me, on reducing some of yours. I am going to put these things on the list that you can't send me."

That would be just voluntary authority on your part, maybe.

Ambassador GILBERT. I don't really believe we need supplemental authority to that degree, sir.

Mr. WATTS. Do you have authority now to prohibit importations from Japan?

Ambassador GILBERT. I think we have had authority, under the proper circumstances, to impose some penalties against them.

Mr. WATTS. Have you or your predecessor, and I know you haven't been in too awfully long, been able to get anything off of that list?

Ambassador GILBERT. Yes, we have.

Mr. WATTS. What have you gotten off?

Ambassador GILBERT. In terms of numbers of restrictions, it has been reduced about 50 percent.

Mr. WATTS. Do you mean on numbers of items?

Ambassador GILBERT. Yes, sir. As to the amount of trade involved in these various restrictions, I find a singular lack of information as to potential trade on each specific restriction.

Mr. WATTS. Even though you say we don't have to go that far, I agree with you, too, that you wouldn't have to go that far, for the life of me I can't see why it wouldn't certainly strengthen you and your negotiating hand if you had that authority.

You say you don't think you are going to need it. I am not asking you to use it if you don't need it. I am just trying to give you a tool that I, in your place, would like to have.

When we sit down around the table with the boys, let us all of us work together and know that trade is a great item for them and a great item for us. We want to have access to their markets, and we want them to have access to ours. But you build up a great barrier for us. We haven't done that to you, but I have authority from the Congress to build one if you won't talk reason with me.

I don't see how that would hurt your bargaining hand. It might yours, but it wouldn't hurt mine if I was in your place.

Ambassador GILBERT. I think the authorities we are asking for in the amendments to section 252, plus the authorities that are in section 252 now, give us adequate powers to cope with this sort of thing.

Mr. WATTS. What kind of powers do you have to make them take something off that list or take the list down?

Ambassador GILBERT. I said with the addition of the amendments to section 252.

Mr. WATTS. What are the amendments that allow you to do that?

Ambassador GILBERT. There are two significant ones. For a single other country in bilateral trade, the significant amendment is that of striking out the word "agriculture" in section 252(a)(3), so that there is equal power in my office, or in the President, rather, to act if there are discriminatory actions against our trade in general rather than limited to agricultural trade.

Mr. WATTS. What are the powers that you have with regard to agricultural trade now that you are going to extend to other items?

Ambassador GILBERT. They are virtually unlimited.

Mr. WATTS. With all countries?

Ambassador GILBERT. That is correct.

Mr. WATTS. Did you do anything about the poultry situation?

Ambassador GILBERT. The nearest thing to declaring war. We had a fine poultry war for a long time.

I am not sure the poultry industry gained anything out of it, but I am sure that as a result of these impositions on the exports of American poultry there were retaliatory actions taken against the European community in the area of light trucks, French brandy over a certain price, and starch.

Mr. WATTS. If we give you this authority do do on other commodities as you have done in agriculture, can we look forward to a little more activity and action in getting something done?

Ambassador GILBERT. I don't like to just sit around.

Mr. WATTS. Could you tell me offhand—I have heard it said—what the largest single item that is imported into this country is that causes a deficit of payments? Tell me the largest trade balance item that comes in. Someone told me scotch whisky. Is that correct?

Ambassador GILBERT. It is a big one.

Mr. WATTS. Is it the biggest?

Ambassador GILBERT. Petroleum is the largest.

Mr. WATTS. Petroleum is the largest?

Ambassador GILBERT. That is right.

Mr. WATTS. And scotch whisky is a big one?

Ambassador GILBERT. The biggest, of course, is petroleum, automobiles——

Mr. WATTS. That is for Japan and Germany?

Ambassador GILBERT. Primarily.

Mr. WATTS. That is where most of the automobiles I see on the road are from, anyway.

Ambassador GILBERT. Yes.

Automobiles, automotive parts and equipment, aggregating about $4.5 billion.

Mr. WATTS. Do you suppose if the American distiller should take a notion to make scotch whisky, which he is prohibited from doing now—and I am not advocating that he do it by any manner or means, but I am exploring something with you, and he is not allowed to make one called scotch-type whisky—do you assume the British would be able to let us make scotch whisky in this country if we would be willing to let them make bourbon over there?

Ambassador GILBERT. I don't suppose there is any way they can prevent us from making any type whisky we want.

Mr. WATTS. Don't you think there isn't a way? You can go to Treasury and ask them.

Ambassador GILBERT. They may have some copyrights on names.

Mr. WATTS. No; we have recognized scotch whisky as a distinctive product of England, and we have protected the name "scotch whisky." We have protected it to the extent of scotch-type whisky.

We in the Congress of the United States have recognized bourbon as the distinctive product of the United States. I think England and most all the other countries have respected that.

Ambassador GILBERT. I think that is correct, sir.

Mr. LANDRUM. Will my colleague yield?

Mr. WATTS. Yes.

Mr. LANDRUM. As a matter of fact, dependent upon the amount of bourbon or the amount of scotch one has he takes on a different accent; isn't that right?

Mr. WATTS. Well, I guess that is right.

Mr. Ambassador, I hope we won't have to use this escape clause and spend all our money keeping up all the industries in the country by not being firm on our trade negotiations. I won't use the exact word I had in mind, but I think we have been worked on pretty well in that field.

The CHAIRMAN. Mr. Pettis?

Mr. PETTIS. Mr. Ambassador, I would like to pursue with you for just a moment a subject which you and I have discussed two or three times.

Mr. Chairman, for the benefit of the committee, we have had a group of Congressmen for the last 3 or 4 years who have banded together in an ad hoc committee to discuss with the Ambassador and his predecessor, the matter of an executive agreement between our country and the Japanese relating to steel imports.

I thought a couple of years ago, at least, we had a pretty fair agreement with them on that, as far, as least, as the west coast is concerned.

My question to you today is: With your perspective, how well do you think we are going to do with this voluntary agreement which we have with the Japanese relative to the importation of steel, Japanese steel, on the west coast?

Ambassador GILBERT. My last information, Mr. Pettis, was that they were operating pretty well within the terms of the Japanese agreement.

As far as the west coast steel industry is concerned, I suppose they not only have Japanese steel as a factor, but I noted the other day a report that one of the leading west coast steel manufacturers was opening up a jointly held operation with Australia for the purpose of exporting steel to the United States. That company has always been a pretty good steel producer.

If the combination of American-Australian capital gets going on Australian production facilities, this would add a new and significant factor to the problem we have discussed in the past.

Mr. PETTIS. I would just like to observe in light of what you have said: Do you see any point in us pursuing both the European problem and the Japanese problem in other areas the way we have attempted to do this in the area of steel on the west coast?

This isn't much of a problem back here in the East, but for the benefit of my colleagues on the committee, I would like to observe that it wasn't much of a problem in the West, either, until recent years, when it went from 5 to 10 percent, to up in the area of 25 percent and a little over that.

We finally got the Japanese to agree to limit themselves to 25 percent of the west coast market.

Here in the East, I think the steel import problem is something in the area of 10, 11, or 12 percent, something like that. I am sure that if

this ever got up to the area that it is in the West, 25 percent, you would have a lot more of a hue and cry.

What I am really suggesting is: Have we, through your office, talked to the Japanese about this kind of what I would call an executive agreement.

Ambassador GILBERT. As I think you know, the agency of the executive branch which has been involved in these voluntary agreements on steel has been the State Department and not my office.

Mr. PETTIS. Yes.

Ambassador GILBERT. I can make two comments. One is on the European side. Of course, the Europeans, as I understand it, have not even reached, by quite a large quantity, the quota of permitted U.S. shipments, because of the shortage of steel in Europe. Instead, this year we have seen for the first time in many years at least 1 month in which the balance of American steel exports and steel imports was just about even-steven.

What will happen when the steel cycle goes into its other phase, which it always has in the past, of there being an overcapacity rather than an undercapacity for steel, is a future problem. I cannot conjecture on it.

There is one point you and I have discussed in our conversations which I believe we need to pay a great deal more attention to as a side issue of some of these so-called voluntary agreements.

No voluntary export control system can work in the absence of an effective cartel in the exporting country. One result which has followed and will follow, inevitably, from these two steel agreements is a strengthening of the local cartels.

So unless one contemplates an infinite continuance of such voluntary export restraint agreements, I could not go to sleep at night if I thought I were going to live that long, concerned about how our steel industry was going to stand up against a very strong cartel, both one in Europe and one in Japan, which we have helped create. In the long run we may be storing up headaches for ourselves.

Mr. PETTIS. I agree with you, Mr. Ambassador. I think the minority ranking member put it rather bluntly a little while ago, when he suggested that maybe the answer we had passed over in years past when we didn't take care of the problem when it was a little problem. Now that it is a real big problem, it looks pretty tough.

Ambassador GILBERT. I think that is a very sound point. That, incidentally, underlies our emphasis on trying to ease the escape clause procedures so that some action can be taken soon enough to alleviate and moderate the effects of competition before some of these results have happened.

It also underlies the President's comment in his communication to the chairman this morning that he is asking the Tariff Commission to proceed to an overall examination of the competitive position of U.S. industry, hoping, through that means and the means of the Department of Labor's activities, which you will hear about from Mr. Shultz, for an attempt to set up an early warning system on problem areas as they begin to arise.

It is our hope that we can take some small actions to meet small problems before they become major problems of major international and local significance.

Mr. PETTIS. Thank you.

The CHAIRMAN. Mr. Landrum will inquire.

Mr. LANDRUM. Mr. Ambassador, I have two questions which I will state in one. I think you will be able to separate them all right. As I recall your testimony this morning, you expressed the belief that we are making some headway in our discussions on solving the textile import problem.

You also, as I recall, this morning mentioned the fact that the administration would prefer a longer term, as I recall, a longer term for working out a solution to the textile import problem.

First, I would like to know the basis for your optimism on this first statement, that you are making headway on the textile problem.

Second, I would like to know if you can tell me just exactly what you or the administration have in mind about this longer term solution to the textile problem.

Ambassador GILBERT. To answer your first question first, I will have to defer to Mr. Stans who will be here tomorrow, and to Mr. Rogers, through whose agencies negotiations with the Japanese have been conducted.

On the second point, I think all I intended to say was that the administration would prefer that action be deferred on the textile aspect of Mr. Mills' bill until more time has passed to see these negotiations proceed further.

I think my precise language was—well, I think all I said was that we prefer a voluntary solution to the textile matter and we believe now that we are making headway in our discussions with the Japanese.

Mr. Stans will have more to say on the subject tomorrow.

Mr. LANDRUM. You used the personal pronouns, Mr. Ambassador, as I recall, and you read the personal pronoun there. "I believe," quoting you. I will ask Mr. Stans the same question.

I have been in some of the meetings with Mr. Stans. I want to know on what you base your optimism that we are making some progress.

Ambassador GILBERT. My statement is based solely and in reliance on information and belief acquired from other Government agencies. I have no personal participation in this at all.

Mr. LANDRUM. It is a cold, hard fact, is it not, that we have not been able, up to this point, to get Japan to agree to a single voluntary imposition of quotas in the textile field? Is that correct?

Ambassador GILBERT. I am not sufficiently familiar with this to be that precise in that detail, sir.

Mr. LANDRUM. Isn't it true, Mr. Ambassador, that they have taken a rather arrogant attitude toward our request for voluntary imposition of quotas in this field?

Ambassador GILBERT. I have heard it described as such by those who know more about the details of it than I do.

Mr. LANDRUM. So really, the optimism you express, Mr. Ambassador, is based on something somebody has told you rather than some evaluation of what the facts are?

Ambassador GILBERT. You are absolutely correct.

Mr. LANDRUM. I don't believe you have answered the second question. What did you have in mind when you said the administration would like some longer term?

Ambassador GILBERT. I didn't realize I had said that.

Mr. LANDRUM. If you didn't say it, at least I inferred it from what you were saying. I am not sure that you didn't read it just a minute ago. I hate to be specific, but we have to get specific occasionally as to industries.

Isn't it asking just a little bit too much of these textile people to say, "You fellows wait a while?" We have been waiting a while. I will not be as polite as Mr. Watts was. We have been waiting while we have been glutted. That is the blunt truth about the matter.

We have been waiting while the Japanese export to this country, while we import Japanese textiles, whether fibers or blend or whatever, we have been waiting while they manufacture enough to take as much as 20 percent of our market.

Now it just sort of upsets me to come up to this point, when of all the industries that really have been suffering, as textiles have, to be asked by the administration, as I interpret your statement, to, "Wait just a little while longer, boys. Wait until we get you really glutted and then we will give you something."

Is that what you are asking?

Ambassador GILBERT. No, sir. Really, in essence, my comment as you well pointed out, as we used to say in a deposition, was on information and belief that some signs of progress may be made, and the long-term request that I had was that it be deferred to Mr. Stans tomorrow morning.

Mr. LANDRUM. Thank you, Mr. Chairman. I will discuss it with Mr. Stans.

The CHAIRMAN. Mr. Bush will inquire.

Mr. BUSH. Mr. Ambassador, I wonder if your office has taken any position or had any recommendation on the imposition of the tariff system to replace the existing quota system on oil imports.

Ambassador GILBERT. We are not participants in that task force. I observed some of it, but in a very inactive role. I do not feel any degree of expertness. There are certainly witnesses following that would be far more qualified to discuss the matter than I am.

Mr. BUSH. The existing level of imports with but four, not counting exceptions, is supposed to be about 12.2 percent, I believe, of the production.

Do you have the figure of what it actually is running due to these exceptions?

Ambassador GILBERT. The total figure in 1969 of imports of petroleum and petroleum products is reported as $2,555 million.

Mr. BUSH. You don't have any barrel equivalent or daily basis figure handy, do you?

Ambassador GILBERT. No, I don't.

Mr. BUSH. It is my understanding that the imports are running at a substantially higher per day level than this 12.2. Is one of your people up on that one offhand? I can't transpose this $2,555 million into a daily import figure.

Ambassador GILBERT. I am really not up on it.

Mr. BUSH. It is a specialized question.

Ambassador GILBERT. It is a specialized question. The Interior Department, who will be on the stand later on, will be able to help on that.

Mr. BUSH. One other probe on this same thing. I also understand that well over 50 percent of the requirements for New England are coming from imported oil today. Is that valid?

Ambassador GILBERT. I just don't know that. Of course, I am conscious of the fact that there is this special residual oil exemption for New England. But this I remember only as a New Englander.

Mr. BUSH. I would just like to express a real concern, particularly in the light of the aggravated Middle East situation that we do anything, and maybe this won't come under the heading of your negotiations, that we do anything that would make us altogether dependent on particularly Middle Eastern crude, but also Libyan crude when the other day the Libyan high officials—I say the other day, though it was a couple of months ago now—made a few statements that made us extremely concerned about the security of these sources.

Let me ask this in conclusion: Would it be better to develop this line of questioning with subsequent witnesses. How much of this comes under your negotiations as you go along?

Ambassador GILBERT. This is really not in my bailiwick. As you will recall, the President has referred to a so-called management committee, I think it is, headed up by the OEP. No definitive action has been taken by the President on any of these recommendations, other than to refer it to that management committee.

But this is not something that I have any direct responsibility for and, therefore, am extraordinarily ignorant on the subject.

Mr. BUSH. Thank you very much.

Mr. Chairman, that concludes my questioning.

The CHAIRMAN. Mr. Corman will inquire.

Mr. CORMAN. Thank you, Mr. Chairman.

Mr. Ambassador, on the escape clause, as I understand it, the present situation is that there can be no relief granted unless it can be shown by the industry that more than half of their problems are created by imports.

Ambassador GILBERT. That is one of the two tests, sir.

Mr. CORMAN. What is the other test?

Ambassador GILBERT. The other test is even more difficult to comply with. That is that the damage from import competition has to be traceable to a previous tariff concession under a trade agreements program.

Mr. CORMAN. Under your suggestion, you would eliminate the second requirement?

Ambassador GILBERT. Under our suggestion, the second requirement would be eliminated entirely. It would be just traceable to import competition, not import competition resulting from a tariff concession.

Mr. CORMAN. And you changed from major to primary?

Ambassador GILBERT. From "in major part," changed to "primary."

Mr. CORMAN. So that if, say, 30 percent of their problem was imports, but no other single factor was that high, then they would still qualify.

What other kinds of problems might be included in those that you would be weighing against imports?

Ambassador GILBERT. Well, there is a wide category of causes for headaches in business. Sometimes management get dead and haven't gotten out of the way. Sometimes there is competition of a very rugged nature from another domestic product which is substitutable for the product of the industry under consideration. There are style factors; a declining demand. I am sure there has been no great market for high button shoes, but this wouldn't be one that came from imports; it is a change in the whole mode of living and what people are looking for.

So there is a wide variety of factors, and these have been so difficult to evaluate that to ask the Tariff Commission to have to determine that import competition is in major part the source, in other words, a cause greater than all other combined, and to trace it to a tariff concession, has really created an ineffective provision in our present law.

Mr. CORMAN. I am just trying to figure out what I would be trying to show the Tariff Commission if I were trying to show that the primary problem in my business was imports.

I am trying to figure what are some of the other things that are going to be included in those problems. Your answer has been somewhat helpful.

Once it is determined that aid should come under the escape clause, does any of that aid include anything that has to do with the imports themselves?

Ambassador GILBERT. Under the escape clause procedure, the actions available to the President are an increase in tariffs——

Mr. CORMAN. That is one of the choices?

Ambassador GILBERT. That is one of the choices open to the President, quotas, support of an orderly marketing program, and adjustment assistance.

These can be adopted by the President as remedies, either singly or in any combination which, in his judgment, is best suited to meet the problems of that particular industry.

Mr. CORMAN. Is there any outside range on the tariff relief he can grant?

Ambassador GILBERT. There is a 50-percent increase that is a good general answer. There are some special circumstances. The statutory requirement is not more than 50 percent.

Mr. CORMAN. What about quotas?

Ambassador GILBERT. There is no standard set as to quotas in the legislation at all.

Mr. CORMAN. Taking the shoe industry, if they qualified under the escape clause, the President, right off the bat, would have the authority to increase tariffs by 50 percent, or to establish whatever quotas he decided for any country?

Ambassador GILBERT. That is my understanding, sir. I might point out, and you can call this a personal comment, if you like, that I think one of the reasons why there have been so many quota pieces of legislation before the Congress over the years is that there has been an increasing dissatisfaction with the lack of appropriate, effective remedies under the escape clause.

I would anticipate that with the amendments we are suggesting to the escape clause mechanism that we would find that the President and the Congress would have the advantage of having heard these problems out before an expert body, with the full opportunity to be heard for everyone concerned in the decision.

I would think we could approach these problems of moderation of import competition in the future in a very much more orderly way through the adoption of the effective use of the escape clause and Tariff Commission in this area.

Mr. CORMAN. I thought I understood you to respond to a question of Mr. Pettis that when you tried to get into this quota problem, it is difficult if there is no cartel.

Ambassador GILBERT. I was talking about voluntary quotas.

Mr. CORMAN. But if you can impose quotas from our end, you have no problem?

Ambassador GILBERT. That raises no problem. The reverse problem that this raises domestically is who gets the quotas.

Mr. CORMAN. What is going to be your answer to that question then?

Ambassador GILBERT. I don't know what the answer will be. Ideally, you can make a strong case that it ought to be by domestic adjustments. Maybe it is historical. There is a whole variety of ways that this could be approached. But that is the reverse of the cartel problem and the voluntary quota situation.

Mr. CORMAN. Assuming we make the escape clause a useful tool to protect domestic industry, are we being realistic when we say that quotas may be one of the tools used by the President, or are we going to reach the conclusion that it is just too complex to administer?

Ambassador GILBERT. I don't regard it so; no.

Mr. CORMAN. Under the adjustment assistance, what kinds of aid are available to an industry?

Ambassador GILBERT. Will you take me as a nonexpert witness on this?

Mr. Shultz will have a great deal more detail. In general, and I am talking now of workers and groups of workers, it provides manpower training, assistance in moving to a different geographical location. It involves unemployment compensation for extended periods and further assistance for retraining if that should be indicated.

As to firms or an establishment of a multiestablishment firm it involves tax carryforward and carryback; special calls on the Small Business Administration; other availabilities of credit assistance administered by the Department of Commerce and technical assistance.

It contemplates the combination of a breathing spell to the tax side plus cash for working capital or rehabilitation; technical assistance plus some of the wherewithal to make the technical assistance effective.

We really can't say whether it will be effective or not because it hasn't been utilized. As I said earlier, I think the President's move symbolized, if you like, by the activation of this Adjustment Assistance Advisory Board, pulling in Departments other than Commerce and Labor as the primary Departments responsible for the administration of the two aspects of adjustment assistance, will result in marshaling what forces there are within the executive department that can be effectively used to assist in this process.

Mr. CORMAN. Mr. Ambassador, do you know if there has been any effort on the part of the textile industry to get relief under the escape clause? Have they made the effort and were unable to because of the restrictive nature of the present law?

Ambassador GILBERT. I don't think they have. I would assume it is because of the restrictive nature of the present law.

Mr. CORMAN. Do you think if we made these changes they might be able to come under the escape clause?

Ambassador GILBERT. I see no reason why not.

Mr. CORMAN. On agricultural imports and exports, you gave a figure for exports which included Public Law 480. Do you have a breakdown of the total exports and then how much of that total was Public Law 480 on agricultural exports?

Ambassador GILBERT. For all practical purposes. I think we could say that all of the Public Law 480 would be in the agricultural area, and that comes out to a figure of $1,177 million.

Mr. CORMAN. And the total agricultural export was $6 billion?

Ambassador GILBERT. $6 billion.

Mr. CORMAN. And imports were $5 billion?

Ambassador GILBERT. That is right.

Mr. CORMAN. So if we take out Public Law 480 we have a deficit in trade in agriculture; is that correct?

Ambassador GILBERT. That would be the mathematics, yes, sir.

Mr. CORMAN. I was rather surprised, I didn't realize that. I thought that agriculture was where we had our big surplus in trade.

Ambassador GILBERT. As I understand it, some of this Public Law 480 is not straight food aid or giveaway, what could be classed as giveaway. There are commercial sales in the Public Law 480 as well.

Mr. CORMAN. That $1.177 billion—how much of that was free and how much was sold? Was there any cash realized in the $1.177 billion?

What I am trying to get at is how much do we give away. We can always be in surplus, I assume, if we give away enough.

I am trying to figure out where we really are.

Ambassador GILBERT. Let me point out that some of these sales are credit sales. If you assume that you are eventually going to be fully paid for them, then it is the equivalent of a commercial sale. Some of the credit risks may not be the best.

Mr. CORMAN. Some of them result in counterpart funds being generated, too, as I recall.

Ambassador GILBERT. That is correct.

Sales for foreign currencies, for example, in 1968, were $540 million. Long-term dollar and convertible foreign currency credit sales were $384 million.

Mr. CORMAN. Those two are a part of the $1.177 billion, so we really wind up adding that $900 million.

Ambassador GILBERT. These are 1968 figures. They are out of a total of $1.178 billion. Sales for foreign currencies was $540 million, and I will assume that they are soft currencies; $384 million were for dollars and convertible foreign currencies but on a long-term credit basis; $251 million were donations, and there is a small factor of $3 million in the form of barter for strategic materials.

So it is a mixed figure. I am sure it varies every year.

Mr. CORMAN. We are still on the plus side, really.

Ambassador GILBERT. It is on the plus side.

Mr. CORMAN. What is the great bulk of our agricultural imports?

Ambassador GILBERT. Those I am sure I can give you. Coffee, in 1969, $894 million; meat and preparations, $864 million; fish and preparations, $690 million; whisky and other alcoholic beverages, $648 million; sugar, $638 million; and an "other products" category, which is larger than all the others, like all the tables, $1.505 billion.

Mr. CORMAN. I was just trying to get some idea of the imports whether there was no domestic competition, such as coffee. I will not refer to whisky. I will leave that to Mr. Watts.

Ambassador GILBERT. In the domestic competition area there is a continuing debate as to whether meat and meat preparations are or are not in competition.

Some of my former countrymen, or hope to be future countrymen in New England, have felt very strongly on the subject of fish and fish preparations from time to time.

Whisky and other alcoholic beverages—I don't know whether scotch competes with bourbon or not.

Mr. CORMAN. I think neither of us should answer that question without Mr. Watts being in the room.

Ambassador GILBERT. I like both.

Sugar, in part, is in competition, but it is certainly supplemental to our own sugar-producing capacity.

Mr. CORMAN. On another subject, Mr. Ambassador, my predecessor on this committee worked long and hard to try to stimulate trade between this country and Canada. The last bill he put in was in the last Congress, H.R. 17768, which probably some of the people at the table with you are familiar with.

As I understand it, there is nothing in the administration bill that really goes directly to expanding exports.

What is your attitude about an attempt to do that with our Canadian neighbors. My predecessor and I, too, have some interest in the health of aircraft manufacturing industry.

What is your position and the administration's position in that as being a fruitful area to work in?

Ambassador GILBERT. Of course, I think there can be no question but what future trade between the United States and Canada has to be one of the most interesting areas of future trade possibilities. Any ability to negotiate with the Canadians on specific product problems, of course, is out at the moment, because the President has no negotiating power. Without having thought of any specific problems or being specific in this direction, the handling of perhaps many cross-border trade problems important to the manufacturer and importer concerned but not, perhaps, of major national significance, would possibly be handled within the negotiating authority that has been asked.

Milk cans between Vermont and Canada—the rates are different on the Canadian side, as I recall it, from those on our side. Some of these problems irritate some Canadians and others irritate some Americans.

In the long run, we would all be better off if these minor sources of abrasion could be removed.

Also the possibility of an across-the-border Canadian-American free trade area is an intriguing possibility. It is fun to think about but I don't see it in the cards on either side of the border for some time to come.

There, undoubtedly, could well be other areas of specialized trade, which was well illustrated by the Canadian automotive pact, on a much smaller scale of activity than the automotive pact, where future developments could make it desirable to have some special arrangement across the border.

I don't believe any of these that would be of substantial significance are the sort of thing that the Congress ought to delegate authority for. I would think this is the sort of thing where we should be returning to the Congress for specific approval of anything of sufficient significance to really substantially affect trade across the border.

That is a long, discursive answer. I don't know whether that really covers the point you had in mind or not.

Mr. CORMAN. Yes, sir.

May I ask, what are the nontariff protections that we set up against other countries? I have learned a lot today when I learned how many things they can think of besides tariffs to keep our goods out. But what do we use?

Ambassador GILBERT. There are quite a few of them I would like to mention in such a way as to not admit they are nontariff barriers.

I want to be free to negotiate in this area. Basically, a nontariff barrier is a barrier not connected with a tariff that somebody else maintains. But asserted against us as nontariff barriers, of course, is section 22 of the Agricultural Adjustment Act, which permits us to put quota protection on a wide variety of agricultural products at the discretion of the President.

There is the long-term cotton textile agreement which was a voluntary arrangement as to most countries, but, of course, it does carry a provision that having signed up most exporting countries you then can make everybody else bound to it whether they agreed to it or not. This, from time to time, is asserted.

There are those who assert that the Sugar Act with its allocation of quotas between potential sugar exporters is a nontariff barrier.

The CHAIRMAN. And the Coffee Act.

Ambassador GILBERT. And the Coffee Act and the Meat Import Act. Of course, the most recent one which has caused an increase in diplomatic cable traffic—and, again, I think it is a good example of the inadvertent nontariff barrier—is that in the, let us call it, haste to establish gun control legislation a couple of years ago, we actually included in the gun control legislation a discrimination between handguns not suitable for sporting purposes manufactured by U.S. manufacturers and those manufactured by foreigners.

As I recall it, both the Spaniards and the Italians have strongly asserted that this is an unjustified nontariff barrier. We have a tariff quota on brooms. Brooms are important to some people. There are certain features of the Atomic Energy Act which are asserted as nontariff barriers.

There is the Jones Act, the Merchant Marine Act—I am sure when we settle down, as we are settling down now and talking with these people, they can find quite a few to talk about with us.

Mr. CORMAN. I have no more questions but one final comment. I wouldn't want to leave the record silent that the action on gun control was precipitous. That was in the mill a rather long time.

Ambassador GILBERT. That particular feature I am sure was inadvertent.

Mr. CORMAN. It wasn't because of precipitous action on gun control, I assure you.

Thank you, Mr. Ambassador.

The CHAIRMAN. Ambassador Gilbert, we appreciate very much your being with us today. I hope you are not tired. I have a few questions I want to ask.

Ambassador GILBERT. No, sir; I am not tired.

The CHAIRMAN. First of all, it has been about 36 years, I believe, that we have been carrying out a liberal trade policy. We negotiated tariff reductions first on a bilateral basis, the theory being that we would negotiate duties downward with the principal supplying country.

Having selected the various items on which we would negotiate and agreed upon the rate of duty, we would apply those same rates of duty to all of the other friendly countries. That, to me, was the appropriate way, actually, of maintaining reciprocal trade.

As we negotiated downward the duty on our part it affected a nation that was our principal supplier of that particular product, and we required of the other country, as a condition for our action, that it also reduced the duty on a product of which we were the principal supplier to that particular country.

Later on we abandoned that which I thought was a very satisfactory way of negotiating duties downward into multilateral negotiations, where we sat at the table with all the various bargaining countries and they reduced duties and we reduced duties.

In that period of time, since 1934, do you have an estimate of the extent to which we have reduced duties under the trade agreements program overall?

Ambassador GILBERT. I think perhaps the best way I could answer that, Mr. Chairman, is that in 1934, our average duty on dutiable imports was 46.7 percent.

The CHAIRMAN. What is it today, and what will it be on January 1, 1972, when the final round of the Kennedy negotiations go into effect?

Ambassador GILBERT. Today, our average duty on dutiable imports is 11.2 percent. I emphasize "on dutiable imports" because the average duty in 1934 on both free and dutiable imports was 18.4 percent, and today it is 7.1 percent.

The CHAIRMAN. Have you made any assessment of the extent to which our own tariff reductions, which have been rather material, percentagewise, have been paralleled by similar reductions in tariffs by our major trading partners?

Ambassador GILBERT. Not over as long a period of time, Mr. Mills.

The CHAIRMAN. Would it be possible to do it over that same period of time, to get the figures together?

Ambassador GILBERT. Certainly, an attempt can be made at it. Of course, once you go behind 1958 we are talking then pre-European Economic Community.

The CHAIRMAN. That is true, but we had reduced our duties up to that point by a sizable percentage, had we not?

Ambassador GILBERT. I am sure that we can come up with a fairly responsive answer to your question and we will try to do so.

The CHAIRMAN. I would like to know, if I could, just how reciprocal our negotiations have turned out to be.

Ambassador GILBERT. Very good, sir.

(The following information was received by the committee:)

The average tariff levels of major U.S. trade partners and the changes in those levels as a result of trade agreements since 1934 were never calculated on any

systematic basis prior to the Kennedy Round. Official results of the previous negotiations were traditionally tabulated and published in terms of the trade coverage of various percent reductions in duties and other concessions granted to and by the United States. Sufficient manpower was not available for more detailed computations or analyses since thousanads of tariff changes were involved. The use of computers for the first time in the Kennedy Round enabled calculations of percent reductions in tariffs on a detailed, item-by-item basis and of average pre- and post-Kennedy Round tariff levels of each major participant.

The following are estimated average tariff levels of the United States and major foreign countries, weighted by 1964 trade, in effect in 1964 to be implemented in 1972. These averages refer to dutiable trade in industrial products only. Post Kennedy Round levels assume the elimination of ASP.

[Amounts in percent]

	Pre-Kennedy round	Post-Kennedy round
United States	[1] 10.6	[1] 7.8
EEC	12.3	8.3
Japan	14.3	10.7
United Kingdom	15.8	10.9
Sweden	11.2	7.9
Denmark	10.7	7.9
Norway	14.1	10.2
Switzerland	6.9	5.0

[1] Adjusted by an estimated c.i.f. factor of 10 percent.

Even if comparable information were available for the earlier negotiations, comparison of the trends in U.S. tariffs with those of foreign countries over a long time period could be highly misleading. Since a far larger proportion of U.S. imports is subject to specific or compound duties than of major foreign countries, the trend in U.S. tariff levels is more sensitive to changes in foreign unit values. The figures cited during the hearing of an average U.S. tariff in 1934 of 46.7 percent and of 11.2 percent in 1969 should not be construed as a reduction in U.S. duties resulting solely from trade-agreement concessions. Rising prices of imports subject to specific or compound duties have been a major factor in the decline in average U.S. ad valorem equivalent tariff levels particularly since World War II. Furthermore, any comparisons of average tariff levels alone among countries do not take into account the presence of nontariff barriers or other forms of import protection.

