DEPOSITORY

TRADE REFORM

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 6767

THE TRADE REFORM ACT OF 1973

MAY 9, 10, 11, 14, 15, 16, 17, 18, 21, 22, 23, 24, 29, 30, 31;
JUNE 1, 6, 7, 8, 11, 12, 13, 14, AND 15, 1973

Part 6 of 15

(May 21, 22 (Partial), 1973)

Printed for the use of the Committee on Ways and Means

LIBRARY
DEPARTMENT
OF
COMMERCE

SEP 28 1 40 PM 1973

WASHINGTON
D.C.
20230

TRADE REFORM

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 6767

THE TRADE REFORM ACT OF 1973

MAY 9, 10, 11, 14, 15, 16, 17, 18, 21, 22, 23, 24, 29, 30, 31;
JUNE 1, 6, 7, 8, 11, 12, 13, 14, AND 15, 1973

Part 6 of 15

(May 21, 22 (Partial), 1973)

Printed for the use of the Committee on Ways and Means

DEPARTMENT OF COMMERCE LIBRARY
LAW BRANCH

U.S. GOVERNMENT PRINTING OFFICE
96-006 O WASHINGTON : 1973

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C., 20402 - Price $2.35
Stock Number 5270-01913

COMMITTEE ON WAYS AND MEANS

WILBUR D. MILLS, Arkansas, *Chairman*

AL ULLMAN, Oregon
JAMES A. BURKE, Massachusetts
MARTHA W. GRIFFITHS, Michigan
DAN ROSTENKOWSKI, Illinois
PHIL M. LANDRUM, Georgia
CHARLES A. VANIK, Ohio
RICHARD H. FULTON, Tennessee
OMAR BURLESON, Texas
JAMES C. CORMAN, California
WILLIAM J. GREEN, Pennsylvania
SAM M. GIBBONS, Florida
HUGH L. CAREY, New York
JOE D. WAGGONNER, Jr., Louisiana
JOSEPH E. KARTH, Minnesota

HERMAN T. SCHNEEBELI, Pennsylvania
HAROLD R. COLLIER, Illinois
JOEL T. BROYHILL, Virginia
BARBER B. CONABLE, Jr., New York
CHARLES E. CHAMBERLAIN, Michigan
JERRY L. PETTIS, California
JOHN J. DUNCAN, Tennessee
DONALD G. BROTZMAN, Colorado
DONALD D. CLANCY, Ohio
BILL ARCHER, Texas

JOHN M. MARTIN, Jr., *Chief Counsel*
J. P. BAKER, *Assistant Chief Counsel*
RICHARD C. WILBUR, *Minority Counsel*

CONTENTS BY SUBJECT, DATE, PART, AND PAGE NUMBER

Subject	Date (1973)	Part No.	Page
Administration officials	May 9	1	1
Do	May 10	2	341
Do	May 11	2	491
Agriculture (*see also* Fruits *and* Vegetables)	May 23	8	2577
Aluminum	May 23	8	2561
Apparel	June 6	12	3859
Automobiles (trucks)	May 31	11	3368
Bearings	May 29	9	3102
Bicycles	May 21	6	1891
Brass	May 24	9	2955
Bricks	May 30	10	3165
Business equipment	May 30	10	3135
Ceramics	May 21	6	1812
Chain	June 7	12	4110
Chemicals	May 21	6	1681
Do	May 31	11	3498
Clay	June 11	13	4585
Computers	May 30	10	3128
Copper	May 24	9	2955
Do	May 31	11	3493
Dinnerware	June 6	12	3751
Distillers	June 13	14	4825
East-West trade	June 1	11	3517
Eggs	June 8	13	4327
Electrical manufacturers	May 30	10	3111
Electronics	May 30	10	3216
Engineering	May 31	11	3486
Fasteners	June 7	12	4124
Flowers	June 13	14	4893
Footwear	May 18	5	1455
Do	June 12	14	4699
Foreign source income	May 22	7	2516
Do	June 11	13	4603
Fruits	June 8	13	4162
Glass	June 6	12	3769
Do	June 11	13	4585
Glue	June 8	13	4463
General testimony	May 14	3	607
Do	May 15	3	849
Do	May 16	4	1093
Do	May 17	4	1209
Do	May 18	5	1373
Do	May 22	7	1911
Do	May 29	9	2997
Do	May 30	10	3177
Do	May 31	11	3315
Do	June 8	13	4468
Do	June 11	13	4595
Granite	May 30	10	3157
Iron	June 7	12	3957
Lead	May 24	9	2924
Leather goods	June 12	14	4770
Manganese ore	May 24	9	2897
Marble	May 30	10	3146

Subject	Date (1973)	Part No.	Page
Maritime	May 22	7	2520
Meat	May 23	8	2577
Members of Congress	June 14	14	4911
Do	June 15	14	5049
Milk	June 8	13	4350
Minerals (in general)	May 24	9	2839
Musical instruments	June 8	13	4459
Office equipment	May 30	10	3128
Petroleum	June 11	13	4491
Phosphates	May 24	9	2901
Plastics	May 21	6	1792
Do	June 12	14	4789
Potash	May 24	9	2901
Poultry	June 8	13	4327
Propane gas	May 31	11	3488
Recycling	May 24	9	2850
Scissors	June 7	12	4117
Scrap iron and steel	May 24	9	2906
Senator of the United States	June 15	14	5019
Shears	June 7	12	4117
Steel	June 7	12	3957
Stone	June 11	13	4585
Sulphur	May 24	9	2901
Textile unions	June 6	12	3874
Textiles	June 6	12	3859
Tires	May 31	11	3364
Do	June 12	14	4741
Tobacco	June 13	14	4876
Tools	May 29	9	3052
Vegetables	June 8	13	4262
Watches	May 30	10	3180
Wine	May 29	9	3043
Wire	June 7	12	4031
Zinc	May 24	9	2924
Summary of testimony	----------	15	5171

CHRONOLOGICAL TABLE OF CONTENTS

Date	Subject	Part No.	Page
1973			
May 9	Administration officials	1	1–340h
May 10	Administration officials	2	341–489
May 11	Administration officials	2	491–605
May 14	General testimony	3	607–847
May 15	General testimony	3	849–1091
May 16	General testimony	4	1093–1208
May 17	General testimony	4	1209–1372
May 18	General testimony, footwear	5	1373–1680
May 21	Chemicals, plastics, ceramics, bicycles	6	1681–1909
May 22	General testimony, foreign source income, maritime	6, 7	1911–2560
May 23	Aluminum, agriculture, meat	8	2561–2837
May 24	Minerals, recycling, manganese ore, sulfur, potash, phosphates, scrap iron and steel, lead, zinc	9	2839–2996
May 29	General testimony, wine, tools, bearings	9	2997–3110
May 30	Electrical manufacturers, office equipment, computers, business equipment, marble, granite, bricks, general testimony, watches, electronics	10	3111–3314
May 31	General testimony, tires, automobiles, trucks, engineering, propane gas, copper, chemicals	11	3315–3516
June 1	East-West trade	11	3517–3750
June 6	Dinnerware, glass, apparel, textile unions, textile	12	3751–3955
June 7	Iron, steel, wire, fasteners, chain, scissors, shears	12	3957–4160
June 8	Fruits, vegetables, poultry, eggs, milk, musical instruments, animal glue, general testimony	13	4161–4489
June 11	Petroleum, stone, glass, clay, general testimony, foreign source income	13	4491–4697
June 12	Footwear, leather goods, tires	14	4699–4823
June 13	Distillers, tobacco, flowers	14	4825–4910
June 14	Members of Congress	14	4911–5017
June 15	Senator of the United States, Members of Congress	14	5019–5169
--------	Summary of testimony	15	5171–5317

CONTENTS

Press releases: Page

No. 4, dated April 10, 1973, announcing public hearings on administration proposals on foreign trade and tariff 1

No. 6, dated April 17, 1973, announcing hearings to commence on May 9 instead of May 7 3

H.R. 6767, a bill to promote the development of an open, nondiscriminatory, and fair world economic system, to stimulate the economic growth of the United States, and to provide the President with additional negotiating authority therefor, and for other purposes 4

Message of the President transmitting the proposed Trade Reform Act of 1973 (H.R. 6767), dated April 10, 1973 101

Summary of proposed Trade Reform Act of 1973 (H.R. 6767) 114

Section-by-section analysis of the proposed Trade Reform Act of 1973 (H.R. 6767) 117

STATEMENTS BY GOVERNMENT WITNESSES

Agriculture, Department of:

Hon. Earl L. Butz, Secretary 491

Hon. Carroll G. Brunthaver, Assistant Secretary for International Affairs and Commodity Programs 512

Commerce, Department of:

Hon. Frederick B. Dent, Secretary 496

Hon. Lawrence A. Fox, Acting Assistant Secretary for Domestic and International Business 491

Council on International Economic Policy:

Hon. Peter M. Flanigan, Executive Director 170

Defense, Department of:

Hon. John M. Malloy, Deputy Assistant Secretary of Defense for Procurement 474

Interior, Department of the:

Hon. Stephen A. Wakefield, Assistant Secretary for Energy and Materials 474

Labor, Department of:

Hon. Peter J. Brennan, Secretary 503

Hon. Joel Segall, Deputy Under Secretary for International Affairs 491

Hon. Herbert N. Blackman, Deputy Assistant Secretary for Trade and Adjustment Policy 491

State, Department of:

Hon. William P. Rogers, Secretary 162

Trade Negotiations, Office of the Special Representative for:

Ambassador William D. Eberle, Special Representative for Trade Negotiations 341

Ambassador William R. Pearce, Deputy Special Representative 341

John H. Jackson, General Counsel 341

Treasury, Department of the:

Hon. George P. Shultz, Secretary 152

Hon. Frederic W. Hickman, Assistant Secretary for Tax Policy 152, 377

Robert J. Patrick, Jr., Deputy International Tax Counsel 377

Matthew Marks, Deputy to the Assistant Secretary (Tariff and Trade Affairs) and Director, Office of Tariff and Trade Affairs 443

STATEMENTS OF PUBLIC WITNESSES

Abel, I. W., Economic Policy Committee, American Federation of Labor and Congress of Industrial Organizations 1209

Abelson, Lester S., Barton Brands, Ltd 4859

Page
Adams, Prof. Walter, Michigan State University 1164
Adduci, V. J., Electronic Industries Association 3267
Aerospace Industries Association of America, Karl G. Harr, Jr., and Marshall Garrett 820
Ahlbrandt, Roger S., Specialty Metals Industry 3969
Aliber, Robert Z., Public Interest Economics Center 1126
Alumina Ceramic Manufacturers Association, George P. Byrne, Jr 1829
Aluminum Association, Irving Lipkowitz 2561
Amalgamated Clothing Workers of America, Howard D. Samuel 3870
American Association of Port Authorities, Clifford B. O'Hara 839
American Chain Association, Edward M. Rhodes, Wyatt Dawson, and John S. Koch 4110
American Die Casting Institute, David Laine and E. Keller Fox 2951
American Dinnerware Emergency Committee, Richard S. Reese and James D. Williams 3751
American Farm Bureau Federation, William J. Kuhfuss, Clifford G. McIntire, and Donald E. Hirsch 1426
American Federation of Labor and Congress of Industrial Organizations, Economic Policy Committee, I. W. Abel, Nat Goldfinger, and Ray Denison 1209
American Footwear Industries Association:
Richard W. Shomaker 4699
Robert S. Lockridge 4702
Eli G. White 4699
American Imported Automobile Dealers Association:
Malcolm S. Pray, Jr 3379
Robert M. McElwaine 3387
Thomas H. Boggs, Jr 3399
American Importers Association, Kurt Orban, Gerald O'Brien, and N. David Palmeter 765
Apparel Quota Group, Sid Doolittle, Michael P. Daniels, and Edwin A. Elbert 3892
Machine Tool Group, Wallace E. Anderson, Fred Senn, and Michael P. Daniels 3052
American Institute for Imported Steel, Inc.:
Victor V. Shick 4097
Seymour Graubard 4100
Alfred R. McCauley 4097
American Iron & Steel Institute:
Stewart S. Cort 3957
C. William Verity, Jr 3959
American Maritime Association, Alfred Maskin, Thomas H. Boggs, Jr., and Joseph A. Klausner 2528
American Mining Congress, Fred W. Peel and Laurence P. Sherfy 2839
American National Cattlemen's Association, Peter E. Marble 2577
American Paper Institute:
James W. McSwiney 3315
Judson Hannigan 3320
Edwin A. Locke, Jr 3315
Irene W. Meister 3315
J. Stanley Wilde 3315
American Petroleum Institute:
John E. Swearingen 4491
Emilio G. Collado 4503
American Retail Federation, Peter Taylor Jones 3067
American Watch Association, Inc., Richard Trauner and Mark Weiss 3180
Amtraco Corp., Walter F. Browne 3654
Anderson, Wallace E., American Importers Association, Machine Tool Group 3052
Andresen, Malcolm, Russian Dollar Bondholders Committee of the United States of America 3591
Aris Gloves, Inc., Edward L. Merrigan 1339
ASG Industries, Inc., Eugene L. Stewart 3769
Ashe, A. J., Rubber Manufacturers Association, Inc., Tire Division 3364
Atalanta Corp., Max N. Berry and Fred Gipson 3643

Page
Atkinson, Lloyd C., Public Interest Economics Center 1130
Automobile Importers of America:
Ralph T. Millet 3470
John B. Rehm 3473
Bale, Malcolm D., University of Wisconsin 1187
BAP Distributing Co., Alvin Schiffman 3652
Barnard, Robert C., Synthetic Organic Chemical Manufacturers Association and Dry Color Manufacturers Association 1724
Bartell, Robert M., Liberty Lobby 3177
Bartley, Russ, National Conference of Motion Picture and Television Unions 1305
Barton Brands, Ltd., Lester S. Abelson 4859
Bauer, Richard J., Independent Zinc Alloyers Association 2941
Baylis, Arthur E., National Committee on International Trade Documentation 1093
Beck, Hubert Park, Russian Dollar Bondholders Committee of the United States of America 3591
Beemer, George, Society of American Florists 4893
Begnall, George F., National Committee on International Trade Documentation 1093
Beidler, Jack, International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW) 849
Bell, Hon. Alphonzo, a Representative in Congress from the State of California 4961
Bellissimo, Anthony P., International Brotherhood of Electrical Workers 1439
Bengston, Nelson, Russian Dollar Bondholders Committee of the United States of America 3591
Benrus Corp., V. K. Kiam II 3189
Benson, Lucy Wilson, League of Women Voters of the United States 2997
Berg, R. Christian, National Council of Music Importers 4459
Berry, Max N., Atalanta Corp 3643
Bicycle Manufacturers Association, William M. Hannon and Thomas F. Shannon 1891
Blackburn, Hon. Ben B., a Representative in Congress from the State of Georgia 4964
Boggs, Thomas H., Jr.:
American Imported Automobile Dealers Association 3399
American Maritime Association 2528
Institute of Scrap Iron & Steel 2906
International Marine Expositions, Inc., and Glastron Boat Co 2544
Bommarito, Peter, United Rubber, Cork, Linoelum & Plastic Workers of America, AFL–CIO, CLC 4741
Book, Robert, U.S. Feed Grains Council 2780
Boot & Shoe Workers Union, George Fecteau 4737
Borstel, Gerard, International Union of Electrical, Radio & Machine Workers 1439
Brandenburg, Mort, Distillery, Rectifying, Wine & Allied Workers' International Union of America, AFL–CIO 4843
Brick Institute of America, Richard Otterson 3165
Brick Institute of Texas, Don Halsell 3165
Brown, Doreen L., Consumer Education Council on World Trade 1301
Brown, Hon. George E., Jr., a Representative in Congress from the State of California 4063, 5064
Browne, Walter F., Amtraco Corp 3654
Builders Hardware Manufacturers Association, Marron Kendrick, Clyde Nissen, and Clyde Hartz 1291
Bulgarian Claims Committee, Oscar L. Casarella and John W. Finley, Jr 3613
Burley & Dark Leaf Tobacco Export Association, Inc., Frank B. Snodgrass 4879
Burrows, Fred W., International Apple Institute 4322
Business International Corp., Hon. Orville L. Freeman and Richard P. Conlon 607
Byrd, Dan M., Jr., Springs Mills, Inc 3931
Byrne, George P., Jr., Alumina Ceramic Manufacturers Association and Manufacturers of Small Tools and Metal Fasteners 1829
Byrom, Fletcher L., Manufacturing Chemists Association 1681
California-Arizona Citrus League, John Van Horn and Julian Heron 4185
California Olive Association, Gordon K. Patterson, James Oberti, and Melville Ehrlich 4162