The CHAIRMAN. I haven't changed my mind one iota about the desirability of maintaining a liberal trade policy based upon reciprocal arrangements, a two-way street. But there is a growing feeling, apparently, here in the United States, for some reason or other, that our present system is just not working.

Are you aware of the fact that 299 Members of the House have introduced quota bills on one category or another, or maybe on several categories?

Ambassador GILBERT. Yes, sir; I am.

The CHAIRMAN. Are you aware of the fact that 20 members out of the 25 members of the Ways and Means Committee have introduced a quota bill on some subject matter or another?

Ambassador GILBERT. Yes, sir; I am.

The CHAIRMAN. That as of May 7, 184 Members of the House have introduced the same bill on textiles and leather footwear?

Ambassador GILBERT. Yes, sir.

The CHAIRMAN. I always felt pretty secure when I went to the floor of the House and could count on 184 votes. I have always felt I

could pass a bill. If I could get that many, I thought maybe somebody could pick up the remainder of them with a little work.

What is the reason, in your opinion, for this shift in attitude? It has to be a shift in the public opinion or it would not be reflected by a shift here.

The House, of course, is elected every 2 years, and is at least intended to be very close to the people, and I think it is. It pretty generally reflects the viewpoints of the people, if the membership can find out what that viewpoint is.

In your opinion, how do you evaluate this situation? To me, it is a dangerous situation, very frankly.

Ambassador GILBERT. I quite agree with you, sir.

The CHAIRMAN. What do they do? How do you evaluate it? What causes it? If we know the causes, then it seems to me it is up to us to try to eliminate those causes with our friends abroad.

Ambassador GILBERT. As I think I have indicated earlier, I think one important contributing cause is the lack of confidence in the escape clause mechanism as a way of handling this problem through the administrative process. I think this has been a very strong inducement to move directly for legislative relief rather than to try to act through the established procedures.

The CHAIRMAN. Let me ask you this: In 1967, our exports represented about 3.9 percent of our gross national product. Our imports represented 3.4 percent. But in 1969, according to my figures, the percent of gross national product represented by exports had gone up one-tenth of 1 percent, to 4 percent. The imports represented about 3.9 percent.

Ambassador GILBERT. Those are the same figures I have, sir.

The CHAIRMAN. Now, is that one of the reasons for the concern, in your opinion? That is, imports going up at a much faster pace than exports are increasing?

Ambassador GILBERT. Well, I think this must be a factor.

The CHAIRMAN. Undoubtedly it is.

Ambassador GILBERT. Of course, we did have that extraordinary increase in imports in the year 1968.

The CHAIRMAN. Now let me turn to some selected terms, if I may. In 1962, we imported about $954 million worth of machinery. In 1968—I don't have the 1969 figures—we imported $3,776 million worth of machinery. That represents an increase of 296 percent from 1962 through 1968.

Nonelectrical machinery imported in 1962, were $544 million, but in 1968, we imported $2,281 million worth. That is an increase of 341 percent.

On electrical machinery, $414 million worth in 1962, and $1,495 million in 1968, or an increase of 261 percent.

In textiles and leather footwear, I guess it is—it says textiles and leather. Is that leather footwear?

Ambassador GILBERT. I think the tabulation generally includes—I have a footwear figure.

The CHAIRMAN. Wait a minute. I am looking at the wrong table. I am still talking about machinery.

Textile and leather machinery imports in 1962 were $94 million and $308 million in 1968, an increase of 228 percent; and metal working

machines were $441 million in 1968, an increase of 398 percent in 1968 over 1962.

Office machinery went up 202 percent over the same period of time; agricultural tractors, 126 percent.

Radio and TV sets imports went up in the same period from 1962 to 1968, 386 percent, and other communications apparatus went up 129 percent; other electrical were 281 percent; automobiles, new automobiles, went up from 1962 through 1968 by 659 percent; trucks up by 1,850 percent; motor vehicles, 395 percent; aircraft and parts, 138 percent; transport equipment total, 485 percent; steel mill products, 329 percent over that period of time; nonferrous base metals, 120 percent; copper, 188 percent; gems and other stones—I don't suppose we produce many of them—went up 112 percent; textiles, except clothing, went up 145 percent; clothing up 132 percent; footwear up 192 percent; musical instruments and sound reproducers, 354 percent; and so on and so on.

I think we might as well admit that it is this very precipitous increase in imports of so many of these articles and items at a faster pace than our increase in consumption that is causing this concern that exists in the United States today more than anything else.

To me, it is not so much the inability of these people to get relief through the escape clause action as it is the fact of the increase in imports that is bothering them. We can always provide some method for relief.

There is, on the other hand, very definitely developing throughout the world a very strong nationalistic attitude in most of the other countries. I have talked to people in some of the other countries who are greatly concerned about the positions their governments may have to take in the future because of local pressures on those governments to protect them against imports and to try to enlarge exports, which seems to be somewhat our problem here.

What do you see as the longrun implications of these attitudes, both here and abroad?

That is, going unchecked, if we don't make some effort to find a way to reduce these irritants. Just where are we headed and what are the longrun implications of it?

Ambassador GILBERT. Of course, there are certain of these areas, without differing at all from the figures which you have given, sir, where, in trade with the European Economic Community, as a very good example of a highly sophisticated, high technological capacity area, our imports have risen, but we have been able to demonstrate a continued ability to export in that area, so that in the marketplace we seem to be able to meet them well and successfully.

The CHAIRMAN. Pardon me for interrupting you. I hesitate ever to interrupt you or any other witness. But I think it would be interesting for the record to show—and we talk about our exports have increased, but I have given certain specific ideas—I think it would be interesting, on the other hand, to show in the same period of time just how our exports of these particular items have increased.

Ambassador GILBERT. I quite agree with you.

(The following information was received by the committee:)

CHANGES IN U.S. EXPORTS AND IMPORTS OF SELECTED COMMODITIES, 1962–68

[Dollar amounts in millions]

Commodity	Exports			Imports		
	1962	1968	Percent change, 1962–68	1962	1968	Percent change, 1962–68
Machinery, total	$5,447	$8,844	+62	$954	$3,772	+295
Nonelectrical machinery, total	4,087	6,560	+61	540	2,280	+322
Engines and parts	556	1,057	+90	28	515	+1,739
Agricultural tractors, agricultural machinery, and parts	266	414	+56	152	301	+98
Office machinery	324	747	+131	85	257	+202
Metalworking machines	435	334	−23	41	204	+398
Textile and leather machinery	200	207	+4	94	308	+228
Other nonelectrical machinery	2,306	3,801	+65	140	695	+396
Electrical apparatus, total	1,361	2,284	+68	415	1,495	+260
Radios, TV sets, and radio phonographs	23	39	+70	95	462	+386
Other telecommunications apparatus	344	496	+44	121	277	+129
Other electrical apparatus	994	1,749	+76	199	756	+280
Transport equipment, total	2,579	5,603	+117	720	4,215	+485
New automobiles	265	972	+267	422	2,782	+559
Trucks	227	346	+52	14	256	+1,729
Motorcycles and parts	1	(1)	----------	24	119	+396
Aircraft and parts	980	2,309	+136	123	294	+139
Steel mill products	455	583	+28	457	1,962	+329
Nonferrous base metals	406	600	+48	878	1,813	+106
Copper	222	282	+27	297	855	+188
Gem diamonds	15	95	+533	192	478	+149
Textiles, except clothing	492	522	+6	663	962	+45
Clothing	121	176	+45	368	855	+132
Footwear	9	9	----------	133	388	+192
Musical instruments and sound reproducers	60	202	+237	68	309	+354

[1] Less than $500,000.

Source: Department of Commerce.

The CHAIRMAN. I know where they have increased and you know where they have increased, but not necessarily in all of these items where we have had the big increase in our imports. That probably is part of our trouble, too.

But what I am concerned about, and I want you to talk about it if you will, if you don't mind doing it, either as an individual or as the President's personal representative in this field, is that I can foresee a lot of trouble coming.

Do you foresee that trouble if we don't get rid of some of these irritants that are presently plaguing them and plaguing us?

How do good friends sit down and recognize problems of the other and get to an understanding about what each friend should do in the interest of the continuation of that friendship?

I know how we do it at home between two fellows. Does it work that way in this field or not? I am not a diplomat. I couldn't qualify as a diplomat. I am asking you as a diplomat.

Ambassador GILBERT. I am not sure I can, either.

The CHAIRMAN. If I looked at our situation and looked at their dependence abroad upon imports and exports, I might depart from being a diplomat.

I know and you know that, even though we are the leader, presumably in trying to establish more liberal trade, we are the country in the world that needs trade the least.

If we look at our part of exports and imports as a percent of gross national product, I dare say it is less in both instances than any other trading partner we have that is anything like industrialized anywhere in the world.

Ambassador GILBERT. I think this is probably true.

The CHAIRMAN. Do they know that abroad?

Ambassador GILBERT. And yet, of course, in terms of total volume, we are the largest exporter in the world.

The CHAIRMAN. Yes. We have the greatest gross national product, too. But I say, as we always said in my home State, where we do even have diamonds, we could live if we built a fence around us. But could they? And do they realize that we could and that they couldn't?

I wonder if they do.

Ambassador GILBERT. Just to bear out your last comment, in our case, in 1969 our exports amounted to 4 percent of our gross national product.

The CHAIRMAN. And our imports were about 3.9.

Ambassador GILBERT. In the case of Canada, was 19.8; France, 10.8; Germany, 19.2; Italy, 14.5; the United Kingdom, no available figure for 1969, but in 1968, it was 15 percent; Japan, 9.6 percent.

In the case of our imports, 3.9 percent in 1969; 18.5 for Canada; 12.5 France; 16.5 percent for Germany; 15.4 percent in Italy; again no figures available for the United Kingdom for 1969, but 18.5 percent for 1968; and in Japan, 9 percent.

So both exports and imports in terms of their relationship to our gross national product shows the smallest factor of any of our significant trading partners.

The CHAIRMAN. I have always been told, and maybe I have said it myself at times in the past, that even though exports and imports represent a small percent of our own gross national product, it is important for us to continue in the area of trade for the reason that it does bring us a degree of competition that might not otherwise exist, within our own country.

It is not altogether bad from the point of view of the consumer to have a wider selection of goods. But I never have agreed with the thought that we could just deliberately stand by and see industry after industry either have to discontinue several lines of production or actually go out of business.

I know you don't share that point of view, that we can say to an industry that, "We are not going to give you any protection whatsoever," in the interest of this broader competition.

Are you convinced in your own mind with respect to the modification of the escape clause, which all of us agree should occur, that it will offer us the degree of confidence that we need at this moment here in the Congress and in the public, that we can control our imports?

Ambassador GILBERT. I have the feeling that it can be done, yes, sir.

The CHAIRMAN. I wonder how many cases you anticipate would be filed immediately after the legislation goes into effect?

Ambassador GILBERT. I think there will be a great many, yes.

The CHAIRMAN. Wouldn't it be about so many that we would have to double the personnel of the Tariff Commission if we got anything done within a reasonable period of time?

Ambassador GILBERT. That wouldn't be too heavy a load on the budget, to double the size of the Tariff Commission. It is not a very large group.

The CHAIRMAN. You talk to the Director of the Bureau of the Budget that way, will you?

Ambassador GILBERT. I have my problems in the case of a very small agency even here on the Hill, sir.

The CHAIRMAN. I have thought that it was necessary for us to correct a few of these little irritating differences. I don't suppose they are little in the opinion of some people. But some of these irritants that are driving us in a direction I don't like to see us go—protectionist, nationalistic in trade—should be corrected.

We have tried and we have tried to get over the point to some of our friends that ultimately this would happen. I think the time has come when it will happen in the Congress. I am perfectly willing to give you or the President the authority you need to handle the situation, but for the life of me, I don't believe persuasion is going to do it anymore.

I think certain areas of the world are going to have to be faced with the realities of the feeling that exists here in the United States in order for them to sit down with us and reach anything like a reasonable basis for the continuation of trade.

I don't want to quarrel with them at all. I am just stating a situation that exists here. You know and I know that efforts have been made in that direction, but I am satisfied in my own mind, without the degree of success that any of us contemplated to begin with would occur, I haven't any confidence that if we pass legislation out of this committee without anything in it dealing with these subject matters that we will have any greater success in the future.

Maybe Secretary Stans can convince me tomorrow. But you and I both have been standing on the sidelines watching.

Ambassador GILBERT. Yes, sir.

The CHAIRMAN. And we know nothing constructive has yet happened.

My basic question, and what I wanted you to comment on is whether or not, in your bill that Mr. Byrnes and I introduced, the administration bill, we have enough in it to reverse this feeling that exists in the United States, or whether it is going to take more.

Ambassador GILBERT. I would think there is enough in the bill if adequately pursued and aggressively enough pursued by the administration. The bill itself, of course, standing alone as legislation, can't solve the problems.

What it does is give powers to the administration. Whether the two in combination can do the job depends on how good a job we do. But I think as far as the administration powers are concerned, this gives the administration all the powers they need to do a good job.

The CHAIRMAN. I am not talking about doing a good job. I am talking about restoring confidence on the part of the public generally that they are not going to be faced with comparable increases over the next 8 or 10 years such as they have had in the last 8 or 10 years.

If we can't give them that confidence, we might as well not try to pass a bill. We can't do it. It would be impossible to do it.

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Ambassador GILBERT. I think the confidence should be able to be built up.

The CHAIRMAN. I say that even though—when was it—8 years ago, in 1962, the House of Representatives passed the so-called Kennedy Round proposal, authorizing it, at least, by about the largest vote, percentagewise and otherwise, that Congress had ever passed a reciprocal trade agreement by.

I would like to be back in that position. I think we can get back there if we can encourage our friends throughout the world to recognize that all in the world our people here want is liberal trade based upon the theory of reciprocity; that we are not going to give them our industries; we are not going to have people in our districts running around looking for jobs while all of their people are employed, as a result of exports to the United States. These are facts.

I don't know whether they have been told that by anybody other than me or not.

Ambassador GILBERT. I haven't been silent on it.

The CHAIRMAN. I question sometimes whether a diplomat can speak firmly enough. I am not talking about you. I am talking about some on some other occasions.

Ambassador GILBERT. At times I have to hold onto myself when they tell me I am supposed to be a diplomat.

The CHAIRMAN. I wouldn't be a bit surprised but some of them within our Government are telling them not to pay any attention to the present situation, that Congress just won't pass any of these bills. I have been told that, at least.

Ambassador GILBERT. It is not very good advice to give them.

The CHAIRMAN. They may not become law, Mr. Ambassador, but don't think for 1 minute that the Congress is not very serious about this matter. You know it, and I know it.

Ambassador GILBERT. I understand.

The CHAIRMAN. If we can just get them to realize it.

Now let me talk to you about section 252, which I thought meant something when we wrote it in 1962. It is true that section 252 (a) is primarily aimed at agriculture, but (b) and (c) are not aimed at agriculture. They apply to all the products. What does (b) say?

> Whenever a foreign country or instrumentality, the products of which receive benefits of trade agreement concessions made by the United States: (1), maintains nontariff trade restrictions including variable import fees, which substantially burden U.S. commerce in a manner inconsistent with provisions of trade agreements, or, (2), engages in discriminatory or other acts, including tolerance of international cartels or policies unjustifiably restricting U.S. commerce, the President shall, to the extent that such action is consistent with the purposes of section 102, suspend, withdraw or prevent the application of benefits of trade agreement concessions to products of such country or instrumentality, or, (b), refrain from proclaiming benefits of trade agreement concessions to carry out a trade agreement with such country or instrumentality.

I question that there has been any discrimination anywhere. The rule that applies to us applies to everybody else. But I have thought that perhaps we have not used section 252 sufficiently to really discourage the development and enlargement of the use of the variable import fees.

I know what the situation is in GATT. GATT says it is perfectly legal for some country other than the United States to do something

indirectly which the United States does directly, but that we can't do anything directly.

I know what GATT says. But here again, you are aware of the fact that we have never been anything, by other than executive discretion, more than observers in GATT. We provide some money, I guess, don't we?

Ambassador GILBERT. Yes.

The CHAIRMAN. I am not suggesting that we withdraw from it, but I don't think we ought to always have somebody tell us that in GATT they can do indirectly whatever they want to, but because we are very forward going and direct people, that we can't do anything we want to do.

Ambassador GILBERT. I wasn't going to say that to you, sir.

The CHAIRMAN. I am counting on you. I am just disgusted with some of the things that have happened in the past. I am counting on you to be able to make them realize our position.

I could go on and on and on, but I will not take any more time of the committee. I have a lot more questions. You will be back Thursday?

Ambassador GILBERT. Yes, sir.

The CHAIRMAN. But this is a very serious thing. You and I agree it is. The only way in the world it is going to be saved, in my opinion, and I say this without charging anybody for it, is for the other countries to realize the situation that exists here, as well as coming here and trying to tell us what exists in their country.

They don't have anything like all the problems in this area. We have our share. They have to begin to recognize that when we ask them to participate with us in some understanding, that it is not only in our interest, but it is in their interest as well.

Mr. Gibbons.

Mr. GIBBONS. Thank you, Mr. Chairman.

Mr. Ambassador, when you come back Thursday, could you bring us an analysis of your bill? I have read it over but some of it is confusing. For instance, on page 5, line 10, you strike out a section here and you add a few words there. I don't exactly know what you are doing in that.

If you have a description that will show just exactly what you are doing, I would appreciate it.

Ambassador GILBERT. There is, Mr. Gibbons, in the committee reprint of the section-by-section analysis which was submitted at the time of the President's message I think just exactly what you are looking for. If it isn't complete enough, we will try to fill it in.

Mr. GIBBONS. I just haven't gotten around to reading that.

Chairman GILBERT. How we can all read all the things we get, I don't know.

Mr. GIBBONS. At least, I know where it is now.

Mr. Ambassador, are you familiar with all the arguments we get on the shoe situation? Do you have any rebuttal information to what the shoe manufacturers are always telling us?

Ambassador GILBERT. I think when the President announces a program of action which is under discussion, and I presume at the same time releases the long study report which has been submitted to him, I think a lot of the facts will be on the table.

Mr. GIBBONS. When can we expect that, sir?

Ambassador GILBERT. Sometimes it is pretty hard to predict how long it takes things to run through the White House. I would expect this to be very soon.

Mr. GIBBONS. Has the same kind of study been done on the textile problem?

Ambassador GILBERT. No; it has not been, as far as I know. I think the study on the shoe industry is the most comprehensive I have seen done on a specific industrial problem by any administration.

I am not conscious of any study in similar depth as to the textile problem.

Mr. GIBBONS. Thank you.

The CHAIRMAN. Are there any further questions?

If not, we will expect you back on next Thursday, Mr. Ambassador.

(The following material was received by the committee:)

Staff Papers and Inventory of Industrial Nontariff Barriers

(Submitted by the Office of the Special Representative for Trade Negotiations)

(165)

Tariff Reduction Authority

Section 201 of the Bill proposes that the President in order to carry out a trade agreement, be authorized to reduce U.S. import duties in effect on July 1, 1967 (final Kennedy Round rates effective January 1, 1972), by 20 percent or by 2 percentage points (or the ad valorem equivalent thereof). Any tariff reductions made under this authority would be implemented in two equal stages one year apart. This authority would remain in force until July 1, 1973. The usual pre-negotiation procedures of issuance of a public list, public hearings and Tariff Commission advice to the President will continue to apply.

The Administration has no intention of using this authority for any major tariff negotiation. The primary purpose for requesting the authority is to enable the President to offer new tariff concessions to compensate for duty increases or imposition of restrictions as a consequence of escape clause actions. Without such an authority, nations adversely affected by an escape clause action would be likely to retaliate by raising duties or imposing restrictions against U.S. exports. The authority will enable the President to negotiate in such situations in accordance with the established procedures of the GATT.

An authority to reduce tariffs by 20 percent is requested because that depth of reduction has been found to be a satisfactory rate for compensation purposes. The depth of the tariff reduction authority has a major impact on the number of items that have to be included in a compensation package. For example, if the United States raised a rate from 20 to 40 percent on $5 million of imports, then, in accordance with the general pragmatic practice, it would be expected to grant reductions of 50 percent on the same volume of trade in compensation. In this case then the United States would have only a 20 percent authority, it would have to grant reductions of 20 percent on $12.5 million of imports, the trade volume compensating for the lower duty cut. A tariff reduction authority of only 10 percent, for example, would require compensation on $25 million of imports. The authority for 2 percentage points is for low duty items where a 20 percent reduction would provide little or no bargaining power.

It is possible that the authority might be useful in limited negotiations on one or several products to resolve trade problems causing difficulties for U.S. exporters. Most important in this

regard are tariff disparity problems where two-way trade exists in a commodity. For example, U.S. producers of poultry laying cages, lignin pitch and concrete block making machinery have complained that U.S. tariffs on these products are lower than those of Canada and have requested negotiations to reduce Canadian tariffs to provide equal access to that market. Similar requests have arisen regarding beryllium copper strip exports to the U.K. and Japan, kyanite ore and diamond stylii exports to the U.K.

The request to authorize the tariff reduction authority until July 1, 1973, is based on the prospect that the Commission on World Trade will not complete its work until sometime in 1971. Time will then be required to develop long-term trade legislation which probably could not be presented to Congress before the beginning of 1972. Since Congressional consideration of long-term trade legislation will probably be lengthy and the legislative year shortened by the 1972 elections, it appears desirable to extend the authority to June 30, 1973 to assure an adequate authority for handling cases involving compensation for escape clause actions.

Appropriations for GATT

Section 202 of the proposed Trade Act of 1969 amends the Trade Expansion Act of 1962 by adding a new Section 244, which would specifically authorize annual appropriations for the U.S. contribution to GATT.

Justification

The US contribution to the GATT has been funded out of the International Conferences and Contingencies appropriation of the Department of State budget, under general provisional (annual) authority (Section 5 of P.L. 84-885, approved August 1, 1956).

Funds for most international organizations are appropriated pursuant to a specific, permanent Congressional authorization provided for in the form of Public Law or Senate consent to ratification of a treaty or convention. Since the GATT has the legal status of an executive agreement entered into pursuant to trade agreements legislation, specific authorization has not been provided in the usual manner.

As the world's largest trading nation, the US has a major stake in supporting GATT, which is the main forum for reducing trade barriers and expanding world commerce. It would be appropriate and would permit sounder budget management to provide the same kind of legislative authorization for the GATT as exists for US contributions to international organizations generally.

What the US Obtains from Participating in GATT

The General Agreement provides the legal framework within which over 80 percent of the world's commerce is conducted. The US was one of the prime movers in GATT's formulation after World War II as a means of establishing a freer world trading system that would contribute to economic growth, sounder allocation of resources, higher standards of living, and amicable relations among trading nations. Seventy-seven countries are now contracting parties, one is a provisional member, and the GATT is applied de facto in trade with 13 additional countries.

Through a series of tariff negotiations conducted under GATT aegis, duties on a major portion of free world commerce have been significantly reduced and bound. Lowering of these barriers has been a major factor in the rapid expansion of trade and economic growth in the past two decades. The bindings incorporated in GATT cover billions of dollars worth of exports and provide essential stability to world commerce.

The GATT also contains a code of fair practices which members are legally committed to apply. The very existence of this code acts as a deterrent to the adoption of restrictive or discriminatory measures or practices. In the event of violations or special problem situations, however, the Agreement provides a framework for elimination of the action or compensation for damage. As the world's largest trading nation, the

US has a major stake in maintaining the integrity of the General Agreement and its prestige as a forum for further negotiations to achieve such important US objectives as the reduction of non-tariff barriers and the elimination of various foreign practices inimical to our farm exports.

The GATT Does Not Infringe upon Congress' Constitutional Power to Regulate Tariffs

The GATT, like other trade agreements entered into by the US, is an executive agreement carried out pursuant to the authority constitutionally delegated by the Congress to the President under the Tariff Act of 1930 and the Trade Agreements Act of 1934. The CONTRACTING PARTIES to GATT have no authority to place any new or greater obligation on the US without our consent.

Why the GATT Has Never Been Submitted to Congress for Approval

Congress has by legislation given the President prior authorization to enter into trade agreements and to modify duties and other import restrictions to carry out these trade agreements. Section 350(a) of the Tariff Act of 1930, as added to by the Trade Agreements Act of 1934, provides for the President to "enter into foreign trade agreements" within a particular period of time and authorized him to proclaim modifications of existing duties and other import restrictions or the continuance of customs or excise treatment to carry out such agreements. Since 1962, the general authority under which we have negotiated in the GATT has been the Trade Expansion Act of 1962.

In passing such legislation, the Congress intended, among other things, to relieve its members of the complex and time-consuming responsibilities associated with the adjustment of tariff duties. The language referred to above makes it clear that Congress also intended that trade agreements should cover trade controls other than tariffs. There is no need to submit to Congress a trade agreement concluded pursuant to this prior authorization.

GATT Efficiency and the US Contribution

The US contribution is small, both in terms of dollars ($571,440) and percentage (about 16% of a total budget of $3,678,000). The GATT has been efficiently managed, and a serious effort has been made to hold budget increases to the necessary minimum, e.g. the 1970 budget provides for only two new professional level positions. The US has consistently taken an austere position on the GATT budget, and we are satisfied that this is a reasonable and necessary budget.

GATT Budget and U.S. Contribution

1968 - 1970

	GATT Expenditure Budget[1]	U.S. Contribution	U.S. Percentage of total
1970	$3,678,000	$571,440	16.43
1969	$3,364,500	$508,790	16.03
1968	$3,318,000	$502,750	15.91

Comparison with OECD and UNCTAD

1970 OECD Budget[2]	$19,182,000	US Contribution	$4,585,000	25.00%
1970 UNCTAD Budget[2]	$ 8,911,200	US Contribution	$2,525,600	31.57%
1970 GATT Budget	$3,678,000	US Contribution	$ 571,440	16.43%

1. Expenditure budget minus miscellaneous income and funds carried forward equals assessment budget.

2. estimates

GATT Membership

1. Contracting parties to the GATT(77)

Argentina	Greece	Nigeria, Fed. Republic of
Australia	Guyana	Norway
Austria	Haiti	Pakistan
Barbados	Iceland	Peru
Belgium	India	Poland
Brazil	Indonesia	Portugal
Burma	Ireland	Rhodesia
Burundi	Israel	Rwanda
Cameroon	Italy	Senegal
Canada	Ivory Coast	Sierra Leone
Central African Republic	Jamaica	South Africa
Ceylon	Japan	Spain
Chad	Kenya	Sweden
Chile	Korea	Switzerland
Congo (Brazzaville)	Kuwait	Tanzania
Cuba	Luxemburg	Togo
Cyprus	Madagascar	Trinidad and Tobago
Czechoslovakia	Malawi	Turkey
Dahomey	Malaysia	Uganda
Denmark	Malta	United Arab Republic*
Dominican Republic	Mauritania	United Kingdom of Great Britain and Northern Ireland
Finland	Netherlands, Kingdom of the	United States of America
France	New Zealand	Upper Volta
Gabon	Nicaragua	Uruguay
Gambia	Niger	Yugoslavia
Germany, Fed. Rep. of		
Ghana		

2. Tunisia has acceded provisionally.

3. Countries to whose territories the GATT has been applied and which now, as independent States, maintain a de facto application of the GATT pending final decisions as to their future commercial policies (13)

Algeria	Lesotho	Singapore
Botswana	Maldive Islands	Southern Yemen
Cambodia	Mali	Swaziland
Congo, Dem. Rep. of	Mauritius	Zambia
Equatorial Guinea		

* UAR has completed accession negotiations and will become a member within a few weeks.

Scale of GATT Contributions
(in US dollars)

Contracting Party	Percentage	1969	1970
Argentina	0.68	23,800	23,650
Australia	1.91	62,530	66,430
Austria	1.09	35,230	37,910
Barbados	0.12	3,810	4,170
Belgium	3.56	112,990	123,820
Brazil	0.92	27,610	32,000
Burma	0.12	3,810	4,170
Burundi	0.12	3,810	4,170
Cameroon	0.12	3,810	4,170
Canada	5.87	178,060	204,160
Central African Rep.	0.12	3,810	4,170
Ceylon	0.19	6,670	6,610
Chad	0.12	3,810	4,170
Chile	0.43	12,380	14,960
Congo (B)	0.12	3,810	4,170
Cuba	0.42	14,280	14,610
Cyprus	0.12	3,810	4,170
Czechoslovakia	1.55	51,740	53,910
Dahomey	0.12	3,810	4,170
Denmark	1.49	48,880	51,830
Dominican Rep.	0.12	3,810	4,170
Finland	0.84	28,570	29,220
France	6.54	206,310	227,460
Gabon	0.12	3,810	4,170
Gambia	0.12	3,810	4,170
Germany, Fed. Rep.	10.59	336,760	368,320
Ghana	0.17	5,710	5,920
Greece	0.45	14,280	15,650
Guyana	0.12	3,810	4,170
Haiti	0.12	3,810	4,170
Iceland	0.12	3,810	4,170
India	1.13	39,990	39,300
Indonesia	0.35	11,740	12,180
Ireland	0.48	15,550	16,700
Israel	0.38	11,740	13,220
Italy	4.81	148,230	167,290
Ivory Coast	0.16	5,080	5,570
Jamaica	0.15	4,760	5,220
Japan	5.83	173,300	202,770
Kenya	0.15	5,080	5,220
Korea, Rep. of	0.36	8,570	12,520
Kuwait	0.47	14,920	16,350
Luxembourg	0.31	9,840	10,780
Madagascar	0.12	3,810	4,170
Malawi	0.12	3,810	4,170
Malaysia	0.62	20,950	21,570
Malta	0.12	3,810	4,170
Mauritania	0.12	3,810	4,170

Netherlands	4.54	145,050	157,900
New Zealand	0.52	18,410	18,090
Nicaragua	0.12	3,810	4,170
Niger	0.12	3,810	4,170
Nigeria	0.34	13,010	11,830
Norway	1.13	36,180	39,300
Pakistan	0.43	14,280	14,960
Peru	0.41	13,330	14,260
Poland	1.41	45,070	49,040
Portugal	0.68	22,220	23,650
Rhodesia	0.15	5,710	5,220
Rwanda	0.12	3,810	4,170
Senegal	0.12	3,810	4,170
Sierra Leone	0.12	3,810	4,170
South Africa	1.23	39,670	42,780
Spain	1.29	41,260	44,870
Sweden	2.44	79,030	84,870
Switzerland	1.96	64,110	68,170
Tanzania	0.12	4,130	4,170
Togo	0.12	3,810	4,170
Trinidad and Tobago	0.23	7,620	8,000
Turkey	0.32	10,470	11,130
Uganda	0.12	3,810	4,170
United Kingdom	9.73	317,720	338,410
United States	16.43	508,790	571,440
Upper Volta	0.12	3,810	4,170
Uruguay	0.12	3,810	4,170
Yugoslavia	0.76	24,440	26,440
Associated Governments:			
Cambodia	0.12	3,810	4,170
Tunisia	0.12	3,810	4,170
United Arab Rep.*	0.38	13,650	13,220
			3,478,000

The percentage assessed on each member is in proportion to its share of world trade (minimum 0.12%) in the most recent three year period for which statistics are available, as derived from the following sources:

* The UAR will become a contracting party this year.

Amendment of Retaliatory Provisions of the Trade Expansion Act

Section 203 of the bill proposes two amendments to section 252 of the Trade Expansion Act to strengthen the negotiating power of the President when our trading partners are considering proposals or have taken actions which adversely affect our export interests. Section 252, although invoked only once in the famous "Chicken War", has provided the Executive Branch with a deterrent power which has been effective in a number of instances in recent years to prevent countries from taking actions which would adversely affect U.S. exports. Though these cases cannot be detailed here, it is public knowledge that the United States has notified the EEC of its intention to take retaliatory action if the latter imposes a tax on fats and oils.

The defect in the authority as it is now written, which if removed would make it more useful, involves one word, "agricultural". At present, if a country imposes unjustifiable restrictions against U.S. industrial exports, the President's power is limited. In the case of agricultural products, section 252 currently authorizes the President to impose duties or other import restrictions to the extent he deems necessary and appropriate to obtain equitable access to markets of countries imposing or maintaining restrictions against U.S. agricultural exports. This authority gives the President full and wide negotiating power and leverage.

In the case of restrictions on U.S. industrial exports, however, the President in the same circumstance can only impose the statutory rate of duty. Thus, if a country discriminates or imposes unreasonable restrictions against U.S. automobile exports, the President can raise the duty to the statutory limit of 10 percent and no higher. He can, of course, take action on other industrial products at the same time but these actions may not resolve the problem in automobiles. Thus, the Administration is recommending deletion of the word "agricultural" in subsection (a)(3) of section 252 so that the President will have the same authority for both agricultural and industrial products.

The second amendment proposed for section 252 authorizes the President to remove benefits of our trade concessions to

countries which provide subsidies or other incentives to their exports to third markets and thereby adversely affect U.S. exports in the same market. At present, such subsidies and incentives on dutiable imports into the United States can be nullified by the countervailing duty law. However, the President has no specific authority to act with respect to subsidies to third markets which affect our exports. The Administration considers this authority will be useful in maintaining fair treatment for U.S. exports, particularly in the agricultural area where subsidization is practiced fairly widely by a number of countries.

Escape Clause

The escape clause provisions of the Trade Expansion Act (TEA) are too rigid and generally have not worked. In only one of the 16 cases filed for relief under the TEA has the Tariff Commission made an affirmative finding of a threat of injury. In two other cases, the Commission was equally divided.

The Administration is therefore proposing two amendments to ease the criteria for obtaining escape clause relief. Both amendments are consistent with the long established concept that relief should be available for an industry injured by imports since our philosophy has been that no single person or group should bear the brunt of a trade program undertaken in the national interest.

The first amendment will delete the "causal relationship" between an increase in imports and a tariff concession. In considering escape clause petitions under present law, the Commission must first determine that an increase in imports has occurred "as a result in major part" of tariff concessions. Of the 16 cases investigated by the Commission, 13 failed to meet this test and therefore did not qualify for the injury test. Almost all of our tariff classifications are subject to concessions granted in one or more of six multilateral tariff negotiations dating back to 1947, and in many cases in bilateral agreements of the mid-30's. To deny relief on the basis that a concession granted in 1951 or 1962 is not the major cause of imports in 1969 is inconsistent with the clear fact that in many cases imports would be very small or nonexistent if no tariff concessions had been made. The key issue in escape clause cases should be whether an industry is experiencing or threatened with serious injury from increased imports. The cause of an increase in imports may be relevant to the question of whether serious injury has occurred and to the type of remedy that may be needed. Since almost all products are subject to tariff concessions, it no longer appears to be the initial question for consideration of petitions.

The second amendment proposes a clarification of the causal relation between increased imports and injury. In the present law, an increase in imports must be "the major factor" in causing or threatening serious injury. The proposed amendment substitutes "primary cause" for "major factor" because the latter has been interpreted to mean more than 50 percent of all causes and thus appears overly rigid. "Primary cause" means greater than any other single cause but not greater than all other causes combined, thus making the injury test more realistic and easier to meet in some cases.

The rationale for using the word "primary" is as follows:

The term "major factor" means that an increase in imports must be a greater cause of injury than all other causes combined. The competitive effect of increased imports in a particular case may be very severe, and may be the single most important cause of an industry's plight. Yet the injury from increased imports still might not outweigh the cumulative effect of all other factors. Under the current law, escape clause relief would probably be denied.

Usually, the typical industry experiencing severe import competition is beset with a number of difficulties, including changing technology and style, competition from other products, changes in consumer habits, and plant obsolescence to name a few. To require, in theory as well as in fact, that an increase in imports be judged to account for at least 50.1 percent of the causes of injury before relief can be granted is a very rigid test and a difficult evaluation to make. A fairer and more practicable test, and one that is easier to make, would be the singling out of an increase in imports as the most important of all causes of injury but not necessarily greater than all causes combined. Thus the term "the primary cause" for the industry-wide escape clause test is being recommended.

Substitution of "the primary cause" for "major factor" also raises the question of reverting to the criterion in section 7 of the Trade Agreements Amendment Act of 1951 under which the Commission had to find that an increase in imports had contributed "substantially" to injury. The word "substantial" is not considered to be a suitable criterion for the causal relationship between imports and injury in an industry-wide petition because it is too imprecise. Dictionaries define "substantial" as meaning considerable, large, or strong. To some the word "substantial" also connotes only something more than "de minimus" and with this wide area of interpretation, it is not considered to be a proper test for industry-wide tariff relief with its broad international repercussions.

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Escape Clause Investigations under the Trade Expansion Act of 1962

	Affirmative finding	Negative finding
1. Household china tableware 1/ and kitchenware		X
2. Earthenware table 1/ and kitchen articles		X
3. Hatters' fur 1/		X
4. Softwood lumber 1/		X
5. Whisky		X
6. Umbrellas and parts		X
7. Watches, watch movements and parts		X
8. Mushrooms, prepared or preserved		X
9. Ice skates and parts		X
10. Eyeglass frames and mountings		X
11. Barbers' chairs		X
12. Broomcorn		X
13. Canned sardines		X
14. Pianos,	X	
Piano parts		X
15. Sheet glass,	2/	
Other glass		X
16. Barbers' chairs	3/	
17. Umbrellas and parts	Pending	

1/ Investigation pending under section 7 of the Trade Agreements Extension Act of 1951, as amended, on the date of enactment of the Trade Expansion Act (Oct. 11, 1962), and was continued under section 301 of the TEA.
2/ The vote of the Commission was equally divided. The President accepted the affirmative finding as the finding of the Commission.
3/ The vote of the Commission was equally divided. The President may accept the findings of either group as the finding of the Commission. The Commission's report was submitted to the President April 21, 1970. As of May 8, 1970, the President had not announced a decision in this case.

Trade Adjustment Assistance

Assistance to firms and workers in adjusting to an injurious impact from import competition was first provided in the Trade Expansion Act of 1962. Since the Act was passed, the Tariff Commission has received 30 petitions for a determination of eligibility for assistance (10 from firms and 20 from groups of workers). An affirmative determination was not made by the Commission until November 1969 on the 16th petition received. Of the 30 petitions which have been submitted to the Commission, negative determinations have been made on 13, the Commission divided evenly on 2 (the effect being a negative determination), affirmative determinations have been made on 6, 2 were withdrawn, and 7 are pending. As part of escape clause decisions, firms and workers in the piano and sheet glass industries have been authorized by the President to apply for adjustment assistance; several firms and groups of workers from these industries have already applied to the Secretaries of Commerce and Labor.

The United States needs a more effective adjustment assistance program as a companion to tariff relief to permit assistance to be pinpointed to injured firms and workers within industries which may on the whole be able to compete with imports. Adjustment assistance which is designed to deal with problems which are essentially localized and temporary would reduce reliance on import restrictive devices. To make adjustment assistance more readily available to firms and workers seriously injured by imports, the Trade Expansion Act would be amended in four major respects.

1. The Trade Act of 1969 proposes to delete the causal relationship between an increase in imports and a tariff concession. In considering adjustment assistance petitions under present law, the Commission must first determine that an increase in imports has occurred "as a result in major part" of tariff concessions. Of the cases completed by the Commission, 13 failed to meet this test and therefore did not qualify for the injury test; in two others, the Commission divided evenly and the effect was also a negative determination. Almost all of our tariff classifications are subject to concessions granted in 6 multilateral tariff negotiations dating back to 1947, and in many cases in bilateral agreements of the mid-30's. To deny relief on the basis that a concession granted in 1951 or 1962 is not the major cause of imports in 1970 is inconsistent with the clear fact that in many cases imports would be very small or non-existent if no tariff concessions had been made. The key issue in adjustment assistance cases should be whether a firm or group of workers is suffering serious injury from increased imports, not the cause of the imports. The cause of an increase in imports should no longer be the initial question for consideration of adjustment assistance since almost all products are subject to tariff concessions.

2. The bill would change the required causal relationship between injury to workers and firms and increased imports from "major factor" to "substantial cause." "Major factor" has been interpreted to mean at least 51 percent of all causes whereas "substantial cause" is intended to mean an actual and considerable cause but not necessarily one that is greater than any other single cause. This is not as strict as "major" and eliminates the necessity of determining the relative order of importance of any individual cause. It is clearly the intention of the Administration that adjustment assistance be extended to firms and groups of workers when needed. Such decisions involving one or several firms or a group of workers do not involve decisions of nationwide significance. They are more oriented to individual towns, cities, communities, and plants. To maximize the opportunity for firms and groups of workers to obtain adjustment assistance, and at the same time maintain an appropriate link to an increase of imports as a cause of serious injury, the Administration considers that the term "substantial cause" as defined above is clearly justified and desirable.

3. The proposed bill transfers the functions of making determinations with regard to the existence and cause of injury from the Tariff Commission to the President. It is believed that the President will in turn delegate this authority to an interagency board. The purpose of this transfer is to make a clear distinction between escape-clause and adjustment assistance findings. Escape-clause findings impinge directly on our international trade relationships and it is therefore appropriate for such findings to be made by a body like the Tariff Commission which has bipartisan membership and the ability to subpoena witnesses and data. Both substantively and administratively, adjustment assistance cases can be handled most efficaciously by an interagency board which includes Departments which are already responsible for related domestic programs.

   Fact-finding investigations will continue to be made by the Commission.

4. The bill would further amend the criteria for granting adjustment assistance to firms by providing that they may apply when "appropriate subdivisions" have suffered import injury. Under the TEA, workers in subdivisions such as plants may already apply but firms must demonstrate serious injury to their whole structures. The term "appropriate subdivision" is intended to mean an establishment in a multi-establishment firm which produces the domestic article in question or a distinct part or section of an establishment which produces the article.

Firm Petitions for Adjustment Assistance

		Affirmative determination		Negative determination
1.	Household china tableware			X
2.	Sodium gluconate			X
3.	Crude petroleum			X
4.	Ceramic floor and wall tile		1/	
5.	Ceramic floor and wall tile			X
6.	Plywood door skins	2/		2/
7.	Barbers' chairs			X
8.	Barbers' chairs			X
9.	Barbers' chairs	2/		2/
10.	Women's and misses' dress shoes		Pending	

Worker Petitions for Adjustment Assistance

		Affirmative determination		Negative determination
1.	Unmanufactured zinc			X
2.	Transistor radios			X
3.	Iron ore			X
4.	Cotton sheeting			X
5.	Ceramic mosaic tile			X
6.	Certain ceramic tiles		1/	
7.	Men's welt shoes			X
8.	Buttweld pipe & tubing	X		
9.	Transmission towers	X		
10.	Transmission towers	X		
11.	Ceramic floor and wall tile			X
12.	Transmission towers	X		
13.	Rubber-soled fabric footwear	X		
14.	Rubber-soled fabric footwear	X		
15.	Women's and misses' dress shoes		Pending	
16.	Women's and misses' dress shoes		Pending	
17.	Women's and misses' dress shoes		Pending	
18.	Women's and misses' dress shoes		Pending	
19.	Men's, youths', and boys' soled moccasins and cement-process footwear		Pending	
20.	Bicycle tires and tubes		Pending	

1/ Petition withdrawn.
2/ Commission divided evenly; the effect of the tie vote is a negative determination.

Adjustment Assistance for Firms

As a result of the February escape clause actions on upright pianos and sheet glass, firms in those industries have been authorized to request the Secretary of Commerce for certification of eligibility to apply for adjustment assistance. Several firms in these industries have contacted the Department of Commerce and are receiving advice on application procedures and requirements and one firm has submitted a formal application. In addition, one petition by an individual firm for a determination of eligibility to apply for adjustment assistance is currently pending before the Tariff Commission.

Under section 302(a)(2) of the Trade Expansion Act of 1962 the President may provide, with respect to an industry on which an affirmative escape clause finding has been made by the Tariff Commission, that its firms may request the Secretary of Commerce for certifications of eligibility to apply for adjustment assistance. In such cases, the Secretary is required to certify as eligible to apply, any firm which has shown to the satisfaction of the Secretary that increased imports have caused serious injury or threat thereof to such firm. If an affirmative finding is made by the Tariff Commission on the application of an individual firm for adjustment assistance, the Secretary of Commerce under authority delegated by the President may certify the firm eligible to apply for such assistance.

A firm certified eligible to apply for adjustment assistance may within two years of the date of certification file an application for adjustment assistance and must submit its adjustment proposal giving details of the firm's plan to use the assistance requested. The proposal may be accepted if it is found: (1) to be reasonably calculated to contribute materially to the economic adjustment of the firm, (2) to give adequate consideration to the interests of the workers of such firm, and (3) to demonstrate that the firm will make all reasonable efforts to use its own resources for economic development.

Upon certification of a firm's adjustment proposal, the Secretary is required to refer each certified proposal to the agency or agencies that he determines to be the appropriate ones to render the necessary assistance. If such agencies are unable to provide technical or financial assistance, the Department of Commerce may furnish such assistance.

Three types of assistance -- technical, financial, and tax assistance -- are authorized.

Technical assistance may be provided in preparing a sound adjustment proposal and it may be provided under the certified proposal if it will materially contribute to the economic adjustment of the firm. In

approving technical assistance, the Secretary may require the recipient firm to share the cost to the extent he deems appropriate.

Financial assistance may be provided in maturities up to 25 years in the form of guarantees of loans, agreement for deferred participations in loans, or direct loans. To the maximum extent possible, financial assistance is to be provided through agencies furnishing such assistance under other laws. No financial assistance may be provided unless it is determined that it is not otherwise available on reasonable terms from sources other than the U.S. Government. There must also be reasonable assurance of the firm's ability to repay the loan. The Secretary may require security for any financial assistance if he deems it appropriate Any loan or deferred participation under the program must be at an interest rate not less than the greater of 4 percent or a rate determined by the Secretary of the Treasury taking into consideration the current average market yields on outstanding interest-bearing marketable public debt obligations of the United States of maturities comparable to those of loans made under the adjustment assistance program.

Financial assistance may be provided for acquisition, construction, installation, modernization, development, conversion, or expansion of land, plant, buildings, equipment, facilities, or machinery or, in exceptional cases, to supply working capital.

Tax assistance may be given in the form of two additional years to carry back a net operating loss beyond the three years available to all businesses under the Internal Revenue Code. A firm incurring a loss may therefore deduct the loss from taxable income received in the previous five years in which net profits were earned and receive a refund for the amount of the differences between the tax actually paid and the amount that would have been paid on the reduced taxable income. Firms that would benefit from the two additional carryback years would be, for example, those whose profits in the preceding three years did not equal or exceed the loss in the current year but who did have profits in the fourth and fifth preceding years. A firm must apply for tax assistance within 24 months after the close of the taxable year in which it has sustained the net operating loss it wishes to carryback. The Secretary of Commerce must determine that the alleged loss arose predominantly from the carrying on of a trade or business which was found to be seriously injured as a result of increased imports. The Secretary must also determine that the tax assistance will materially contribute to the economic adjustment of the firm and that the proceeds will be used for purposes approved in the certified adjustment proposal.

The anticipated budgetary requirements for adjustment assistance during FY 71 are $12.6 million.

Adjustment Assistance for Workers

I. Trade Expansion Act Requirements

To obtain adjustment assistance under the Trade Expansion Act of 1962, in the case of a firm or group of workers, it must be determined that increased imports were the major factor causing their serious injury (for workers, unemployment or underemployment) and that the increased imports were caused, again in major part, by tariff concessions. The Tariff Commission is responsible for determining whether these criteria are met. In the event of a favorable finding, the Department of Labor has the responsibility for administering the assistance program for workers.

The Department of Labor is responsible for issuing certifications which enable State Employment Security agencies (acting as agents of the Department in administering the program) to decide whether a particular individual is eligible for trade adjustment assistance. The Department's certification is intended to insure that assistance is given to the workers of the group who were dislocated as a result of the specified increase in imports and that assistance is not given to workers dislocated for other reasons.

Operation of Adjustment Assistance Under the Trade Expansion Act of 1962

Since 1962, the Tariff Commission has instituted investigations of 20 petitions for adjustment assistance filed by groups of workers. Favorable determinations were made in 6 cases, negative determinations were made in 7 cases, one petition was withdrawn during the course of the investigation and 6 cases were pending determination as of May 1, 1970. The Department of Labor has issued certifications covering approximately 850-1,000 workers and, as of May 1, individuals have received over $500 thousand in cash benefits.

In addition, one group of workers in the sheet glass industry and one in the piano industry have applied directly to the Secretary of Labor for certification under the terms of the President's action in March 1970 with respect to the "escape clause" petition for the industry.

Benefits Available to Workers

In order to be eligible for adjustment assistance, an individual worker must apply to the local Employment Security Agency office and be found to:

a. be a member of the group specified in the certification;

b. have become unemployed or underemployed after the impact date set in the certification;

c. meet the normal State requirements with regard to availability for work;

d. have been gainfully employed for at least half of the three years immediately preceding his layoffs; and

e. have been employed for at least half of the year preceding layoff in a firm found to have been affected by increased imports.

Eligible individuals receive:

1. Full access to State agency services with regard to counseling, testing, job referral and training programs. When travel to or temporary residence at training locations is required, the adjustment assistance programs provides both travel funds and subsistence allowances.

2. Cash readjustment allowances in place of unemployment insurance. The allowance is equal to 65 percent of the worker's average weekly wage, or to 65 percent of the national average weekly wage in manufacturing, whichever is less ($85 is the maximum, effective April 1970). Allowances are reduced by 50 percent of what a worker may receive for work performed during a given week, and the total of earned income and adjustment allowances may not exceed 75 percent of the worker's average weekly wage.

   Duration of readjustment allowances is normally limited to 52 weeks, but up to 26 additional weeks may be allowed to complete approved training courses and up to 13 additional weeks is paid workers who were over 60 when originally separated. The 52 weeks of allowances need not be used at one time but can be spread over several years.

3. Cash relocation allowances covering basic moving expenses and a cash lump sum payment equivalent to two and a half times the average weekly manufacturing wage are available. A totally

unemployed worker who is the head of a family may receive such payments when there is no suitable job for him in his own area and a suitable job has been found for him, or he has located one himself in another city. The worker must, of course, be willing to move.

Proposed Changes in Labor Department Procedures

The Labor Department is implementing programs to improve ways to provide trade-dislocated workers with the help they need to re-establish themselves in the economy. The goal is not merely to provide cash benefits but to assist the workers to return to stable jobs that offer prospects for advancement.

An "early warning" system has been proposed to provide an alert about industries from which applications for assistance are most likely to come. This would permit advance planning and preparation for all phases of the assistance program and expedite the adjustment process.

The Department is also devising better ways to provide displaced workers with a wider range of training and job opportunities individually tailored to their specific needs. An adjustment team composed of representatives of the employment service, the employer, and the workers would be an integral factor in implementing this.

Private enterprise will be encouraged to lend its talents and energies to advance planning and relocating or retraining displaced workers.

Anticipated Caseload and Costs

On the basis of workers' cases already certified and those which can be clearly anticipated, it is expected that the Labor Department budget for this program will be about $2½ million for the remainder of FY 1970 and about $43 million in FY 1971. The budget will include payment of cash readjustment allowances, training costs and relocation expenses for approximately 18,000 workers from 80-85 plants. These estimates are based primarily on actual or imminent dislocations in the steel, footwear, piano and glass industries. It is recognized that the potential for additional petitions for assistance exists in these and other industries. There have, for example, been direct indications that petitions can be expected from the auto and electronics industries.

The Commission on International Trade and Investment Policy

In his November 18, 1969 message to the Congress on the trade bill, President Nixon declared his intention to appoint a Commission to "examine the entire range of our trade and related policies, to analyze the problems we are likely to face in the 1970's, and to prepare recommendations on what we would do about them." The Commission will be empowered to call upon the Tariff Commission and agencies of the Executive Branch for advice, support and assistance but "its recommendations will be its own."

In his February 1970 report to the Congress on U.S. Foreign Policy for the 1970's, the President restated his intention to establish a Commission on International Trade and Investment Policy to help develop approaches to the "new challenges for U.S. trade policy" as follows:

--Trade and Investment: Foreign investment, symbolized by the multinational corporation, has become increasingly important in relation to the flows of goods which have been the focus of traditional trade policy. We must explore more fully the relationship between our trade and foreign investment policies.

--Trade Adjustment: We must learn how better to adjust our own economy to the dynamic forces of world trade, so that we can pursue our objective of freer trade without unacceptable domestic disruption.

--East-West Trade: We look forward to the time when our relations with the Communist countries will have improved to the point where trade relations can increase between us.

--The European Community: We will watch with great interest the developing relations between the European Community and other nations, some of which have applied for membership. The Community's trade policies will be of increasing importance to our own trade policy in the years ahead.

The terms of reference and prospective membership of the Commission are now under consideration in the White House and a decision is expected soon.

FOR IMMEDIATE RELEASE APRIL 7, 1970

Office of the White House Press Secretary

THE WHITE HOUSE

The President today announced the appointment of Albert L. Williams of Armonk, New York, as Chairman of the President's Commission on International Trade and Investment Policy.

Williams, 59, has been Chairman of the Executive Committee of the Board of Directors of International Business Machines Corporation since 1966.

The President announced his intention to appoint this Commission in his November 18 Trade Message to Congress, in which he submitted his first trade bill to provide a necessary beginning in this field. At that time, he reaffirmed his belief in the principle of freer trade but noted that the world trading situation had changed dramatically and that U.S. trade policy could therefore no longer be viewed in the traditional manner of simply choosing between free trade and protectionism. He has, therefore, charged the Commission to examine the whole range of U.S. trade and related policies, and to recommend any needed changes in them to meet the challenges and problems of the 1970's.

Williams attended Beckley College (W. Va.) from 1928-1930. He then became an accountant for the Commonwealth of Pennsylvania and joined IBM as a student sales representative in 1936. He became a sales representative in 1937 and comptroller of the corporation in 1942. Williams became treasurer in 1947 and a vice president in 1948. In 1951 he became a Director of IBM and served as Executive Vice President from 1954 until 1961 when he was made President, the position he held prior to assuming his present title.

# # # #

U.S. MERCHANDISE-- EXPORTS, IMPORTS, AND TRADE BALANCE, 1960-1969

(In billions of dollars)

Year	U.S. exports, excluding military grant shipments[1/]	Year-to-year percent change	U.S. general imports[1/]	Year-to-year percent change	Merchandise balance (Col. A minus Col. B)	Merchandise exports financed by AID and P.L.-480 programs	Excluding military grant shipments and merchandise exports financed by AID and P.L.-480 programs: U. S. exports (Col. A minus Col. D)	Excluding military grant shipments and merchandise exports financed by AID and P.L.-480 programs: Merchandise balance (Col. E minus Col. B)
	(A)		(B)		(C)	(D)	(E)	(F)
1969	37.3	+ 9.4	36.1	+ 8.7	+1.3	2.0[2/]	35.3[2/]	- 0.8[2/]
1968	34.1	+10.0	33.2	+23.4	+0.8	2.2	31.8	- 1.4
1967	31.0	+ 5.1	26.9	+ 5.1	+4.1	2.5	28.5	+ 1.6
1966	29.5	+10.1	25.6	+19.6	+3.9	2.5	27.0	+ 1.4
1965	26.8	+ 3.9	21.4	+14.4	+5.3	2.5	24.3	+ 2.9
1964	25.8	+14.7	18.7	+ 8.7	+7.1	2.7	23.1	+ 4.4
1963	22.5	+ 7.1	17.2	+ 4.2	+5.3	2.6	19.9	+ 2.7
1962	21.0	+ 3.4	16.5	+11.5	+4.5	2.3	18.7	+ 2.2
1961	20.2	+ 2.5	14.8	- 2.0	+5.5	1.9	18.3	+ 3.5
1960	19.7		15.1		+4.6	1.7	17.9	+ 2.8

1/ Includes U.S. sales and purchases of military equipment.

2/ Estimated.

Source: Department of Commerce

U.S. Exports Excluding Government-Financed Shipments, 1960 and 1964-69

(Millions of dollars)

Year	Total U. S. exports	Foreign Assistance Act		Public Law 480	Exports, excluding MGA, AID and PL-480 shipments
		Military grant-aid	AID loans and grants		
1960.....	20,608	949	432	1,304	17,923
1964.....	26,650	818	1,077	1,612	23,143
1965.....	27,530	779	1,140	1,323	24,288
1966.....	30,430	940	1,186	1,306	26,998
1967.....	31,622	592	1,300	1,237	28,493
1968.....	34,636	573	1,056	1,178	31,829
1969.....	37,988	674	[1]1,000	1,018	35,296

[1] Estimated.

SOURCE: Department of Commerce

Major U.S. Commodities Exported Under AID Programs
and Major Recipient Countries, 1968

	Millions of dollars
Total	[1] 1,056
Major commodities	
Machinery and equipment	279
Fertilizers	106
Other chemicals	132
Iron and steel-mill products	107
Transport equipment	91
All other [1]	341
Major recipient countries	
India	260
Viet-Nam, Republic of	145
Brazil	128
Pakistan	116
Korea, Republic of	79
Colombia	78
Turkey	70
Chile	30
Indonesia	28
Dominican Republic	11
All other	111

[1] Excludes agricultural commodities bartered under PL-480.

SOURCE: Department of Commerce

Agricultural Exports Shipped under PL-480 Programs, 1968

Country	Million dollars	Commodity	Million dollars
Total.....	1,177	Total.....	1,177
India.....	342	Wheat.....	486
Viet-Nam, Rep. of.....	140	Rice.....	144
Pakistan.....	99	Cotton.....	116
Korea, Rep. of.....	99	Soybean oil.....	85
Indonesia.....	90	Wheat flour.....	79
Morocco.....	48	Dry milk.....	67
Brazil.....	44	Grain sorghums.....	38
Israel.....	35	Tobacco.....	30
Taiwan.....	26	Corn.....	16
Tunisia.....	25	All other.....	116
Chile.....	21		
All other (incl. unallocated).....	208		

SOURCE: Department of Commerce

U.S. Trade with Major Regions, 1960 and 1964-69

(Values in millions of dollars)

Area	1960	1964	1965	1966	1967	1968	1969	Percent change from 1960 to 1969
Exports, total	20,608	26,650	27,530	30,430	31,622	34,636	37,988	+ 84
Developed countries, total	13,281	17,343	18,366	20,120	21,467	23,600	26,458	+ 99
Canada	3,812	4,921	5,658	6,679	7,172	8,072	9,138	+ 140
Western Europe	7,229	9,222	9,257	9,891	10,187	11,132	12,370	+ 71
EEC	3,992	5,309	5,256	5,529	5,667	6,127	6,981	+ 75
EFTA	2,529	2,873	2,906	3,109	3,395	3,877	4,029	+ 59
United Kingdom	1,492	1,600	1,643	1,782	2,001	2,289	2,335	+ 57
Japan	1,452	2,018	2,084	2,370	2,699	2,954	3,490	+ 140
Australia, New Zealand, and South Africa	789	1,181	1,368	1,181	1,409	1,442	1,460	+ 85
Developing countries, total	7,132	8,967	9,023	10,112	9,960	10,821	11,281	+ 58
19 Latin American Republics	3,351	3,832	3,788	4,231	4,124	4,699	4,869	+ 45
CACM	216	322	341	361	357	366	353	+ 63
LAFTA	2,978	3,257	3,224	3,623	3,509	4,059	4,203	+ 41
Other Western Hemisphere	523	460	486	537	594	640	707	+ 35
Near East	683	971	989	1,112	960	1,094	1,344	+ 97
East and South Asia	2,207	3,092	3,100	3,447	3,557	3,582	3,498	+ 58
Africa	354	586	633	758	690	765	818	+ 131
Communist areas	194	340	140	198	195	215	249	+ 28
General imports, total	15,073	18,749	21,429	25,618	26,889	33,226	36,052	+ 139
Developed countries, total	8,973	11,924	14,101	17,632	18,993	24,130	26,465	+ 195
Canada	3,173	4,265	4,858	6,152	7,140	9,005	10,390	+ 227
Western Europe	4,188	5,209	6,155	7,679	8,052	10,139	10,140	+ 142
EEC	2,264	2,829	3,322	4,125	4,454	5,885	5,800	+ 156
EFTA	1,661	2,029	2,431	3,050	2,975	3,548	3,655	+ 120
United Kingdom	993	1,143	1,405	1,786	1,711	2,058	2,121	+ 114
Japan	1,149	1,768	2,414	2,963	2,999	4,054	4,888	+ 325
Australia, New Zealand, and South Africa	463	682	675	839	803	931	1,047	+ 126
Developing countries, total	5,997	6,711	7,174	7,795	7,709	8,886	9,377	+ 56
19 Latin American Republics	3,198	3,558	3,703	4,003	3,878	4,288	4,214	+ 32
CACM	183	239	283	308	302	343	368	+ 101
LAFTA	2,853	3,127	3,229	3,481	3,344	3,685	3,577	+ 25
Other Western Hemisphere	793	627	696	734	784	855	951	+ 20
Near East	344	355	392	403	308	388	383	+ 11
East and South Asia	1,265	1,509	1,735	1,925	2,054	2,499	3,040	+ 140
Africa	395	651	635	713	666	834	764	+ 93
Communist areas	84	103	141	183	180	200	198	+ 144

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U.S. Trade with Major Regions, 1960 and 1964-69

(Values in millions of dollars)

Area	1960	1964	1965	1966	1967	1968	1969
Trade balance, total	+5,536	+7,901	+6,101	+4,812	+4,733	+1,410	+1,936
Developed countries, total	+4,308	+5,419	+4,265	+2,488	+2,474	- 530	- 7
Canada	+ 639	+ 656	+ 800	+ 527	+ 32	- 933	-1,252
Western Europe	+3,041	+4,013	+3,102	+2,212	+2,135	+ 993	+2,230
EEC	+1,728	+2,480	+1,934	+1,404	+1,213	+ 242	+1,181
EFTA	+ 868	+ 844	+ 475	+ 59	+ 420	+ 329	+ 374
United Kingdom	+ 499	+ 457	+ 238	- 4	+ 290	+ 231	+ 214
Japan	+ 303	+ 250	- 330	- 593	- 300	-1,100	-1,398
Australia, New Zealand, and South Africa	+ 326	+ 499	+ 693	+ 342	+ 606	+ 511	+ 413
Developing countries, total	+1,135	+2,256	+1,849	+2,317	+2,251	+1,935	+1,904
19 Latin American Republics	+ 153	+ 274	+ 85	+ 228	+ 246	+ 411	+ 655
CACM	+ 33	+ 83	+ 58	+ 53	+ 55	+ 23	- 15
LAFTA	+ 125	+ 130	- 5	+ 142	+ 165	+ 374	+ 626
Other Western Hemisphere	- 270	- 167	- 210	- 197	- 190	- 215	- 244
Near East	+ 339	+ 616	+ 597	+ 709	+ 652	+ 706	+ 961
East and South Asia	+ 942	+1,583	+1,365	+1,522	+1,503	+1,083	+ 458
Africa	- 41	- 65	- 2	+ 45	+ 24	- 69	+ 54
Communist areas	+ 113	+ 237	- 1	+ 15	+ 15	+ 15	+ 51

U.S. Trade with Canada, by Major Products
1965 and 1969

(Millions of dollars)

Commodity	1965	1969
Exports, total	5,658	9,138
Domestic exports, excluding "special category"	5,499	8,943
Agricultural commodities, total	620	710
Grains and preparations	148	150
Fruits, nuts, and vegetables	185	222
Other agricultural commodities	287	338
Nonagricultural commodities, total	4,879	8,233
Coal and coke	154	160
Chemicals	382	510
Iron and steel-mill products	197	282
Metal manufactures[1]	194	251
Engines and other power generating machinery[1]	172	178
Tractors and parts; agricultural machinery	330	305
Electronic computers and office machines	77	177
Other nonelectrical machinery[1]	737	983
Electrical apparatus[1]	343	543
Trucks, buses, and chassis	45	250
Passenger cars	114	749
Automotive parts, including engines	700	1,783
Aircraft parts and commercial aircraft	57	217
Professional, scientific, and controlling instruments[1]	114	177
Other nonagricultural commodities	1,263	1,668
Reexports and "special category" exports	159	195
General imports, total	[2] 4,858	10,390
Foods, feeds, and beverages, total	468	578
Industrial supplies and materials, total	3,373	4,739
Crude petroleum	276	520
Natural gas	97	187
Wood pulp	363	482
Newsprint	762	904
Industrial chemicals	57	75
Fertilizers	102	142
Lumber	344	574
Iron ore	264	220
Iron and steel	105	183
Nonferrous ores and metals	528	748
Capital goods, including trucks and buses, total	400	1,389
Electrical machinery	67	154
Nonelectrical industrial machinery and components	108	222
Farm tractors and machinery, and parts	159	200
Trucks, buses, and special purpose vehicles	24	680
Consumer goods, including automobiles and parts, total	304	3,023
Passenger cars	84	1,828
Automotive parts	139	959
Other imports	322	661

[1] Excludes automotive parts.