Page
California Semiconductor Manufacturers, Robert N. Noyce 3258
California State Florists Association. (*See* Society of American Florists.)
Campbell, John, United Rubber, Cork, Linoleum & Plastic Workers of America, AFL–CIO, CLC 4741
Campbell, Lee, Poultry & Egg Institute of America 4327
Carl Marks & Co., Inc., Edwin S. Marks and Daniel Collier 3630
Carlisle, Charles R., Lead-Zinc Producers Committee 2924
Carlson, Jack J., Kaiser Steel Corp 4063
Carmody, Edward T., Timex Corp 3186
Casarella, Oscar L., Bulgarian Claims Committee 3616
Cast Iron Soil Pipe Institute, Dan Gerhardstein and Frederick Hunt 4088
Caterpillar Tractor Co., Lee L. Morgan 987
C–E Glass Division, Eugene L. Stewart 3769
Ceramic Tile Manufacturers of the United States, Horace J. DePodwin and David C. Murchison 1812
Cerro Copper Products, Harold Lewin 3493
Cerro Corp., C. Gordon Murphy and Hon. George A. Smathers 2969
Chamber of Commerce of the United States, Daniel L. Goldy, Peter Buck Feller, Joseph E. Tansill, Andrew A. Melgard, and L. Oakley Johnson 1373
Chambers, J. M., Satra Corp 3626
Charles, James P., National Office Machine Dealers Association 3128
Chester, Howard P., Stone, Glass & Clay Coordinating Committee 4585
Christopher, William F., Society of the Plastics Industry 1792
Clayman, Jacob, Industrial Union Department, AFL–CIO 1410
Clem, Steve, United Rubber, Cork, Linoleum & Plastic Workers of America, AFL–CIO, CLC 4741
Cohen, Prof. Jerome Alan, East-West Trade Council 3531
Cohen, Stephen D., United States-Japan Trade Council 1006
Cole, Robert T., Washington, D.C 1083
Collado, Emilio G., American Petroleum Institute and Western Oil & Gas Association 4503
Collier, Daniel, Carl Marks & Co., Inc 3630
Collins, George, International Union of Electrical, Radio & Machine Workers 1439
Colorado Flower Growers Association. (*See* Society of American Florists.)
Committee for a National Trade Policy, Hon. Charles P. Taft and David J. Steinberg 787
Communications Workers of America, Ronnie J. Straw, Edward Kuhns, and Lou Gerber 2013
Computer and Business Equipment Manufacturers Association, Peter F. McCloskey and Robert Klages 3135
Conlon, Richard P., Business International Corp 607
Consulting Engineers Council of the United States, H. Peter Guttmann and Bruce E. Vogelsinger 3486
Consumer Education Council on World Trade, Doreen L. Brown 1301
Cooper, Mitchell J., Rubber Manufacturers Association, Footwear Division 1455
Cooperman, Richard M., Independent Zinc Alloyers Association 2941
Copper & Brass Fabricators Council, Inc., Robert J. Wardell 2955
Cort, Stewart S., American Iron & Steel Institute 3957
Costick, Miles M. (*See* Hon. Ben B. Blackburn.)
Council, Buford W., Florida Fruit & Vegetable Association 4268
Crolius, Theodore F., National Electrical Manufacturers Association 3111
Culver, Hon. John C., a Representative in Congress from the State of Iowa 5065
Cumins, Gail T., International Apparel Importers Association 3886
Cutler, Herschel, Institute of Scrap Iron & Steel 2906
Cycle Parts and Accessories Association, Carrol J. Warrell and Dave Golden 1900
Dailey, Frank M., Kentucky Distillers' Association 4825
Daniels, Michael P.:
American Importers Association:
Apparel Quota Group 3892
Machine Tool Group 3052
National Office Machine Dealers Association 3128
Dawson, Wyatt, American Chain Association 4110
Day, J. Edward, Electronic Industries Association 3267

Page
Deac, Paul M., National Confederation of American Ethnic Groups 3539
Denison, Ray, Economic Policy Committee, American Federation of Labor and Congress of Industrial Organizations 1209
Dennis, Frank L., National Association of Marble Producers 3146
Dent, Hon, John H., a Representative in Congress from the State of Pennsylvania 4928
Denver Wholesale Florists Association. (*See* Society of American Florists.)
DePodwin, Horace J., Ceramic Tile Manufacturers of the United States 1812
Detroit Chamber of Commerce. (*See* Greater Detroit Chamber of Commerce.)
D'Inzillo, Steve, National Conference of Motion Picture and Television Unions 1305
Dirlam, Prof. Joel B., University of Rhode Island 1164
Distillery, Rectifying, Wine & Allied Workers' International Union of America, AFL–CIO, Mort Brandenburg and Abraham S. Weiss 4843
Dixson, Robert J., National Foreign Trade Council 4595
Dobriansky, Lev E., National Captive Nations Committee 3550
Doolittle, Sid, American Importers Association, Apparel Quota Group 3892
Driver, William, Manufacturing Chemists Association 1681
Dry Color Manufacturers Association. (*See* Synthetic Organic Chemical Manufacturers Association.)
East-West Trade Council:
Eugene Moos 3517
Joseph Foss 3525
Prof. Jerome Alan Cohen 3531
Fred A. Gipson 3517
G. W. Fincher 3517
Edwards, Morgan, Southeastern Poultry & Egg Association 4347
Ehrlich, Melville, California Olive Association 4162
Elbert, Edwin A., American Importers Association, Apparel Quota Group 3892
Electronic Industries Association, V. J. Adduci, J. Edward Day, Mitchell New Delman, and William H. Moore 3267
Emergency Committee for American Trade:
Donald M. Kendall 659
T. A. Wilson 687
Gilbert E. Jones 691
Robert L. McNeill 658
Emergency Committee of the Steel Wire Industries of the United States, Lawrence O. Selhorst and Stanley Schroeder 4031
Engelhard Minerals & Chemicals Corp., Henry Katz 3493
England, James C., Feather & Down Association, Inc 3923
Erb, Guy F., Overseas Development Council 1490
Ethyl Corp., Jack C. Wright 2985
Fairchild Camera & Instrument Corp., C. Lester Hogan 3237
Falk, Bernard H., National Electrical Manufacturers Association 3111
Falk, Ernest, Northwest Horticultural Council 4316
Farrington, J. F., National Association of Scissors & Shears Manufacturers 4117
Fascell, Hon. Dante B., a Representative in Congress from the State of Florida 4911
Feather & Down Association, Inc., James C. England and John B. Rehm 3923
Fecteau, George, United Shoe Workers of America & Boot and Shoe Workers Union 4737
Fedlam, Fruzsina H., League of Women Voters of the United States 2997
Feldman, Benjamin, International Leather Goods, Plastics & Novelty Workers' Union, AFL–CIO 4779
Feller, Peter Buck, Chamber of Commerce of the United States 1373
Ferguson, Allen R., Public Interest Economics Center 1115
Ferrey, E. E. Western Electronic Manufacturers Association 3216
Fincher, G. W., East-West Trade Council 3517
Finley, John W., Jr., Bulgarian Claims Committee 3613
Finn, Barry, International Apparel Importers Association 3886
Fisher, Bart S., International Marine Expositions, Inc., and Glastron Boat Co 2544
Fletcher, Allan L., Leonia, N.J 3598
Florida Fruit & Vegetable Association:
Buford W. Council 4268
Wayne Hawkins 4271

Page
Foss, Joseph, East-West Trade Council 3525
Fowler, James E., Institute of Scrap Iron & Steel 2906
Fox, E. Keller, American Die Casting Institute 2951
Frank, Charles R., Jr., Overseas Development Council 1476
Frazier, John, Jr., National Grain & Feed Association 2823
Freeman, Hon. Orville L., Business International Corp 607
Frelinghuysen, Hon. Peter, a Representative in Congress from the State of New Jersey 5052
Garrett, Marshall, Aerospace Industries Association of America 820
Garstang, M. R., National Milk Producers Federation 4350
Gaskill, E. Thurman, U.S. Feed Grains Council 2780
Geier, Philip O., Jr., National Machine Tool Builders Association 803
General Cable Corp., George P. Tateosian 3493
Gerber, Lou, Communications Workers of America 2013
Gerhardstein, Dan, Cast Iron Soil Pipe Institute 4088
Gillis, John L., Monsanto Co 3498
Gipson, Fred A.:
Atalanta Corp 3643
East-West Trade Council 3517
Glass, Irving, Tanners Council of America 4770
Glastron Boat Co. (*See* International Marine Expositions, Inc.)
Glidden-Durkee Division, SCM Corp., William A. Miller 4174
Golden, Dave, Cycle Parts & Accessories Association 1900
Goldfinger, Nat, Economic Policy Committee, American Federation of Labor and Congress of Industrial Organizations 1209
Goldwater, Hon. Barry M., Jr., a Representative in Congress from the State of California 5012
Goldy, Daniel L., Chamber of Commerce of the United States 1373
Goodman, Stanley, National Retail Merchants Association 3012
Gordon, Milton, International Union of Dolls, Toys, Playthings, Novelties & Allied Products of the United States & Canada, AFL–CIO 4789
Grant, James P., Overseas Development Council 1463
Graubard, Seymour, American Institute for Imported Steel, Inc 4100
Gray, Andrew L., Washington, D.C 1195
Gray, James A., National Machine Tool Builders Association 803
Great Plains Wheat, Inc., Joseph Halow 2829
Greater Detroit Chamber of Commerce, Samuel E. MacArthur and Carlos E. Toro 1078
Greater Minneapolis Chamber of Commerce, World Trade Committee, James W. Johnson 1071
Greenlee, John R., Tax Council 2516
Gutchens, Jocelyn, Industrial Union Department, AFL–CIO 1410
Guttmann, H. Peter, Consulting Engineers Council of the United States 3486
Hagerich, Don A., National Association of Marble Producers 3146
Haggerty, Donald P., National Conference of Motion Picture and Television Unions 1305
Hall, John W., Jr., Texasgulf, Inc 2901
Hall, Robert R., Society of American Florists 4893
Halow, Joseph, Great Plains Wheat, Inc 2829
Halsell, Don, Brick Institute of Texas 3165
Hampton, Robert N., National Council of Farmer Cooperatives 2804
Hannigan, Judson, American Paper Institute 3320
Hannon, William M., Bicycle Manufacturers Association 1891
Hardman, William E., National Tool, Die & Precision Machining Association 3060
Harr, Karl G., Jr., Aerospace Industries Association of America 820
Hartke, Hon. Vance, a U.S. Senator from the State of Indiana 5019
Hartz, Clyde, Builders Hardware Manufacturers Association 1291
Hawkins, Wayne, Florida Fruit & Vegetable Association 4271
Healy, Patrick B., National Milk Producers Federation 4350
Hemmendinger, Noel, Washington, D.C 1353
Heron, Julian, California-Arizona Citrus League & Sunkist Growers, Inc 4185
Herzstein, Robert E., Western Electronic Manufacturers Association 3216
Hirsch, Donald E., American Farm Bureau Federation 1426
Hiss, Donald, Lead-Zinc Producers Committee 2924
Hoag, Ellis, National Association of Greenhouse Vegetable Growers 4262
Hofmann, Hon. Philip B., Port Authority of New York and New Jersey 2520

Page
Hogan, C. Lester, Fairchild Camera & Instrument Corp 3237
Hood, Thomas A., National Association of Marble Producers 3146
Houthakker, Hendrik S., Public Interest Economics Center 1123
Hughes, C. Richard, National Automobile Dealers Association 3368
Hunt, Frederick, Cast Iron Soil Pipe Institute 4088
Independent Wire Drawers Association, J. P. Wellman and Jack G. Wasserman 4057
Independent Zinc Alloyers Association, Richard J. Bauer and Richard M. Cooperman 2941
Indussa Corp., John LeRoy 2971
Industrial Union Department, AFL–CIO, Paul Jennings, Jacob Clayman, and Jocelyn Gutchens 1410
Institute of Scrap Iron & Steel, Herschel Cutler, James E. Fowler, and Thomas H. Boggs, Jr 2906
International Apparel Importers Association, Barry Finn and Gail T. Cumins 3886
International Apple Institute, Fred W. Burrows 4322
International Brotherhood of Electrical Workers, Anthony P. Bellissimo 1439
International Economic Policy Association, Timothy W. Stanley 826
International Executives Association, Inc., Robert L. Roper 838
International Ladies' Garment Workers' Union, Lazare Teper 3859
International Leather Goods, Plastics & Novelty Workers' Union, AFL–CIO, Benjamin Feldman and Abraham S. Weiss 4779
International Marine Expositions, Inc., Thomas H. Boggs, Jr., and Bart S. Fisher 2544
International Tax Institute, Inc., Paul Seghers 4603, 4664
International Trade Club of Chicago, Richard J. Wood 845
International Union of Dolls, Toys, Playthings, Novelties & Allied Products of the United States & Canada, AFL–CIO, Milton Gordon and Abraham S. Weiss 4789
International Union of Electrical, Radio & Machine Workers, George Collins, and Gerard Borstel 1439
International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW), Leonard Woodcock and Jack Beidler 849
Jenkins, David B., National Shoeboard Conference, Inc 4762
Jennings, Paul, Industrial Union Department, AFL–CIO 1410
Johnson, James W., World Trade Committee, Greater Minneapolis Chamber of Commerce and Minnesota World Trade Association 1071
Johnson, L. Oakley, Chamber of Commerce of the United States 1373
Johnson, Robbin, U.S. Feed Grains Council 2780
Jones, B. H. (Bill), National Livestock Feeders Association 2807
Jones, Gilbert E., Emergency Committee for American Trade 691
Jones, Peter Taylor, American Retail Federation 3067
Kahn, Robert S., National Association of Secondary Material Industries, Inc 2850
Kaiser Steel Corp., Jack J. Carlson and Myer Rashish 4063
Kamm, J. O., National Association of Greenhouse Vegetable Growers 4262
Katz, Henry, Engelhard Minerals & Chemicals Corp 3493
Katz, Sherman E., Washington, D.C 1367
Kellers, Richard, Slide Fastener Association 4124
Kendall, Donald M., Emergency Committee for American Trade 659
Kendrick, Marron, Builders Hardware Manufacturers Association 1291
Kenna, E. Douglas, National Association of Manufacturers 1911
Kentucky Distillers' Association, Frank M. Dailey 4825
Kiam, V. K., II, Benrus Corp 3189
Klages, Robert, Computer & Business Equipment Manufacturers Association 3135
Klausner, Joseph A., American Maritime Association 2528
Koch, Hon. Edward I., a Representative in Congress from the State of New York 5007
Koch, John S.:
American Chain Association 4110
National Machine Tool Builders Association 803
Koon, Gordon, Society of American Florists 4893
Kornegay, Hon. Horace R., Tobacco Institute, Inc 4876
Kreutzer, Arthur C., National LP-Gas Association 3488
Kroft, Fred C., Jr., Union Carbide Corp 2897

Page
Kruchten, Kenneth, National Building Granite Quarries Associations, Inc.. 3157
Kuhfuss, William J., American Farm Bureau Federation 1426
Kuhns, Edward, Communications Workers of America 2013
Lacis, Anu, Port Authority of New York and New Jersey 2520
Laine, David, American Die Casting Institute 2951
Landers, Matthew P., National Association of Manufacturers 1917
Lead-Zinc Producers Committee, Charles R. Carlisle, L. K. Wheelock, and Donald Hiss 2924
Leaf Tobacco Exporters Association, Inc., Frank B. Snodgrass 4879
League of Free Romanians, Barbu Niculescu 3543
League of Women Voters of the United States, Lucy Wilson Benson and Fruzsina H. Fedlam 2997
Lent, Hon. Norman F., a Representative in Congress from the State of New York 5016
LeRoy, John, Indussa Corp 2971
Lewin, Harold, Cerro Copper Products 3493
Lewis, Robert G., National Farmers Union 2724
Libbey-Owens-Ford Co., Eugene L. Stewart 3769
Liberty Lobby, Robert M. Bartell 3177
Libin, Jerome B., Springs Mills, Inc 3931
Lipkowitz, Irving, Aluminum Association 2561
Lobred, Leonard K., U.S. National Fruit Export Council 4183
Locke, Edwin A., Jr., American Paper Institute 3315
Lockridge, Robert S., American Footwear Industries Association 4702
Lovell, Malcolm R., Jr., Rubber Manufacturers Association, Inc., Tire Division 3364
MacArthur, Samuel E., Greater Detroit Chamber of Commerce 1078
MacGregor, Ian K., U.S. Council of the International Chamber of Commerce, Inc 937
Manufacturers of Small Tools and Metal Fasteners. (*See* Alumina Ceramic Manufacturers Association.)
Manufacturing Chemists Association, Fletcher L. Byrom, William Driver, and Raphael Sherfy 1681
Marble, Peter E., American National Cattlemen's Association 2577
Maritime Trades Department, AFL–CIO, O. William Moody, Jr. and Diane Tucker 2533
Marks, Edwin S., Carl Marks & Co., Inc 3630
Maskin, Alfred, American Maritime Association 2528
Maudlin, Robert V., National Association of Scissors & Shears Manufacturers 4117
McCarthy, Frank E., National Automobile Dealers Association 3368
McCauley, Alfred R., American Institute for Imported Steel, Inc 4097
McCloskey, Peter F., Computer & Business Equipment Manufacturers Association 3135
McElwaine, Robert M., American Imported Automobile Dealers Association 3387
McIntire, Clifford G., American Farm Bureau Federation 1426
McLellan, Robert, Mid-America Council for International Economic Policy 3103
McNeill, Robert L., Emergency Committee for American Trade 658
McSwiney, James W., American Paper Institute 3315
Meister, Irene W., American Paper Institute 3315
Melgard, Andrew A., Chamber of Commerce of the United States 1373
Merdinger, Dr. Emanuel, Forest Park, Ill 3547
Merdinger, Raidie P., Forest Park, Ill 3547
Merrigan, Edward L.:
Aris Gloves, Inc 1339
National Association of Secondary Material Industries, Inc 2850
Mid-America Council for International Economic Policy, Robert McLellan 3103
Mighdoll, M. J., National Association of Secondary Material Industries, Inc 2850
Miller, William A., Glidden-Durkee Division, SCM Corp 4174
Millet, Ralph T., Automobile Importers of America 3470
Minneapolis Chamber of Commerce. (*See* Greater Minneapolis Chamber of Commerce.)

Minnesota World Trade Association. (*See* Greater Minneapolis Chamber of Commerce, World Trade Committee.) Page
Monsanto Co., John L. Gillis 3498
Moody, O. William, Jr., Maritime Trades Department, AFL-CIO 2533
Moore, William H., Electronic Industries Association 3267
Moos, Eugene, East-West Trade Council 3517
Morgan, Lee L., Caterpillar Tractor Co 987
Mosier, Maurice L., National Constructors Association 1068
Murchison, David C., Ceramic Tile Manufacturers of the United States 1812
Murphy, C. Gordon, Cerro Corp 2969
Murray, John E., Jr., Nicholson & Co., Inc 4463
Nation-Wide Committee on Import-Export Policy, O. R. Strackbein 914
National Association of Greenhouse Vegetable Growers, J. O. Kamm and Ellis Hoag 4262
National Association of Manufacturers:
E. Douglas Kenna 1911
Matthew P. Landers 1917
National Association of Marble Producers, Thomas A. Hood, Frank L. Dennis, and Don A. Hagerich 3146
National Association of Scissors & Shears Manufacturers, J. F. Farrington and Robert V. Maudlin 4117
National Association of Secondary Material Industries, Inc., M. J. Mighdoll, Edward L. Merrigan, Robert S. Kahn, Richard B. Scudder, and Haskell Stovroff 2850
National Automobile Dealers Association, C. Richard Hughes, Frank E. McCarthy, and John R. Russell 3368
National Building Granite Quarries Associations, Inc., Malcolm Swenson and Kenneth Kruchten 3157
National Captive Nations Committee, Lev E. Dobriansky 3550
National Committee on International Trade Documentation, Arthur E. Baylis, Robert S. Porter, and George F. Begnall 1093
National Confederation of American Ethnic Groups, Paul M. Deac 3539
National Conference of Motion Picture and Television Unions, Donald P. Haggerty, Steve D'Inzillo, Sam Roberts, and Russ Bartley 1305
National Constructors Association, Jesse K. Taylor and Maurice L. Mosier 1068
National Council of Farmer Cooperatives, Robert N. Hampton 2804
National Council of Music Importers, Bela Sternberg and R. Christian Berg 4459
National Electrical Manufacturers Association, Bernard H. Falk and Theodore F. Crolius 3111
National Farmers Union, Robert G. Lewis 2724
National Foreign Trade Council, Robert J. Dixson, Robert M. Norris, E. Rogers Pleasants, and Melville H. Walker 4595
National Grain & Feed Association, John Frazier, Jr. and Samuel H. Sabin 2823
National Livestock Feeders Association, B. H. (Bill) Jones 2807
National LP-Gas Association, Arthur C. Kreutzer 3488
National Machine Tool Builders Association, Philip O. Geier, Jr., James A. Gray, and John S. Koch 803
National Milk Producers Federation, Patrick B. Healy and M. R. Garstang 4350
National Office Machine Dealers Association, James P. Charles, Robert Woletz, and Michael P. Daniels 3128
National Retail Merchants Association, Stanley Goodman, James R. Williams, and A. Paul Victor 3012
National Shoeboard Conference, Inc., David B. Jenkins 4762
National Tool, Die & Precision Machining Association, William E. Hardman and John Williams 3060
Nemkov, Peter, Society of the Plastics Industry 1792
New Delman, Mitchell, Electronic Industries Association 3267
Nicholson & Co., Inc., John E. Murray, Jr 4463
Niculescu, Barbu, League of Free Romanians 3543
Nissen, Clyde, Builders Hardware Manufacturers Association 1291
Nolan, William J., Jr., U.S. Council of the International Chamber of Commerce, Inc 937
Norris, Robert M., National Foreign Trade Council 4595

North Atlantic Ports Association. (*See* American Association of Port Authorities.) Page
Northwest Horticultural Council, Ernest Falk 4316
Noyce, Robert N., California Semiconductor Manufacturers 3258
Oberti, James, California Olive Association 4162
O'Brien, Gerald, American Importers Association 765
O'Hara, Clifford B., American Association of Port Authorities 839
Orban, Kurt, American Importers Association 765
Ostrander, Taylor, U.S. Council of the International Chamber of Commerce, Inc 937
Otterson, Richard, Brick Institute of America 3165
Overseas Development Council:
James P. Grant 1463
Charles R. Frank, Jr 1476
Guy F. Erb 1490
Packard, Hon. David, Western Electronic Manufacturers Association 3216
Palmeter, N. David, American Importers Association 765
Patterson, Gordon K., California Olive Association 4162
Peel, Fred W., American Mining Congress 2839
Pepper, Hon. Claude, a Representative in Congress from the State of Florida 4951
Peyser, Jefferson, Wine Institute 3043
Pleasants, E. Rogers, National Foreign Trade Council 4595
Port Authority of New York and New Jersey, Hon. Philip B. Hofmann and Anu Lacis 2520
Porter, Robert S., National Committee on International Trade Documentation 1093
Potischman, Richard J., UNA Corp 4128
Poultry & Egg Institute of America, Harold M. Williams and Lee Campbell 4327
PPG Industries, Inc., Eugene L. Stewart 3769
Pray, Malcolm S., American Imported Automobile Dealers Association 3379
Public Interest Economics Center:
Allen R. Ferguson 1115
Hendrik S. Houthakker 1123
Robert Z. Aliber 1126
Lloyd C. Atkinson 1130
Louise Sissman 1115
Pulp & Paper Machinery Manufacturers' Association, Eugene L. Stewart 3082
Rashish, Myer, Kaiser Steel Corp 4063
Rees, Hon. Thomas M., a Representative in Congress from the State of California 5108
Reese, Richard S., American Dinnerware Emergency Committee 3751
Rehm, John B.:
Automobile Importers of America 3473
Feather & Down Association, Inc 3923
Rhodes, Edward M., American Chain Association 4110
Rittenhouse, Paul, Texasgulf, Inc 2901
Roberts, Sam, National Conference of Motion Picture and Television Unions 1305
Roper, Robert L., International Executives Association, Inc 838
Rubber Manufacturers Association, Inc.:
Footwear Division, Mitchell J. Cooper 1455
Tire Division, Malcolm R. Lovell, Jr., A. J. Ashe, and Robert Scharlotte 3364
Russell, John R., National Automobile Dealers Association 3368
Russian Dollar Bondholders Committee of the United States of America, Hubert Park Beck, Nelson Bengston, and Malcolm Andresen 3591
Sabin, Samuel H., National Grain & Feed Association 2823
Samuel, Howard D., Amalgamated Clothing Workers of America 3870
Satra Corp., J. M. Chambers 3626
Scharlotte, Robert, Rubber Manufacturers Association, Inc., Tire Division 3364
Schiffman, Alvin, BAP Distributing Co 3652
Schlosser, Allan, United States-Japan Trade Council 1006
Schroeder, Stanley, Emergency Committee of the Steel Wire Industries of the United States 4031
Schwartz, Albert, Sculptured Tubing, Inc 3548
Schwenger, Robert B., Kensington, Md 4468

SCM Corp. (*See* Glidden-Durkee.)
Scudder, Richard B., National Associaton of Secondary Material Industries, Inc ..... Page 2850
Sculptured Tubing, Inc., Albert Schwartz 3548
Seghers, Paul, International Tax Institute, Inc 4603, 4664
Selhorst, Lawrence O., Emergency Committee of the Steel Wire Industries of the United States 4031
Seiberling, Hon. John F., a Representative in Congress from the State of Ohio 4741
Senn, Fred, American Importers Association, Machine Tool Group 3052
Shannon, Thomas F., Bicycle Manufacturers Association 1891
Shaw, John H., Slide Fastener Association 4124
Sherfy, Laurence P., American Mining Congress 2839
Sherfy, Raphael, Manufacturing Chemists Association 1681
Shick, Victor V., American Institute for Imported Steel, Inc 4097
Shomaker, Richard W., American Footwear Industries Association 4699
Silverman, Arthur H., Wine Institute 3043
Sisk, Hon. B. F., a Representative in Congress from the State of California 4161
Sissman, Mrs. Louis, Public Interest Economics Center 1115
Slide Fastener Association, John H. Shaw, Richard Kellers, and Myron Solter 4124
Smathers, Hon. George A., Cerro Corp 2969
Snodgrass, Frank B., Burley & Dark Leaf Tobacco Export Association, Inc., Tobacco Associates, Inc., and Leaf Tobacco Exporters Association, Inc 4879
Society of American Florists, Gordon Koon, Robert R. Hall, and George Beemer 4893
Society of the Plastics Industry, William F. Christopher, Robert Tiernan, and Peter Nemkov 1792
Solter, Myron, Slide Fastener Association 4124
Southeastern Poultry & Egg Association, Morgan Edwards 4347
Specialty Metals Industry, Roger S. Ahlbrandt 3969
Springs Mills, Inc., Jerome B. Libin, and Dan M. Byrd, Jr 3931
Stanley, Timothy W., International Economic Policy Association 826
Steinberg, David J., Committee for a National Trade Policy 787
Sternberg, Bela, National Council of Music Importers 4459
Stetin, Sol, Textile Workers Union of America 3874
Stewart, Eugene L.:
  Ad Hoc Committee on U.S. Dyestuff Producers 1748
  ASG Industries, Inc., C-E Glass Division, Libbey-Owens-Ford Co., and PPG Industries, Inc 3769
  Pulp & Paper Machinery Manufacturers' Association 3082
  Trade Relations Council of the United States, Inc 2052
Stitt, Nelson A., United States-Japan Trade Council 1006
Stobaugh, Robert B., Harvard Business School 4609
Stone, Glass & Clay Coordinating Committee, Howard P. Chester 4585
Stovroff, Haskell, National Association of Secondary Material Industries, Inc 2850
Strackbein, O. R., Nation-Wide Committee on Import-Export Policy 914
Straw, Ronnie J., Communications Workers of America 2013
Sunkist Growers, Inc., John Van Horn and Julian Heron 4185
Swearingen, John E., American Petroleum Institute and Western Oil & Gas Association 4491
Swenson, Malcolm, National Building Granite Quarries Associations, Inc 3157
Synthetic Organic Chemical Manufacturers Association:
  Harold C. Whittemore 1704
  Robert C. Barnard 1724
Taft, Hon. Charles P., Committee for a National Trade Policy 787
Tanaka, H. William, Washington, D.C 1343
Tanners Council of America, Irving Glass 4770
Tansill, Joseph E., Chamber of Commerce of the United States 1373
Taquey, Charles H., Washington, D.C 1203
Tateosian, George P., General Cable Corp 3493
Tax Council, John R. Greenlee 2516
Taylor, Dennis, C. Tennant Sons & Co 2979
Taylor, Jesse K., National Constructors Association 1068
Tennant, C., Sons & Co., Dennis Taylor 2979
Teper, Lazare, International Ladies' Garment Workers' Union 3859

96-006 (Pt. 6) O - 73 -- 2

Page
Texasgulf, Inc., John W. Hall, Jr., H. L. Young, and Paul Rittenhouse 2901
Textile Workers Union of America, Sol Stetin 3874
Tiernan, Robert, Society of the Plastics Industry 1792
Timex Corp., Edward T. Carmody 3186
Tobacco Associates, Inc., Frank B. Snodgrass 4879
Tobacco Institute, Inc., Hon. Horace R. Kornegay 4876
Toro, Carlos E., Greater Detroit Chamber of Commerce 1078
Trade Relations Council of the United States, Inc., Eugene L. Stewart 2052
Trauner, Richard, American Watch Association, Inc 3180
Tucker, Diane, Maritime Trades Department, AFL–CIO 2533
Ukrainian Congress Committee of America. (*See* National Captive Nations Committee.)
UNA Corp., Richard J. Potischman 4128
Union Carbide Corp., Fred C. Kroft, Jr 2897
United Rubber, Cork, Linoleum & Plastic Workers of America, AFL–CIO, CLC, Peter Bommarito, John Campbell, and Steve Clem 4741
United Shoe Workers of America, George Fecteau 4737
United States Council of the International Chamber of Commerce, Inc., Ian K. MacGregor, William J. Nolan, Jr., and Taylor Ostrander 937
United States Dyestuff Producers, Ad Hoc Committee on, Eugene L. Stewart 1748
United States Feed Grains Council, E. Thurman Gaskill, Robbin Johnson, and Robert Book 2780
United States-Japan Trade Council, Nelson A. Stitt, Stephen D. Cohen, and Allan Schlosser 1006
United States National Fruit Export Council, Leonard K. Lobred 4183
Vander Jagt, Hon. Guy, a Representative in Congress from the State of Michigan 5114
Van Horn, John, California-Arizona Citrus League and Sunkist Growers, Inc 4185
Verity, C. William, Jr., American Iron & Steel Institute 3959
Victor, A. Paul, National Retail Merchants Association 3012
Vogelsinger, Bruce E., Consulting Engineers Council of the United States 3486
Volkswagen Dealers of America. (*See* American Imported Automobile Dealers Association.)
Walker, Melville H., National Foreign Trade Council 4595
Wardell, Robert J., Copper & Brass Fabricators Council, Inc 2955
Warrell, Carrol, J., Cycle Parts & Accessories Association 1900
Washburn, John Nelson, Washington, D.C 3603
Wasserman, Jack G., Independent Wire Drawers Association 4057
Weiss, Abraham S.:
Distillery, Rectifying, Wine & Allied Workers' International Union of America, AFL–CIO 4843
International Leather Goods, Plastics & Novelty Workers' Union, AFL–CIO 4779
International Union of Dolls, Toys, Playthings, Novelties & Allied Products of the United States & Canada, AFL–CIO 4789
Weiss, Mark, American Watch Association, Inc 3180
Wellman, J. P., Independent Wire Drawers Association 4057
Western Electronic Manufacturers Association, Hon. David Packard, E. E. Ferrey, and Robert E. Herzstein 3216
Western Oil & Gas Association:
John E. Swearingen 4491
Emilio G. Collado 4503
Wheelock, L. K., Lead-Zinc Producers Committee 2924
White, Eli G., American Footwear Industries Association 4699
Whittemore, Harold C., Synthetic Organic Chemical Manufacturers Association and Dry Color Manufacturers Association 1704
Wilde, J. Stanley, American Paper Institute 3315
Williams, Harold M., Poultry & Egg Institute of America 4327
Williams, James D., American Dinnerware Emergency Committee 3751
Williams, James R., National Retail Merchants Association 3012
Williams, John, National Tool, Die & Precision Machining Association 3060
Wilson, T. A., Emergency Committee for American Trade 687
Wine Institute, Jefferson Peyser and Arthur H. Silverman 3043
Woletz, Robert, National Office Machine Dealers Association 3128
Wood, Richard J., International Trade Club of Chicago 845