[2] Commodity data as adjusted by the Office of Business Economics.

U.S. Trade with the European Economic Community
by Major Products, 1965 and 1969

(Millions of dollars)

Commodity	1965	1969
Exports, total	5,256	6,981
Domestic exports, excluding "special category"	4,912	6,669
Agricultural commodities, total	1,477	1,269
Corn	342	221
Animal feeds	139	237
Unmanufactured tobacco	106	149
Soybeans	226	277
Cotton	76	27
Other agricultural commodities	588	358
Nonagricultural commodities, total	3,433	5,400
Metal ores and scrap	77	219
Coal	201	135
Chemicals	555	828
Iron and steel-mill products	42	146
Copper and aluminum	139	192
Engines and other power generating machinery	132	182
Electronic computers and parts	83	256
Paper and manufactures	71	137
Other nonelectrical machinery	568	824
Electrical apparatus	316	492
Aircraft parts and commercial aircraft	219	484
Professional, scientific, and controlling instruments	106	158
Other nonagricultural commodities	924	1,347
Reexports and "special category" exports	344	314
General imports, total	[1]3,322	5,800
Foods, feeds, and beverages, total	226	338
Whisky and other alcoholic beverages	84	137
Industrial supplies and materials, total	1,173	1,703
Fabrics and twine	98	128
Industrial chemicals	121	224
Iron and steel	464	621
Finished metal and advanced metal manufactures	61	95
Capital goods, including trucks and buses, total	451	967
Electrical machinery	61	134
Nonelectrical industrial machinery and components	237	522
Business machines and computers	64	129
Consumer goods, including automobiles and parts, total	1,340	2,546
Passenger cars	435	1,025
Automotive parts and engines	50	106
Wearing apparel	143	182
Footwear	65	224
Other consumer durables	414	669
Other imports	153	246

[1]Commodity data as adjusted by the Office of Business Economics.
SOURCE: Department of Commerce

U.S. Trade with the Federal Republic of Germany by Major Products, 1965 and 1969

(Millions of dollars)

Commodity	1965	1969
Exports, total	1,650	2,118
Domestic exports, excluding "special category"	1,487	1,940
Agricultural commodities, total	434	393
Corn	56	36
Unmanufactured tobacco	64	90
Soybeans	76	76
Cotton	20	5
Other agricultural commodities	218	186
Nonagricultural commodities, total	1,053	1,547
Ores and metal scrap	27	73
Coal	44	36
Chemicals	127	177
Paper and manufactures	31	53
Nonferrous metals	58	108
Electronic computers and parts	34	120
Other nonelectric machinery	206	252
Electrical apparatus	98	163
Aircraft parts and commercial aircraft	112	129
Other nonagricultural commodities	316	436
Reexports and "special category" exports	163	178
General imports, total	1,341	2,603
Foods, feeds, and beverages, total	27	41
Industrial supplies and materials, total	360	618
Man-made filaments and yarns	16	42
Industrial chemicals	66	140
Iron and steel	137	230
Capital goods, including trucks and buses, total	267	553
Electrical machinery	32	68
Nonelectrical industrial machinery and components	171	346
Consumer goods, including automobiles and parts, total	635	1,306
Passenger cars	396	870
Automotive parts and engines	37	91
Other consumer durables	143	247
Other imports	53	85

SOURCE: Department of Commerce

U.S. Trade with Japan by Major Products
1965 and 1969

(Millions of dollars)

Commodity	1965	1969
Exports, total	2,084	3,490
Domestic exports, excluding "special category"	2,045	3,427
Agricultural commodities, total	876	934
Wheat	109	119
Corn	138	191
Grain sorghums	70	87
Soybeans	153	200
Cotton	127	55
Other agricultural commodities	279	282
Nonagricultural commodities, total	1,169	2,493
Logs	68	246
Metal ores and scrap	135	214
Coal	77	244
Chemicals	148	304
Nonferrous metals	31	100
Electronic computers and parts	31	91
Other nonelectric machinery	200	391
Electrical apparatus	71	162
Aircraft parts and commercial aircraft	97	141
Other nonagricultural commodities	311	600
Reexports and "special category" exports	39	63
General imports, total	1/ 2,414	4,888
Foods, feeds, and beverages, total	93	137
Industrial supplies and materials, total	1,012	1,549
Fabrics and twine	166	217
Industrial chemicals	32	87
Building materials, other than metals	91	120
Iron and steel	531	836
Capital goods, including trucks and buses, total	171	613
Electrical machinery	88	223
Nonelectrical industrial machinery and components	41	209
Business machines and computers	5	73
Consumer goods, including automobiles and parts, total	1,106	2,523
Passenger cars	25	303
Automotive parts and engines	7	120
Apparel; textile household goods	159	268
Leather and rubber footwear and related goods	63	116
Metal cookware, cutlery, and other household wares	56	112
Radios and TV sets	159	493
Other electrical household appliances	114	269
Other imports	43	66

1/ Commodity data as adjusted by the Office of Business Economics.

U.S. Trade by Economic Classes, 1960 and 1964-69

Economic Class	1960	1964	1965	1966	1967	1968	1969	Percent change from 1960 to 1969
				Values in millions of dollars				
Domestic exports, total	20,408	26,297	27,187	29,994	31,238	34,199	37,444	+ 83
Crude foods	1,645	2,540	2,587	3,198	2,595	2,334	2,086	+ 27
Manufactured foods	1,117	1,687	1,590	1,582	1,596	1,671	1,782	+ 60
Crude materials	2,585	2,897	2,888	3,143	3,293	3,467	3,476	+ 34
Semimanufactures	3,587	4,226	4,114	4,368	4,489	5,117	5,774	+ 61
Finished manufactures	11,473	14,947	16,008	17,703	19,265	21,609	24,327	+ 112
Imports, total[1]	15,069	18,749	21,429	25,618	26,889	33,226	36,052	+ 139
Crude foods	1,720	2,034	2,008	2,117	1,981	2,294	2,141	+
Manufactured foods	1,566	1,819	1,877	2,309	2,518	2,882	3,043	+
Crude materials	3,050	3,528	3,709	3,894	3,707	4,012	4,121	+ 35
Semimanufactures	3,471	4,001	4,964	5,620	5,592	7,141	6,774	+ 95
Finished manufactures	5,262	7,366	8,871	11,678	13,091	16,897	19,973	+ 280
				Percent of total				
Domestic exports, total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Crude foods	8.1	9.7	9.5	10.6	8.3	6.8	5.6	
Manufactured foods	5.5	6.4	5.8	5.3	5.1	4.9	4.8	
Crude materials	12.7	11.0	10.6	10.5	10.5	10.1	9.3	
Semimanufactures	17.6	16.1	15.1	14.6	14.4	15.0	15.4	
Finished manufactures	56.2	56.8	58.9	59.0	61.7	63.2	65.0	
Imports, total[1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Crude foods	11.4	10.8	9.4	8.3	7.4	6.9	5.9	
Manufactured foods	10.4	9.7	8.8	9.0	9.4	8.7	8.4	
Crude materials	20.2	18.8	17.3	15.2	13.8	12.1	11.4	
Semimanufactures	23.0	21.3	23.2	21.9	20.8	21.5	18.8	
Finished manufactures	34.9	39.3	41.4	45.6	48.7	50.9	55.4	

Note: Data may not add due to rounding.

[1] Data are based on imports for consumption for 1960 and on general imports for 1964 and following years.

SOURCE: Department of Commerce

U.S. Share of Free-World Exports, 1950-69

Year	Free-world exports ($ billions)	U.S. share of free-world exports 1/ (Percent)
1950	56	21.9
1951	76	23.1
1952	73	24.3
1953	74	25.0
1954	77	22.6
1955	84	21.4
1956	94	23.7
1957	100	24.0
1958	96	21.8
1959	102	20.6
1960	113	21.0
1961	119	20.3
1962	125	20.0
1963	136	19.7
1964	153	19.9
1965	165	19.1
1966	181	19.5
1967	191	19.3
1968	213	19.3
1969	243	18.4

1/ Excluding exports to the United States.

U.S. Share of Selected Foreign Country Import Markets

Area and country	Imports from the United States as percent of total imports						
	1963	1964	1965	1966	1967	1968	1969
Canada	68	69	70	72	72	73	73
19 Latin American Republics[2]	43	45	43	44	42	...	...
Central American Common Market	45	43	41	41	40	40	...
Costa Rica	48	47	40	39	39	38	...
El Salvador	34	35	31	33	31	29	...
Guatemala	48	44	42	42	41	41	...
Honduras	47	48	47	50	48	46	...
Nicaragua	48	47	47	45	43	38	...
Latin American Free Trade Association[2]	42	47	44	44	42	...	...
Argentina	25	24	23	23	22	23	...
Bolivia	48	51	44	41	41	42	...
Brazil	31	35	30	39	34	32	...
Chile	35	37	39	39	36	38	...
Colombia	52	48	48	48	45	50	...
Ecuador	40	46	41	38	39	35	...
Mexico	69	69	66	64	63	63	...
Peru	37	41	40	39	37	38	...
Venezuela	54	53	51	50	51	51	...
Dominican Republic	50	52	54	49	55	55	...
Panama	46	43	42	41	40	39	...
Bahamas	58	62	...	...	69	68	...
Jamaica	30	31	31	36	39	39	...
Western Europe[2]	11	11	11	11	10	10	...
European Economic Community	12	12	12	11	11	10	...
Belgium and Luxembourg	9	9	9	8	8	8	8
France	10	11	10	10	10	9	8
Germany, Western	15	14	13	13	12	10	10
Italy	14	14	14	12	11	12	[1]12
Netherlands	11	11	10	11	11	11	10
Austria	5	5	4	4	4	3	3
Denmark	9	9	9	8	9	8	8
Norway	7	8	7	8	6	8	8
Portugal	9	10	8	8	7	7	[1]5
Sweden	10	10	10	9	9	9	9
Switzerland	9	9	8	9	8	9	8
United Kingdom	10	11	12	12	12	13	14
Finland	6	6	6	6	5	4	5
Greece	10	11	10	11	8	8	[1]10
Ireland	6	8	8	9	8	7	[1]9
Spain	16	16	17	17	17	17	17
Turkey	31	29	28	25	18	16	[1]16
Yugoslavia	18	13	15	13	7	5	[1]4
Iran	17	16	18	18	18	17	[1]14
Israel	28	25	26	25	26	23	[1]24
Kuwait	20	18	20	21	22	17	...
Lebanon	10	12	12	14	10	...	...
U.A.R. (Egypt)	27	30	20	20	9	6	...
Japan	31	29	29	28	28	27	27
Hong Kong	11	12	11	11	14	14	13
India	34	38	36	38	39	35	...
Korea, Republic	50	50	39	35	31	31	[1]27
Pakistan	43	42	35	30	33	30	[1]25
Philippines	41	40	35	34	34	32	[1]29
Taiwan	42	33	32	27	31	27	[1]26
Thailand	19	16	16	17	17	20	...
Vietnam, Republic	38	42	45	40	32	29	...
Australia	21	24	24	25	26	26	[1]24
New Zealand	9	10	12	11	11	12	12
Congo, (Kinshasa)	31	24	24	21	18	...	...
Nigeria	9	11	12	16	12	12	12
South Africa, Republic of	17	19	19	18	17	18	...

[1] Estimated. [2] Total includes countries not shown separately. ... Not available.

Prepared in the
Bureau of International Commerce
U.S. Department of Commerce
March 30, 1970

U.S. and Major Competitors' Shares of World Exports of Manufactures, 1960 and 1964-69

Year	U. S. exports	United States	France	Fed. Rep. of Germany	Italy	United Kingdom	Japan
	(Millions of dollars)	(Percent of world exports to foreign markets[1])					
1964.....	16,545	23.8	8.8	19.1	6.1	13.2	6.3
1965.....	17,469	22.7	8.9	18.9	6.6	13.1	7.1
1966.....	19,254	22.8	8.8	19.3	6.8	12.5	7.4
1967.....	20,861	23.2	8.8	19.6	6.9	11.6	7.6
1968.....	23,853	23.5	8.6	19.4	7.3	10.8	8.1
Jan.-Sept. 1969[2]	19,693	22.3	8.6	19.4	7.5	10.7	8.4

Note: The term "manufactures" refers to chemicals, machinery, transport equipment, and other manufactures except mineral fuel products, processed food, fats, oils, firearms of war and ammunition.

[1] World exports are defined as exports from the 14 major industrial countries. These nations, which account for approximately four-fifths of world exports of manufactures to foreign markets, are as follows: United States, Austria, Belgium-Luxembourg, Canada, Denmark, France, Federal Republic of Germany, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom, and Japan. Exports to foreign markets are total exports excluding exports to the United States.

[2] Adjusted for seasonal variation.

SOURCE: Department of Commerce

U. S. Exports and Imports in Relation
to Gross National Product, 1960 and 1964-69

(Values in millions of dollars)

Year	GNP	Percent Change	Domestic Exports[1]	Exports as percent of GNP	General imports	Imports as percent of GNP
1960	503,700		20,408	4.1	15,073	3.0
1961	520,100	3.3	20,792	4.0	14,761	2.8
1962	560,300	7.7	21,444	3.8	16,464	2.9
1963	590,500	5.4	23,102	3.9	17,207	2.9
1964	632,400	7.1	26,297	4.2	18,749	3.0
1965	684,900	8.3	27,187	4.0	21,429	3.1
1966	749,900	9.5	29,994	4.0	25,618	3.4
1967	793,500	5.8	31,238	3.9	26,889	3.4
1968	865,700	9.1	34,199	4.0	33,226	3.8
1969	932,100	7.7	37,444	4.0	36,052	3.9

[1]Including military grant-aid

Major Foreign Countries' Exports and Imports
in Relation to Gross National Product, 1960 and 1964-69

(Percent of GNP)

Country	1960	1964	1965	1966	1967	1968	1969
				Exports			
United States	4.1	4.2	4.0	4.0	3.9	4.0	4.0
Canada	15.0	17.5	16.7	17.6	18.1	19.8	19.8
France	11.2	9.7	10.1	10.1	9.8	10.0	10.8
Germany, Fed. Rep. of	16.1	15.7	15.8	16.8	18.0	18.8	19.2
Italy	10.8	11.3	12.6	12.6	12.5	13.6	14.5
United Kingdom	14.7	13.7	13.7	13.8	13.1	15.1	([1])
Japan	9.4	8.3	9.6	9.6	8.7	9.1	9.6
				Imports			
United States	3.0	3.0	3.1	3.4	3.4	3.8	3.9
Canada	14.9	15.4	16.0	16.7	16.9	17.6	18.5
France	10.3	10.9	10.4	11.0	10.7	11.0	12.5
Germany, Fed. Rep. of	14.3	14.1	15.5	15.0	14.3	15.2	16.5
Italy	14.0	13.7	12.9	13.5	14.1	13.7	15.4
United Kingdom	18.1	17.1	16.1	15.6	16.1	18.5	([1])
Japan	10.4	9.9	9.2	9.4	9.8	9.2	9.0

[1] Not available.
Source: Official data of listed countries.

EMPLOYMENT AND FOREIGN TRADE

Any examination of U.S. employment in the last few years must keep in mind the basic economic conditions prevailing during this period. In particular, the years 1966 through 1969 represent a period of high and increasing economic activity due, in part, to a strong investment boom and increased defense expenditures related to the Vietnam buildup. During this period civilian employment increased by 5 million jobs from 72.9 million in 1966 to 77.9 million in 1969. At the same time the unemployment rate dropped from 3.8 percent to 3.5 percent of the civilian labor force. In March 1970, civilian employment reached 78.0 million while the unemployment rate rose to 4.4 percent.

U.S. exports and imports both are small relative to the size of the total economy--each represents less than 4 percent of GNP--but are integral elements in the structure of production in the U.S. Further development of foreign trade is necessary for continued, balanced economic growth. For example, some imports are necessary either because the items are not produced in the U.S. or are produced in insufficient quantities relative to domestic needs. Further, imports and exports are related in that imports of the U.S. provide other countries with the wherewithall to buy U.S. exports, and vice versa. Both U.S. exports and imports of the U.S. increased substantially during the 1966-69 period along with other demands upon the economy.

The strong increase in demand in the U.S. and for U.S. exports from 1966 to 1969 was accompanied by growing inflationary pressures. These pressures, along with the effect of certain supply shortages induced by existing or prospective strikes, stimulated the demand for imports, particularly in 1968 and 1969. Without the increased imports which helped to meet the rising demand for goods, it is reasonable to assume that inflationary pressures on domestic markets would have been even stronger.

The number of jobs attributable to the export of merchandise in the U.S. economy is estimated by the Bureau of Labor Statistics to have increased from about 2.5 million in 1966 to nearly 2.7 million by 1969. The estimates of employment related to the export of merchandise, in total and by major types, for 1966 and 1969 are presented in table 1. The estimates of jobs attributable to exports include both the direct employment necessary to produce the item exported and also the indirect labor necessary for all supplies, materials, and services incorporated in the exported item. The labor involved in the transportation and handling of the exported item also is included.

From 1966 to 1969 the employment attributable to exports of merchandise increased by an estimated 200,000 jobs. As a proportion of total jobs in the private sector (excluding households), export related jobs remained steady at 3.8 percent during the 1966-69 period. During this period, however, there was a significant shift in the distribution of export related employment attributable to the major types of merchandise exports for which estimates were made. The number of jobs related to exports of nonagricultural goods, particularly manufactured items, increased substantially from 1966 to 1969 while the number of jobs related to the export of agricultural goods declined. The decline of nearly 31 percent in export jobs in the agricultural sector during this period is due both to a decrease of 19 percent in the value of agricultural exports and the agricultural components of nonagricultural exports and a 16 percent increase in productivity in the agricultural industries.

It is far more difficult, both conceptually and statistically, to estimate the level of employment related to imports. In relating employment to exports, the task is to measure those jobs involved in producing the exported goods. In the case of imports, there are no domestic jobs involved in producing the goods. Rather, the task is to estimate the employment that might take place, assuming other factors are constant, in the event that these imports were produced in the U.S. Of course, since imports in the U.S. are the exports of other countries, the employment effect in the other countries could be estimated in the same way that the employment effect of U.S. exports have been estimated, provided the proper data were available. But the effect of a reduction in imports on employment in the U.S. is altogether a different matter.

Another complicating factor is that not all imports are of the same character. First, there is the fact that some imported products are not produced in the U.S. e.g., coffee, cocoa, chromite, and tea. Conceivably, with a sufficient expenditure of effort and resources, it might be possible to produce some of them domestically, but the amount of employment created is a speculative matter of no practical interest.

Next, there are imports of certain types of goods that are comparable to domestic goods but are in short supply in the U.S., such as asbestos, bauxite, and newsprint. To expand production of these items sufficiently to replace these imports would, again, require a very large investment of capital and labor. It is not at all clear that the real costs of their production--in terms of the labor and other resources required--would be equivalent to their present real costs. For if the costs of expanding domestic production to replace such imports were higher, their prices would also be higher and the utilization of such more costly goods might be reduced substantially. Hence, the number of jobs that theoretically might be created in the U.S. by the reduction or elimination of this type of imports is not easy to estimate. Any estimate that simply assumes present costs to remain the same is certain to be seriously in error.

Finally, in a third category of imports are those items most nearly comparable to domestic products 1/. Some of these imports are necessary to supplement domestic production, e.g., wood pulp and iron ore; others are more directly competitive, e.g., wool cloth and sheet glass. Conceivably, the imports of these items could be replaced by domestic output. Prices probably would be somewhat higher and utilization somewhat lower, but an assumption that costs, prices, and utilization of these products would remain the same as if they were imported is not so unrealistic as in the previous categories discussed.

1/ Although most imports can be classified into one of the three categories described in the text, a few items cannot be allocated properly to any of these categories. Included in this group are such items as U.S. goods returned without processing, low value items (less than $250), and original paintings and antiques. The combined value of the items in this group is about 4.5 percent of the total value of U.S. imports for consumption.

Estimates of the number of jobs required to produce domestically those imports considered most nearly comparable to U.S. products have been prepared for 1966 and 1969. However, it is important to keep in mind that any estimate of the hypothetical number of jobs that would be required to produce a given volume of imports does not represent jobs lost or jobs which would exist in the absence of such imports. For example, without a concerted effort to reallocate resources which would be necessary to produce imports domestically, the U.S. would not have found the number of people with the requisite skills, nor the necessary facilities, in 1969 to produce such goods. Rather, the effort to replace imports with domestic products would have placed additional stress on the economy and heightened even further the inflationary pressures. An additional factor limiting the substitution of domestic products for imports is the preferences of consumers for certain imported items, e.g., cognac and French perfume.

A further complication in measuring the employment effects of replacing imports with domestic products is that some imported items have embodied materials or components which are exports of the United States, e.g., the automobiles imported from Canada which incorporate automotive parts exported from the U.S., imported transistorized appliances which include exported electronic components, and imported textiles which contain exported cotton. The employment that would be created by the domestic production of imported items which contain U.S. exports would be offset, in part, by the loss of employment related to the exports of the materials or components. Thus, while an overall guide to the probable employment effects of a change in imports can be obtained from estimates of the type presented here, any conclusion as to job loss would require information on all of the factors affecting employment opportunities in a specific industry or location.

In considering the possible jobs required to produce imports, the Bureau of Labor Statistics has considered only those items most nearly comparable with domestic products 2/. On this basis, it has been estimated that about 1.8 million jobs would have been required to produce such imports in the U.S. in 1966 and about 2.5 million in 1969, with two-thirds of

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2/ Excepting the limited number of items discussed in footnote 1 which were not allocated according to comparability with domestic products.

the increase during the period concentrated in the manufacturing sector. The estimates of employment which would have been required to produce such imports in the U.S., in total and by major types, are presented in table 1. As with exports, the employment estimates include both the direct employment necessary to produce the item and the indirect labor necessary for all supplies, materials, and services incorporated in the imported item. These estimates do not take into account the jobs which are dependent on imports, such as longshore activities in unloading imports, movement of imported goods on U.S. cargo vessels and processing of imports of crude materials. Since the elimination of these imports would eliminate these related jobs, the net effect on employment would be smaller than is indicated by the figures above. Estimates of the net effect are not available. Nor are estimates available for the number of jobs that would have been required to furnish the value of import-related services such as those provided to American visitors abroad or payments by Americans to foreign transport carriers.

In an attempt to identify particular industries which may have suffered employment losses because of imports, the employment trends were examined in each of the 190 manufacturing industries for which the Bureau of Labor Statistics maintains a series. Between 1965 and 1969, 153 of these industries had stable or increasing employment and only 37 were found to have experienced employment declines. In 11 of the 37 industries where employment declined during this period either imports were less than one percent of total supply--in some industries there were no imports--or the level of imports declined between 1965 and 1969. In the remaining 26 industries the employment decline ranged from a high of 17,000 (SIC 2421, Sawmills and Planing Mills) to a small decline of 400 workers (SIC 2361, Children's Dresses and Blouses). The total employment decline between 1965 and 1969 for all 26 industries was 117,000 workers or about 0.6 of one percent of total manufacturing employment. During the same period total manufacturing employment increased by two million jobs.

Some tentative conclusions can be drawn from a comparison of the estimates of employment related to the merchandise exports of the U.S. and the estimates of employment required to produce domestically items substitutable for U.S. imports. In 1969, the total employment attributable to merchandise exports is slightly greater than the employment that would be required to produce such imports in the U.S., although the difference has sharply diminished since 1966. With respect to employment related to foreign trade in the agricultural sector, the U.S. holds a distinct advantage; only about 5 percent of the total U.S. agricultural labor force would have been required to produce imports

of items comparable to domestic products in 1969 while over 9 percent was related to U.S. exports. However, while the level of employment related to these agricultural imports was only about one-third that of exports in 1966, it has shown an increase over the 1966-69 period while export related agricultural employment peaked in 1966 and has declined.

In manufacturing, the employment which would have been required in the U.S. to produce comparable or substitutable imports in 1969 is somewhat higher than that related to U.S. exports--1.6 million as opposed to 1.4 million--and represents a reversal of relative positions since 1966. Jobs in the manufacturing sector attributable to exports and those required to produce comparable imports domestically both increased over the 1966-69 period, but the rate of increase was substantially faster for employment related to imports.

Finally, in the nonmanufacturing area, the jobs related to exports were somewhat higher than those which would be required to produce substitutable imports. However, for both exports and imports, the related employment comprised 2 percent or less of total nonmanufacturing employment.

These estimates, of course, cannot indicate the number of workers actually displaced because of imports nor the number that would become unemployed if exports ceased. The development of exact numbers would require a disentangling of all the factors which contribute to employment change, such as change in demand, technology, productivity, occupational shifts, and geographic relocation of industries. The estimates do provide some insight into the balance between the jobs gained as a result of merchandise exports and jobs which would have been created if imports of products comparable to items produced domestically were made in the U.S. The estimates indicate that, in the aggregate, the number of export related jobs have exceeded the job equivalent of substitutable imports but the margin has been narrowing until, in 1969, the difference was about 130,000 jobs.

Table 1. Employment Related to Foreign Trade, 1966 and 1969
(Employment in thousands)

	Employment Related to Merchandise Exports				Employment Required to Produce Imports[1]				Total Private Employment (Excluding Households)	
	Number		As a Percent of Total Private Employment (Excluding Households)		Number		As a Percent of Total Private Employment (Excluding Households)			
	1966	1969 (Prelim)	1966	1969	1966	1969 (Prelim)	1966	1969	1966	1969 (Prelim)
Total	2,464	2,663	3.8	3.8	1,824	2,538	2.8	3.7	65,183	69,498
Agricultural	471	327	11.9	9.1	159	187	4.0	5.2	3,963	3,584
Nonagricultural	1,993	2,336	3.3	3.5	1,665	2,351	2.7	3.6	61,220	65,914
Manufacturing	1,203	1,432	6.1	7.0	1,124	1,600	5.7	7.8	19,602	20,455
Nonmanufacturing	790	904	1.9	2.0	541	751	1.3	1.7	41,618	45,459

Note: Export employment estimates are based on the value of U.S. domestic exports at U.S. ports. Import employment estimates are based on the value of U.S. imports for consumption adjusted to domestic port value. Source: Foreign Trade Reports, U.S. Department of Commerce, Bureau of the Census. Employment includes wage and salary employees, self-employed and unpaid family workers.

U.S. Department of Labor
Bureau of Labor Statistics
May 1970

1/ Only those items most nearly comparable with domestic products.

COMPARATIVE INTERNATIONAL LABOR COST AND PRODUCTIVITY

The cost of producing goods in the United States relative to other countries is an important element in determining the flow of trade. Labor costs 1/, in turn, constitute a major factor in understanding the movements of total costs. Indexes covering unit labor costs and related series for all manufacturing are available for the United States and eight other industrial countries and are summarized in the accompanying charts. Examination of trends in these measures provides some insights into the trade competitiveness of the United States in relation to other countries.

In general the charts show that the trends in unit labor costs for the United States over the last two decades were favorable with regard to many countries but were unfavorable relative to those for Italy and Japan. In the 1960's alone the U.S. record was somewhat better; however, in large part it was a reflection of the very favorable relationship that existed in the first half of the decade. During that period, unit labor costs in the United States declined at slightly less than 1 percent per year, whereas those in Japan and every European country rose substantially.

Since 1965 the situation has been reversed. U.S. manufacturing unit labor costs have risen at a rate of 3.1 percent per year, in excess of all but one other country. Only Canada, with a 4.1 percent rate, shows a more rapid increase in unit labor costs. Such major countries as Germany, Italy, Japan, and the United Kingdom have experienced virtually no change in unit labor costs over this period, or have succeeded in lowering their cost levels.

Unit labor costs reflect the relationship between hourly labor costs and productivity (output per man-hour), and to the extent that increases in wages are offset by gains in productivity, inflationary cost pressures are reduced. Since 1965 average hourly compensation in U.S. manufacturing has risen at a 5.7 percent rate; however, the productivity gain was only at a rate of 2.5 percent. (See charts.) Hence, the rise in unit labor costs. In most of the other countries, the increases in hourly compensation have exceeded those in the United States, but have been more than offset by the differences in productivity growth. Productivity in European countries has grown at annual rates exceeding 4 percent since 1965, and the rate of increase in Japan amounted to 13 percent, in contrast to the U.S. 2.5 percent rate.

1/ Labor costs include direct payments for the services of all employees in an industry and expenditures for all supplementary benefits.

Over the longer period, 1950 to 1969, U.S. compensation rose at a 4.6 percent annual rate, which was exceeded in all of the other countries. U.S. productivity rose at a 2.9 percent rate, which was also exceeded in all of the other countries. Much of the lag in our productivity improvement occurred during the 1950's, when the annual rate of gain was just 2.2 percent. Our rate of gain rose to 4.2 percent in 1960-65, surpassing the rate in Canada and two of the European countries. Between 1960-65 and 1965-69, Europe and Japan accelerated their rates of productivity gain, while in the United States and Canada the rates diminished.

Although the trend measures shown here are useful for understanding the movements of labor cost, for international comparisons it is desirable to have measures of the levels of labor costs per unit of output for the economy and for individual industries. However, because of data limitations, these measures for the total economy cannot be derived, and absolute comparisons can be developed for only a few individual industries.

The only available study of comparative unit labor costs is one that the Department of Labor has completed, covering the primary iron and steel industry in the United States, Japan, and the three largest steel producing countries of Western Europe--France, Germany, and the United Kingdom. Even in this study, comparative data for Japan and the countries of Western Europe could only be presented in terms of ranges with high and low estimates, because of data gaps.

As can be seen in the table, the labor costs to produce a comparable ton of steel products in Germany and France are approximately two-thirds the U.S. level, whereas in the United Kingdom they are less than 60 percent of the U.S. level in 1968 and in Japan about one-third.

The smaller ratio for the United Kingdom reflects in part the 14 percent devaluation of the British pound in November 1967. Without this devaluation, British unit labor costs would have been higher.

Data for 1969 are not yet available. The effect of the French devaluation of late 1969 will be to lower French unit labor costs relative to the other countries. Conversely, the German revaluation should raise Germany's relative position.

Unit labor costs depend on the relative levels of hourly compensation and productivity. In 1968, compensation per man-hour in Germany and France ranged from about 40 to 50 percent of U.S. hourly labor costs in the iron and steel industry. In the United Kingdom and Japan, they were roughly one-quarter of the U.S. level.

At the same time, the productivity levels for these countries were substantially below that for the United States. The levels for Germany and Japan were about two-thirds the U.S. level, for France about 60 percent of the U.S. level, and for the United Kingdom about one-half. Despite the substantial differences in productivity, unit labor costs in the United States are still significantly higher than in the other countries because of much higher hourly labor costs.

The relationships between unit labor costs for steel in the United States and West Germany and France have remained fairly stable over the past four years. Those for the United Kingdom changed in 1968, but this was primarily a result of the devaluation. Japan did experience a significant decline in its relative unit labor cost. Thus the increases in relative wages in Germany and France were offset by the relative productivity gains, whereas in Japan, where the hourly compensation increases exceeded those of the United States and other countries, the productivity gains were so great that relative unit labor costs declined.

These figures relate only to direct labor costs. Although labor costs are a sizeable part of the total cost in the iron and steel industry--about 40 percent of total cost in the United States and between 20 and 30 percent in the three European countries--material and other costs represent a larger proportion of total costs, and it cannot be inferred from the results obtained for unit labor costs that differences in the other costs of production are of the same magnitude or even in the same direction. In addition, higher average unit labor costs in the iron and steel industry in the United States, as compared with Japan and Western Europe, by no means imply that this is true for every steel mill product.

Despite the relatively higher unit labor costs in the United States and the rise in iron and steel imports which has occurred since 1964, employment in the industry, while fluctuating somewhat over the period, has shown a slight improvement, rising from 557,000 in 1964 to about 564,000 in 1969.