Page

Woodcock, Leonard, International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW) 849
Wright, Jack C., Ethyl Corp 2985
Yates, Hon. Sidney R., a Representative in Congress from the State of Illinois 5049
Young, H. L., Texasgulf, Inc 2901

MATERIAL SUBMITTED FOR THE RECORD BY GOVERNMENT OFFICIALS

Agriculture, Department of:
Questions submitted by Hon. Charles A. Vanik, Member of Congress (Ohio) by letter dated April 30, 1973, and reply thereto 517
Prices of U.S. wheat and corn to European buyers, May 2, 1973 527
CCC credit financing by major users 551
Commerce, Department of:
Response to questions submitted by Hon. Dan Rostenkowski, Member of Congress (Illinois) by letter dated May 11, 1973 548
United States-Canadian automotive trade statistics 561
Questions submitted by Hon. Jerry L. Pettis, Member of Congress (California) and reply thereto 566
Trade center participants 588
Comptroller General of the United States:
Letter to Chairman Mills from Hon. Elmer B. Staats, with enclosures 598
Questions submitted by Hon. Charles A. Vanik, Member of Congress (Ohio) by letter dated May 2, 1973, and reply thereto 756
Council on International Economic Policy:
Study of imposition of forgivable taxes by European countries and the United States 193
Necessity for exemption from Federal Advisory Committee Act requirements in H.R. 6767 321
Constitutionality of delegating to President authority to impose a surcharge without quantitative limits, and right of Federal Government to enter into agreements affecting State nontariff barriers (secs. 401 and 103, H.R. 6767), legal opinion by Department of Justice 326
Defense, Department of:
Summary of direct procurement awards for performance offshore, fiscal years 1970–72 476
Defense requirements for 1 year for selected strategic materials during an emergency 477
Total foreign military sales 480
Export-Import Bank of the United States: Henry Kearns, President and Chairman, statement 596
Interior, Department of: U.S. revenue as result of new oil import program 483
Labor, Department of:
Staff paper, Bureau of International Labor Affairs, entitled "Trade and Employment" 507
Estimated weekly benefit amounts under administration proposed unemployment compensation benefits standards 539
Comparative international labor cost and productivity 579
State, Department of:
Table of defense expenditures and national economies 205
Questions submitted by Hon. Charles A. Vanik, Member of Congress (Ohio) by letter dated May 2, 1973, and reply thereto 213
Questions submitted by Hon. Charles A. Vanik, Member of Congress (Ohio) by letter dated May 7, 1973, and reply thereto 760
Trade Negotiations, Office of the Special Representative:
List of major noncompetitive products imported into the United States 398
Ten major achievements in GATT during past 2 years 419
Questions submitted by Hon. Charles A. Vanik, Member of Congress (Ohio), by letter dated May 7, 1973, and reply thereto 423
GATT work program on nontariff barriers 449
Products claimed to be import sensitive 470
Questions submitted by Hon. Charles A. Vanik, Member of Congress (Ohio) by letter dated May 22, 1973, and reply thereto 488

Treasury, Department of:
Legal authority for Presidential Proclamation 4210 modifying mandatory oil import program, attaching legal opinions by Department of Justice ..... Page 198
Technical questions submitted by Hon. Jerry L. Pettis, Member of Congress (California) and reply thereto 208
Questions submitted by Hon. Charles A. Vanik, Member of Congress (Ohio) by letter dated April 30, 1973, and reply thereto 215
Questions submitted by Hon. Charles A. Vanik, Member of Congress (Ohio) by letter dated May 29, 1973, and reply thereto 217
Questions submitted by Hon. Charles A. Vanik, Member of Congress (Ohio) by letter dated May 3, 1973, and reply thereto 246
Complete account of debt owed United States by foreign nations 271
Foreign corporate tax rates for manufacturing income 297
Tariff Commission performance under Automotive Products Trade Act 322
Auto agreement case record 324
Questions submitted on behalf of Hon. James A. Burke, Member of Congress (Massachusetts) by letter dated May 15, 1973, from John M. Martin, Jr., chief counsel, and reply thereto 338
Foreign tax haven manufacturing corporations, statement 340f
Revenue impact of ending deferral for foreign income 10 years after it is earned 463
Letter from John M. Martin, Jr., chief counsel, dated May 24, 1973, requesting comment on points made by Eugene L. Stewart, Trade Relations Council of the United States, and response to Mr. Stewart's "Critique of the Provisions of H.R. 6767" 2228
(*See also* Mr. Stewart's response to administration's "Overall Critique" of his testimony at page 2256.)
Letter from John M. Martin, Jr., chief counsel, dated June 14, 1973, requesting explanation of action taken on certain antidumping cases referred to in testimony of Cast Iron Soil Pipe Institute, and reply thereto 4093

MATERIAL SUBMITTED FOR THE RECORD BY THE PUBLIC

Adams & Peck, Gottfried von Meyern-Hohenberg, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with enclosures 4669
Allerhand, Irving W., CITC Industries, Inc., statement 4813
American Association of University Women, statement by Mrs. Russell Wallace and Mrs. Sherman Ross 1586
American Bankers Association, statement 1520
American Brush Manufacturers Association, Robert C. Fernley, letter to Chairman Mills 4908
American Cyanamid Co., C. D. Siverd, statement 3507
American Importers Association, Edward Lipkowitz, Footwear Group, statement 4809
American Institute of Merchant Shipping, Liner Council, statement 2558
American Iron & Steel Institute, J. F. Collins, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with enclosure 4021
American Japanese for Freer International Trade, Mike Masaoka, statement 1532
American Machine Tool Distributors Association, James C. Kelley, letter to Chairman Mills 3065
American National Bank, Parma, Ohio, John J. Sibisan, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3724
American Samoa, Government of, Delegate-at-large Hon. A. U. Fuimaono, statement 5168
American Smelting & Refining Co., Simon D. Strauss, statement 2989
Ametalco, Inc., John J. Lennon, statement 2992
AMF, Inc., Rodney C. Gott, letter to Chairman Mills, with enclosure 4671
Anderson, Hon. Glenn M., a Representative in Congress from the State of California, statement 5149
Anti-Friction Bearing Manufacturers Association, C. E. Harwood, International Trade Committee, statement 3102
Armco Steel Corp., statement 4147
Association of American Chambers of Commerce-Europe and Mediterranean, Inc., statement 1560

Page
Atlantic Council of the United States, statement 1515
Badillo, Hon. Herman, a Representative in Congress from the State of New York, statement 5153
Baldwin, Norman T., National Paper Box Association, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4467
Bierwirth, John E., National Distillers & Chemical Corp., letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with enclosure 4870
Blumberg, David M., B'nai B'rith, letter to Chairman Mills, with enclosure 3695
B'nai B'rith, David M. Blumberg, letter to Chairman Mills, with enclosure 3695
Bowes, K. D., G. D. Searle & Co., letter to Chairman Mills 4687
Breive, Jurgis, and Edvardas Sumanas, Lithuanian Republican Party of Cicero (Ill.), letter to Chairman Mills, with enclosure 3709
California Asparagus Growers' Association, Dante John Nomellini, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with enclosure 4373
California Chamber of Commerce, John T. Hay, letter to Chairman Mills, with enclosure 1566
California Council for International Trade, statement 1580
Caprock Developments, Inc., Seymour Schwartz, letter to Committee on Ways and Means 1586
Cargill Corp., Inc., statements 2616, 4383
Casey, William L., Jr., "U.S. Multinational Firms and the Exportation of U.S. Jobs, Capital, and Technology" 1590
Cast Iron Soil Pipe Institute. (*See* Committee request for explanation of Treasury Department action taken on certain antidumping cases referred to by Institute) 4093
Chesterton, A. W., Co., Richard T. McDermott, statement 4672
CITC Industries, Inc., Irving W. Allerhand, statement 4813
Clark, Capt. J. W., International Trade Mart of New Orleans, statement 1582
Cohen, Hon. Sheldon S., Washington, D.C., statement 4694
Cold Finished Steel Bar Institute, Thomas A. Kelly, letter to Chairman Mills, with enclosure 4143
Cole, Robert T., on behalf of H. H. Robertson Co., letter to Chairman Mills, with enclosure 4689
Collins, Charles R., Ward's Nursery, Inc., letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4314
Collins, J. F., American Iron & Steel Institute, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with enclosure 4021
Colombian Association of Flower Grower-Exporters, John B. Rehm, on behalf of, letter to Chairman Mills 4905
Committee for an Open Society, Inc., William Higgs, letter to Chairman Mills 3702
Committee for Economic Development, Research and Policy Committee for International Economic Studies, William M. Roth, statement 1511
Conte, Hon. Silvio O., a Representative in Congress from the State of Massachusetts, statement 5144
Continental Hatfield, Wire & Cable Division, A. Kraus, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3497
Cordage Institute of the United States, William A. Dungan, statement 3944
Corman, Hon. James C., a Representative in Congress from the State of California, letter to Chairman Mills 4666
Dart, Justin, Dart Industries, Inc., statement 4677
de Lugo, Hon. Ron, Delegate from the Virgin Islands, statement 5166
Dietrich, Gary, Vanco, Inc., statement 4819
Distilled Spirits Council of the United States, Inc., Benjamin H. Morris, statement 4868
Dobrea, George, Environmental Structures, Inc., letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3708
Dobson, Eben W., Jr., San Diego Chamber of Commerce, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 1569
Dow Chemical Co., Carl A. Gerstacker, statement 3510
Drinan, Hon. Robert F., a Representative in Congress from the State of Massachusetts, statement 5155
Dungan, William A., Cordage Institute of the United States, statement 3944

Page.
Eaton Corp., Wm. Mattie, letter to Chairman Mills, with enclosure 4156
Environmental Structures, Inc., George Dobrea, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3708
Exxon Co. U.S.A., W. T. Slick, Jr., statement 4537
Fernley, Robert C., American Brush Manufacturers Association, letter to Chairman Mills 4908
Finley, E. S., International Commodities Export Co., letter to Chairman Mills 3706
Florida Citrus Mutual, Florida Citrus Commission, Florida Canners Association, brief on their behalf by Thomas W. Osborne 4380
Frederick-Willys, Inc., William L. Howard, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4909
Fuimaono, Hon. A. U., Delegate-at-Large, Government of American Samoa, statement 5168
General Aviation Manufacturers Association, Edward W. Stimpson, statement 1553
General Electric Co., statement 3140
German American Chamber of Commerce, Inc., statement 1564
Gerstacker, Carl A., Dow Chemical Co., statement 3510
Globe-Union, Inc., Globe Battery Division, Milton C. Zilis, letter to the Committee on Ways and Means 2995
Gott, Rodney C., AMF, Inc., letter to Chairman Mills, with enclosure 4671
Green Olive Trade Association, statement 4177
Groom, Theodore R., Prudential Insurance Co. of America, letter to Chairman Mills, with enclosures 4666
Gubser, Hon. Charles S., a Representative in Congress from the State of California, statement 5142
Haley, Hon. James A., a Representative in Congress from the State of Florida, statement 5144
Hall, Jim, Legislative Committee, Woodward Governor Co., letter to Chairman Mills 4693
Harwood, C. E., International Trade Committee, Anti-Friction Bearing Manufacturers Association, statement 3102
Hastings (Fla.) Potato Growers Association, Frank A. Teague, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4314
Hauck, Sheldon J., National Soybean Processors Association, telegram to Chairman Mills 4369
Hay, John T., California Chamber of Commerce, letter to Chairman Mills, with enclosure 1566
Heavy Duty Truck Manufacturers Association, statement 3483
Higgs, William, Committee for an Open Society, Inc., letter to Chairman Mills 3702
Hiram Walker & Sons, Inc., R. T. McKee, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4875
Holtzman, Hon. Elizabeth, a Representative in Congress from the State of New York, statement 5166
Howard, William L., Frederick-Willys, Inc., letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4909
IBM World Trade Corp., Gilbert E. Jones, statement before the Senate Subcommittee on International Trade of the Committee on Finance, March 1, 1973 694
Inland Steel Co., William H. Stapleton, letter to Congressman Dan Rostenkowski 2996
International Commodities Export Co., E. S. Finley, letter to Chairman Mills 3706
International House, New Orleans, La., statement 1581
International Sino-American Trade Association, statement 3726
International Trade Mart of New Orleans, Capt. J. W. Clark, statement 1582
Javits, Hon. Jacob K., a U.S. Senator from the State of New York, letter to Chairman Mills, with enclosures 5141
Jones, Gilbert E., IBM World Trade Corp., statement before the Senate Subcommittee on International Trade of the Committee on Finance, March 1, 1973 694
Kastner, Harold H., Harold H. Kastner Co., letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4459
Kaye, Harvey, Washington, D.C., joint statement with Paul Plaia, Jr., Silver Spring, Md 1588