Broad conclusions about comparative cost levels in all manufacturing industry cannot be drawn from the experience of a single industry such as iron and steel. For some industries, the U.S. differential productivity rates appear to be so favorable that no significant import competition has developed and export markets have been expanded. In other cases, it is clear that import penetration has been rising, which is often regarded as an indication of substantially lower costs abroad. The Department of Labor is currently examining the relationship between import penetration ratios, productivity change, and employment in numerous industries.

Relative Unit Labor Costs, Hourly Labor Costs, and Output per Man-Hour in the Iron and Steel Industries of Five Countries, 1964, 1967, and 1968 1/

(U.S. = 100)

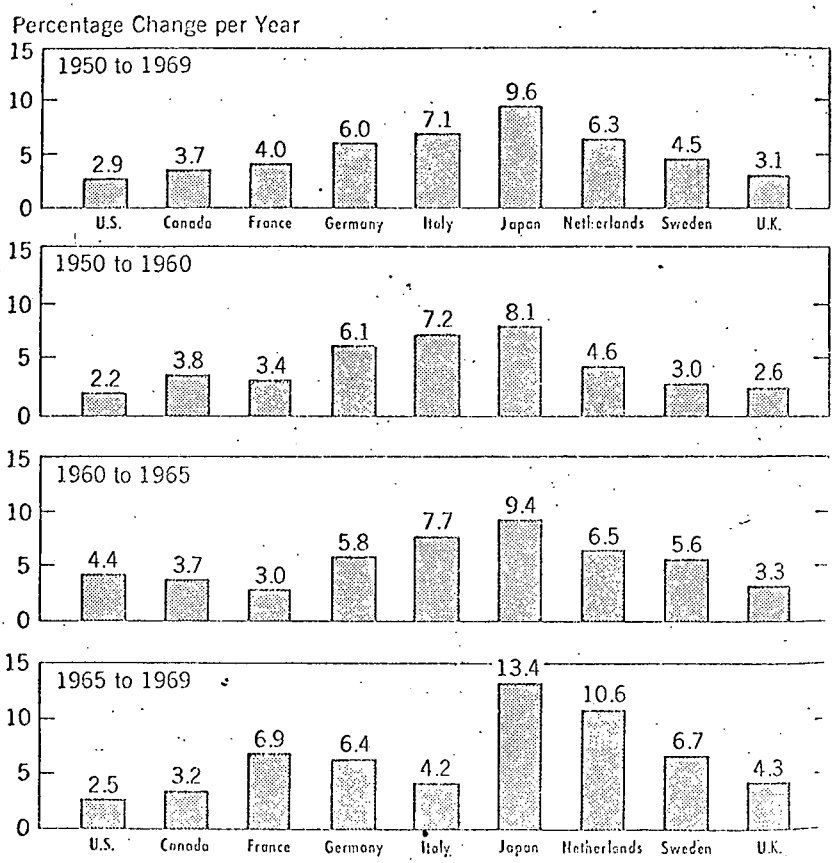
Item and year	United States	Japan		United Kingdom		West Germany		France	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Unit labor cost 2/:									
1964	100.0	34.1	43.4	57.4	64.1	57.8	71.7	66.3	71.9
1967	100.0	29.7	37.7	60.0	67.0	57.6	71.4	66.1	71.6
1968	100.0	30.2	38.3	51.0	57.0	56.7	70.3	3/	3/
Hourly labor cost 2/:									
1964	100.0	16.8	17.1	28.7	29.6	36.5	38.9	33.9	34.6
1967	100.0	21.3	21.6	31.2	32.2	40.0	42.5	37.8	38.6
1968	100.0	22.8	23.1	27.0	27.7	42.4	47.7	3/	3/
Output per man-hour:									
1964	100.0	39.6	49.3	46.1	50.1	54.2	63.3	48.1	51.3
1967	100.0	57.6	71.8	47.9	52.0	59.3	69.3	53.8	57.4
1968	100.0	60.7	75.6	48.7	52.9	64.2	75.0	3/	3/

1/ Excluding wire and wire products in the United Kingdom and wheels and axles in West Germany. The ranges in estimates do not allow for differences between the countries in the degree of vertical integration or the quality of steel produced.

2/ Exchange rates: U.S. $1 = 360 yen, 0.3584 pound (1968 = 0.4167 pound), 4.0 deutsche marks, and 4.90 francs. Relative unit and hourly labor costs for the United Kingdom would have been substantially higher in 1968 without the 14-percent November 1967 devaluation of the pound.

Sources: Bureau of Labor Statistics, "An International Comparison of Unit Labor Cost in the Iron and Steel Industry, 1964: United States, France, Germany, United Kingdom," Bulletin 1580, 1968, and "Unit Labor Costs of Iron and Steel Industries in Five Countries," Monthly Labor Review, August 1969. Data for Japan are preliminary unpublished estimates.

ANNUAL RATES OF CHANGE IN OUTPUT PER MAN-HOUR IN MANUFACTURING, NINE COUNTRIES, 1950-69



Prepared by: Bureau of Labor Statistics
U.S. Department of Labor

ANNUAL RATE OF CHANGE IN COMPENSATION
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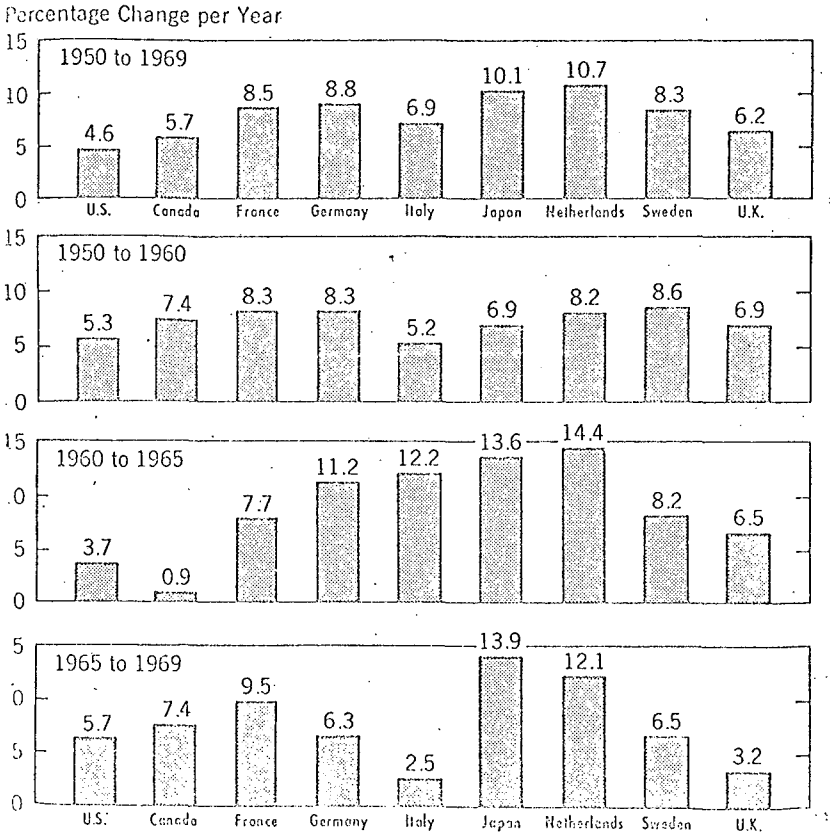
1950-69 (U.S. DOLLAR BASIS)



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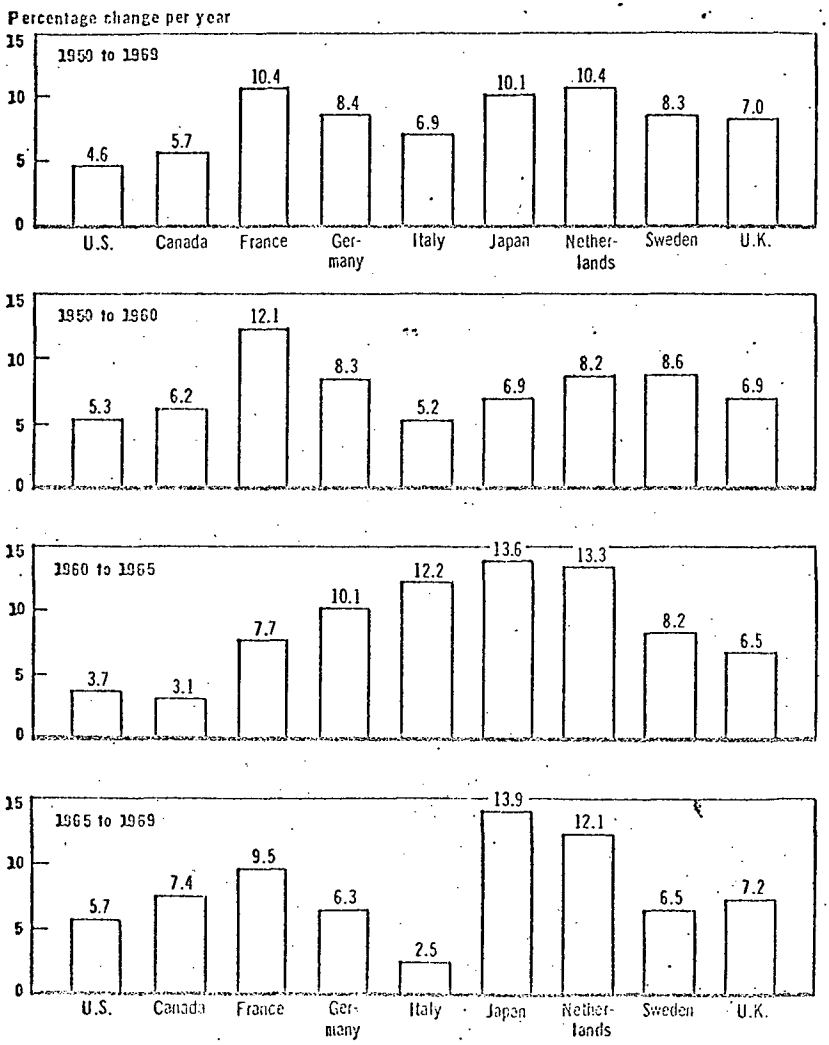
Annual Rates of Change in Compensation Per Man-Hour in Manufacturing, Nine Countries, 1950-69

(National Currency Basis)



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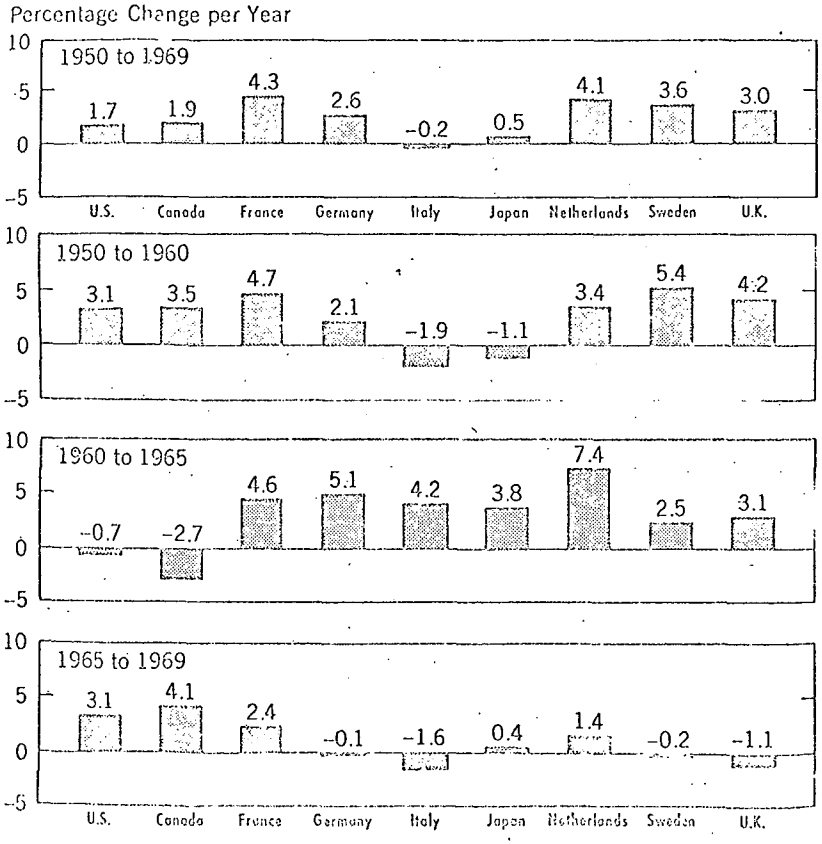
ANNUAL RATES OF CHANGE IN UNIT LABOR COST IN MANUFACTURING, NINE COUNTRIES, 1950-69 (U.S. DOLLAR BASIS)



Prepared by: Bureau of Labor Statistics
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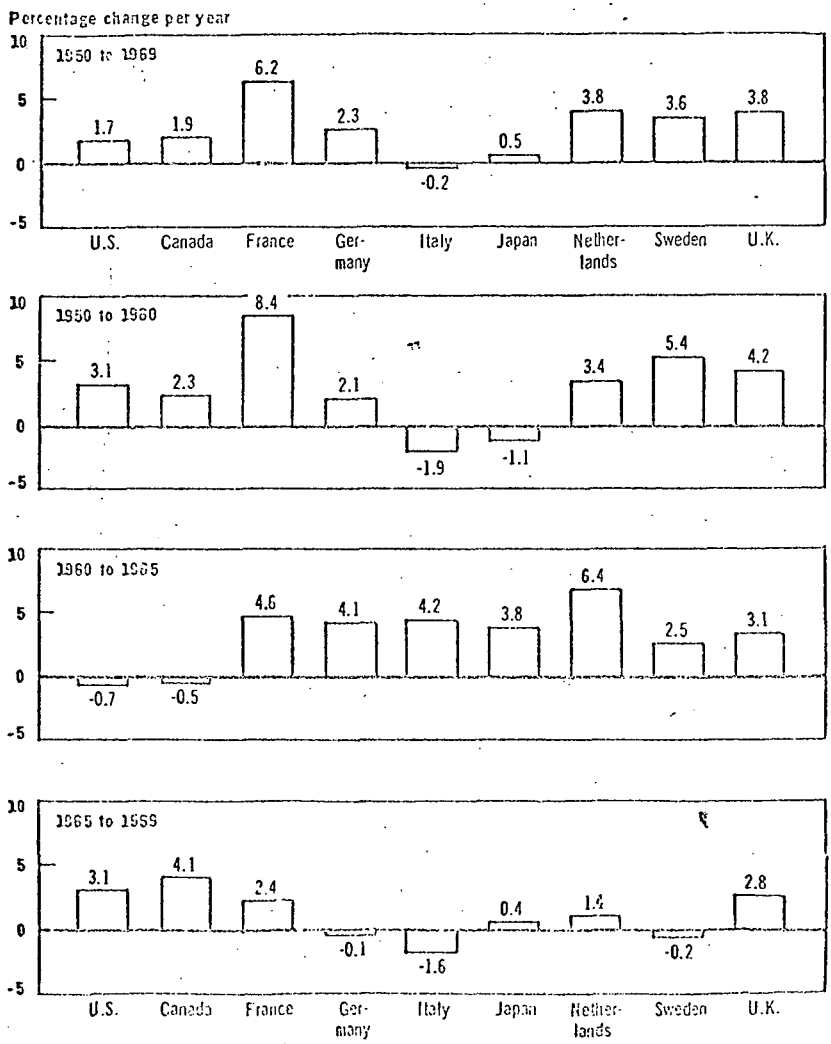
Annual Rates of Change in Unit Labor Cost in Manufacturing, Nine Countries, 1950-69
(National Currency Basis)



Prepared by: Bureau of Labor Statistics
U.S. Department of Labor

Foreign Tariff Adjustments

Adjustments or withdrawals of concessions granted under the GATT are made under the provisions of Articles XIX or XXVIII of that Agreement. Article XIX is the emergency provision, while Article XXVIII provides regular procedures for renegotiating concessions[1/].

In the past three years, 9 different countries have initiated tariff adjustments which required the U.S. to enter into 18 separate negotiations to protect U.S. trade interests. Of those 18 negotiations, 13 have been concluded with the United States having received compensation, and 5 are currently underway.

Concluded Negotiations. Under Article XIX, Austria suspended its concession affecting U.S. exports of oilcake; Canada of corn, potatoes and turkeys; and Spain of synthetic rubber. The U.S. received compensatory concessions, or the country terminated the action, or both. Under one of the provisions of Article XXVIII, Australia modified or withdrew 33 items in 5 separate actions, Canada modified or withdrew 55 items in 3 separate actions, Israel modified or withdrew about 70 items, and South Africa modified or withdrew 39 items. In each case the U.S. received satisfactory compensation.

Current Negotiations. The United States is currently negotiating for compensatory concessions as a result of the following 5 actions: Australia's withdrawal of certain off-the-road construction equipment; Brazil and Chiles' renegotiation of their entire Schedules of concessions; Canada's withdrawal of turkeys; and India's withdrawal of 11 items. Brazil's action was necessitated by passage of a wide ranging tariff liberalization law, while Chile's action was necessitated by adoption of a new tariff nomenclature.

Future Negotiations. Negotiations are expected to begin soon as a result of "open season" notifications by the European Economic Community on unwrought aluminum, Norway on yeast, and South Africa on 53 items. Additional negotiations may take place between now and December 31, 1972 as a result of the 1969 Article XXVIII reservations made by Australia, Denmark, Finland, India, Israel, New Zealand, Pakistan, South Africa and Turkey.

1/ Under provisions of Article XXVIII, an "open season" occurs once every three years at which time countries may modify or withdraw concessions. In open season, a country may also reserve the right to modify or withdraw concessions at any time in the subsequent three-year period. In the absence of such a reservation, a country may modify or withdraw its concessions during the interim between open seasons by obtaining from the other contracting parties a finding of special circumstances. Article XXVIII stipulates that all modifications or withdrawals are to be made by negotiation and agreement with effected countries with a view to maintaining a general level of mutually advantageous concessions not less favorable to trade.

Minor Negotiations

Every year there are numerous minor foreign tariff adjustments which require the U.S. to enter into negotiations or consultations to protect its trade interests. These adjustments occur under provisions of Articles other than XIX and XXVIII. For example, negotiations have occurred: (a) because the Bahamas, Jamaica and United Kingdom widened preference margins beyond GATT bound levels; (b) because less developed countries like Korea, Malawi and Surinam adjusted tariffs to protect infant industries; (c) to insure existing tariff concessions are carried over fully when new tariff nomenclatures are adopted and (d) to obtain rescission of tariff adjustments made in ignorance of GATT obligations. At any point in time there are approximately 20-30 of these types of negotiations or consultations underway.

United States Tariff Adjustments
(i.e., GATT Article XIX and XXVIII Actions)

I. Article XIX of the GATT is the escape clause provision. Since the Trade Bill hearings in 1968 the following actions have occurred:

1. Pianos.

On February 21, 1970, the President proclaimed an escape clause action on pianos, except grand pianos. The Kennedy Round tariff reductions were interrupted and the 1969 rate of 13.5 percent was reimposed. In addition, firms and workers in the piano industry may request the Secretaries of Commerce and Labor, respectively, for certifications of eligibility to apply for adjustment assistance. This action was taken by the President following a Tariff Commission finding that pianos were being imported into the United States in such increased quantities as to threaten to cause serious injury to the domestic industry. The staged Kennedy Round reductions will resume on February 21, 1973, at which time the 11.5 percent duty will be reinstated. The final reduction originally scheduled for January 1, 1972 (8.5 percent) is now scheduled for January 1, 1975.

2. Sheet Glass.

On February 27, 1970, the President proclaimed a new escape clause action which had the effect of extending the then current escape clause protection for window glass (one type of sheet glass) until January 21, 1972, after which it is scheduled to be phased out over the following two years. He also provided adjustment assistance to firms and workers in the sheet glass industry to help them adjust to competition from imports. The prior escape clause action on window glass had been scheduled to expire at the end of March 1970. The President's action was taken after review of the Tariff Commission's report on a new escape clause petition submitted by the glass industry in which three Commissioners found imports of sheet glass were causing serious injury to the domestic industry and three Commissioners took the opposite view. In such a situation, the President can accept the finding of either group as the finding of the Commission. The President accepted the decision of those Commissioners finding serious injury, but did not accept their recommendation that all rates of duty on sheet glass be increased to the full statutory (column 2) level.

3. Wilton and Velvet Carpets and Rugs.

On December 31, 1969, the President, under authority of the Trade Expansion Act of 1962, extended the escape clause rate of duty (40 percent) on non-oriental type Wilton and velvet floor coverings until December 31, 1972. At the same time, he permitted the escape clause action on imports of imitation oriental floor coverings to expire. The escape clause action on all Wilton and velvet carpets and rugs, originally taken in 1962 and extended in 1967, had been scheduled to expire on December 31, 1969.

In announcing his decision, the President indicated that he would ask the Tariff Commission for additional information on the non-oriental design carpets and rugs to help determine whether any further action is necessary. This request was made by the Special Representative for Trade Negotiations on behalf of the President on February 13, 1970.

II. Article XXVIII:1 of the GATT provides that once every three years from July 1 through September 30 (1966, 1969, 1972 ...) any member country may notify its intention to modify or withdraw any of its tariff concessions. This is the so-called "Open Season" provision.

On September 30, 1969, the United States notified the GATT that it was reserving the right to modify or withdraw trade agreement concessions on stainless steel flatware, light aircraft and certain pet food. At present the United States has until June 30, 1970, to renegotiate the bindings on these items, or withdraw the notifications. The time limit may be extended upon request to the member countries.

1. Stainless Steel Flatware.

Tariff quotas previously imposed under escape clause procedures were permitted to terminate in October 1967. Upon termination, the President announced that the responsible federal departments had been asked "to maintain surveillance over [this industry] to determine if other assistance is appropriate at a later date." Should further investigation reveal that increased competitive pressure from imports is such as to warrant tariff or other relief, this action under Article XXVIII would reserve U.S. rights to renegotiate concessions. The Tariff Commission conducted an investigation under section 332 of the Tariff Act of 1930 to obtain recent data on production, imports, exports, employment, and profits and losses of the industry.

2. U.S. Pet Food and Light Aircraft

These items were notified to the GATT so that it would be possible to modify or withdraw U.S. concessions on them if our efforts to get Japan to remove its quantitative restrictions on these same products failed. In the case of certain pet foods, the quantitative limitation was removed, but Japan simultaneously imposed a temporary duty of 20 percent on imports. Previously, they had been free of duty but the free status was not bound in a trade agreement.

In the case of light aircraft (less than 10,000 pounds empty weight), the United States is pressing Japan for liberalization of its restrictions. U.S. industries have been invited to express views on the possible modification or withdrawal of U.S. concessions on these products.

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GATT Work Program

In November 1967, the member countries of the GATT agreed upon a future work program to lay the groundwork for further trade liberalization and expansion. To carry out this work, the GATT members created two new committees and issued instructions to an existing committee. The GATT members in their recently concluded annual session directed the Industrial and Agriculture Committees to report by the end of 1970 on action that might appropriately be taken. A separate report is to be prepared on possible negotiating techniques or other methods to deal with trade barriers, both tariff and non-tariff. These reports would provide the basis for a decision by the GATT members at their next session on their future course of action. These committees and the status of their work are as follows:

A Committee on Trade in Industrial Products (CTIP) was established and directed to make an objective analysis of the tariff situation as it will exist when all Kennedy Round concessions have been fully implemented. It was also directed to draw up an inventory of nontariff barriers affecting international trade. Subsequently it was directed to explore possibilities for concrete action on NTB's.

Basic documentation for the tariff study, which will enable trade and tariff comparisons among major industrial countries, is being prepared by the GATT Secretariat in cooperation with a group of technical experts designated by member governments including the United States.

The CTIP has completed the factual examination of some 800 notifications submitted by individual countries concerning NTB's of GATT member countries. These notifications cover a variety of trade measures that vary widely in significance.

Following the initial review, in October 1969 the Committee agreed to move to the next stage of its work, that is to search for possible solutions to the major barriers. For this purpose, it established five sub-groups on different barriers; (1) government participation in trade (e.g., state trading and subsidies); (2) customs and administrative entry procedures; (3) standards (e.g., health and sanitary and other standards); (4) specific limitations on imports and exports (e.g., quantitative restrictions); and (5) restraints by the price mechanism (e.g., import deposits). This stage of the work is preparatory to possible negotiations and involves no commitment to take or to join in any action discussed. These groups are now meeting and are expected to report on the progress of their work by mid-summer.

An Agriculture Committee was established and directed to examine the problems in the agricultural trade sector and to prepare the way for consideration of mutually acceptable solutions to problems in this area.

The first phase of the Agriculture Committee's work was completed in September 1968. This consisted of collecting factual and statistical data from all participating countries on matters dealing with production, consumption, border protection and trade in eight broad commodity groups. The examination of material submitted -- with special emphasis on problems in international markets (export pricing practices and import protection policies) and problems relating to production policies -- was well advanced by the end of 1969. The Committee therefore decided to move into the next phase of its work, to be carried out during 1970. This phase of the Committee's work program has been delegated to working groups whose tasks will involve a search for solutions to problems related to (1) export measures, (2) import measures, (3) production policies, and (4) other relevant measures.

An existing Committee on Trade and Development was directed to continue to examine matters of concern to the developing countries, including trade in tropical products, import restrictions of special interest to LDC's, and the expansion of trade among developing countries.

The Committee on Trade and Development has undertaken several studies of LDC problems. It is considering residual import restrictions affecting LDC exports, and is reviewing the implementation of Part IV of the GATT, which deals with the trade and development of LDC's. It will also consider plans for trade negotiations among the developing countries.

Inventory of Alleged United States Nontariff Barriers

This list includes laws, government regulations and administrative practices that have been the subject of complaints or protests by foreign officials or exporters or by U.S. importers, alleging that they are restrictive of trade. The United States considers many of these complaints to be baseless or of doubtful validity. For example, safety standards and food and drug regulations are necessary to protect the public health and safety and could become nontariff barriers only if their implementation unfairly and unjustifiably restricts the entry of foreign materials and products.

Where complaints have arisen in international discussions, United States representatives have provided detailed information regarding the nature of the measures, their origin, and their current implementation.

The list is divided into: (I) quantitative import restrictions, and (II) other measures which may affect trade without establishing specific quantitative limitations. The list, inter alia, does not include foreign assets control regulations, which apply to U.S. trade with Communist China, North Korea, North Vietnam, and Cuba; voluntary export controls imposed by foreign countries to avoid disruption of the U.S. market; state and local measures; and private practices.

I. Quantitative Restrictions

A. Section 22 of the Agricultural Adjustment Act of 1933, as amended, provides authority for the President, after Tariff Commission investigation, to apply quantitative restrictions or fees on imports of agricultural commodities when he finds that imports materially interfere with U.S. Department of Agriculture programs. At present, import restrictions are imposed on wheat and wheat flour, cotton, peanuts, butter, certain cheeses, and other specified dairy products.

B. The Long-Term Cotton Textile Agreement (LTA) is a multilateral arrangement in which most of the world's leading cotton importing and exporting countries participate. Under a provision of the LTA the United States controls imports of cotton textiles under separate bilateral agreements with 24 countries whose shipments account for more than 80 percent of all U.S. cotton textile imports.

C. Section 232, Trade Expansion Act of 1962, authorizes the President to adjust the imports of any article so that they will not threaten to impair the national security. The only

commodity group currently restricted under this provision is imports of crude petroleum and its derivatives.

D. The Sugar Act of 1948, as amended, provides a quota formula whereby United States sugar requirements are shared between domestic and foreign suppliers. United States producers are allocated about 65 percent of the domestic market, while about 35 percent is reserved to foreign suppliers.

E. The Meat Import Act of 1964, requires the President to limit imports of fresh, chilled or frozen beef and veal, mutton and goat meat. The law does not itself establish a quota. It establishes a formula, based on the relationship between imports and domestic commercial production, for proclaiming a quota when estimated imports exceed trigger levels. Quotas have not been triggered to date. When meat imports approached the trigger level in 1968, a voluntary meat export restraint program was adopted with the major supplying countries agreeing to limit exports to the United States to specific levels. Voluntary restraints are still in effect.

F. Pursuant to section 11 of the Trade Agreements Extension Act of 1951, imports of ermine, fox, kolinsky, marten, mink, muskrat and weasel furskins, which are the product of the Soviet Union or of Communist China, are prohibited.

G. Gun Control Act of 1968 prohibits the import of firearms except those particularly suited for, or readily adapted to, sporting purposes. Countries exporting these firearms have complained in the GATT that the restrictions on imported guns are more stringent than the restrictions on interstate shipments and mail order sales.

H. Tariff Rate Quota on Brooms. Effective January 1, 1966 imports into the U.S. of 115,000 dozen whisk brooms and 205,000 other brooms (all made in whole or in part of broomcorn) are subject to a rate of 20 percent ad valorem and entries in excess of the specified quantities are dutiable at higher rates. On the basis of 1968 trade, the rates of duty on potential imports in excess of 115,000 dozen whisk and 205,000 dozen floor brooms were equal to duties of 86 percent and 68 percent ad valorem, respectively.

I. Atomic Energy Act of 1954, as amended. P.L. 88-489, enacted on August 26, 1964, amended the Atomic Energy Act and authorized the Atomic Energy Commission to offer uranium enrichment services to U.S. and overseas organizations. Section 161V of

the Act prohibits "such service for source or special nuclear materials of foreign origin intended for use in a utilization facility within or under the jurisdiction of the United States."

J. Section 606(7) of the Merchant Marine Act of 1936. Section 606(7) prohibits the purchase of foreign-built containers by U.S. flag vessels if the vessel's operations are governed by an operating differential subsidy contract. The prohibition does not apply to ships having a mortgage guarantee, granted under Title XI of the Merchant Marine Act of 1936.

K. Jones Act. This Act restricts vessels, including dredges, work vessels and hovercraft, engaged in coastwise trade to those vessels constructed in the United States and manned by U.S. citizens.

II. Other United States Measures

A. Valuation Practices

1. System of Customs Valuation

The U.S. system of valuation provides nine different methods of establishing values for the assessment of ad valorem duties. The two most commonly used, and under which the vast majority of appraisements are made, are f.o.b. type values. Other countries contend that the complexity of U.S. valuation provisions constitutes a barrier to trade. Some countries have proposed that the United States should adopt the Brussels definition of value, which is a landed (c.i.f.) value.

2. American Selling Price (ASP)

Under the U.S. valuation system, benzenoid chemicals, certain rubber footwear, canned clams, and certain wool knit gloves have duties assessed on the value of the competitive U.S. product rather than on the value of the imported article. In the Kennedy Round the United States agreed to seek legislation to eliminate ASP. The Administration's proposed trade bill (H.R. 14870) contains a provision to carry out this agreement.

3. Section 402a of the Tariff Act of 1930

This part of the U.S. valuation system applies to a list (the so-called Final List) of specifically enumerated products, the valuation of which in 1956 would have been changed by more than 5 percent if valued under the method established in the Customs Simplification Act of 1956.

Under the provisions of that Act, appraisement of these products was continued on the old set of valuation provisions applicable prior to 1956. Articles subject to the Final List comprised about 7 percent of U.S. dutiable imports in 1966.

A. Other Customs and Administrative Entry Procedures

1. Certificates of Origin

Certificates of Origin are required for importation of commodities into the U.S. when goods of Communist Chinese, North Korean, or North Vietnamese origin may be involved. The necessity to apply the requirement to imports from third countries arose from the fact that Communist China attempted to market its goods in the U.S. by selling them through third countries or misdescribing their origin. Moreover, in many cases it was impossible to determine the origin of the goods by physical examination.

2. Deposit Requirement for Samples

U.S. requirements do not comply fully with provisions of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Material which the U.S. signed in 1952. The Convention limits deposits on samples to the amount of import duties plus 10 percent, whereas U.S. customs regulations require a deposit in an amount equal to double the duties estimated to accrue. The U.S. regulations are now in the process of revision to bring them into conformity with the Convention.

3. Customs Invoice

Special Customs Invoice Form 5515 (used to report entries over $500 in value), besides requiring the usual commercial information concerning quantity and value of shipments, requests other information considered by some foreign exporters to be unnecessary and burdensome. For some products, including footwear and cotton fabrics, detailed descriptive information is required for classification purposes. Some questions that foreign exporters find objectionable are not mandatory but are requested on a voluntary basis.

4. Basis of Customs Classification

Imports into the United States are classified and dutiable in accordance with the Tariff Schedules of the United States rather than the BTN which is used by over 100 countries including our major trading partners, except Canada.

Headnote 10(iJ) of the TSUS provides that parts of products will be classified, wherever possible, on an *eo nomine* basis so that many parts no longer necessarily are classified as the product of which they are part.

C. Government Procurement Policy

1. All Federal Government procurement for use within the United States is subject to the provisions of the Buy American Act of 1933, which provide that only domestic materials can be purchased unless (a) the required supplies are not available domestically, (b) their purchase would be inconsistent with the public interest, or (c) the cost would be unreasonable. Under Executive Order 10582 of December 17, 1954, unreasonable price is defined as a price "more than 6 percent higher than the foreign bid". An additional 6 percent differential is applied in favor of the domestic bid if the materials will be produced in an area of substantial labor surplus or the low domestic bidder falls within the category of "small business". The Department of Defense is temporarily applying a 50 percent differential because of our balance-of-payments difficulties.

2. The Defense Department appropriation acts since 1954 have included a prohibition on funds for the procurement of any article of food, clothing, cotton, wool, silk and spun silk yarn for cartridge cloth which has not been grown or produced in the United States. This prohibition was broadened in the Appropriation Act of 1968 to include synthetic and coated synthetic fabrics.

D. Antidumping Act of 1921

Special dumping duties may be imposed on imported merchandise, whether normally dutiable or free, if it is of a class or kind with respect to which a finding has been made under the Antidumping Act of 1921, as amended, that the imported merchandise is being sold, or is likely to be sold in the United States or elsewhere, at less than its fair value, and that by reason of the importation of such merchandise a domestic industry is being or is likely to be injured. By law, the Antidumping Act of 1921 takes precedence over the International Antidumping Code to which the United States has adhered, in case of conflict.

E. Countervailing Duty Practice

The countervailing duty provision of the Tariff Act of 1930 provides for the imposition of countervailing duties when the Treasury Department finds that a dutiable import is benefitting from a bounty or grant. There is no injury requirement (as GATT requires) and no room for administrative discretion if a bounty or grant is found to exist.

F. Safety Standards

1. Motor Vehicles

The Motor Vehicle Safety Act of 1966 has been considered by some foreign auto producers as a potential nontariff trade barrier because it may have more restrictive effects on foreign cars than on American cars. The concern of exporters of motor vehicles, equipment, and tires to the United States has been that some safety standards might be more appropriate for the type of automobiles generally produced by the large American manufacturers than for imported automobiles, many of which are smaller or of quite different design.

2. Inspection Requirements for Boilers and Pressure Vessels

The American Society of Mechanical Engineers (ASME) Code is the sole standard of acceptability for boilers and pressure vessels. Products must be inspected and certified by an inspector qualified and licensed by the National Board of Boiler and Pressure Vessel Inspectors. The Inspector must be an employee of the State or of an insurance company authorized to do business in the State. Goods must be marked with the ASME Code symbol. Grant of the ASME symbol to a manufacturer for use in marking his goods is contingent upon approval by a licensed inspector, his recommendation to the Chief Boiler Inspector of the State, and a request by the chief inspector that ASME permit the manufacturer use of its symbol.

3. Standards for Steel Processes

Specifications for steel are developed by the American Society for Testing and Materials reflecting steel-making processes which are acceptable to committees composed of representatives of manufacturers and purchasers of steel and U.S. Government officials. The Thomas process, which is generally used in Europe, has never been subject to the consideration of ASTM Committees.

4. Standards for Plumbing, Heating, Lumber, Firefighting, Electrical Equipment

In the U.S., standard making has traditionally been a non-governmental process undertaken by organizations representing both producers and consumers of various products that arrive at standards through a process of concensus. Local governments sometimes pass regulations that give mandatory effect to what were originally voluntary standards.

5. Coast Guard Inspection of Safety Equipment

By statute (46 U.S.C. Sec. 489), the Coast Guard must approve safety equipment destined for use on U.S. flag vessels and by various Coast Guard regulations. Approval entails inspection of such equipment during the manufacturing process. Subsequently, manufacturers whose safety equipment is deficient are subject to statutory penalties.

6. Flammable Fabrics Act of 1953, as amended, authorizes the Federal Trade Commission to conduct investigations and tests on merchandise believed to be in violation of established requirements. The purpose of the law is to avoid deaths and injuries that are preventable through the use of materials which meet flammability standards. The law applies to both domestic and imported products.

G. Health Standards

1. Quarantine and Food and Drug Law and Regulations

Certain provisions of U.S. sanitary and health laws and regulations are sometimes viewed by foreign suppliers as trade barriers. One of the best-known examples is a provision in the Tariff Act of 1930 prohibiting any imports of meat from any country having hoof and mouth disease. In other cases, regulations specify standards of wholesomeness or purity that are equally applicable to imports and to the domestic product but that foreign suppliers may consider unnecessarily strict or burdensome. For example, a regulation of the Food and Drug Administration prevents the use of fish oil in the manufacture of margarine in the United States, though herring oil is used for that purpose in many other countries.

2. The Wholesome Meat Act (P.L. 90-201) is designed to protect the health and welfare of consumers by assuring that meat and meat food products distributed to them are wholesome, not adulterated, and properly marked, labeled, and packaged.

This legislation is not intended to restrict trade, although plants in some countries with relatively low health and sanitary standards may have difficulty complying with the standards set forth in the Act.

3. Section 8(e) of the Agricultural Marketing Agreement Act of 1937, as amended, prescribes thirteen fruits, vegetables, and nuts which are subject to regulations under domestic marketing orders. The imported products must conform to grade, quality, size and maturity standards set forth in the marketing orders in order to enter the U.S. market. These import regulations apply, however, only when domestic shipments are actually being regulated. Currently 8 of the 13 commodities specified in section 8(e) are being regulated.

H. Other Standards

1. Fair Packaging and Labeling Act of 1966 and related regulations prescribe the manner in which certain consumer commodities are to be packaged and labeled so as not to mislead the consuming public and so as to provide the necessary information on which purchasing decisions are to be made. The law and regulations apply to both domestic and foreign products.

2. Mark of Origin

Section 304 of the Tariff Act of 1930 generally requires that imported articles be marked in a conspicuous place as legibly and permanently as the nature of the product permits and in such a manner as to indicate to the ultimate purchaser in the United States the country of origin. Exceptions are permitted for various products but in such cases the container must be marked.

I. Other Nontariff Practices

1. Escape Clause Actions

Section 351 of the Trade Expansion Act of 1962 permits the President to impose an increase in duty or other import restriction on an article following an affirmative finding of injury or threat of injury to a domestic industry due to an increase in imports. Imports of certain sheet glass, Wilton and velvet carpets and rugs of non-oriental design, and pianos (except grand pianos) are currently subject to escape clause actions.

2. Unfair Practices in Import Trade

Section 337 of the Tariff Act of 1930 authorizes the Tariff Commission to investigate alleged unfair acts in the importation of articles or sale of imported articles in the United States. When the effect or tendency of such methods or acts is to destroy or substantially injure a domestic industry, or to prevent the establishment of an industry, or to restrain or monopolize trade and commerce in the United States, the articles involved may be excluded from entry into the United States by Presidential direction to the Secretary of Treasury. While there have been a number of investigations initiated under section 337, the President has issued exclusion orders only once, i.e., against imports of Furazolidone.

3. Distilled Spirits

Under the wine gallon/proof gallon system used by the United States to assess import duties and excise taxes on alcoholic beverages, imported bottled spirits of less than 100 proof are assessed as though they were 100 proof, so that in effect a bottle of 86 proof Scotch is assessed for an additional 14 proof. Alcoholic beverages imported in bulk at 100 proof or more are treated the same as domestically produced spirits, which are assessed before the bottling process while they are still 100 proof.

4. Tariff Classification of Sparking Cider

Under existing legislation the Internal Revenue Service classifies sparkling cider as a sparkling wine. The law sets 0.277 grams of CO_2 per 100 milliliters as the upper limit for still wines and sparkling cider generally has a CO_2 content of over 0.4 grams per 100 milliliters. The law is non-discriminatory in that it applies with equal force to domestic cider and other similar alcoholic effervescent drinks and to such products imported from any country.

5. United States Manufacturing Clause in Copyright Act

This legislation prevents entry into the United States of more than 1,500 copies of English language books with an exception for books authored by nationals of countries adhering to the Universal Copyright Convention.

6. Ship Subsidies

The United States requires that all subsidized construction be performed in U.S. shipyards and that equipment purchases

be of domestic origin. These conditions have been in effect at least since the enactment of the Merchant Marine Act of 1936. The subsidy program is intended to meet security requirements for a viable shipbuilding and shipping capability.

7. Western Hemisphere Trading Corporations

Corporations that conduct all their business in the Western Hemisphere and derive 95 percent of their gross income from outside the U.S. from active conduct of trade or business, are eligible for certain tax rebates. Qualifying corporations may reduce their effective corporate tax rate by 14 percentage points (48 percent to 34 percent, i.e. by about 30 percent, or in some circumstances the rate may be reduced to 27½ percent, i.e., by about 60 percent).

8. Operation of Post Exchanges

Post Exchanges may enter duty-free into host countries any goods, regardless of country of origin, and sell them tax-free to authorized customers. Goods sold in PX's are selected with a view to meeting the Department of Defense's temporary balance of payments objectives as detailed in DOD Directive #7060.3, dated January 16, 1965, as amended, subject: "International Balance of Payments Program--Non-appropriated Fund Activities."

Bilateral Efforts to Obtain Trade Liberalization

Japan

Sound and viable economic relations between the United States and Japan are a keystone of the overall U.S.-Japan relationship. Each country is the largest overseas trading partner of the other and the importance and rapid growth of the Japanese market has caused the United States Government to focus intensive attention on the vast array of Japanese trade restrictions.

History of Restrictions

Until 1963 the GATT authorized Japan to maintain quantitative restrictions for balance of payments reasons. Following a finding of the International Monetary Fund (IMF) that Japan was not entitled to maintain import restrictions for balance of payments reasons, Japan notified the GATT in February 1963 that it was giving up its right to impose restrictions under Article XII of the GATT which permits the use of import quotas for the same reasons. A large number of items were liberalized through April 1964, but very few were removed from restrictions during the following four years. At the beginning of the Japanese fiscal year on April 1, 1968, Japan maintained quota controls on 34 complete four-digit BTN (Brussels Tariff Nomenclature) categories and 187 other parts of BTN categories. 1/

In addition 15 whole categories and parts of 24 other categories, which cover military hardware, explosives and ammunition, narcotics, fissionable materials, and gold, are under quota control for national security reasons. While these items have been omitted from consideration in this paper, the United States does not necessarily accept the national security rationale in all cases.

1/ Throughout this paper, BTN(whole) refers to a complete four-digit category and BTN(part) refers to a part of a category. Several parts may be in the same four-digit category. Part of a category may be liberalized while part remains under quota. For example, fresh limes have been liberalized and fresh grapefruit is scheduled to be liberalized, while tangerines and oranges will remain under quota. All four are in BTN 08.02. Therefore, although oranges and tangerines are in the same four-digit category, they appear as two parts on the non-liberalized list (Attachment 2).

Japan's Restrictive Import Licensing System

Japan's import licensing controls consist of: (1) the Import Quota (IQ) System, which requires an importer to obtain an Import Quota Allocation Certificate from the Ministry of International Trade and Industry (MITI). If a quota is granted and a (global) Import Quota Allocation Certificate issued, an application for an import license must be presented to an authorized foreign exchange bank and an import license will be issued automatically; (2) the Automatic Import Quota (AIQ) System, which operates in the same manner as the IQ system except that an Import Quota Allocation Certificate is automatically issued and there is no ceiling on imports. All items not on the IQ or AIQ lists are under Automatic Approval (AA). The only requirement for AA items is that an importer obtain a license or import authorization from a foreign exchange bank. No governmental approval is required.

Japan strongly maintains that items on the AIQ list are for all practical purposes treated in the same manner as AA items. Japan does not consider the requirement to obtain a license under AIQ to be burdensome and maintains it exercises the AIQ control only for statistical purposes. In December 1968 the Japanese assured the United States that licenses for AIQ items would be issued within 2 days of application and pointed to the fact that no item has ever been returned to IQ once placed on AIQ. The United States considers the Japanese contentions to be valid in part but maintains that the AIQ poses a burden on importers, is subject to possible abuse, and thus has a limiting effect on trade.

Efforts of the United States over several years to persuade Japan to remove her remaining quantitative restrictions and abide by her GATT commitments met with only limited success and the United States decided in 1968 1/ that it would have to

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1/ Prior to this time, the U.S. had held a series of bilateral talks with the Japanese, beginning in Dec. 1967 and aimed at relaxation of investment controls and import liberalization in the automobile sector. The Japanese response in August consisted of a minor commitment to increase imports of auto engines and parts annually until full liberalization became effective in 1972. Japan also agreed to place her full Kennedy Round tariff reduction on large autos (from 35 percent to 17.5 percent) in effect April 1, 1969.

obtain substantial elimination of the remaining controls or consider taking retaliatory action against Japan under Article XXIII of the GATT.

Chronological Summary of Recent U.S.-Japan Bilateral Discussions

The history of these U.S.-Japan discussions and Japan's response is as follows:

1) In the fall of 1968, during the GATT Session, the United States requested repeal of the import quota restrictions, with emphasis on products of particular interest to the United States. The Japanese responded to this request by asking that a U.S. delegation come to Tokyo where they would give us their reply and discuss the problem further.

On December 17, 1968, the Japanese Government issued a broad policy statement promising an extensive review of its import quotas and "liberalization of a substantial number of items during the next two or three years".

2) In late December 1968, a U.S. delegation in Tokyo discussed Japan's quota restrictions again as well as the entire Japanese licensing and import deposit systems. The results of these discussions were inconclusive, but some progress was made in obtaining commitments for liberalization. The United States decided to await future developments before deciding whether it should take retaliatory action.

3) The subject of trade liberalization was discussed further by Secretary Stans when he visited Japan in May 1969.

4) The subject was discussed again at the July 1969 meeting of the U.S.-Japan Committee for Trade and Economic Affairs. At this meeting, the Japanese announced their intention to repeal a considerable part of the remaining import quotas by the end of 1971.

5) In the fall of 1969 the Assistant Secretary of State for Economic Affairs Trezise visited Tokyo for further discussion of trade liberalization.

6) Japan's commitments for trade liberalization were reaffirmed by Prime Minister Sato during his talks in Washington in November 1969.

7) Japanese import restrictions have been the subject of continued discussions between U.S. officials in Washington and the Japanese Embassy, and between the U.S. and Japanese Government officials in Tokyo and Geneva.

Summary of Liberalization Actions

As a result of these discussions, Japan, in a series of actions, beginning on April 1, 1969 (see Attachment 3) removed quotas from a large number of items and assured that liberalization of other items would take place during 1970 and 1971. In total, these actions liberalize 14 complete four-digit categories and parts of 94 categories (see Attachment 1). Two whole categories and parts of 8 others move to the AIQ list and the remainder to the AA list. In addition, Japan removed 71 whole BTN categories and parts of 130 others from the AIQ list.

The following table summarizes the number of items under quantitative import restrictions on April 1, 1968 and 1970, as well as the items scheduled to remain under control on January 1, 1972:

Number of Items Under Import Control

	I Q		A I Q	
Date	BTN (whole)	BTN (part)	BTN (whole)	BTN (part)
April 1, 1968	34	187	87	280
April 1, 1970	28	145	33	140
Jan. 1, 1972	20	93	N.A.	N.A.

In addition to the elimination of a sizeable number of restrictions, Japan has effected several other liberalization measures since 1968 of special interest to the United States. These include:

(1) Increased quotas for several products of export interest to the United States. Agricultural quota increases apply to dried peas and kidney-type beans (pinto, great northern, navy, and lima beans); fresh oranges and grapefruit; fruit juices; tomato juice, ketchup, and sauce; small kernel peanuts; and sausages and other processed meat and meat products. In addition, a special quota for high quality beef for hotels in Tokyo was established.

In preparation for complete liberalization of certain industrial categories, Japan is also gradually increasing their quotas.

(2) During the visit of the Assistant Secretary of State for Economic Affairs in Tokyo in the fall of 1969, the Japanese agreed to advance the full Kennedy Round tariff reduction on soybeans, the leading U.S. agricultural export to Japan.

(3) Effective October 20, 1969, Japan reduced from 5 percent to a uniform 1 percent the import deposit required at the time an import license is issued. Previously, although the 1 percent rate was applicable to most raw materials and machinery, a number of consumer items were subject to a 5 percent levy. The import deposit, which had been required in cash, could thereafter be paid in cash, eligible securities, or bank guarantees.

Summary of Items Remaining Under Import Quota Control on January 1, 1972

As indicated above, in accordance with Japan's current liberalization plans, which may be stepped up, import quotas will remain in force on January 1, 1972 on 20 whole categories and parts of 93 categories. These items are listed in Attachment 2.

U.S. commercial interest in this list varies from item to item with the United States having very large trade interest in some items and very little or no trade interest in others.

On the industrial side the items of major trade interest include, but are not limited to, computers and parts; light airplanes; airplane parts; radar and navigational equipment; and coal.

In the agricultural sector the items of chief interest to the United States remaining under control include meats, fruits, and prepared and canned food products. A number of important agricultural products that the U.S. exports to Japan in large volume, such as wheat and tobacco, can be imported only by state trading organizations.

U.S. Position

Over the past two years, the United States has concentrated on accelerating the reduction and removal of Japan's restrictions on trade. The Japanese Government, recognizing the need for action, has initiated a gradual program of liberalization and has indicated willingness to consider additional relaxations of its restrictions. Unfortunately, Japan's liberalization efforts

have not kept pace with its increasing economic growth and international competitiveness. The result has been a widening gap between the Japanese liberalization schedule and its capacity for eliminating its import restrictions.

Therefore, the Administration intends to continue to press for complete liberalization of Japan's restrictions. Japan clearly understands that this target must be reached within a reasonable time or the United States will have to consider appropriate counter-measures. In the interim, the United States maintains its 1968 position -- that counter-measures will be deferred as long as the process of Japanese liberalization continues to accelerate. This is consistent with the United States belief that U.S.-Japan trade problems are best resolved through the mutual expansion rather than contraction of trade.

Attachments:

1) Items liberalized since 1968 or scheduled for liberalization by January 1, 1972

2) Items scheduled to remain under Japan's Import Quota System after January 1, 1972

3) Summary of Japanese Liberalization Announcements

4) Japanese Imports - By Licensing System

JAPAN

Items liberalized since June 1, 1968 or scheduled for liberalization by January 1, 1972 (scheduled items are indicated by an asterisk)

Item Number	Description of Goods
* ex01.01	Live horses
ex02.05	Unrendered pig fat free of lean meat, fresh, chilled, frozen, salted, in brine, dried or smoked
* ex07.06	Manioc
ex08.01-3	Dates, dried
ex08.02-1	Limes, fresh
* ex08.02-3	Grapefruit, fresh
* ex08.04-1	Grapes (Vitis vinifera), fresh
* ex08.06	Apples, fresh
* ex08.10	Pineapples (whether or not cooked), preserved by freezing, not containing added sugar
* ex08.11-3	Grapes, apples and limes, provisionally preserved by sulphur dioxide gas or other preservative gases
ex09.01-1-(2)	Other coffee, excluding those in containers of net content less than 400 grains
* 09.02-1-(1)	Black tea, put up for sale by retail
* 09.02-1-(3)	Other black tea
* ex10.07-3	Kao-liang and other grain sorghums, excluding those purchased by the government and those to be used as materials for compound feeds under the supervision of the Customs [ef. Subitem 8, Item 3 below]

"ex" before an item indicates part of a category.

Item Number	Description of Goods
11.04	Flours of the fruit falling withing any heading in chapter 8 of the Customs Tariff Schedules
* 11.05	Flour, meal and flakes of potato
11.09	Gluten and gluten flour, roasted or not
* ex12.01-2	Peanuts for oil extraction
* 12.01-3	Rape seede and mustard seeds
* 15.07-1	Soya bean oil
* 15.07-2	Ground-nut oil
* 15.07-3	Rape seed oil and mustard seed oil
* 15.07-4	Sunflower seed oil
* ex15.07-5	Cottonseed oil, excluding those to be used for manufacturing mayonnaise [cf. Subitem 8 Item 3 below]
* ex15.07-14	Corn oil, safflower seed oil and sunflower seed oil
* 15.13-1	Margarine
* ex15.13-2	Shortening
* 16.01	Sausages and the like, of meat, meat offal or animal blood
ex16.04-2	Preparations of roes of cod (including Alaska pollack) and of herring, excluding those sterilized by heating in airtight containers
* ex16.05-1	Scallops, adductors of shellfish and cuttlefish, smoked
* 17.04-1	Chewing gum
* ex19.02	Cake-mixes
* ex19.03	Macaroni, spaghetti, vermicelli and noodle

Item Number	Description of Goods
* 19.04	Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches
* ex19.05	Prepared foods obtained by the swelling or roasting of cereals or cereal products (puffed rice, corn flakes and similar products) excluding preparations other than those of rice, wheat, barley (including naked barley) and corn flakes
* ex20.03	Pineapple preserved by freezing, containing added sugar
* ex20.07	Lemon juice
* ex21.07-2-(1)	Bases for beverage, non-alcoholic, excluding Korean ginseng tea
* ex22.02	Lemonade, flavoured spa waters and flavoured acrated waters, and other non-alcoholic beverages, containing added fruit juices, not including fruit and vegetable juices falling within heading No. 20.07 of the Customs Tariff Schedules, excluding fruit nectar
22.04	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol
22.05	Wine of fresh grapes, grape must with fermentation arrested by the addition of alcohol
22.06	Vermouths, and other wines of fresh grapes flavoured with aromatic extracts
* ex22.09-1-(1)	Whisky
ex22.09-1-(1)-B	Bottled Bourbon Whisky

Item Number	Description of Goods
22.09-1-(2)	Brandy (including cognac)
ex22.09-2-(1)	Liqueure (excluding clixier Korean ginseng)
ex23.01	Flours and meals, of whale meat
* ex23.03	Residues of starch manufacture from manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and other similar roots and tubers, or sago
* 23.04-1	Oil-cake and other residues resulting from the extraction of soya bean oil
* ex23.04-2	Oil-cake and other residues resulting from the extraction of rape seed oil or mustard seed oil
ex23.07-2	Certain compound feeds (pet foods)
* 25.02	Unroasted iron pyrites
* ex25.04-2	Other nautral graphite, amorphous
* 26.01-5	Tungsten ore
* 27.04	Coke and semi-coke of coal, of lignite or of peat
* 28.42-1	Soda ash
* 29.23-3	Sodium glutamate
29.43-1	Malt sugar
29.43-2	Sorbose
ex29.43-3	Other sugars (hexoses and disaccharides)

Item Number	Description of Goods
* ex29.44-2	Antibiotics, other (chloramphenicol, tetracycline and cycloserine, excluding preparations of derivatives of chloramphenicol or tetracycline)
ex33.04-1	Fruit flavours, of an alcoholic strength of 10 degrees or higher containing fruit juices
ex330.4-2	Other fruit flavours, containing fruit juices
37.02-1-(1)	Cinematographic colour film
* 37.02-2-(2)	Other colour film
41.03-1	Sheep and lamb skin leather, dyed, coloured, stamped or embossed
* ex41.08	Patent leather and imitation patent leather, excluding imitation patent leather manufactured leather falling within heading No. 41.05 of the Customs Tariff Schedules
* ex42.03-1	Articles of apparel of leather or of composition leather, containing furskin or combined or trimmed with precious metals, rolled precious metals, metals plated with precious metals, precious stones, semi-precious stones, pearl, coral, elephant's tusks or "Bekko"
* ex42.03-2	Articles of apparel of leather or of composition leather, other
* ex44.02	Wood charcoal (including shell and nut charcoal), agglomerated or not excluding coconut-shell charcoal
ex46.02-1	"Wara mushiro" (a kind of straw mats)
ex46.03-2	"Wara mushiro" (a kind of straw sack used for the packing of goods)

Item Number	Description of Goods
ex53.11	Woven fabrics of sheep's or lamb's wool or of fine animal hair, containing not less than 30% by weight of sheeps or lamb's wool or fine animal hair, excluding those used for piano
* 54.02	Ramic, raw or processes but not spun, ramic noils and waste (including pulled or garnetted rags)
* 58.10	Embroidery, in the piece, in strips or in motils
* ex64.05-1	Parts of footwear of leather
70.06	Cast, rolled, drawn or blown glass (including flashed or wired glass) in rectangles, surface ground or polished, but not further worked
* ex71.03-2	Synthetic precious or semi-precious stones other (other than polished, perforated or similarly worked)
ex73.15-1-(3)	Alloy tool steel, free cutting steel, and alloy hollow mining drill steel
* 82.07	Tool-tips and plates, sticks and the like for tool-tips, unmounted, of sintered metal carbides (for example, carbides of tungsten molybdenum or vanadium)
ex84.01-1	Steam generating boilers, with a generating capacity of more than 1,300 tons per an hour
* ex84.06-1-(1)	Internal combustion piston engines for motor vehicles (those for motor vehicles (excluding three-wheeled motor vehicles) falling within heading No. 87.02 and No. 87.03 of the Customs Tariff Schedules)
ex84.06-1-(3)	Outboard motors with a rating of not less than 10 HP but less than 20 HP

Item Number	Description of Goods
* ex84.06-1-(4)	Water cooling diesel engines, with a rating of more than 100 HP but less than 1,000 HP
* ex84.06-2	Parts of internal combustion piston engines (pistons, connecting rods and cylinder blocks for internal combustion piston engines)
ex84.35-1	Automatic printing machines of the relief and litographic, sheet fee type excluding offset press with a size not more than 364 mm x 515 mm
ex84.41-1-(2)	Other sewing machines, (excluding straight line lock-stitching industrial sewing machines of not less than U.S.$40.00 per set in CIF value)
ex84.45-1-(1)	Lathes manufactured one year or more ago
ex84.45-1-(2)	Drilling machines and boring machines, manufactured one year or more ago
ex84.45-1-(3)-A	Universal tool milling machines, manufactured one year or more ago
ex84.45-1-(3)-B	Profile milling machines (including die-sinking machines), equipped with one or two milling spindle, of a working surface less than 1 square meter, excluding hand operated type machines and cain type, manufactured one year or more ago
ex84.45-1-(3)-C	Plano-millers, with a table not more than 2,000 mm in width, manufactured one year or more ago
ex84.45-1-(3)-D	Other plano-millers; other milling machines manufactured one year or more ago, excluding other plano-miller in the foregoing
ex84.45-1-(4)-A	Planers, with a table not more than 2,000 mm in width, manufactured one year or more ago

Tariff Item	Description of Goods
84.45-1-(4)-B	Other planers
ex84.45-1-(5)	Grinding machines, manufactured one year or more ago
ex84.45-1-(6)	Gear cutting machines and gear finishing machines, manufactured one year or more ago
ex84.45-1-(7)	Machine tools, other, manufactured one year or more ago
* 84.51-1-(1)	Typewriters designed to work in electrical connection with digital type electronic computers
* 84.52-1-(2)	Other typewriters, western type
* ex84.52	Electronic calculating machines (table type) with memory capacity of less than 2,000 bits, without printer
ex84.63-2	Crank shafts
ex85.01-1	Electric generators with a rating of more than 400,000 kilo-watts
ex85.21-1	Thermionic-valves and tubes of not less than U.S.$5.00 per piece in CIF value (excluding cathode ray tubes for television receivers)
* ex85.21-2	Mounted transistors and similar mounted devices incorporating semi-conductors (digital type integrated circuits; linear type integrated circuits with not less than 35 elements in circuit)
ex87.02-1	Motor vehicles for the transport of persons (including racing cars, passenger jeeps and combined passenger cargo carts, but not including buses falling with heading No. 87.02-2 of the Customs Tariff Schedules, special transport vehicles such as ambulances and motor vehicles of track-laying type) (those once purchased by end-users) (excluding three-wheeled passenger motor cars)

Tariff Item	Description of Goods
ex87.02-4-(3)	Chassis fitted with engines and cabs (those for the transport of persons)
ex87.04	Chassis, fitted with engines, for the motor vehicles falling within heading No. 87.01 or 87.02-1 of the Customs Tariff Schedules

JAPAN

Items scheduled to remain under Japan's Import Quota system after January 1, 1972

Tariff Item No.	Description of Goods
ex01.02	Live animals of the bovine species, excluding buffaloes
01.03	Live swine
ex02.01-1	Meat and offals, of bovine animals, fresh, chilled or frozen, excluding tongue and internal organs
ex02.01-2	Meat and offals, of pigs, fresh, chilled or frozen excluding tongue and internal organs
02.06-1	Ham and bacon
ex02.06-2	Meat and edible offals, of bovine animals and pigs, salted, in brine, dried or smoked
ex03.01-2-(2)	Herring, cod (including Alaska pollack), yellow-tail, mackerel, sardines, horse-mackerel and sauries excluding roes of yellow-tail, or mackerel, of sardines, of horse-mackerel and of sauries, fresh (live or dead), chilled or frozen
ex03.02-1	Hard roes of cod (including Alaska pollack) and of herring, salted, in brine, dried or smoked
ex03.02-2-(1)	Cod (including Alaska pollack), herring, yellow-tail, mackerel, sardines, horse-mackerel and sauries, salted, in brine, or dried; "Niboshi" (small boiled and dried fish for seasoning use)
ex03.02-2-(2)	Cod (including Alaska pollack), herring, mackerel, sardines, yellow-tail, horse-mackerel and sauries smoked

"ex" before an item indicates part of a category.