Page
Kelley, James C., American Machine Tool Distributors Association, letter to Chairman Mills 3065
Kelly, Thomas A., Cold Finished Steel Bar Institute, letter to Chairman Mills, with enclosure 4143
Kraus, A., Continental Hatfield, Wire & Cable Division, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3497
Langstroth, Frank D., Magnavox Co., letter to Chairman Mills, with enclosure 3291
Lennon, John J., Ametalco, Inc., statement 2992
Light, Harold B., Union of Councils for Soviet Jews, statement 3692
Lipkowitz, Edward, Footwear Group, American Importer Association, statement 4809
Lithuanian Republican Party of Cicero (Ill.), Jurgis Breive, and Edvardas Sumanas, letter to Chairman Mills, with enclosure 3709
Llewellyn, Frederick, Los Angeles Area Chamber of Commerce, letter to Chairman Mills 1568
Los Angeles Area Chamber of Commerce, Frederick Llewellyn, letter to Chairman Mills 1568
Lucaciu, Rev. A. S., Romanian Baptist Association of United States and Canada, letter to Chairman Mills 3725
Lundquist, James H., brief on behalf of Schieffelin & Co 4873
Maass, Richard, National Conference on Soviet Jewry, statement 3665
Machinery & Allied Products Institute, Charles W. Stewart, letter to Chairman Mills 1538
Magnavox Co., Frank D. Langstroth, letter to Chairman Mills, with enclosure 3291
Marsh, Edwin E., National Wool Growers Association, letter to Chairman Mills 3942
Masaoka, Mike, American Japanese for Freer International Trade, statement 1532
Matthews, Charles D., National Ocean Industries Association, letter to Chairman Mills, with enclosure 1555
Mattie, Wm., Eaton Corp., letter to Chairman Mills, with enclosure 4156
McDermott, Richard T., A. W. Chesterton Co., statement 4672
McKee, R. T., Hiram Walker & Sons, Inc., letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4875
Meat Importers Council of America, Inc., John E. Ward, letter to Chairman Mills 2837
Mercker, A. E., Vegetable Growers Association of America, statement 4367
Metropolitan Life Insurance Co., Eugene M. Thoré, letter to Chairman Mills, with enclosures 4666
Millers' National Federation, statement 4369
Morris, Benjamin H., Distilled Spirits Council of the United States, Inc., statement 4868
Mullins, Edward, Washington, D.C., statement 1680
National Association of Chain Manufacturers, statement 4133
National Conference on Soviet Jewry, Richard Maass, statement 3665
National Cotton Council of America, statement 3937
National Council of Jewish Women, Inc., statement 1536
National Customs Brokers & Forwarders Association of America, Inc., M. V. Rosenbloom, letter enclosing statement of Leonard M. Shayne 1582
National Distillers & Chemical Corp., John E. Bierwirth, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with enclosure 4870
National Grange, John W. Scott, statement 2835
National Interreligious Task Force on Soviet Jewry, statement 3693
National Ocean Industries Association, Charles D. Matthews, letter to Chairman Mills, with enclosures 1555
National Paper Box Association, Norman T. Baldwin, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4467
National Soybean Processors Association, Sheldon J. Hauck, telegram to Chairman Mills 4369
National Wool Growers Association, Edwin E. Marsh, letter to Chairman Mills 3942
Natural Rubber Thread Committee, Inc., Esmond W. Thompson, letter to Chairman Mills 4908
New York Chamber of Commerce & Industry, statement 1569
Nolan, John S., Washington, D.C., letter to Chairman Mills 4695

Nomellini, Dante John, California Asparagus Growers' Association, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with enclosure 4373
Northern Textile Association, William F. Sullivan, statement 3942
Ohly, D. Christopher, statement 1597
Osborne, Thomas W., Florida Citrus Mutual, brief on behalf of Florida Citrus Mutual, Florida Citrus Commission, and Florida Canners Association 4380
Osthoff, Walter, Jr., Deerfield Beach, Fla., letter to Chairman Mills 4315
Owens-Illinois, Toledo, Ohio, statement 3850
Packaging Machinery Manufacturers Institute, statement 3100
Pfizer, Inc., Edmund T. Pratt, Jr., statement 3514
Piquet, Howard S., Washington, D.C., letter to Chairman Mills 1595
Plaia, Paul, Jr., Silver Spring, Md., joint statement with Harvey Kaye, Washington, D.C 1588
PPG Industries, Inc., statement 4682
Pratt, Edmund T., Jr., Pfizer, Inc., statement 3514
Prudential Insurance Company of America, Theodore R. Groom, letter to Chairman Mills, with enclosures 4666
Rehm, John B., on behalf of Colombian Association of Flower Grower-Exporters, letter to Chairman Mills 4905
Reisfeld, Robert I., New Orleans, La., letter forwarded by Congresswoman Lindy (Mrs. Hale) Boggs 4159
Robertson, H. H., Co., Robert T. Cole on behalf of, letter to Chairman Mills, with enclosure 4689
Romanian Baptist Association of United States and Canada, Rev. A. S. Lucaciu, letter to Chairman Mills 3725
Romanian Orthodox Episcopate of America, Valerian D. Trifa, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3722
Rosenbloom, M. V., National Customs Brokers & Forwarders Association of America, Inc., letter enclosing statement of Leonard M. Shayne 1582
Rosenblum, Dr. Louis, Union of Councils for Soviet Jews, statement 3674
Rosenthal, Hon. Benjamin S., a Representative in Congress from the State of New York 5145
Ross, Mrs. Sherman, American Association of University Women, statement 1586
Roth, William M., Committee for Economic Development, Research and Policy Committee for International Economic Studies, statement 1511
Samoa, American Government of, Delegate-at-large Hon. A. U. Fuimaono, statement 5168
San Diego Chamber of Commerce, Eben W. Dobson, Jr., letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 1569
Schwartz, Seymour, Caprock Developments, Inc., letter to Committee on Ways and Means 1586
Schelbe, W. D., Universal Oil Products Co., Wolverine Tube Division, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3498
Schieffelin & Co., James H. Lundquist, brief 4873
Scientific Apparatus Makers Association, statement 3287
Scott, John W., National Grange, statement 2835
Searle, G. D., & Co., K. D. Bowes, letter to Chairman Mills 4687
Shayne, Leonard M., National Customs Brokers & Forwarders Association of America, Inc., statement 1583
Shepherd, Mark, Jr., Texas Instruments, Inc., statement 3298
Sibisan, John J., American National Bank, Parma, Ohio, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3724
Siverd, C. D., American Cyanamid Co., statement 3507
Slick, W. T., Jr., Exxon Co. U.S.A., statement 4537
Stapleton, William H., Inland Steel Co., letter to Congressman Dan Rostenkowski 2996
Stewart, Charles W., Machinery & Allied Products Institute, letter to Chairman Mills 1538
Stewart Eugene L., Trade Relations Council of the United States, response to administration's "Overall Critique" of his testimony 2256
(*See also* Treasury Department comments on Mr. Stewart's testimony at page 2228.)
Stimpson, Edward W., General Aviation Manufacturers Association, statement 1553

Page
Strauss, Simon D., American Smelting & Refining Co., statement 2989
Sullivan, William F., Northern Textile Association, statement 3942
Sumanas, Edvardas, and Jurgis Breive, Lithuanian Republican Party of Cicero (Ill.), letter to Chairman Mills, with enclosure 3709
Talcott, Hon. Burt L., a Representative in Congress from the State of California, statement 5147
Teague, Frank A., Hastings (Fla.) Potato Growers Association, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4314
Texas Instruments, Inc., Mark Shepherd, Jr., statement 3298
Thompson, Esmond W., Natural Rubber Thread Committee, Inc., letter to Chairman Mills 4908
Thoré, Eugene M., Metropolitan Life Insurance Co., letter to Chairman Mills, with enclosures 4666
Trade Relations Council of the United States, Eugene L. Stewart, response to Administration's "Overall Critique" of his testimony 2256
(*See also* Treasury Department comments on Mr. Stewart's testimony at page 2228.)
Trifa, Valerian D., Romanian Orthodox Episcopate of America, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3722
Union of Councils for Soviet Jews:
Dr. Louis Rosenblum, statement 3674
Harold B. Light, statement 3692
United States Catholic Conference, statement 1522
United States Chamber of Commerce: "Economic Adjustment to Liberal Trade: A New Approach" 894
Universal Oil Products Co., Wolverine Tube Division, W. D. Schelbe, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 3498
Vanco, Inc., Gary Dietrich, statement 4819
Vegetable Growers Association of America, A. E. Mercker, statement 4367
Volume Footwear Retailers of America, statement 4805
von Meyern-Hohenberg, Gottfried, Adams & Peck, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means, with enclosure 4669
Wallace, Mrs. Russell, American Association of University Women, statement 1586
Ward, John E., Meat Importers Council of America, Inc., letter to Chairman Mills 2837
Ward's Nursery, Inc., Charles R. Collins, letter to John M. Martin, Jr., chief counsel, Committee on Ways and Means 4314
Wimer, Chas. R., letter forwarded by Congressman Don Edwards 4910
Woodward Governor Co., Jim Hall, letter to Chairman Mills 4693
Zilis, Milton C., Globe-Union, Inc., Globe Battery Division, letter to the Committee on Ways and Means 2995

TRADE REFORM

MONDAY, MAY 21, 1973

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. Al Ullman presiding.

Mr. ULLMAN. The committee will be in order.

This morning the subject is chemicals, plastics and ceramics.

Our first witness will be Mr. Fletcher L. Byrom.

Mr. SCHNEEBELI. Mr. Chairman, Mr. Byrom is a noted citizen of Pennsylvania. He has been a member of many commissions in Pennsylvania, and served the State very well. He is a well known industrialist from the Pittsburgh area, and I would like to welcome him to the committee. I have always found that he has good sense and good judgment. I am sure he has an excellent statement.

Mr. ULLMAN. Thank you.

Mr. Byrom, we welcome you to the committee.

If you will further identify your colleagues, we will be pleased to hear you.

STATEMENT OF FLETCHER L. BYROM, VICE CHAIRMAN OF THE BOARD, MANUFACTURING CHEMISTS ASSOCIATION, ACCOMPANIED BY WILLIAM DRIVER, PRESIDENT, AND RAPHAEL SHERFY, SPECIAL TAX COUNSEL

SUMMARY

Advice of Industry.—No better informed advice on the impact of proposed actions in the foreign trade area exists than that available from within the industries producing the merchandise to be affected. We recommend that the President be required to seek and utilize such advice throughout the entire trade negotiations procedure wherever such advice could be appropriately given. This should extend to policy and strategy development as well as to the highly technical inner workings of the negotiating procedures.

Congressional advisors.—We believe the Congress should maintain a continuing monitoring role in delegated trade matters. Accordingly, we urge the active participation of Congressional advisors during negotiations.

Reciprocity within sectors.—The United States has exchanged trade concessions with other nations across sectoral bounds. Many obtained for agriculture have proven illusory in the face of subsequent offsetting actions by trading partners. Therefore, we recommend the preservation of reciprocity on exchanges within product sectors.

Nontariff barriers.—We support the proposals to remove nontariff barriers to trade, but with Congressional review of all arrangements negotiated under that authority. We recommend no exception from that review for such matters as customs valuation, quantities for customs assessments, or country of origin markings.

Import relief.—We support generally the provisions for relief from import disruptions, and those provisions designed to make more effective the procedures for dealing with unfair import competition.

Balance-of-payments authority.—We support authority for the President to meet payments crises in the trade sector, but we urge requirements for review and termination.

"Housekeeping" authority.—We support authority for the President to make minor negotiating adjustments in maintaining existing trade agreements. We suggest reducing the limits of authority proposed for compensatory adjustments in keeping with its proposed minor character. We recommend that the same form of public hearings and advice gathering apply for all authorities delegated to the President in this legislation.

Inflation authority.—This legislation is designed to promote trade. Therefore, we recommend deletion of the authority to deal with inflation for consideration in more germane legislation.

East-West trade.—We support the proposals for extending most-favored-nation treatment to countries now denied same as relations with those countries warrant. We look forward to the trading opportunities for our exports this may permit.

Preferences for less developed countries.—We support general preferences for qualified less developed countries subject to the requirements proposed in this bill.

Taxation of foreign source income.—We believe that the Administration's proposal to tax currently the earnings of U.S. investments in manufacturing or processing facilities in foreign countries in so-called "tax holiday" or "runaway plant" situations will discriminate against American interests and will create an advantage to foreign competitors of U.S. industry. We, therefore, oppose any change in the rules relating to deferral of taxation of foreign source income.

We also recommend that the present provisions of the foreign tax credit be continued without change.

Mr. BYROM. On my right is Mr. William Driver, president of the Manufacturing Chemists Association.

On my left is Raphael Sherfy, who is the special tax counsel for the Manufacturing Chemists Association.

My name is Fletcher L. Byrom. I am here representing the Manufacturing Chemists Association today. I am its vice chairman.

The job I work at for which I get paid is as chairman of the board of the Koppers Co., which is headquartered in Pittsburgh.

With your permission, we will submit a detailed statement for the record.

What I will do here this morning will be to summarize the highlights of that statement.

Mr. ULLMAN. Would you like to have it in the record in full as though read?

Mr. BYROM. I beg your pardon, sir?

Mr. ULLMAN. Would you like your full statement to appear in the record?

Mr. BYROM. Yes; I would.

Mr. ULLMAN. Without objection, that will be done, and you may proceed, sir.

Mr. BYROM. Thank you very much, Mr. Chairman.

Just to refresh your memory, I ought to remind you, I guess, that the Manufacturing Chemists Association is a nonprofit trade association of 170 U.S. members representing more than 90 percent of the production capacity for the basic industrial chemicals in this country.

Just to give a framework of reference, 1972 exports of the chemical products exceeded $4.1 billion while imports were about $2 billion. This leaves, of course, a favorable trade balance of over $2 billion.

At the end of 1971, the industry had a foreign direct investment in chemical production amounting to about $4.5 billion.

Although for many years the chemical industry's trade balance has been very favorable, since 1968 the trends have been unfavorable. Exports have grown at the rate of less than 6 percent while imports have been growing more than 15 percent per year.

During the last 10 years, the United States share of world trade in chemicals has dropped from 26.5 percent to a little over 18 percent. In this same period, West Germany has gone from 20.3 to nearly 23 percent, and Japan from 3.7 to over 6.5 percent. Between the two, they account for two-thirds of the drop in the U.S. share so that the drop is more than mere import substitution of chemicals in LDC's.

Pertinent to my statement this morning is the fact that the chemical industry was disappointed in both the prosecution of and the results of the Kennedy round negotiations. In view of what we perceive to be inadequate public hearing process in the Kennedy round, we don't feel that section 112 of H.R. 6767 goes as far as it should.

Advice from industries is permitted but not required.

We respectfully suggest that solicitation of industry advice be required and required throughout the entire negotiations whenever such advice can appropriately be given. We are convinced that had this kind of advice been sought in the Kennedy round there would have been no unfair round arrangement negotiated in chemicals and we think that was the result of those negotiations.

The representatives of the chemical industry for the past several years have actively proposed a positive role for industry advisers. We felt that we were receiving support and encouragement for these proposals whenever they were discussed throughout the Government. This is why we are so disappointed to find what we consider to be inadequate provision for mere permissive utilization of industry advice contained in section 112. To us, this constitutes little change in procedure from the 1962 Trade Expansion Act.

In another direction, we believe that the Congress should not assume the passive role in trade policy matters which H.R. 6767 suggests. We encourage the adoption of the formal congressional advisory structure to take an active part in trade policy implementation.

We endorse the recent proposal of Chairman Mills and Senator Long to create a Joint Congressional Committee on Foreign Trade with all that it implies.

We wish to point to another matter of significance, the desirability we believe necessary for maintenance of reciprocity within sectors during the negotiation process.

We have as an industry criticized the reductions in the chemical sectors in the Kennedy round to be disproportionately unfavorable to the U.S. chemical industry. The answers given to us have been to the effect that on balance the Kennedy round negotiations were favorable to the United States and that other sectors, particularly agriculture, had been beneficiaries of the reciprocal trade offs.

We do not believe it should be the intent of legislation, delegating negotiating authority, to include the authority for establishment of priorities between sectors of the economy. Nor do we believe that the qualifications to make such decisions exist with those carrying out negotiations.

We believe the President should be required to justify the adequacy of reciprocal tradeoffs within sectors in his report to Congress transmitted under section 121. We suggest elimination of section 103(c). We believe that authorization to tinker with valuation systems too broad a delegation to be given without the congressional review required for other matters in section 103.

We agree generally with the concepts of standby authority covered in sectiosn 402, 403, and 404.

We do believe, however, that reductions up to 50 percent without restrictions as to volume of trade involved as provided in section 404 is too great a delegation.

We suggest the application of the limits in section 403 permitting up to 20 percent but not to affect more than 2 percent of U.S. imports.

Section 405, in our opinion, should be deleted.

This legislation is designed to promote trade. We believe that methods of dealing with inflation should be left for consideration in more germane legislation. We hope that section 405 therefore will be deleted.

We recommend that hearings should be held for all actions under title IV and further that requirements for hearings and advice be the same as required in chapter 2 of title I, amended to include our proposals for industry advice.

Let me turn now to the President's foreign tax proposals.

We are including detailed comments on these proposals with our statement for the record.