Tariff Item No.	Description of Goods
ex03.03-2-(1)	Scallops and cuttlefish, live; scallops, adductors of shellfish and cuttlefish, fresh, chilled or frozen
ex03.03-2-(2)	Scallops, adductors of shellfish and cuttlefish, salted, in brine or dried
ex04.01	Sterilized milk and cream and other cream with fatty content 13% or more, fresh, not concentrated or sweetened
04.02	Milk and cream, preserved, concentrated or sweetened
04.03	Butter
04.04-1	Processed cheese
ex04.04-2	Other cheese (excluding natural cheese and curd)
07.05-1	Small red beans
ex07.05-2	Broad beans and peas, excluding seeds for growing vegetables
ex07.05-4	Other dried leguminous vegetables, excluding seeds for growing vegetables
ex07.06	Arrowroot, salep, Jerusalem artichokes, sweet potatoes (excl. fresh sweet potatoes) and other similar roots and tubers with high starch or inulin content, fresh or dried, whole or sliced; sago pith
ex08.02-2	Orange, fresh
ex08.02-4	Tangerines, fresh
ex08.11-2	Oranges, provisionally preserved by sulphur dioxide gas or other preservative gases
ex08.11-3	Grapefruit, tangerines, (Vitis vinifera) and provisionally preserved by sulphur dioxide gas or other preservative gases
10.01	Wheat and meslin
10.03	Barley (including naked barley)

Tariff Item No.	Description of Goods
10.06	Rice
11.01-1	Wheat, flour
ex11.01-2	Rice flour, barley flour (including naked barley flour) and flours of kao-liang and other grain sorghums
ex11.02-1	Groats and meal of wheat and rice, excluding germs thereof; other worked wheat and rice (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared), except husked, glazed, polished or broken rice excluding germs thereof
ex11.02-2	Groats and meal of barley (including naked barley) and Kao-liang and other grain sorghums; other worked barley, (including naked barley) and kao-liang and other grain sorghums (for example, rolled, flaked, polished, pearled or knibbled, but not further prepared)
11.06	Flour and meal of sago and of manioc, arrowroot; salep and other roots and tubers falling within heading No. 07.06 of the Customs Tariff Schedules
11.07	Malt, roasted or not
11.08	Starches; inulin
ex12.01-2	Ground nuts
ex12.07-5 1/	Coca leaves
ex12.07-11 1/	Cannabis plant and poppy straw
12.08-2-(1)	Edible seaweeds, formed into rectangular papery sheets not more than 430 square-centimeters per piece
12.08-2-(2)	Seaweeds of genus Porphyra and other seaweeds mixed with genus Porphyra, edible, excluding those falling within heading No. 12.08-2-(1) of the Customs Tariff Schedules

Tariff Item No.	Description of Goods
ex12.08-2-(3)	Other edible seaweeds (genus Enteromerpha, Monostroma, Kjellmaniella and Lamineria)
ex13.03-9-(2)-B[1]	Resin, extracts and tinctures of cannabis, raw opium and crude cocaine
14.05-1	Tubers of Konnyaku (Amorphophallus) whether or not cut, dried or powdered
ex14.05-2-(2)	Other seaweeds (genus Porphyra, Enteromorpha, Monostroma, Kjellmaniella and Laminaria)
ex14.05-4	Dates, denatured
ex16.02-2	Other prepared or preserved meat and offals, of bovine animals or pigs; other preparations chiefly consisting of meat and offals of bovine animals or pigs
17.0.-1	Rock candy, cube sugar, loaf sugar and similar sugar, of beet sugar and cane sugar
17.01-2-(2)	Other beet sugar and cane sugar
17.02-1	Grape sugar, not containing added sugar
17.02-2	Malt sugar, not containing added sugar
ex17.02-3	Milk sugar (not containing added sugar), less than 90% pure milk sugar content
17.02-4-(1)	Rock candy, cube sugar, loaf sugar and similar sugar
17.02-4-(2)-B	Other sugar
17.02-5	Sugar syrup
17.02-6	Caramel
17.02-7	Artificial honey
17.02-8	Sugars and syrups, other
17.03	Molasses, whether or not decolourised
ex17.04-2-(2)	Other sugar confectionery (excluding cough drops)

Tariff Item No.	Description of Goods
17.05	Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion
18.06-1	Chocolate confectionery
ex18.06-2-(1)	Other food preparations containing cocoa and added sugar, in powder, plate or lump
ex19.08-1	Cookies, biscuits and crackers containing added sugar
ex19.08-2	Cookies, biscuits and crackers, other
20.02-2-(1)	Tomato puree and tomato paste
ex20.02-2-(2)	Mashed potatoes and potato flakes
ex20.05	Fruit puree and fruit pastes
20.06-1-(1)	Pineapples containing added sugar or spirit
ex20.06-1-(2)	Fruit pulps containing added sugar or spirit
20.06-2-(1)	Pineapples, other
ex20.06-2-(2)	Other fruit pulps and roasted ground-nuts
20.07-1-(1)	Fruit juices containing added sugar
ex20.07-1-(2)	Other fruit juices, excluding soebases
ex20.07-2	Tomato juice, the dry weight content of which is less than 7%
21.04-1-(1)	Tomato ketchup and tomato sauce
ex21.04-1-(2)	Mixed seasonings, chiefly containing of sodium glutamate
ex21.07-1	Food preparations containing added sugar, excluding rations, peanut butter and Korean ginseng tea

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Tariff Item No.	Description of Goods
ex21.07-2-(2)	Ice cream powder, prepared milk powder for infants and other preparations maintly consisting of milk; food preparations of seaweeds (genus Porphyra, Enteromorpha, Monostroma, Kjellmaniella and Laminaria); "mochi")roce-cake), cooked rice, raosted rice, flours, enriched rice with vitamin and other similar food preparations of rice, wheat and barley (including naked barley)
ex22.02	Fruit nectar
22.08	Ethyl alcohol, undernatured, of a strength eighty degrees or higher; denatured alcohol of any strength
ex23.01	Flours and meals of fish, residues of fish, unfit for human consumption
ex23.07-2	Compound feeds, excluding those of more than ¥70 per kilogrammes in CIF value (put up for sale by retail, in containers of a capacity not more than 25 KG in net weight) (excluding those containing not less than 35% by weight of crude protein) and residues falling within heading No. 23.03 of the Customs Tariff Schedules (excluding residues of starch manufacture) pelletized by the addition of molasses (not more than 25% by weight of added molasses); and fish soluble unfit for human consumption
24.01	Unmanufactured tobacco; tobacco refuse
24.02	Manufactured tobacco; tobacco extracts and essences
ex25.01	Common salt (including rock salt, sea salt and table salt; pure sodium chloride; salt liquors
ex25.03	Sulphur of all kinds (excluding insoluble sulphur), other than sublimed sulphur, precipitated sulphur and colloidal sulphur
ex25.32-1-(2) 1/	Ores of radio-active elements
ex26.01-8 1/	Gold ore and metal ore of radio-active element
ex26.03-2 1/	Slag of gold

Tariff Item No.	Description of Goods
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal
27.02	Lignite, whether or not agglomerated
ex27.10-1-(3)	Gas oils, excluding those in containers of a capacity less than 300 liters
ex27.10-1-(4)	Heavy fuel oils and raw oils, excluding those in containers of a capacity less than 300 liters and raw oils for refining
ex27.10-1-(6)	Other petroleum oils and oils obtained from bituminous minerals, excluding those in containers of a capacity less than 300 liters
ex28.50 1/	Fissile chemical elements and isotopes, compounds, inorganic or organic, of such elements or isotopes whether or not chemically defined; alloys dispersions and cermets, containing any of these elements, isotopes or compounds
28.52-1 1/	Compounds, inorganic or organic, of thorium or of uranium depleted in U235
ex29.05-2-(1)	Menthol
ex29.22-5 1/	Phenyl-aminopropane and its salts
ex29.23-4 1/	Methadone group synthetic narcotic drugs excluding those having the morpholine nucleus
ex29.25-5 1/	Aniline group synthetic narcotic drugs
ex29.27-3 1/	Methadone group synthetic narcotic drugs excluding those having the morpholine nucleus
ex29.35-11 1/	Aminobutane group synthetic narcotic drugs, aniline group synthetic narcotic drugs, benzimidazole group synthetic narcotic drugs, benzomorphone group synthetic narcotic drugs, methadone group snythetic narcotic drugs (those having the morpholine nucleus), morphinan group synthetic narcotic drugs and pethidine group synthetic narcotic drugs

Tariff Item No.	Description of Goods
ex29.42-1 1/	Opium alkaloids and their derivatives (narcotic drugs)
ex29.42-3-(3) 1/	Ecgonine, cocanine, cocaine hydrochloride and concaine sulphate
ex29.42-3-(6) 1/	Ephedrine and its compounds; compounds of ecgonine
ex30.02-1	Microbial vaccines (excluding yellow fever vaccine, distemper vaccine combined distemper vaccine, mink enteritis vaccine mink enteritis vaccine combined with clostretium botulinum type C toxoid)
ex30.02-2	Immune serum (excluding distemper serum and combined distemper serum)
ex30.03-4 1/	Preparations containing phenylaminopropane, phenylmethylaminiopropane or any of their salts; preparations of opium alkaloids or their derivatives (narcotic drugs), preparations of ecgonine, cocaine, cocaine hydrochloride or cocaine sulphate; preparations of aminobutane group synthetic narcotic drugs, aniline group synthetic narcotic drugs, benzimidacole group snythetic narcotic drugs, benzomorphane group synthetic narcotic drugs, methadone group synthetic narcotic drugs (including those having the morpholine nucleus), morphinan group synthetic narcotic drugs or pethidine group snythetic narcotic drugs
ex33.01-1-(3)	Peppermint oil (excluding peppermint oil of mitcham type) and crude peppermint oil
35.05	Dextrins and dextrin glues; soluble or roasted starches; starch glues
36.01 1/	Propellent powders
36.02 1/	Prepared explosives, other than propelent powders

Tariff Item No.	Description of Goods
36.03 1/	Mining, blasting and safety fuses
36.04 1/	Percussion and detonating caps; igniters and detonators
ex38.12-2	Prepared dressings for starching
41.02	Bovine cattle leather (including buffalo leather) and equine leather, except leather falling within heading No. 41.06, 41.07 or 41.08 of the Customs Tariff Schedules
41.04-1	Goat and kid skin leather, dyed, coloured, stamped or embossed
ex64.02-1	Footwear (excluding those for sports and slipper), with the uppers of whole leather or of furskin and leather in part
ex64.02-2-(1)	Footwear (excluding those for sports and slipper), with outer soles of leather and with the uppers of leather in part
ex71.11-2 1/	Goldsmith',silversmiths' and jewellers' sweeping residuse, lemels and other waste and scrap of gold and gold alloys
81.04-1 1/	Uranium depleted in U235 and articles thereof
ex81.04-2-(3) 1/	Unwrought powders, flakes, waste and scrap of thorium
ex81.04-3 1/	Thorium and articles thereof, cermet containing thorium and articles thereof
ex84.05-1-(1)	Steam turbines, with a rating of more than 400,000 kilo-watts
84.08-1-(1)	Engines and motors for aircraft

Tariff Item No.	Description of Goods
84.08-2-(1)	Parts of engines and motors for aircraft
ex84.52-1-(1)	Digital type electronic computers and the machines of following descriptions, if imported with digital type electronic computers; input units, output units, input-output units and memory units, designed to work in electrical connection with the computers above, and controllers belonging to the machines of all the foregoing
84.53-1	Digital type electronic computers and the machines of following descriptions, if imported with digital type electronic computers, excluding electronic calculating punches with self-contained mechanism for reading and punching cards; input unit, output units, input-output units and memory units, designed to work in electrical connection with the computers above, and controllers belonging to the machines of all the foregoing
84.53-2	Input units, output units and input-output units designed to work in electrical connection with digital type electronic computers (other than those specified in heading No. 84.53-1 of the Customs Tariff Schedules)
84.54-1	Input units, output units, input-output units and memory units designed to work in electrical connection with digital type electronic computers; magnetic tape converters and magnetic tape printers used together with those machines
ex84.55	Parts sutiable for use solely or principally with machines of kind falling within heading No. 84.51-1-(1), 84.52-1-(1), 84.53-1, 84.53-2 or 84.54-1 of the Customs Tariff Schedules
84.59-6 1/	Nuclear reactors and parts thereof

Tariff Item No.	Description of Goods
ex85.13	Telephone switchboards and exchanges (electronic system)
ex85.15-3	Radar apparatus (for aircraft)
ex85.15-4	Radio navigational aid apparatus for aircraft and radio remote control apparatus for aircraft
85.22-1	Controllers for digital type electronic computers or for the machines of following descriptions: input units, output units, input-output units or memory units designed to work in electrical connection with the computers above, and magnetic tape converters or magnetic tape printers used together with the machines of all the foregoing
ex85.22-2	Other electrical goods and apparatus (those suitable for use solely or principally with machines of a kind falling within heading No. 85.22-1 of the Customs Tariff Schedules)
87.08 1/	Tanks and other armoured fighting vehicles, motorized, whether or not fitted with weapons and parts of such vehicles
88.01 1/	Ballons and airships
88.02	Flying machines, gliders and kites; rotochutes
88.03	Parts of goods falling in heading No. 88.01 or 88.02 of the Customs Tariff Schedules
88.04 1/	Parachutes and parts thereof and accessories thereto
88.05 1/	Catapults and similar aircraft launching gear; ground flying trainers, part of any of the foregoing articles
ex89.01 1/	Warships
ex90.28-3 1/	Instruments of apparatus for measuring or detecting alpha, beta, gamma, X-ray, cosmic or similar radiations (those containing nuclear fuels materials)

Tariff Item No.	Description of Goods
93.01 1/	Side-arms (for example, sword, cutlasses and bayonets) and parts thereof and scabbards and sheaths thereof
93.02 1/	Revolvers and pistols, being firearms
93.03 1/	Artillery weapons, machine-guns, sub-machine-guns and other military firearms and projectors (other than revolvers and pistols)
93.04 1/	Other firearms, including very light pistols, pistols and revolvers for firing blank ammunition only, line-throwing guns and the like
93.05 1/	Arms of other descriptions, including air, spring and similar pistols, rifles and guns
93.06 1/	Parts of arms, including roughly sawn gun stock blocks and gun barrel blanks, but not including parts of side-arms
93.07 1/	Bombs, grenades, torpedoes, mines, guided weapons and missiles and similar munitions of war, and parts thereof; ammunition and parts thereof, including cartridge wads; lead shot prepared for ammunition

1/ National Security Item

Summary of Japanese Liberalization Announcements

Since April 1, 1969

1. On April 1, 1969, Japan removed import quotas on all or part of six four-digit BTN categories.

2. On October 1, 1969, Japan shifted 133 items from the AIQ to the AA list. In addition, two items were liberalized from the IQ to the AA list, and three more items were transferred from IQ to AIQ.

3. In an announcement dated October 17, 1969, Japan released a list of 55 items to be removed from the IQ list by January 1, 1972. No categories were officially liberalized at this time.

4. On February 14, 1970, nine items, all of which were part of the 55 scheduled for liberalization, were removed from the Import Quota list. Five went directly to Automatic Approval and 4 were transferred to AIQ.

5. Effective April 1, 1970, Japan announced liberalization of 11 items previously under import quotas. Six items went directly to Automatic Approval, while 5 were shifted to the AIQ list. In the same announcement Japan added 5 items to its list of 55 commodities to be liberalized by December 1971.

Japanese Imports - By Licensing System
1969 - $ Millions

	From World	From U.S.	
TOTAL - ALL SYSTEMS	$15,024	$4,090	
Agricultural		922	
Industrial		3,168	
IMPORT QUOTA (IQ)	2,174	974	
Agricultural (BTN Chap. 1-24)		222	
Wheat & meslin			133
Unmanufactured tobacco			49
Manufactured tobacco			4
Total			186
Industrial		752	
Coal			365
Computers, parts & accessories			104
Aircraft engines & parts			27
Aircraft & parts			34
Total			530
Scheduled to be Liberalized by Dec. 1971			
Agricultural		7	
Industrial		16	
AUTOMATIC IMPORT QUOTA (AIQ)	1,851	610	
AUTOMATIC APPROVAL (AA)	10,999	2,506	

Progress Toward Eliminating Barriers to U.S. Exports

During the June 1968 hearings on foreign trade and tariff proposals, summaries of progress in the elimination or reduction of trade barriers maintained by our major trading partners in the General Agreement on Tariffs and Trade were submitted to the Ways and Means Committee. The following material describes further actions taken by these countries in removing trade barriers since mid-1968.

Australia

In response to U.S. initiatives, Australia agreed on July 29, 1968 to a temporary halt on its subsidy of canned peach exports to major markets. The Australian government did not reinstate the subsidy at the expiration of the one-year moratorium and is not expected to resume export payments on canned peaches.

Austria

Austria removed import restrictions on matches in 1968 and on dead poultry in 1969. In February 1969 in response to U.S. requests Austria revoked its import fee on vegetable oilcake and agreed further that it would not replace the fee with a domestic tax or other measure of equivalent effect. A current draft procurement law proposes to eliminate discrimination against foreign firms in Federal Government procurement.

Benelux

On January 1, 1970, the Benelux countries liberalized imports of penicillin and medicaments containing penicillin.

Canada

Canada revised its antidumping legislation effective January 1, 1969 to include a provision requiring a finding of injury to domestic industry before an antidumping duty can be levied. The legislative change was necessary for Canada to adhere to the GATT International Antidumping Code.

Denmark

Denmark liberalized imports of fresh and preserved peas and broccoli and certain fermented beverages, such as cider, in 1968. Quantitative restrictions were removed on certain frozen or prepared fruits, macaroni and spaghetti, and live sheep and goats except breeding animals, in 1969. Effective January 1970, frozen and canned spinach, roasted coffee and coffee substitutes containing coffee, and wines and vermouths of fresh grapes were freed of import restrictions.

Finland

In 1969 slight progress was made in easing credit restrictions on imported automobiles. For cars imported from the United States and other countries, the down-payment was reduced from 60 percent to 50 percent with 12 months instead of 9 to pay the balance. For imports from certain bilateral trading countries such as the USSR and Czechoslovakia, the minimum down-payment required was reduced from 40 percent to 30 percent and the time in which to pay the balance was increased from 18 months to 20 months.

France

In July 1969 quantitative restrictions were eliminated on aircraft of weights up to 15 tons and on all helicopters. France also removed quantitative restrictions on the importation of pork lard and pork grease that are to be used for industrial purposes only. While the French Government recently agreed to liberalize licensing on semiconductors, importers are still encountering some difficulty in obtaining licenses.

Federal Republic of Germany

Import restrictions on processed cherries were eliminated in 1968.

Italy

In December 1968, Italy announced liberalization of salt and pure sodium chloride, sulphur, citric acid and crude calcium citrate, tulle net fabrics and mechanically-made lace and lace goods, articles of gold, and jewelry and other articles of precious metals. A bilateral quota was established in 1969 for wines originating in and coming from the United States. In March 1970, Italy reduced its border tax adjustments.

Japan

See separate paper on Japan.

New Zealand

The New Zealand Government exempted seventeen tariff items, mainly machinery, from import licensing effective November 1968. Included in these exemptions were equipment for bookbinding, papermaking, printing glassworking, textile and cement industries. The 1970-71 Import Licensing Schedule eliminates licensing requirements for a variety of items. Products which will no longer require import licenses after July 1, 1970 include electronic data processing machines, plastic raw materials in powder and granular form, canned fish, pulses, certain iron and steel shapes, pneumatic tires and tubes, knitting machines, certain musical instruments, and outboard and inboard marine engines. As a result of these exemptions, approximately 68 percent by value of all private (non-governmental) imports will be free of import licensing controls after July 1, 1970.

United Kingdom

In 1967 import restrictions were lifted on aircraft of an all-up weight of over 4500 pounds imported from the dollar area. Similar restrictions were removed that year on most types of pig meat. Also in 1967 the United Kingdom eliminated its 1¼ to 3¼ percent export rebates which covered a broad range of products. The 50 percent import deposit requirement imposed in late 1968 was reduced to 40 percent, effective for a one-year period beginning December 1969, and more recently to 30 percent. The steel loyalty rebate of up to £ 4 per ton initiated in July 1967 was eliminated in June 1969.

Congressional Declaration

In his message accompanying the "Trade Act of 1969" the President said that he "would welcome a clear statement of Congressional intent with regard to nontariff barriers to assist in our efforts to obtain reciprocal lowering of such barriers." But such a declaration is not intended to be used as a "blank check". On the contrary, the President pledged "to maintain close consultation with the Congress during the course of any such negotiations, to keep the Congress fully informed on problems and progress, and to submit for Congressional consideration any agreements which would require new legislation. The purpose of seeking such an advance declaration is not to bypass Congress, but to strengthen our negotiating position."

Under the Constitution (Article I, Section 8) the Congress has the power to "lay and collect" import duties. Since 1934 Congress has periodically delegated to the President prior authority to implement negotiated tariff reductions. In order to stay within Constitutional limits this delegation of authority has been limited and carefully circumscribed.

Such a prior Congressional delegation of authority to the President is probably not feasible in the case of non-tariff barriers (NTB's), which are usually imbedded in a variety of domestic laws. Because of their heterogeneous nature there is no common standard applicable to them that would lend itself to a general delegation of authority. Therefore, unless Congress were to spell out in great detail the specific measures that might be taken on various individual NTB's, Congressional action to implement NTB negotiations would have to take place after rather than before agreements were negotiated. In other words, NTB's would have to be negotiated on an ad referendum basis.

The Executive has consistently taken the view that the President has inherent constitutional power to negotiate agreements with other countries and does not need Congressional authority to do so. However, because of the

necessity to submit negotiated agreements to the Congress for approval, the President's hand in NTB negotiations would be greatly strengthened by a Congressional statement favorable to them. Such a statement would in no way commit the Congress with respect to any agreements that might be concluded. It would greatly facilitate present U.S. efforts directed toward the elimination and reduction of NTB's, if the Congress were to indicate that it favors NTB negotiations, appreciates that matters of U.S. domestic law and practice will be involved, and is prepared to consider any specific agreements on their merits.

Summary of U.S. Government Efforts
to Identify Nontariff Trade Barriers (NTB's)

1. Bureau of International Commerce (BIC) solicitations for NTB complaints through Commerce Department Field Offices and through the weekly publication International Commerce (1962-1963).

2. Business and Defense Services Administration (BDSA) Industry Conferences (1963). These meetings were held with 64 industries covering the major areas of domestic economic activity in order to allow the participating industries an opportunity to advise Commerce on specific foreign tariff and nontariff barriers affecting their exports for use by the United States negotiators in the Kennedy Round.

3. BDSA/BIC Questionnaire Survey of Foreign NTB's (1963). This survey covered over 2,000 U.S. exporting firms for the purpose of further documenting and estimating the effect on exports of specific NTB problems for use in the Kennedy Round.

4. Public Hearings before the Trade Information Committee and the Tariff Commission (1964) as provided for by the Trade Expansion Act to afford interested parties the opportunity to present their views concerning any matter relevant to trade agreement negotiations.

5. Hearings before the Subcommittee on Foreign Economic Policy of the Joint Economic Committee (1967). The hearings preceded a JEC reassessment of U.S. foreign trade policy following conclusion of the Kennedy Round in June 1967.

6. Public Hearings before the Trade Information Committee (1968) on the Future of U.S. Foreign Trade Policy. Views of interested parties were reflected in the Report to the President on Future U.S. Trade Policy submitted by the Special Representative for Trade Negotiations in January 1969.

7. Hearings before the House Committee on Ways and Means (1968). The hearings encompassed not only the Administration's trade proposal but also a series of trade policy issues, including NTB's.

8. Formal operating procedures have been established within the Commerce Department to deal with the wealth of data developed through these previous sources. This system assures that

(1) formal written records of each NTB reported are systematically and promptly established; (2) decisions for appropriate action are made and agreed upon by country, trade policy, and commodity specialists; (3) complainants are informed of actions and results; and (4) periodic progress reports are prepared.

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Tripartite Harmonization of Electronic Components Systems

The European scheme for electronic components represents an effort by the West European countries to harmonize standards and quality assurance procedures in order to broaden the market for their electronics industries. The scheme provides for the harmonization of specifications and the establishment of compatible systems of inspection and quality control in the participating countries. Products from approved manufacturing plants will bear a mark of conformity, which signifies that they will be acceptable in any of the participating countries without further testing. This would make it possible to have longer production runs than are possible with sales in only one country.

The designation "Tripartite" derives from the fact that the scheme was developed by the Tripartite Committee on Standardization, which is made up of standards experts from France, the Federal Republic of Germany and the United Kingdom. After the Tripartite Committee, which began its work on electronic components in 1967, had completed its first draft of the Basic Rules for the system it invited representatives from the member countries of the European Electrical Standards Coordinating Committee (CENEL), which includes the EC and EFTA countries plus Finland, to participate. Of these, Belgium, Denmark, Finland, Italy, The Netherlands, Norway and Sweden took part in working out the details of the scheme. In 1969 the Tripartite Committee requested CENEL to take over the administration of the scheme as far as the harmonization of specifications is concerned. For this purpose CENEL set up the CENEL Electronic Components Committee (CECC), which in April 1970 accepted the final version of the Basic Rules. A separate organization with similar membership, the Electronic Components Quality Assurance Committee (ECQAC) was established to supervise the inspection and quality control aspects of the system. The participating countries hope to produce the first harmonized specification by the end of this year and have the scheme in operation in 1971 or 1972.

In 1968 the United States Government contacted the Governments concerned to ascertain what effect the Tripartite scheme might have on exports of U.S. electronic components to Western Europe (which amounted to $280 million in 1969). The information developed indicated that the scheme could hamper U. S. exports seriously because there was no way for them to obtain the mark of conformity and they would hence be subject to additional testing and expense. Accordingly, the U.S. Government made

representations to the Tripartite Governments that it considered the scheme to be a potential non-tariff barrier to U.S. exports and requested that arrangements be made for U.S. observers to attend meetings at which the scheme was being developed. Although the Tripartite Governments were unwilling to have non-European observers, they authorized the British Ministry of Technology to send a delegation to the United States in October 1969 to explain the scheme and discuss its ramifications with U.S. Government and industry representatives. As a result of the above meeting correspondence was initiated on the possibility of U.S. participation in an expanded international scheme for the harmonization of electronic components. Apparently because of clearance problems among the countries, however, replies from the European side were slow in coming. Partly to speed things up and partly to clarify questions about the operation of the scheme that had been raised in Government and industry circles, a mission headed by Deputy Assistant Secretary of Commerce Richard Simpson went to London, Paris, Bonn, Milan (where the chairman of the CECC resides), and Brussels (headquarters of the EC and NATO) to discuss the electronic components scheme and other standardization questions. The mission learned that the CENEL countries had agreed to hold discussions with the United States and other interested countries on how the CENEL scheme could be expanded to a worldwide system. They made it clear that the United States would have to agree to conform to the CENEL system in order to participate. This would entail designating one organization competent to speak for the United States in matters dealt with by the scheme, establishing a unified quality assurance and inspection system and making some modifications in our Military Specifications system.

The mission also confirmed its earlier impression that the electronic components scheme was only the first in a series of harmonization projects being developed in Europe for a wide range of products such as pressure vessels, gas appliances, fire extinguishers, pipelines, etc. These projects, if carried out in a discriminatory manner, could also have a restrictive effect on U.S. exports.

Discussions are now underway among the agencies and with industry about the administrative and technical problems involved in U.S. participation in the international electronic components scheme and other international harmonization projects. Meanwhile the United States has submitted a formal complaint about the scheme to the GATT Committee on Trade in Industrial Products which is currently examining non-tariff barriers of member countries.

GENERALIZED TARIFF PREFERENCES FOR LDCs

The question of providing preferential tariff treatment for products originating in LDCs--particularly their manufactures--has been under discussion in international forums (GATT, OECD, UNCTAD) for several years. A consensus has emerged in favor of the early establishment of a temporary non-reciprocal and non-discriminatory generalized system of preferences for all LDCs in all DC (developed country) markets. The objectives would be to increase LDC export earnings, promote their industrialization, and accelerate their rates of economic growth.

US Proposal

Following intensive study within the US Government, President Nixon announced on October 31, 1969 that the US would participate in a temporary generalized preference system subject to Congressional approval and would press for adoption of a liberal preference system by all of the industrialized countries. He said that we would seek a system which would eliminate the discrimination against Latin America resulting from existing special preferences (e.g. in the Common Market) and the reverse preferences which some DCs enjoy in some LDC markets.

On the basis of the President's decision, the US submitted a detailed proposal to the OECD on November 3, 1969 (see attachment). Key elements include: duty-free entry for LDC manufactured and semi-manufactured products (except textiles, shoes, petroleum and petroleum products) and a selected list of agricultural and fishery products; no built-in ceilings on preferential imports; reliance on the standard escape clause and adjustment assistance as safeguards for domestic industry. LDCs that grant reverse preferences, or that receive special preferences on products covered by the scheme, would not benefit from US preferences.

Status of International Discussions

The US proposal and the proposals of the other prospective preference-granting countries were transmitted by OECD to UNCTAD on November 14, 1969. They will be discussed with the LDCs at a meeting of the UNCTAD Special Committee on Preferences beginning March 31 in Geneva.

The US attaches great importance to adoption of a common scheme by all major DCs. The US and other DCs including the UK, the Scandinavians, and Canada favor use of an escape clause to safeguard domestic industry; the European Communities (EC) and Japan propose that preferential imports be limited by pre-determined ceilings. The EC has indicated a willingness to explore possibilities of bringing the schemes closer together and discussions are continuing bilaterally and in the OECD.

It is difficult to predict how rapidly international consideration of the issues will proceed or when legislation will be requested from Congress.

The President has stated that if we are unable to obtain agreement on a generalized preference scheme, the US would consider other alternatives to assure the Latin Americans preferential access to the US market.

US PROPOSAL FOR A SYSTEM OF GENERALIZED
TARIFF PREFERENCES FOR THE LDCs

1. Preferential duties to be set at zero.

2. Preferences to be granted on manufactured and semi-manufactured products in BTN Chapters 25-99, excepting only textiles, shoes, and petroleum and petroleum products. (Copies of the US Exceptions List for footwear and textile products are available. Identification of petroleum and petroleum products to be excluded from preferential treatment has been deferred until the current review of petroleum import policy is completed and US policy is determined.) Preferences also to be granted on a selective list (Positive List-See No. 9) of agricultural and fishery products.

3. A simple scheme, without ceilings on preferential imports, which would rely on the standard escape clause and adjustment assistance as safeguards for domestic industry.

4. A temporary scheme, that is, one lasting not more than ten years, which would not constitute a binding commitment and would not impede future tariff reductions on a most-favored-nation basis.

5. A common scheme to be adopted by all major developed countries.

6. Developing countries which receive special preferences in developed country markets for products covered by the scheme would be excluded from US preferences. (This is aimed at eliminating the discrimination some LDCs, including particularly Latin America, encounter in some DC markets.)

7. Developing countries which grant reverse preferences to developed countries would be excluded from US preferences. (This is aimed at eliminating some of the discrimination some DCs and LDCs, including the United States and Latin America, encounter in some LDC markets.)

8. In general, preferences are to be granted to all developing countries. The identification of beneficiary countries is still under discussion.

9. With respect to agricultural and fishery products in Chapters 1 to 24 of the Brussels Nomenclature, preferences would apply to a Positive List of items. (Copies of the US Positive List are available.)

Japanese Restrictions on Private Investment

Among the industrialized market economy countries Japan continues to maintain the most elaborate regime of restrictions on inward private investment. As a general rule foreign interests may not hold more than 15% of the equity of a company in a "restricted" industry (e.g., transportation, mining, utilities) or more than 20% of the equity of a company in other industries, nor may a single foreigner hold more than 7% of the equity of any Japanese company.

Japanese Government approval of larger equity holdings (than those indicated above) by foreign interests is generally limited to investment in new enterprises in some 205 industries designated under the first two of the Government's four-stage, five-year liberalization program initiated in 1967. In 160 of these industries, the maximum permissible foreign equity participation is 50%; in the other 45 industries, the foreign equity participation may be as much as 100%. The liberalization program to date has been highly unsatisfactory, because the liberalized industries are limited in number and are held mainly to sectors where Japanese firms are strongly competitive (e.g., restaurants, radio/TV receivers, brewing, motorcycles, rayon, cement, shipbuilding, tourist hotels, etc.)

The U.S. has continuously pressed for greater liberalization of Japan's investment restrictions, especially in the automotive field because of very strong industry interest. This pressure may have been partly responsible for the Japanese Government's announcement last October that investment in new Japanese automobile enterprises would be "liberalized" in October 1971 to permit up to 50% foreign participation. Our automobile industry, however, is not satisfied with this step.

With respect to outward remittances and investments, the Japanese Government has taken a number of liberalization steps, including the approval of the creation of Japanese banks in London, raising of the ceiling on tourist allowances, increasing of the limits on loans to overseas branches, and permitting of remittances for certain previously blocked accounts.

The recent liberalizations are in the desired direction but they are not nearly sufficient. Japanese restrictions are completely unwarranted for an industrial nation; they should be rescinded in order to permit investment at least to the extent permitted by other industrial nations. The U.S. has stressed this theme with the Government of Japan in the Joint Cabinet Meeting, in trade discussions, and in various unofficial business and trade conferences. The Communique reporting the Nixon-Sato meeting last November also recognized the need for further liberalization of Japanese investment restrictions.

Japan's foreign exchange surplus and increasing discussion of possible yen revaluation subject the GOJ to growing pressures The obvious priority in reducing the surplus, in the short run, is to liberalize commodity imports and promote capital exports. Though dramatic import liberalization measures are not expected in the near future, there are indications that the Japanese Government may accelerate announcement of the third and fourth stages of its investment liberalization program which were originally scheduled for the fall of 1970 and April 1, 1972, respectively. However, it appears that even by the end of the present liberalization program, investment in most industries of interest to U.S. investors will be limited to a maximum of 50% foreign participation, and foreign direct investment in a number of "strategic industries" will probably continue to be barred.

Tariff Commission Investigation of TSUS Items 807.00 and 806.30

Item 807.00 of the Tariff Schedules of the United States provides for articles assembled abroad in whole or in part of fabricated U.S. components. When such articles are imported, duty is not assessed on the value of the U.S. components, but only on the remainder of the article. Item 806.30 is a similar provision for metal articles exported for processing and returned to the United States for further processing.

The Tariff Commission, in submitting to Congress the revised Tariff Schedules which became effective in August 1963, described item 807.00 as "a new provision designed to replace and put on a sound basis an anomalous, but well-established practice." This practice had arisen out of a long-standing provision for duty-free treatment of U.S. products exported and returned without having been advanced in value or improved in condition by any process of manufacture or other means. Customs courts had held this duty-free provision applicable to products returned to the United States as components in an article if the U.S. component could be identified and had not been changed in any manner other than by assembly with other parts into a new or different article.