I merely want to say to you that the Manufacturing Chemists Association believes that the basic principle which has been followed in the past to tax foreign profits only as they are repatriated is sound. We oppose the attempt by the administration to tax currently profits prior to their actual distribution to U.S. parent corporations.

The MCA also strongly believes that any attempt to limit the foreign tax credit should be rejected.

You will recognize, I am sure, that this is a reiteration of the positions we took before this committee on March 5 of this year.

Gentlemen, I thank you very much.

I will be happy to try to answer any questions which you may have.

[Mr. Byrom's prepared statement follows:]

STATEMENT OF FLETCHER L. BYROM, MANUFACTURING CHEMISTS ASSOCIATION

My name is Fletcher L. Byrom, I appear before you today as Vice Chairman of the Board of Directors of the Manufacturing Chemists Association (MCA). I am also Chairman of the Board of the Koppers Company. I expect to comment on the President's trade proposals as embodied in H.R. 6767, and those aspects of the President's trade message suggesting changes in the taxation of foreign-earned income. Accompanying me is Raphael Sherfy special tax counsel to MCA.

INTRODUCTION

The Manufacturing Chemists Association is a nonprofit trade association of 170 United States members representing more than 90 percent of the production capacity of basic industrial chemicals within this country. The United States chemical industry has a substantial interest in international trade as is clearly indicated by the 1972 U.S. exports of chemical products of $4.134 billion, and imports of $1.993 billion. The industry also has a substantial stake in overseas investment, with foreign direct investment in chemicals having risen to $4.5 billion by the end of 1971.

U.S. chemical exports have risen steadily over the years, and until 1968, provided the United States with a steadily growing favorable balance of trade, a

bright spot in an otherwise gloomy balance of payments picture. In the five years from 1968–1972, the favorable export balance in chemicals reached a peak of about $2.4 billion in 1970, and has since declined to the 1972 level of $2.141 billion, which is substantially the same as the 1968 balance. Both exports and imports of chemical products have risen in each of the years since 1968, but reason for concern becomes evident when comparing the average growth rates over those years. The growth in imports averaged 15.2 percent, while the growth in exports averaged only 5.9 percent. These are undesirable trends. Furthermore, the United States competitive share of the world trade in chemicals has shown a decline. This is strikingly apparent over the last ten years, as the U.S. share, which approximated 26.4 percent in 1962, dwindled to 18.3 percent by 1972. During that same period, the shares enjoyed by West Germany and Japan rose from 20.3 percent and 3.7 percent, respectively, to 22.9 percent and 6.6 percent, a total gain for the two of more than two-thirds of the Untied States drop in share. This accentuates the strength and vitality of competitive activity abroad that is beyond any substitution of softer currency sources. It emphasizes the need for negotiating acumen during international trading discussions in the days ahead.

BASIC AUTHORITY

The atmosphere today is substantially changed from 1962 when the Kennedy Round began serious incubation. The optimism of the 60's is gone. The war in Southeast Asia has almost disappeared and U.S. foreign commitments diminish. The United States dollar has just been through two devaluations, and it remains to be seen whether they were sufficient. It is apparent that any new round of international trade negotiations must produce trading benefits for the United States that will at least balance those to be granted foreign countries in return. It is easy to recognize that if the President is to bargain effectively, he must be delegated broad negotiating powers. Only the Congress can endow the President with such authority.

Viewing the results of the Kennedy Round, we in the chemical industry were quite disappointed. In the chemicals sector, the United States generally reduced tariffs 50 percent for which were received concessions from major trading partners of lesser dimensions. In the case of the European Community and the United Kingdom, the chemical tariff reductions amounted to 20 percent, based upon the assumption that the remaining 30 percent would be given to the United States should the separately negotiated special agreement on the termination of American Selling Price be accepted. To many of us, both the 50–20 deal and the ASP package were unfair and not in reciprocal balance. The rest is history. The special agreement was never ratified by the Congress, and now our European friends are no longer interested in that particular arrangement. I bring this subject up here because it serves to illustrate a need for two essential features.

ADVICE FROM INDUSTRY

First of all, too much negotiations activity has been conducted in the absence of adequate informed advice. The public hearings procedures to develop advice within the government are quite helpful and necessary as far as they go. The Tariff Commission, the Trade Information Committee of the Office of the Special Trade Representative, and the efforts of the various Administrative agencies actively encourage the presentation of views from the interested public and all carry out well their responsibilities to develop information on the consequences of proposed negotiation action. H.R. 6767 recognizes the importance of these procedures in Sections 111–114. The bill in Section 112(b) even recognizes probably the best informed kind of advice on negotiation consequences available where it asks exemption from provisions of the Federal Advisory Committee Act for selected groups from industry, labor, and agriculture regarding advice sought from them. No better source of advice exists than that available from informed industry experts on the likely impact of proposed actions on an industry and its segments. However, Section 112(b) recognizes this form of advice only as permissive. We respectfully urge that it be required, and required throughout the entire negotiations procedure wherever such advice could be appropriately given. We are convinced that had this kind of advice been sought and heeded during the Kennedy Round, there would have been no unfair and unbalanced arrangement negotiated on chemicals. We cannot stress for you too much how importantly we regard the input of this kind of advice.

Representatives of the chemical industry over the past several years have actively proposed a positive role for industry advisors and have felt that we were receiving substantial support and encouragement for the proposal from within the Administration wherever offered. It was disappointing to find the inadequate provision for mere permissive utilization provided in Section 112(b). To us this is essentially no change from that provided in the 1962 Trade Expansion Act.

CONGRESSIONAL ADVISORS

In contrast to the Trade Expansion Act, H.R. 6767 make no provision for Congressional advisors. The Congress should not assume the passive role in trade policy matters which H.R. 6767 suggests. The bill would delegate almost unlimited discretion to the President to establish tariff and other trade barrier levels without anything more than cursory review after the fact by the Congress. Thus, we welcome the recent proposal of the Chairman and Senator Long to create a Joint Congressional Committee on Foreign Trade with all it implies. We encourage a formal Congressional advisory structure to take an active part in trade policy implementation, reporting on accomplishments to the Congress perhaps through the new Joint Committee, and recommending on the appropriate method of review for those matters requiring formal Congressional attention.

RECIPROCITY WITHIN SECTORS

The inequities surrounding the Kennedy Round 50–20 deal on chemicals point up a second matter which we regard with importance—the maintenance of reciprocity within sectors during the negotiation process. When Treasury Secretary George Shultz appeared before this Committee, he referred to the need for the United States to obtain more in negotiating benefits from trading partners than United States should give in concessions. We would urge the Secretary, if he is so minded, to consider the chemicals sector with the inequities of the 50–20 deal in this regard.

Naturally, we within the chemical industry have registered some complaint regarding this inequity. The answer given us was something to the effect that, on balance, the Kennedy Round negotiations were favorable for the United States, and that other sectors, including agriculture, had been the recipients of reciprocal benefits. Indeed, this crossing of sectoral lines for the exchange of benefits has featured prior negotiations, and agriculture has always figured as a prominent beneficiary.

As we look back on the subsequent developments, it is interesting to note that our trading companions manage to find new barriers to establish for the flow of U.S. farm commodities, with the European Community in a leading role in this regard. We ask, Mr. Chairman, how many times industrial concessions will be gven away in exchange for agricultural benefits on the export side which will be subsequently counterbalanced by some new action by our trading partners? It makes little sense to overexpose the products of industry for som illusory or disappearing advantage for agriculture. It is for this reason that we suggest reciprocity within sectors, a point which the President should be required to justify in his reports to the Congress transmitted under Section 121.

NONTARIFF BARRIERS

Included with the General Authorities of Title I is Section 103, which would direct the President to seek arrangements for the removal of nontariff barriers. This may be an extremely important area for many U.S. exports. How nontariff barriers are defined and how broadly this authority may be exercised would determine its effectiveness in removing trade deterring effects. It seems appropriate generally for arrangements negotiated by the President to accomplish nontariff barrier removal to be subject to review by the Congress.

However, in Section 103(c), there is proposed authorization for the President to negotiate arrangements without subsequent Congressional review on methods of customs valuation, quantities for customs assessments, and country of origin markings. The major matter included here of interest to the chemical industry, as mentioned in the bill analysis, would be the potential elimination of the Amercan Selling Price provisions. Blanket authority to tinker with the valuation system theoretically could authorize a shift from the present valuation system to that associated with the Brussels Tariff Nomenclature (we note that Section 708 would give the President authority to make tariff classification changes, but forbids a shift to BTN). These matters seem too important a delegation to extend

without the Congressional review required for other matters in Section 103. Accordingly, we suggest elimination of Section 103(c).

IMPORT RELIEF

Title II deals with import relief for disruption due to fair foreign competition. MCA agrees with the easing of criteria for determination of eligibility for import relief. The concept of relief envisioned by the Trade Expansion Act of 1962 has not been adequately tested for effectiveness because of what proved to be extremely limiting criteria determining qualification for relief. We agree that there should be no causative linkage between increased imports and past trade concessions as a required qualification for relief. We also agree that increased imports need not be the "major cause" of serious injury or threat thereof. The "major cause" of injury has been interpreted to mean the single cause greater than all other causes combined. This interpretation is unworkable conceptually and statistically. Its replacement by the criteria of "primary cause" defined in Section 201 as meaning the largest single cause will make available the relief provisions of the Act when they are legitimately required.

We agree that no specified arithmetic criteria are appropriate for triggering prescribed safeguard actions. Each case is unique in the competitive situation confronted, and in the appropriate remedy. Each should be dealt with by a range of options such as provided for in the bill. However, MCA feels that additional options might also be made available. For example, the Tariff Commission whenever it reaches an affirmative finding of injury or threat thereof, should be required to make a further investigation as to the reasons for the increased injurious imports. These causative reasons may provide basis for other action by the President if nontariff barriers are a part of the problem, or the reasons may provide guidance for domestic economic policy if productivity or economic competitiveness are problem areas.

UNFAIR TRADE PRACTICES

Relief from unfair trade practices that limit exports may be expected to become an increasingly important need. An effective remedy for such actions will be difficult to find. Section 252 of the Trade Expansion Act provided authority to deal with these problems. But in the almost twelve years that this authority has been available, it has been used only once—in the celebrated "chicken war". A unilateral authority may not provide the most effective way to resolve inequity. Instead, emphasis must first of all be placed on appropriate international forums such as GATT for the arbitration of unfair trading practices. While the language of Section 301 and its explanation in the official analysis imply that new authority is needed to cope with unfair practices, it is quite clear that we have had under the Trade Expansion Act more authority to act than we have been able to use. Perhaps greater direction from Congress is needed in the use of available authority, and the proposed Joint Committee on International Trade may provide this direction. An appropriate starting point would be the energetic confrontation of unfair practices in international forums.

To support this international effort, specific authorities should be available to the President, and we endorse the proposals included in Section 301. We especially commend the new direction to confront and deal with unfair practices of trading countries that place our trading position in third country markets at a disadvantage.

Both Congressional and industry liaison with the Executive branch trade authorities will be an important part of any effective program to deal with this area of trade discrimination.

ANTIDUMPING AND COUNTERVAILING

We support the procedural changes to the Antidumping Act in Chapter 2 of Title III and the strengthening of the countervailing duty statute in Chapter 3. The proposed limitation of Section 337 of the Tariff Act of 1930 to patent infringement cases may need further consideration. While the Federal Trade Commission may appropriately deal with methods of unfair competition in U.S. trade, whether the products and the companies are domestic or foreign, for imported goods there may be relevant unfair competitive acts prior to importation. A responsibility to identify and deal with such acts should remain an assignment of the Tariff Commission or other agency concerned with international trade.

96-006 (Pt. 6) O - 73 -- 3

BALANCE OF PAYMENTS AUTHORITY

Despite two devaluations in the last several years, the U.S. dollar remains in an uncertain condition as international speculation in both gold and dollars continues at high levels. Although the Department of Commerce reports what is regarded optimistically as a turnaround in the U.S. foreign trade statistics for March 1973, more time will be needed to see the solution of our national payments problems. This state of affairs highlights the need for the President to have on standby, emergency authority to deal with payments crises where action in the trade sector may be in order. This is provided for in Section 401, but in terms which suggest the possibility of facile use and without requiring continuing review or termination when a crisis has passed.

HOUSEKEEPING AUTHORITY

In the administration of any continuing trade program, there are bound to be individual agreement problems cropping up from time to time which will require minor negotiating adjustments. It makes little sense to allow such to lead to major upheavals or realignments because of the absence of some standby authority for dealing with them. Sections 402, 403, and 404 appear to address this problem by providing the President with a continuing discretion for such adjustments. However, the compensation authority proposed in Section 404 of reductions of up to 50 percent with no limit on the volume of trade potentially affected does not appear consistent with the alleged minor character housekeeping authority should represent. Why not apply the same limitation there as is provided for in Sction 403 which permits up to 20 percent reductions that can effect no more than 2 percent of U.S. imports?

INFLATION AUTHORITY

In Section 405, H.R. 6767 proposed temporary reduction of import barriers by the President to restrain inflation. While an action under this Section is limited to not more than one year's duration, it could affect up to 30 percent of U.S. imports. Despite the bill's admonition that the President take such actions only where they would not be harmful to some segment of the economy or to the national security, the potential impact of this authority could be substantial. This legislation is designed to promote U.S. trade and insertion of this nontrade matter appears inappropriate. Accordingly, we recommend deletion of Section 405. We recognize the importance of dealing with inflation, but believe that it should be taken up as a matter of separate concern by this Committee.

TITLE IV HEARINGS AND ADVICE

Section 410 requires the President to hold public hearings for actions under Sections 403 and 404 in this Title, and permits hearings for actions under Sections 402 or 408. Absent is any requirement for hearings on proposed actions under the balance of payments authority in Section 401 or the inflation authority of Section 405. We hope that Section 405 will be deleted. In any event, we do recommend that not only should hearings be held for all actions proposed under this Title, but that the requirements for hearings and advice be the same as required in Chapter 2 of Title I amended to include our proposals for industry advice.

EAST-WEST TRADE

H.R. 6767 proposes in Title V to authorize the President to extend most-favored-nation treatment to countries now denied same if, in his judgment, such action would promote the purposes of the act and serve the national interest. Utilization of this authority would make the products of Communist nations eligible for the lower most-favored-nation tariff on entry into the United States. We in the chemical industry welcome the expanded market opportunities this will provide for the export of our products. We believe that the attention the President must give national security considerations, together with the market disruption provisions of Section 505, should adequately deal with any real problems domestic producers might encounter due to the domestic market impact of goods from those countries. Section 505 may be needed since the general provisions for relief from import disruptions might not be adequate in dealing with the state trading organizations of the socialized nations.

PREFERENCES FOR LESS DEVELOPED COUNTRIES

The generalized system of preferences for less developed countries as proposed in Title VI merit support. We agree that the extension of such preferences should be contingent upon a comparable effort on the part of other major developed countries, and that recipient countries must not accord preferential treatment to the products of other developed countries. We agree with the exclusion from preference eligibility, sensitive products which are subject to import relief actions as provided in Section 603. We recognize the argument that preferential treatment should not be accorded the assembly in less developed countries of components originating in other developed countries. Section 603(b) provides for Treasury regulations in this regard, but fails to provide a minimum value added figure.

TAXATION OF FOREIGN INCOME

Let me turn now to the President's foreign tax proposals which he made in his message to the Congress in connection with the Trade Reform Act. These foreign tax proposals were more fully discussed by the Secretary of the Treasury in his appearances before your Committee both in connection with the Administration's recommendations for tax reform and in regard to these foreign trade proposals.

We are in full agreement with the position of the President that no basic change should be made in our present tax treatment of foreign profits derived by United States enterprises carrying on business abroad. The present system permits United States enterprises to compete without major disadvantage as to their overseas operations with their foreign competitors, and we believe this system is fundamentally sound.

The President has indicated that there are several problems which have arisen under our existing tax system which he believes should be considered at this time by the Congress in connection with this trade legislation. In brief, these areas of concern are:

(1) The possibility that United States investments are induced by foreign countries through tax holidays;

2. The establishment of so-called "run-away plants" by United States enterprises in foreign countries in order to export a substantial share of their production into the United States; and

(3) The reduction of domestic taxable income by foreign losses where the profits are subsequently insulated from United States taxation.

The first two of the above proposals of the Administration would require United States parent corporations currently to pay income taxes on the foreign profits derived by foreign subsidiaries engaging in manufacturing and processing activities under a tax holiday or engaging in such activities in order to export the product back to the United States.

MCA pointed out in testimony before your Committee on March 5, 1973, that the chemical industry believes that foreign markets are best served by exporting from the United States. Only when the competitive circumstances or government restrictions make it impossible for the markets to be served by manufacturing in this country are foreign operations established abroad. In other words, tax reasons are not the basis upon which the chemical industry invests abroad. However, when it becomes apparent that foreign manufacturing is the only manner in which a market can be retained or expanded, then taxation along with other cost factors, becomes significant in determining how the foreign entity is structured and where it is located. This structuring is necessary in order to minimize costs and thereby retain a competitive position in foreign markets.

Secretary of the Treasury Shultz stated to this Committee on May 9:

> "Our existing system is designed to permit an American-controlled business operating in a foreign country to operate under the same tax rules applicable to its foreign competitors in that same country. We believe that is a fundamentally sound system and that we should not devise new rules designed to disadvantage American business with respect to its foreign competitors."

On May 10, Assistant Secretary of the Treasury, Frederick W. Hickman described the relationship of our tax system to international trade policy. He said:

"The Administration's tax proposals rest on the conviction, stated in the President's trade message, that 'Our income taxes are not the cause of our trade problems and tax changes will not solve them.' "

In commenting on the proposal contained in the Burke-Hartke bill to accelerate taxation of foreign earnings to shareholders, Mr. Hickman added:

The revenue gain to the Treasury from accelerating the taxation of shareholders would be minor in comparison to the depressing effect on U.S. economic activity abroad. We estimate that the acceleration of the tax on shareholders would produce about $300 million of additional revenue to the United States. One of the chief effects of such a proposal would be simply to increase the amount of tax which corporations pay to foreign government.

Despite these comments, the proposal to tax currently the earnings from U.S. investments in manufacturing or processing facilities in foreign countries granting a tax holiday will discriminate against American interests and will create an advantage to foreign competitors of U.S. industry.

In addition, the Administration's proposal will encourage foreign countries to raise their income and withholding taxes.

Finally, the proposal seems to be at odds with the U.S. policy of encouraging assistance to emerging or less developed countries—the countries principally involved in extending tax holidays and incentives.

As we indicated to your Committee in commenting on the consequences of elimination of deferral in our previous appearance, it will be necessary in most cases, to withdraw funds from these activities abroad in order to meet our United States obligation, resulting in a reduction in the capacity of our enterprises to compete abroad.

We believe that the basic principle which has been followed by the United States over the years of refraining from taxing foreign profits of foreign subsidiaries until they are repatriated to the United States is sound and should be continued. Accordingly, we view with serious concern, and strongly oppose, the attempt by the Administration to tax currently those foreign profits prior to distribution to the U.S. parent corporations.

MCA also recommended to your Committee during the tax reform hearings that the present provisions of the foreign tax credit be continued without change. Consistent with this position, we believe that any attempt to limit the foreign tax credit should be rejected.

We appreciate the opportunity to appear before the Committee and to present our views on this legislation. We commend to your attention our recommendations with particular emphasis on the utilization of industry advice. Thank you.

Mr. ULLMAN. Mr. Byron, we appreciate very much the brevity of your remarks. They were very much to the point. We appreciate your suggestions.

You have been before the committee before. We recognize the problems that you have.

Are there any questions.

Mr. SCHNEEBELI. Yes.

Mr. ULLMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. I agree with Congressman Ullman. You got to the point quickly, made your point, and finished.

I don't see anything in your statement here regarding the American selling price.

Does your association take any stand on elimination of the American selling price?

Since this is a matter of interest within your industry, I thought you might give us the benefit of your thinking.

Mr. BYROM. There are, I am sure, Congressman Schneebeli, others who are going to follow me who will speak precisely to that point, but I think that the difficulty with ASP is that it has become almost symbolic of a basic disagreement in processes. I think that it has been allowed to become an emotional kind of thing and largely because

the chemical industry does not feel that it ever really was listened to very much by the people who were participating in the negotiations.

Mr. SCHNEEBELI. Emotional on the part of our trading partners or on our part?

Mr. BYROM. Both.

There has been enough discussion in this country that it is a highly emotional thing between advocates of differing views.

I remember a discussion I had some years ago with Ambassador Roth, where he chided me because the great chemical industry needed the protection of ASP. I pointed out to him that we have inhibitions in our system which make it impossible for us to compete on the same basis with our foreign trading partners.

The dyestuffs industry, I think, is a perfect example where in other countries the organization of it is such as to concentrate the production in a very efficient manner. Here in our country for our own reasons we tend to fragment our industry to the point that we have as many as 17 producers competing for the vat dye market.

As long as the ability of process industry can move to exploit the technology available is inhibited by arbitrary laws which prevent the concentration of production which would permit the economies of scale; as long as we inhibit that by arbitrary laws preventing such concentration, then I think we have to recognize that we are making a choice and we are, in effect, fragmenting our industry deliberately as the means we wish to employ to prevent the abuse of power.

Mr. SCHNEEBELI. Are you saying that our small industries can't compete with the cartels?

Mr. BYROM. Congressman, I would rather leave——

Mr. SCHNEEBELI. The antitrust laws make it difficult for us to compete?

Mr. BYROM. Right.

The word "cartel"—we get so lost in semantics, the word "cartel" has poor implications. I would rather say we can't compete against concentrations that are aimed at efficient production.

Mr. SCHNEEBELI. I asked you this question because I thought you might be somewhat more objective about it than others.

Mr. BYROM. I think you should recognize that I have made many public remarks about this. I feel that one of the things that we need to do to make ourselves competitive in the world is recognize that there is some small part of our total expenditures for plant and equipment, maybe only 10 percent, where there is a technology now available to us that could be exploited to provide a more efficient, more productive way of producing something if certain concentrations were permitted.

I could cite all kinds of examples of this which I won't do. I think that as long as we are unwilling to recognize this potential, then we are forcing ourselves to move towards a protectionist attitude. In other words, we tend to hold an umbrella over the weakest link in our system.

Mr. SCHNEEBELI. One more question.

Was it a good deal for us to give up ASP in light of concessions we were going to get in return?

Mr. BYROM. You recall what happened is that we agreed to tariff reductions that amounted to 50 percent. Our trading partners agreed to tariff reductions that amounted to 20 percent. They were going to consider an additional 30 percent if we were to give up ASP.

My answer to you is that I don't consider that to be a very good bargain.

Mr. SCHNEEBELI. I agree with you.

Thank you very much.

Mr. ULLMAN. Mr. Burke.

Mr. BURKE. The association known as the Manufacturing Chemists Association, are these all domestic plants?

Mr. BYROM. The Association is made up largely of companies that all have domestic plants but many of them have plants overseas. Our company, for example, has plants overseas.

Mr. BURKE. I thought that there were some plants overseas because of your liberal approach here.

Mr. BYROM. I beg your pardon?

Mr. BURKE. Are you for giving up the American selling price?

Mr. BYROM. I would say this: Generally in the world today it is recognized that the American selling price is the kind of thing that causes difficulty in relationships between trading partners. I feel very strongly that if, in fact, we give up American selling price that it be done only on the basis that there are appropriate concessions on the part of our trading partners, so that the net effect is one of balance.

Now, if I may, sir, I thought that what you were asking me was, because we have overseas operations, are we interested in giving up American selling price so that we can use those operations to export back into the United States.

Was that what you were implying?

Mr. BURKE. I was a little surprised at the way you approached the subject. You seemed to be almost ready to give up the American selling price. You have clarified it a bit by saying that they should give up something on their side. But, on the basis of the record, the track record, of our negotiators, what did they give up for what we gave up in the Kennedy round?

Mr. BYROM. Our negotiators gave up much more significant reduction in tariffs than what our foreign trading partners gave up.

Mr. BURKE. I know they did in tariffs.

What did they do after they did that when they started to institute all the trade barriers which nullified the reductions in tariff?

Mr. BYROM. Let me say this: I believe, and this will sound highly idealistic, I recognize, but I believe that real peace in the world is only going to come in that time when there is, in effect, free trade between trading partners who are capable of trading equitably with each other. Under the semantics of our society today, I guess I am a free trader.

Mr. BURKE. I am a free trader, too.

I can't see us giving up everything and the other side not giving up anything. They get emotional about this American selling price but they don't get emotional about their trade barriers for our goods.

Mr. BYROM. Congressman Burke, I could not agree with you any more fully.

My only point is this: I think there are some other things that we do in the United States that may make us noncompetitive. I think that one of the things that our trading partners sometimes say to us, and I have had them say this to me. "We are organizing our society to efficiently produce material goods. If you choose to organize your

society in such a way that you are not as efficient as you could be on the basis of today's technology, are we supposed to be the ones that allow you that luxury?" And I think they have a good question.

I can think of two particular things: the one that I have mentioned, the unwillingness on our part to allow the use of modern technology with regard to economies of scale. We use antitrust to prevent it.

The second thing is that construction costs of new facilities in this country are very definitely significantly higher than in other parts of the world.

It is my personal opinion that this is the result of a situation where we have permitted, if you will, the abuse of monopoly power in the field of trade unions to the point that our construction costs in highly capital intensive industry are excessively high compared to the rest of the world.

I am not as much concerned with the cost of operating labor as I am concerned with the cost of construction labor. It represents at least 50 per cent of the cost of a new plant. If that is twice as high as it is anywhere else in the world, you start off with the other guy having built a plant for 75 percent of what it cost you and that makes it very tough to compete in the world.

Mr. BURKE. It is not only labor but from recent reports the Koppers profits were at the highest point. So, profits aren't doing too bad, either.

Mr. BYROM. Let me say to you that when you testify you can represent the industry in your preliminary remarks. When you start to respond to questions in a dialogue, you may, in fact, be introducing your own personal bias rather than that of the industry. I think what I am about to respond here may be that kind of thing.

I believe that profits are not the reason a corporation exists today. I believe the function of an industrial corporation is to perform a particular function in society which is to create material well-being that that society can then redistribute to improve the quality of the human condition generally.

Profits are not the reason that the company exists but they are very much like breathing is to life.

I think you will agree with me, sir, the reason for living is not to breathe but it is pretty hard to continue to live if you aren't breathing.

Mr. BURKE. I am not against profits but I am not going to sit here and just have labor being blamed for all of the problems we have.

Mr. BYROM. I didn't mean to imply that at all.

Mr. BURKE. I think there are many, many problems.

On the elimination of the American selling price, the large corporations will be able to defend themselves but the poor worker who loses his job, he has the burial expenses in this trade proposal which is almost minimal when you come down to it.

On the chemical industry, how many jobs do you think will be lost in the State of New Jersey if we eliminate the American selling price?

Mr. BYROM. Under our present organization of synthetic organic chemicals industry, I am quite sure that there would be a significant number of them lost under the present arrangements if there weren't appropriate other changes.

Mr. BURKE. My 5 minutes are up.

Thank you.

Mr. BYROM. Thank you, Mr. Congressman.

Mr. ULLMAN. Mr. Conable.

Mr. CONABLE. I would like to say I think you have given us a very specific statement here. We appreciate it. It is the kind of helpful statement that expresses not only your conclusion but some specific ways in which you think the legislation could be improved.

You have a reputation of being a responsible group and I think that is borne out by your testimony.

Thank you, Mr. Chairman.

Mr. BYROM. Thank you very much, Mr. Conable.

Mr. ULLMAN. Mr. Gibbons?

Mr. GIBBONS. Would you mind elaborating about how many workers you feel would lose their jobs in response to Mr. Burke's question? If you could, give us some idea in total numbers. Then, a follow-up on that.

You said "unless there is some specific change in the organization of the industry * * *." Would you elaborate a little more for the record on that?

Mr. BYROM. Congressman Gibbons, to the first question, I am afraid I am not qualified to give you specific numbers. I think that it would be possible for us to get those numbers and put it into the record for you. We will undertake to do so.

Mr. GIBBONS. Could we have permission to insert them at this point?

Mr. ULLMAN. Without objection, we will hold the record open.

[The information follows:]

The impact in New Jersey of abandoning American Selling Price will depend entirely upon what is structured to replace it. At this moment no one can tell what the replacement may be. Benzenoid chemicals represent the most sizable segment of U.S. industry potentially affected. Of the over 30 thousand chemical workers employed in New Jersey, an estimated 18 thousand may be involved in benzenoid chemicals.

Mr. GIBBONS. As I recall, you said to Mr. Burke that unless there were some specific changes made in the industry—could you elaborate a little more on that?

Mr. BYROM. Here I think I must underline the feeling that I may be speaking as an individual rather than as a representative of the industry.

Mr. GIBBONS. I understand.

Mr. BYROM. I happen to believe that throughout the world the principal aim of mankind today is to improve the quality of the human condition everywhere. If this is so, then it seems to me that where there is a technology available that allows you to produce a particular material good, more efficiently with greater productivity than at present, then it is almost criminal not to proceed to allow an arrangement which exploits that technology.

Now, our antitrust laws, which were developed for another time with a different set of conditions in a different technology, inhibit the concentrations which would permit the use of economies of scale. I happen to know this is true very much in some of the synthetic organic industries where we have as many as 17 producers competing for a given market where elsewhere in the world there may only be one.

My company, very frankly, recently went through a proceeding brought by the FTC where, among other charges, we were accused of predatory pricing practice with the idea that we were trying to prevent free entry into a given marketplace. One of the terms in a proposed consent order which we were asked to sign but which we refused to accept was that we raise our prices so that there would be room for somebody else to produce in this field.

Now, we were able to demonstrate perfectly satisfactory profits with our costs and our pricing as it was. Yet, we were asked to raise the price in order to make room for an inefficient producer. That is what I mean.

I think we have a tendency to disallow the application of modern technology simply because we have determined no other way to govern ourselves to prevent the abuse of power except to use fragmentation under the guise of competition. That is what I meant.

Mr. GIBBONS. Let me pursue another question.

When I came into the room, you were discussing European reaction toward the failure of the Congress and the President to repeal the American selling price. Let me tell you what my contacts on this have said and see if you think I am wrong on this.

In my talking to the Europeans, I find that they feel that we made a sort of binding agreement that we would repeal the American selling price. It is not that it means that much to them but they feel that they got let down on what was to them a binding obligation. When you try to explain to them that the President couldn't bind us in that area, they have a sort of blind spot because their government doesn't function as our government functions. That is really the problem that we have.

Am I correct in my appraisal of this?

Mr. BYROM. I think that is an excellent interpretation of what the feeling is.

I might point out to you, sir, that one of the interesting ways that they operate was demonstrated during the Kennedy round negotiations. In many instances there were industry advisers who were actually a part of the negotiating team among our trading partners whereas we had no opportunity to give advice.

I suspect that had we had that opportunity to make an input continually through the negotiation our negotiators might not have been quite so ready to agree to the ASP elimination as they were.

Mr. GIBBONS. But their disappointment is perhaps even more a failure to understand our governmental system, as I understand it, rather than complete frustration over the American selling price.

Mr. BYROM. My personal feeling is that it is not failure to understand. It is refusal to believe that we could be so naive as to agree to something we couldn't carry through on.

Mr. GIBBONS. I realize that.

Under their parliamentary system, their government would have fallen.

Mr. BYROM. That is right; absolutely.

Mr. GIBBONS. Whether this one, for better or worse, we have them for 4 years——

Mr. BYROM. Yes, sir.

Mr. GIBBONS. Thank you, sir.

Mr. BYROM. I did not mean to agree with that last statement—for the record. [Laughter.]

Mr. GIBBONS. I said for better or for worse, for richer or for poorer, in sickness and in health.

Mr. ULLMAN. Mr. Duncan.

Mr. DUNCAN. Thank you.