A rapid and large increase in imports using the 807.00 provision has given rise to the charge by labor representatives that the provision is used extensively by U.S. manufacturers to avoid paying domestic wage rates and therefore has the effect of exporting U.S. jobs. In 1967-68, the AFL-CIO complained to the Labor Department, the State Department, and the White House that U.S. manufacturers were exporting jobs particularly in establishing plants in Mexico under the Mexican Government-sponsored border industrialization program and returning finished and semi-finished products to the United States. The AFL-CIO alleges that item 807.00 encourages this movement of plants to the Mexican border area and facilitates the Mexican requirement that border industry output be exported. In the past few years various AFL-CIO Convention resolutions have called for repeal of item 807.00 and similar U.S. tariff provisions on the broader grounds that they encourage off-shore production and labor-intensive assembly of U.S. components abroad.

U.S. and foreign manufacturers who use item 807.00 contend it encourages the use of U.S. components in the assembly of items which can then compete successfully in U.S. and foreign markets with products wholly of foreign manufacture and that repeal of item 807.00 would have a detrimental effect on their competitiveness and on the U.S. producers of the components. Some contend that assembly outside the country would continue even if duty were assessed on the full value of the articles.

In 1968, an interagency task force was established to examine the operations under item 807.00 On the basis of the task force conclusions and recommendation the President on August 18, 1969, requested a detailed study of the matter by the Tariff Commission (see attachment). The Commission report is due not later than August 31, 1970. The Tariff Commission has scheduled public hearings to begin on May 5. As of April 1, requests to testify had been received from 62 firms and organizations.

Two bills to repeal item 807.00 have been introduced in the House, H.R. 14188 by Representative Wilbur Mills (Ark.) and H.R. 14455 by Representative William J. Green (Pa.).

THE WHITE HOUSE

WASHINGTON

August 18, 1969

Dear Mr. Chairman:

I hereby request that the Tariff Commission conduct an investigation, under section 332 of the Tariff Act of 1930, and report to me at the earliest opportunity, but not later than January 31, 1970,* on all relevant economic factors affecting the use of items 806.30 and 807.00 of the Tariff Schedules of the United States. The Commission's report should include, but not be limited to, an analysis of

(1) the competitive relationship in U.S. consumption of articles admitted under items 806.30 and 807.00 and other like or directly competitive articles;

(2) the operations of U.S. industries, or firms, utilizing items 806.30 and 807.00 of the TSUS, including data with respect to their production, imports, exports, foreign investments in production facilities, and the effect of the operation of these provisions upon their competitive position in the U.S. and in foreign markets;

(3) the effect of operations under these provisions of the TSUS upon the U.S. balance of payments; and

(4) the relationship of these provisions and imports thereunder to employment opportunities and wage levels in the United States, particularly in the industries utilizing these provisions; and

(5) the probable effect of repeal of either 806.30 or 807.00, or both.

I am asking the Secretary of Labor to make available to the Commission any data at his disposal pertinent to this matter and any other assistance which the Commission may require from his department in the conduct of this investigation.

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* The reporting date has been extended to August 31, 1970.

I am also making similar requests on furnishing data and assistance to the Secretary of the Treasury, the Secretary of Commerce, and to the heads of other agencies concerned.

Sincerely,

Richard Nixon

Honorable Glenn W. Sutton
Chairman
United States Tariff Commission
Washington, D. C.

Item 807.00 Import Statistics

The total value of imports under item 807.00 has increased from $577.4 million in 1965 to $1.6 billion in 1969. American components included in these imports were valued at $76.2 million in 1965 and $339.4 million in 1969. Most imports are products provided for in parts 3 through 6 of schedule 6 of the Tariff Schedules of the United States which cover metal products, machinery and mechanical equipment, electrical machinery and equipment, and transportation equipment. The largest single item imported under item 807.00 is automobiles, primarily from Germany and Sweden, which accounted for $720.6 million of the total value of imports in 1969, but which accounted for only $4.2 million of the American-made components. Electronic semiconductors appear to be one of the largest items in terms of the value of American components. Imports of semiconductors, which come from a number of countries, were valued at about $106.3 million in 1969, of which $62.5 million were nondutiable U.S.-made parts.

Imports under item 807.00 come from more than 50 countries, both industrialized and less developed, and for some of these, the trade involved is significant (see table attached). Imports under this tariff provision from Mexico have grown more rapidly than imports from any other country, increasing from $3.1 million in 1965 to $145.2 million in 1969. In the latter year, Mexico became the third largest source of such imports, exceeded only by West Germany and Canada. Mexico accounted for slightly less than nine percent of total U.S. imports under item 807.00 in 1969, but accounted for 28 percent ($95.8 million) of the total value of nondutiable U.S. components entered under this item.

U.S. IMPORTS FOR CONSUMPTION UNDER TSUS 807.00 BY COUNTRY 1965-1969

($1,000,000)

Country	1965 Total	1965 U.S. Parts	1966 Total	1966 U.S. Parts	1967 Total	1967 U.S. Parts	1968 Total	1968 U.S. Parts	1969 Total	1969 U.S. Parts
West Germany	248.5	4.0	443.7	4.7	464.4	7.9	685.7	7.8	616.8	5.6
Canada	151.0	34.7	116.3	36.6	137.8	39.5	188.1	48.9	243.2	66.9
Sweden	31.8	1.3	44.2	1.9	60.0	1.3	81.7	1.3	58.2	0.2
United Kingdom	43.6	6.6	112.5	13.2	53.7	9.5	57.0	7.0	74.1	9.4
Hong Kong	19.5	10.5	41.1	18.9	51.2	16.4	64.7	35.2	90.7	50.7
Japan	27.1	3.1	42.0	9.0	32.4	7.1	90.4	17.0	132.9	22.5
France	9.1	3.0	33.3	10.3	28.6	8.7	22.3	7.0	21.3	6.7
Mexico	3.1	1.3	7.0	3.6	19.2	12.3	73.3	49.5	145.2	95.8
Ireland	9.5	3.9	16.3	5.1	17.0	4.6	17.5	4.5	19.8	5.4
Belgium 1/	11.4	3.8	8.9	3.3	16.2	6.0	44.9	5.2	74.0	5.4
Taiwan	1.8	0.9	6.6	3.4	16.2	7.3	49.9	18.8	68.1	23.6
Other	21.0	3.1	17.9	3.3	35.0	26.0	56.5	23.1	104.9	47.2
Total	577.4	76.2	889.8	113.3	931.7	146.6	1,432.0	225.3	1,649.2	339.4

1/ Includes Luxembourg.

Note: The eleven specified countries accounted for 93 percent of the total value of imports under TSUS 807 and 86 percent of the U.S. component value of such imports in 1969.

Source: Unofficial Statistics of the Department of Commerce.

Unfair Import Competition-(Section 337)

Unfair methods of competition and unfair acts in the importation of articles into the United States are unlawful under Sec. 337 of the Tariff Act of 1930 if the effect or tendency is to destroy or substantially injure an industry, prevent the establishment of an industry, or to restrain or monopolize trade and commerce. When these conditions exist, the articles involved may by Executive Order be excluded from entry into the United States. Section 337 authorizes the Tariff Commission to investigate alleged unfair methods of competition and unfair acts and to submit its findings to the President to assist him in making decisions under that Section.

Since World War II, the Tariff Commission has received 53 complaints of alleged unfair competition or unfair acts in importation. Forty-six of these complaints concerned alleged patent violations by imported articles. Upon receipt of a complaint, the Commission institutes a preliminary inquiry to determine whether a full investigation is warranted. Thirty-nine of the complaints were dismissed or withdrawn without becoming full investigations; 11 resulted in full investigations; and 3 1/ are currently (3/23/70) in the preliminary inquiry stage. The outcome of the 11 full investigations was as follows:

a) One (tractor parts) is pending in the Commission
b) Seven were either withdrawn, or concluded with no finding, or concluded with a negative finding (including one 3-3 finding in which the President accepted the negative finding as the finding of the Commission).
c) Three (all involving patent violations) had positive findings, with a recommendation that an exclusion order be issued:
   i) Synthetic star sapphires--After submitting its report to the President, the Commission received information of an agreement between the complainant and foreign producers which rendered the issue moot. The recommendation to the President was therefore withdrawn and the case dismissed.
   ii) Self-closing containers (squeeze purses)--The Commission's recommendation was not accepted by the President.
   iii) Furazolidone--A temporary exclusion order was issued by President Johnson on August 28, 1968 after receiving a 2-2 preliminary finding from the Commission when it completed its preliminary inquiry and ordered a full investigation. The full investigation was completed in November 1969 with a positive finding and recommendation that the temporary exclusion order be made permanent. Action by the President on this investigation is pending (3/23/70).

The exclusion of imports of furazolidone was the first such action taken under Section 337 since 1936. Following the announcement of the exclusion order interest of domestic producers in possible use of this provision increased sharply, and there has been speculation in the press and elsewhere that the Tariff Commission could expect a substantial increase in complaints under Section 337.

1/ Ski poles, ampicillin, and panty hose, all involving alleged patent violations.

C.I.F. Versus F.O.B. Values of Imports for Statistical and Customs Purposes

Much discussion has taken place over the years on the preferable method of valuing imports for duty collection purposes and for reporting statistics on imports. In the last few years, due in part to the publicity accorded the Kennedy Round and the decline in the U.S. favorable balance of payments, additional attention has been given to these topics. Superficially, they appear to be a single subject; however, they are entirely different, and not necessarily related, issues in the consideration of which totally different sets of criteria are involved.

Valuation of imports for statistical purposes. The decline in the favorable U.S. trade balance and the U.S. balance of payments in recent years has been chiefly responsible for a focus of attention on the values used for tabulating U.S. imports in official foreign trade statistics. Countries usually employ the same values for reporting statistics on their imports as are used for valuing their imports for duty purposes. The type of value a country uses for customs purposes almost invariably reflects a careful decision reached after substantial consideration of possible alternatives. The use of the same value for statistical reporting purposes, however, is done chiefly for practical administrative reasons, and does not represent a decision as to what would be considered preferable for analytical purposes if the compilation of the statistics were undertaken independent of customs valuation procedures.

The United States historically has used an f.o.b. (free-on-board) type value for assessing ad valorem duties on imports, and also for reporting the value of its imports in official statistics. Most other countries 1/ use a landed (c.i.f.--for cost, insurance and freight) value for both purposes. It has been alleged that the practice followed by the United States, which excludes ocean freight and insurance costs, understates the value of U.S. imports and consequently presents an erroneous picture of the U.S. trade balance.2/ It has also been implied that this "erroneous" presentation of the U.S. trade balance is carried over into the presentation of data on the U.S. balance of payments, with a consequent distortion there.

1/ Notable exceptions are Canada, Australia, New Zealand, South Africa, and Venezuela plus some other small countries.

2/ Additional distortion of the true picture of the U.S. trade balance and the competitive position of the United States in world commerce is alleged to result from inclusion in export statistics of products shipped under government financed programs and articles the production of which has been assisted by government subsidies.

In January 1969, Representative J. Irving Whalley of Pennsylvania introduced House Joint Resolution 177 which would require that reports on imports into the United States include the landed value of articles imported.1/ The late Senator Everett Dirksen introduced an identical resolution (S.J. Resolution 115) in the Senate in October 1965 "to obtain more meaningful trade statistics for use in developing legislation and assessing our trade position." In speaking on his resolution at that time, Senator Dirksen said "the purpose is not to change the method by which we value imports for duty purposes, nor is the purpose to change the method by which we calculate our balance of payments." Despite this attempt to dispel the erroneous thought prevalent in some quarters that the resolution was related to the statistical treatment of the U.S. balance of payments, this confusion seemed to continue. Senator Dirksen's resolution was the subject of a public hearing before the Senate Finance Committee in the late summer of 1966, at which the Bureau of the Budget, the Departments of Agriculture, Commerce and State and the Special Representative for Trade Negotiations presented comments indicating unanimous opposition to passage of the resolution. These Departments and Agencies indicated that c.i.f. statistical data, if applied in an appropriate manner, could be useful for limited statistical purposes unrelated to balance-of-payments analysis, but the requirements for c.i.f. data could be served satisfactorily for most users through a statistical sampling and estimating procedure which would be far less burdensome upon government agencies charged with collecting and compiling the statistics and upon importers than would be the conditions required under the resolution.

At that time the Tariff Commission and the Bureaus of Customs and Census were cooperating in a study to develop estimated c.i.f. values for U.S. imports through a statistical sampling procedure. The Commission subsequently released a tabulation presenting the results of its work in which estimated freight and insurance charges as a percent of reported f.o.b. import values in 1965 were given for each of the major subdivisions of the TSUS (Schedule, Part, and Subpart). Concurrently the Bureau of Census released estimated c.i.f. values (based on 1966 import data) for 21 commodity groups covering all U.S. imports. Since then the Bureau of Census has regularly published quarterly estimates of the c.i.f. value of total imports, and has a program for annual estimates of c.i.f. values for the 21 commodity groups, the 10 sections of the SITC, and imports from major geographic areas of the world. (See attachment for the most recent Bureau of Census estimates of these c.i.f. values.)

There are three broad areas in which import statistics are used for analytical purposes: in balance-of-payments analysis, in balance-of-trade

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1/ Section 2 of the resolution would require export statistics to indicate separately articles exported under government-financed programs and articles produced with the assistance of government subsidies.

analysis, and for commodity analysis for the impact of imports on the domestic economy. No single basis of valuation of imports is satisfactory for all analytical purposes for which import statistics are compiled. In balance-of-payments analysis, f.o.b. valuation is internationally recognized as correct and c.i.f. countries must presently adjust their merchandise trade data to exclude the value of freight and insurance in preparing their annual balance-of-payments statements and their statistical submissions to the International Monetary Fund. It would be highly inaccurate to include all payments of ocean freight and insurance charges in the balance of payments, because a part of these services may be supplied by the importing country itself, and to that extent such payments do not represent an international financial transaction. Thus, the application of c.i.f. values to all U.S. merchandise imports would overstate the magnitude of foreign payments. Under present U.S. balance-of-payments procedures, merchandise transactions and ocean freight services are carried in separate accounts, with the latter item adjusted to exclude freight payments to domestic carriers. This procedure has the additional advantage of providing correct country allocations of merchandise and freight payments, respectively, recognizing that the country supplying the merchandise is often not the same country supplying the freight and insurance services.

In balance-of-trade analysis--the net balance between U.S. merchandise exports and imports--either c.i.f. or f.o.b. valuation can be used. C.i.f. valuation might be considered preferable for this purpose, because it values imports at the same point as that reflected for exports--the ports and borders of the United States. However, use of c.i.f. for balance-of-trade purposes involves the overvaluation of payments and misallocation by country cited in the balance-of-payments discussion above. In using f.o.b. values for imports, the United States values its imports and exports on exactly the same basis and there is complete comparability in merchandise trade. The balance-of-trade statistics are not designed to measure the balance in services, such as ocean freight and insurance or those included under tourism; they are designed simply to measure the balance of trade in merchandise between the United States and the rest of the world.

For commodity analysis of the impact of imports on the domestic economy, c.i.f. values might be considered preferable to f.o.b., but such values would be only a limited improvement over f.o.b. data as they would still understate the true price of an imported commodity in the internal U.S. market because such cost factors as importer's markup, inland U.S. freight, agent's commissions, and payment of U.S. tariffs would still be excluded.

Valuation of imports for customs purposes. During the Kennedy Round, public attention was focused anew upon the procedures used by the United States for valuing imports for the assessment of ad valorem rates of duty. Aside from the particular publicity received by unusual

provisions in U.S. customs valuation, such as the American Selling Price, the general question was raised by some domestic interests as to the desirability and appropriateness of continued use by the United States of f.o.b. value as the general basis for customs valuation. The Kennedy Round argument over tariff disparities among countries undoubtedly stimulated public thought on this matter. It was alleged that in tariff negotiations generally, and particularly in negotiations dealing with harmonization of tariff levels, the United States, in using f.o.b. valuation, negotiated from a disadvantageous position with countries using c.i.f. values for application of their tariff rates. Underlying at least some suggestions that the United States should shift to a c.i.f. value was the thought that additional tariff protection would automatically be provided for U.S. industries.

Against this background and that of the discussion of valuation for statistical purposes, the Senate Finance Committee in February 1966 requested the Tariff Commission to conduct a comprehensive study with a view to making suggestions and recommendations for improvement of the customs valuation laws of the United States. The Commission was also asked to give its views as to the feasibility and desirability of adopting the Brussels definition of value (i.e., landed--c.i.f.--value). The Commission's report to the Senate Finance Committee has never been released to the public.

Under the f.o.b. valuation system, ad valorem rates of duty bear equally upon imports from all countries at all ports of entry. Under a c.i.f. system, the inclusion of ocean freight in the value of imports results in a higher assessment of duty on products from those countries the geographic location of which results in the payment of higher freight rates. A shift from the equality of treatment under the f.o.b. system to the differential treatment under a c.i.f. system would probably be accompanied by significant and substantial readjustments in the pattern of commerce of the United States.

Inasmuch as virtually all U.S. import duties are bound against increase under international agreements, a shift to a c.i.f. basis of valuation would necessitate a downward adjustment of all ad valorem rates of duty and, in addition, possible payment of compensation to countries which nevertheless would undergo discrimination regardless of the general downward adjustment of the rates of duty.

It has been pointed out that the use by the United States of f.o.b. values in customs valuation and statistical reporting has not been considered by officials directly dealing with the matter as in any manner disadvantageous in trade negotiations, and that in all negotiations, when comparing trade data or tariff levels, appropriate adjustments have been made to compensate for differences in valuation practices among countries.

CURRENT ESTIMATES OF C.I.F. VALUES FOR U.S. GENERAL IMPORTS 1/

This issue of FT 990 updates estimates of c.i.f. values for U.S. general imports, based on a sample study of 1967 import shipments. Values for the sample items in the 12-month 1967 study were found to be 6.9% higher than the values for the same items as reflected in Census import statistics. The addition of 6.9% to published Census data results in the estimates given below. It should be noted that the 1968 calendar year totals reflect revisions made in the data subsequent to the publication of the December 1968 reports. The 1969 calendar year totals reflect all corrections published with statistics through those for December 1969.

NOTE: These estimates provide U.S. import data on a value basis comparable with the import data of most foreign countries. Readers interested in calculating the U.S. trade balance should be aware that this balance can properly be derived only by relating exports and imports valued on the same basis. Trade balance figures, calculated on a comparable basis, are published in "Trends in U.S. Foreign Trade," released monthly by the Department's Bureau of International Commerce.

1/ U.S. Department of Commerce. FT 990/December 1969 Highlights of U.S. Export and Import Trade. P. III

CURRENT ESTIMATES OF C.I.F. VALUES COMPARED WITH PUBLISHED VALUES FOR U.S. GENERAL IMPORTS: CALENDAR YEARS 1967, 1968 AND 1969

(In millions of dollars)

Period	Value as published in U.S. import statistics[1]	Estimated c.i.f. values[2]
Calendar year 1967.....	26,812.3	28,662.3
Calendar year 1968.....	33,226.3	35,518.9
Calendar year 1969.....	36,051.8	38,539.4

[1]Defined as the value required by law for Customs purposes, which in most instances is the value of the commodities at the principal markets in the exporting country.

[2]Defined as the cost (to the U.S. importer) of the commodities at the foreign port of exportation, plus insurance and freight to the U.S. port of entry, regardless of whether earned by a U.S. or a foreign firm.

Report on Study of Estimated C.I.F. Values for U.S. General Imports 2/

In the September 1967 issue of report FT 990, estimated values for U.S. imports on a cost, insurance, and freight (c.i.f.) basis were shown, based on the results of a study of c.i.f. port of entry values for 1966. A joint Bureau of Customs - Bureau of Census study for the year 1967 has now been completed. The results indicate that the value of U.S. general imports on a c.i.f. basis is about 6.9% higher than the total value reported for the year in U.S. import statistics. A further breakdown on the results of the study is presented in the tables below in terms of broad commodity and geographic groupings.

As indicated in previous releases, this study was made because users of U.S. foreign trade statistics expressed interest in obtaining U.S. import data on a c.i.f. basis. Scientific probability sampling techniques were employed in the study. C.i.f. values were determined for the sample shipments, using data obtained from Customs records, brokers, importers, and carriers. For some shipments it was necessary to estimate the freight and insurance charges.

For purposes of the study, c.i.f. was defined as the cost (to the U.S. importer) of the commodities at the foreign port of exportation, plus insurance and freight to the U.S. port of entry. The value figures published in the regular import statistics reflect the value required by law for Customs purposes, which in most instances is the value of the commodities at the principal markets in the exporting country. (See 19 U.S.C. 1401 and 1401a for a more definitive explanation of the valuations required by law for Customs purposes, such as the export value, cost of production, constructed value, American selling price, etc.)

The Customs valuation reflected in the published import statistics for individual commodities or geographic areas may differ from the actual prices paid by the U.S. importers for the specific shipments, even after freight, insurance, and other charges are taken into account. For some transactions, the c.i.f. value as defined above may actually be lower than the Customs valuation reflected in the import statistics. It follows, therefore, that the difference between the estimated c.i.f. values and published values should not be construed as a measure of the freight and insurance charges involved in the transactions.

Users are cautioned about the applicability of estimated 1967 c.i.f. ratios to periods other than calendar year 1967, particularly for the more detailed categories of data. Over rather short periods of time, the ratios may be seriously affected by economic developments such as changes in product-mix, transportation patterns, and freight rates.

1/ U.S. Department of Commerce. FT 990/March 1969 Highlights of U.S. Export and Import Trade. PP. III-VI.

SPECIAL ANNOUNCEMENTS--Continued

Table A. COMPARISON OF ESTIMATED C.I.F. VALUES WITH PUBLISHED U.S. GENERAL IMPORT VALUES FOR SCHEDULE A SECTIONS: CALENDAR YEAR 1967

Schedule A section	Value in published statistics (mil. dol.)	Estimated c.i.f. value (mil. dol.)	Estimated ratio of c.i.f. to published value	Estimated sampling variability of ratio[1]
Total	26,812.3	28,662.3	1.069	.001
0. Food and live animals	4,003.1	4,307.3	1.076	.002
1. Beverages and tobacco	698.1	737.9	1.057	.009
2. Crude materials, inedible, except fuels	2,964.3	3,391.2	1.144	.007
3. Mineral fuels, lubricants, and related materials	2,248.0	2,452.6	1.091	.007
4. Animal and vegetable oils and fats	122.1	130.3	1.067	.006
5. Chemicals	957.9	985.7	1.029	.014
6. Manufactured goods classified chiefly by material	6,384.2	6,811.9	1.067	.004
7. Machinery and transport equipment	5,793.5	5,996.3	1.035	.004
8. Miscellaneous manufactured articles, n.e.s.	2,576.2	2,741.1	1.064	.002
9. Commodities and transactions not classified according to kind	1,064.9	1,105.4	1.038	.009

[1]The chances are about 2 out of 3 that each estimated ratio differs from that which would have been obtained from a survey of all transactions by an amount less than the estimated sampling variability indicated.

SPECIAL ANNOUNCEMENTS--Continued

Table B. COMPARISON OF ESTIMATED C.I.F. VALUES WITH PUBLISHED U.S. GENERAL IMPORT VALUES FOR 21 TSUSA COMMODITY GROUPINGS: CALENDAR YEAR 1967

Abbreviated commodity description and range of TSUSA commodity numbers	Value in published statistics (mil. dol.)	Estimated c.i.f. value (mil. dol.)	Estimated ratio of c.i.f. to published value	Estimated sampling variability of ratio[1]
Total	26,812.3	28,662.3	1.069	.001
1. Live animals, meats, fish and shellfish, dairy products, eggs, hides, skins, and leather: 100.0110-124.8000	1,550.6	1,651.4	1.065	.005
2. Live plants, seeds, cereal grains, milled grain products, malts, starches, vegetables, edible nuts and fruits, sugar, cocoa, and confectionery: 125.0100-157.1040	1,439.2	1,583.1	1.100	.010
3. Coffee, tea, maté, spices, beverages, tobacco, and tobacco products: 160.1020-170.8000	1,802.2	1,899.5	1.054	.004
4. Animal and vegetable oils, fats and greases, and misc. other animal and vegetable products: 175.0300-193.2500	454.4	506.2	1.114	.010
5. Wood and wood products: 200.0300-245.9060	738.2	886.6	1.201	.019
6. Paper, paper products, and printed matter: 250.0205-274.9000	1,449.9	1,497.7	1.033	.008
7. Textile fibers and fabrics: 300.1020-359.6000	990.1	1,068.3	1.079	.004
8. Textile furnishings, wearing apparel and accessories, and miscellaneous textile products: 360.0500-390.6000	667.8	717.2	1.074	.005
9. Chemicals and chemical compounds and mixtures: 401.0200-432.0000	408.4	403.9	.989	.017
10. Drugs, synthetic resins, plastics, rubber, essential oils, cosmetics, soaps, synthetic detergents, inks, paints, etc.: 435.0500-474.6200	467.1	502.1	1.075	.005
11. Petroleum, petroleum products, natural gas, fertilizers, explosives, fatty substances, camphor, carbons, isotopes, waxes, etc.: 475.0510-495.2000	2,471.5	2,703.8	1.094	.008
12. Nonmetallic minerals and products, except ceramic products, glass and glass products: 511.1100-523.9400	720.0	771.8	1.072	.01½
13. Ceramic products, glass, and glass products: 531.0100-548.0500	262.7	298.2	1.135	.006
14. Metal-bearing ores and other metal-bearing materials: 601.0300-603.7000	862.6	1,015.3	1.177	.015
15. Metals, their alloys, their basic shapes and forms, and metal products: 605.0210-658.1000	3,320.3	3,576.0	1.077	.005
16. Electrical and mechanical machinery and equipment: 660.1000-688.4100	3,022.2	3,134.0	1.037	.001
17. Transportation equipment: 690.0500-696.6000	2,787.2	2,879.2	1.033	.005
18. Footwear, headwear, gloves, luggage, handbags, scientific and professional instruments, timing devices, photographic equipment, etc.: 700.0500-724.5000	925.2	968.7	1.047	.003
19. Musical instruments, furniture, arms and ammunition; sporting goods, toys, jewelry, fastening devices, ornaments, brooms, pyrotechnics, pens, pencils, etc.: 725.0200-760.6500	719.6	775.7	1.078	.005
20. Works of art, antiques, rubber and plastic products, and miscellaneous other products: 765.0500-799.0000	390.9	409.3	1.047	.007
21. Articles, subject to special classification provisions, temporary legislation, etc.: 800.0020-999.2000	1,077.9	1,117.8	1.037	.004
Shipments valued under $251 (estimated)[2]	284.3	303.9	1.069	-

[1]The chances are about 2 out of 3 that each estimated ratio differs from that which would have been obtained from a survey of all transactions by an amount less than the estimated sampling variability indicated.

[2]These low valued shipments were not included in the c.i.f. sample study, but are presented in this table solely for the purpose of arriving at overall totals. In estimating the c.i.f. value for these shipments the overall ratio (1.069) for shipments valued over $250 was used.

SPECIAL ANNOUNCEMENTS--Continued

TABLE C. COMPARISON OF ESTIMATED C.I.F. VALUES WITH PUBLISHED U.S. GENERAL IMPORT VALUES FOR WORLD AREAS: CALENDAR YEAR 1967

World Area	Value in published statistics (mil. dol.)	Estimated c.i.f. value (mil. dol.)	Estimated ratio of c.i.f. to published value	Estimated sampling variability of ratio[1]
Total	26,812.3	28,662.3	1.069	.001
Western Hemisphere	11,741.2	12,480.9	1.063	.002
Canada	7,106.6	7,440.6	1.047	.003
20 Latin American Republics	3,851.0	4,174.5	1.084	.005
Central American Common Market	299.6	329.0	1.098	.017
Latin American Free Trade Association	3,320.5	3,592.8	1.082	.005
Other Latin American Republics	230.9	251.2	1.088	.028
Other Western Hemisphere	783.6	865.1	1.104	.011
Western Europe	8,050.3	8,549.4	1.062	.003
Organization for Economic Cooperation and Development	7,866.7	8,346.6	1.061	.004
European Economic Community	4,453.2	4,747.1	1.066	.004
European Free Trade Association	2,881.4	3,037.0	1.054	.005
United Kingdom	1,709.8	1,803.8	1.055	.007
Other EFTA Countries	1,171.5	1,233.6	1.053	.006
Other OECD Countries	532.1	561.4	1.055	.010
Other Western Europe	183.5	207.9	1.133	.020
Communist Areas in Europe	177.2	184.1	1.039	.050
Asia	5,347.9	5,829.2	1.090	.004
Japan	2,998.7	3,256.6	1.086	.004
Other Asia	2,349.2	2,574.7	1.096	.005
Near East Asia	293.1	322.4	1.100	.027
South Asia	387.6	426.4	1.100	.009
Asia, n.e.c., including Communist Areas	1,668.5	1,827.0	1.095	.006
Australia and Oceania	581.5	633.3	1.089	.004
Africa	906.1	983.1	1.085	.008
Republic of South Africa	225.9	241.0	1.067	.058
Other Africa	680.2	742.1	1.091	.009
Unidentified Countries[2]	8.0	8.6	1.069	-

[1]The chances are about 2 out of 3 that each estimated ratio differs from that which would have been obtained from a survey of all transactions by an amount less than the estimated sampling variability indicated.

[2]These shipments were not included in the c.i.f. sample study, but are presented in this table solely for the purpose of arriving at overall totals. In estimating the c.i.f. value for these shipments the overall ratio (1.069) for shipments valued over $250 was used.

The Chicken War

The major market for U.S. poultry in the Community was (and still is) Germany The bound German import duty on poultry, initially negotiated with Denmark, was 15 percent c.i.f. ad valorem (average equivalent of about 4.5 cents a pound). Quantitative import restrictions were maintained on U.S. broilers entering Germany until April 1961, although such restrictions were removed on Danish and Netherlands broilers several years earlier. U.S. poultry exports to Germany rose sharply following the liberalization of this trade.

The introduction of the Community's Common Agricultural Policy for poultry in July 1962 included a variable levy system which brought Community protection for poultry far above the previously bound German rate. Total levies on broilers imported into Germany rose to 13.5 cents a pound by the middle of 1963, compared with 4.5 cents a pound the year before.

U.S. exports to Germany dropped from an annual rate of $45 million in 1962 (based on exports for the six months prior to the institution of the levy) to $13 million in 1963. The United States had sought, even before the CAP was introduced, to achieve some modification of the system, without success. Countless efforts were made by the United States to obtain some relief from the protective system. Negotiations were conducted with the EEC in Geneva in June-July of 1963, but the EEC negotiators were given no authority by the EEC Council of Ministers to act on the U.S. proposals.

In response to this impasse, the United States indicated its intention to withdraw equivalent concessions initially negotiated with the EEC. The United States valuation on the poultry trade affected was $46 million; the Community valuation was $19 million. Both parties submitted the question of valuation to a GATT panel. The panel determined the value of the unbindings at $26 million; both parties accepted this opinion.

By Proclamation issued December 4, 1963, the U.S. tariff rates on several products principally supplied by the EEC were increased, effective January 7, 1964, from the reduced, trade agreement rates to the full statutory rates. The products and rate changes were: trucks valued over $1,000 (8½% to 25%); brandy valued over $9 per gallon ($1,00 per gallon in containers over 1 gallon and $1.25 per gallon in containers of one gallon

or less to $5.00 per gallon for both); potato starch (1¢ to 2½¢ per pound); and dextrine (1.125¢ per pound to 3¢ per pound). The increases bore heaviest on Germany, (Volkswagen trucks), with less damage to France (cognac) and the Netherlands (potato starch and dextrine). In announcing the retaliatory action, the United States stressed that the concession rates were suspended, not withdrawn, and could be restored if a satisfactory settlement on poultry could be obtained.

With the imposition of variable levies on poultry in July 1962, U.S. exports of dead poultry and parts to the EEC dropped sharply from $49 million in 1962 to $26 million the following year. Since then U.S. poultry exports have gradually fallen and in 1969 were only $9.6 million. The trade effect of the 1964 U.S. retaliation was most severe on Volkswagen trucks. U.S. imports of trucks from West Germany fell from $15 million in 1963 to $5.7 million in 1964 and have since remained at the $2-3 million level. Imports of potato starch fell from $1.1 million in 1963 to $338,000 in 1964 and have since fallen further to the $100,000 level. Imports of dextrine, however, fell only slightly from $2.3 million in 1963 but have since risen to the $2.5 million level, whereas imports of brandy were not affected but instead rose slightly to $2.4 million in 1968.

The CHAIRMAN. Without objection, the committee will adjourn until 10 o'clock in the morning.

(Whereupon, at 5:30 p.m. the committee adjourned, to reconvene at 10 a.m., Tuesday, May 12, 1970.)

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