Mr. Chairman, I would like to join in welcoming you to the committee, especially Bill Driver who has been a long-time friend, you could not be better represented in Washington than by Bill Driver.

You say 1968 to 1972 the growth of imports averaged 15.2 per cent and the growth in exports averaged only 5.9 per cent.

What factor causes this increase in exports?

Mr. BYROM. I think you will notice that during the 10-year period, 1962 to 1972, we definitely lost position in our share of world markets and about two-thirds of that was taken up by the Japanese and West Germany. I think that a study of this would show that a number of things happened:

One, they operate under a system, and I don't want to be redundant, which concentrates production in the hands of the most efficient producers. Second, they did, in fact, get what we consider to be very favorable changes in tariffs under the Kennedy round. Thirdly, Germany and Japan maintained currency values artificially which permitted pricing their goods more favorably.

We think that everything that has been happening in the world in the last several years has tended to be unfavorable to our industry and favorable to theirs.

Mr. DUNCAN. If you discount the inflation in the picture, it would look worse than you have indicated in this?

Mr. BYROM. I am sure it would.

Mr. DUNCAN. What chemical product has the largest trade deficit?

Mr. BYROM. Again, this is something that if you would like we could put into the record. I don't have the numbers at hand here.

Mr. DUNCAN. If you will, do that for the record.

Mr. BYROM. We will, sir.

Mr. DUNCAN. If you have that available.

Mr. BYROM. We will make it available to you.

Mr. ULLMAN. Without objection, the record will be held open.

[The information follows:]

U.S. trade statistics do not permit identification of that individual chemical product with the largest trade deficit. Comparability in these statistics between exports and imports over a time span is a major difficulty. However, the trade performance in synthetic organic dyestuffs, indigo and color lakes (SITC 531), may be illustrative of the shift in competitive status. In 1964, U.S. exports of those products totaled $24.9 million in value, while imports amounted to $9.8 million. In 1971, U.S. exports reached $40.8 million and U.S. imports totaled $66.8 million. Over that seven year span, an export trade surplus in those products of $15.1 million was transformed into a deficit of $26.0 million. During those seven years, the exports of these organic chemical coloring materials gained some in all major market areas. In contrast, imports from the European Economic Community increased enormously with the United Kingdom and Japan not far behind.

Mr. DUNCAN. Are you in favor of an across-the-board method of negotiating non-tariff barriers or should it be barrier to barrier?

Mr. BYROM. The difficulty is that non-tariff barriers are very subtle kinds of things. I am not smart enough and I don't know that our

industry has presumed at this point to think it is smart enough to suggest a way that it could be done across the board.

I think that probably the nature of nontariff barriers is such that it needs to have specific treatment of each kind of barrier.

Mr. DUNCAN. Do you think that we actually have free trade in the world today?

Mr. BYROM. No; I do not, sir.

I should say to you that, as an individual, as a citizen, my greatest concern is that everywhere I go in the world the combination of nationalism and emotionalism about concepts of sovereignty which don't necessarily apply to the particular problems of the world today is such that we are moving directly towards protectionism throughout the world, much to the detriment of the future of the world.

Mr. DUNCAN. Do you think that for free trade to be meaningful it has to be on a reciprocal and fair basis?

Mr. BYROM. I certainly do between trading partners in the developed countries. I think we have to recognize that there is a very large segment of the world which is in a developing category and I think we need some kind of preferential treatment accorded to them. But the same kind of preferential treatment must be accorded to them by all developed nations and we should not allow ourselves to get in a spot where another developed nation is using our kindness, if you will, our sense of responsibility, as a means by which they take advantage of us.

Mr. DUNCAN. Some of the press says that, it would start a trade war if we actually demanded fair trade? Do you agree?

Mr. BYROM. No; I don't think the developed world wants a trade war. I think our trading partners are preparing to move into it if we insist on it and I think they feel that maybe they are gaining a competitive advantage and wouldn't do too badly in a trade war because of the inhibitions that we place on ourselves in our own country. But I don't believe that fair trade would cause a trade war.

Mr. DUNCAN. What would be your views on real free trade, by taking down all barriers in all the countries? Let us sell what we can do best and let them sell what they can do best?

Mr. BYROM. The thing that bothers me is that a lot of people talk about free enterprise. Frankly, I have been in industry since 1940 and I don't think we have had free enterprise since I have been in industry. We have a form of private enterprise. The laissez faire kind of concept in world trade will never return, and never should return, in my mind. As an example Japan has its own system of organizing its industrial nation. They have a right to organize themselves in any way they choose. I think, however, that when they carry it to the point of governmental subsidization of exporting at unfair prices, as has been argued, then they have to recognize that we can't accept that as fair trading against our system.

Mr. DUNCAN. My time is up.

Thank you very much, sir.

Mr. ULLMAN. Mr. Corman.

Mr. CORMAN. Thank you, Mr. Chairman.

I want to join the others in extending my appreciation for your statement. I particularly welcome Bill Driver as an old and dear friend.

We get into a fundamental problem when we move into the area of

competition among nations. So many of the people in industry tell us that their problem is that the free enterprise system just can't compete with the controlled economy. I would be terribly distressed if I reached that conclusion.

I am sure that there are specific problems in specific industries. Yet, it seems to me you do one of two things. You control the economy with a minimum of governmental regulation and governmental subsidy and let the free enterprise system work or you do, as a great number of nations have done and say we are not going to bother with that method of the business community regulating itself, we are going to specifically regulate it.

Now I look at the auto manufacturers who have had a high degree of concentration. It seems to me that they must be able to take advantage of all the technology. They have done a very poor job in international competition.

How do we get our way through this thicket without resorting to a really controlled economy? How can we preserve a degree of freedom we have in a competitive system?

Mr. BYROM. I hope, Mr. Congressman, that in no way I have left an implication or said anything where you could draw an inference that says that I want a controlled, planned economy.

Basically, I am saying, though, that we don't have a free enterprise system. We already have invasions and interventions by the Government which prevent private initiative to the degree that is possible on the basis of technology today.

My contention is that the one thing we need to do in our society is to remove the inhibitions we place to imaginative, aggressive production. Now let me give you an example.

We produce a material and it is a material that is used for many things. Among other things, it is used as an adhesive in tire cords for rubber tires. To my knowledge, at the present time we are the only people producing the chemical on which this is based in the United States. We are so efficient in that production that people overseas are shutting down their producing plants in order to import it from us.

Yet, this happens to be the material where under an FTC proceeding we were invited to sign a consent order raising the price of our material so that there would be room for another competitor.

Now, the market just unfortunately is not big enough to support two efficient producers of this chemical. Yet, we have this obsession in our society that we are afraid of benevolent monopolies. I can understand that, but I think that in our society today there are alternatives that we have to choose between.

Most of our system was based on that system which worked best in a society that was a society of surplus. Today, we are a society of scarcities and we may have to give up some of the luxuries of the so-called freedoms we chose to have if we are going to do all the other things we want to do.

My company builds steel mills, for example. The largest blast furnace in the United States is nominally about 7,000 tons capacity. There are at least three or four 12,000-ton a day furnaces around the world and a 15,000-ton a day furnace being built. The reason that there are no 12,000-ton a day furnaces in the United States is not because we, my company, does not know how to build them. It is because nobody

has a big enough share of the market to keep that kind of facility operating full. There is no sense in building it unless you can utilize the capacity.

That is what I am talking about in economy of scale. The thing that prevents it is our antitrust interpretation.

Mr. CORMAN. Thank you very much.

Mr. ULLMAN. Are there further questions?

Mr. Karth?

Mr. KARTH. Thank you, Mr. Chairman.

Mr. Byrom, apparently, you then disagree with Arthur Burns, chairman of the Federal Reserve System, who on many occasions, most recently at least within the last year or two, has suggested strongly that there be greater enforcement of the antitrust laws?

Mr. BYROM. Well, I must say to you that I am not that familiar with that aspect of what Chairman Burns had to say. I am surprised. I normally find myself in agreement with most of the things he says.

Mr. KARTH. He has said that. He said it publicly and he said it before this committee, and I guess he has said it on at least a half dozen occasions. It has been well-publicized.

Mr. BYROM. This does give me an opportunity to maybe explain myself a little more clearly.

I am not suggesting that the antitrust laws be rescinded. I suspect that they still properly apply on maybe 90 percent of commerce that goes on. I am talking about waiving the restrictions of antitrust when they can be demonstrated as being that inhibiting factor which prevents the application of technology that would provide an economy of scale that would improve the productivity of a production of a given good.

Mr. KARTH. Are you talking now of products for export?

Mr. BYROM. I am talking everything. I am not just talking export. I know that we have argued about eliminating restrictions for purposes of export. Frankly, what I am saying is this: when the demands of society are to improve the quality of the human condition, to improve pollution control and all the other kinds of things that we are asking for in our society, and when we are, in effect, now a service economy with 75 percent of the new entries in the work force going into the service sector rather than the producing sector; I say when we apply those kinds of burdens we should be producing our material wealth as efficiently as possible, not so somebody can make a lot of money, but so that the wealth can be redistributed to improve the quality of the human condition generally. When a law is the sole determining factor that prevents the exploitation of technology, I think that law should be waived.

Mr. KARTH. I am inclined to agree with your now qualified statement.

I merely want to point out that in Chairman Burns' judgment the U.S. productivity is directed toward U.S. consumption and the productivity of other industrialized nations is geared to export because the U.S. consumer is the consumer in the largest world market, by far.

So, we have kind of misjudged this situation over a period of years, or at least our U.S. industry has. They are geared for U.S. consumption and all other industrialized countries of the world are geared for U.S. consumption, vis-a-vis exports, obviously.

Let me ask you this question: Are you concerned about inflation?

Mr. BYROM. I couldn't be more so.

Mr. KARTH. Since imports, that is, the imbalance of trade and the imbalance of payments contributes substantially to inflationary pressures, it seems to me that on one of the pages of your testimony, I guess it is the last page, you should not have suggested that we not deal with inflation in this trade bill since a substantial portion of it is, in fact, contributory to an imbalance of trade and imbalance of payments.

Mr. BYROM. The reason we suggested that is that, basically, if you read that particular part of the suggested bill it implies that if people like me are not being good boys, the President will be able to use imports as a means to chastise me and get me in line on matters pertaining to control of inflation.

I think that is a rather weak approach to control of inflation. That is what we object to. We don't believe that there is any need in our society to put into the hands of the President the ability—talk about controlled economy—to put into the hands of the President the right to, in effect, bring in imports to show a particular industry how it had better get in line. We certainly are capable of a better way of governing ourselves than that.

Mr. KARTH. The only alternative we have, of course, is to write into this bill some language that would be export-inducive. Frankly, the only alternative to that is what we already have and that is probably an encouragement of capital export.

Mr. BYROM. Congressman Karth, I am disturbed. We had a $6 billion trade deficit and I have heard statements that in order to get our balance of payments in some kind of reasonable line we ought to have a $6 billion trade surplus and this is ignoring the interest charges on the dollar overhang which is another $3 billion or more.

Mr. KARTH. It ignores many things. It ignores, for example, the tremendous import potential that we have to look forward to in the field of energy-producing materials.

Mr. BYROM. Okay. Fine. My point is this—

Mr. KARTH. So we have to export more manufactured goods to even come close to the requirement for the importation of raw materials.

Mr. BYROM. I think we definitely do. But I think if anybody believes that we are suddenly going to get our balance of payments in line with a sudden surge of a $12 billion reversal in the trade account in the predictable future, I think they are dreaming.

Mr. KARTH. Then you tell me how we can expect to do this which will stifle inflation and produce the problems that we apparently have produced for the value of the dollar abroad and at home.

Mr. BYROM. My feeling, and I should not be talking to this august committee about something like this because you certainly know more about inflation than I do, but my feeling is that inflation is a function of fiscal and monetary responsibility on the part of the Government program and that anything we are talking about here is a matter of treating symptoms rather than getting at the basic disease. The basic disease is fundamentally that we have been irresponsible in this Nation.

Mr. KARTH. Of course, the President has been more concerned about that basic disease than you. In his initial inaugural address, I think I remember because I was there, he said under this administration we would never deficit spend. It is not as easy as you apparently might visualize it to be. Otherwise, the President would not have

allowed the highest massive consecutive deficits that we have ever had in this country.

Mr. BYROM. I don't envision it to be easy at all.

Mr. KARTH. I am just asking you what do you propose? Certainly the groups you represent which are very able and distinguished members of the industrial community must have talked about this and must have some positive recommendations to make about what we are to do.

Mr. BYROM. The first thing that we ought to do is to be sure that we do not prevent arbitrarily the concentrations that could, with our modern technology, increase our competitive posture vis-a-vis the rest of the world. That is one thing.

Secondly, I feel very, very strongly that part of the reason we are non-competitive in the world is that our plants cost too much.

Mr. KARTH. Let me stop you right there.

You are talking about capital intensive costs?

Mr. BYROM. Yes.

Mr. KARTH. Now, most of this over a period of time is written off in accelerated depreciation, seven percent investment credit and so on, where I suppose you could conclude that the taxpayers are eventually therefore paying for the cost of capital intensive investment.

What do you propose in addition to what we now have on the statute books in terms of the Internal Revenue Code to compensate for what you believe to be insufficient write-off for capital investment?

Mr. BYROM. I am not arguing the question that the write-off is all that insufficient. I don't think that we go quite as far as the other countries do, but I am not arguing that point.

Mr. KARTH. You can't argue both ways, Mr. Byrom.

Mr. BYROM. I am not arguing both ways.

Mr. KARTH. If it is insufficient, then you can't talk about capital intensive costs in this country being so great that you invest overseas.

Mr. BYROM. No. I am talking about the fact that if it takes $100 million today to build a plant that it costs somebody else to build for $75 million, —

Mr. KARTH. But if you can write it all off.

Mr. BYROM. I am sorry, but you and I apparently went to a different school on this.

Mr. KARTH. I have been listening to different witnesses than you have been listening to yourself.

Mr. BYROM. That might well be.

You say you can write it off but the fact is that if it cost me $100 million I have to show some return on that investment in order to encourage people to let me use their savings to build it.

Let us suppose for the sake of argument that my pretax earnings have to be 20 percent. Now, that means that I have to earn $20 million per year on that $100 million investment; is that right?

Mr. KARTH. Right.

Mr. BYROM. Somebody else who built it elsewhere in the world for $75 million only has to earn $15 million; is that right? So, he has a $5 million advantage on me on depreciation right there. That is the kind of thing I am talking about.

Mr. KARTH. The question I am asking you is: If this is your complaint, then what are you proposing to eliminate the complaint?

When I asked you the question you said you are not necessarily suggesting——

Mr. BYROM. No. You assumed my answer to it was depreciation policy and investment credit policy. It is not. I am saying that in this particular case the reason our construction costs are so high is that the trade unions have a monopoly power which they are abusing in our society.

Mr. KARTH. You are suggesting that we do something in terms of statutory law to reduce those wage scales?

Mr. BYROM. I see no other way to correct it.

Mr. KARTH. Now that I have your answer——

Mrs. GRIFFITHS. May I ask you: Didn't you just get through talking about benevolent monopolies?

Mr. BYROM. Yes.

Mrs. GRIFFITHS. What great things they were? You mean there is a distinction; all of us have built-in biases about such things?

Mr. BYROM. I am sorry, Madam Congresswoman.

What I said was that I recognized that people were concerned about benevolent monopolies. I understand the concern.

What I think we have to do is find some means of governing against abuse of monopoly power other than the use of fragmentation of our industry as a means of doing it. I believe that there has to be some control against the abuse of power.

I am just saying that when our only means of doing it is fragmentation of an industry so that we make ourselves less productive than we could be, it is unfortunate and indicates an inability on our part to govern ourselves properly.

Mrs. GRIFFITHS. I thought you were going to make a distinction there might be a few benevolent monopolies operating and selling things, but not within unions.

Mr. BYROM. No.

Mrs. GRIFFITHS. And the unions are already fragmented?

Mr. BYROM. No.

I recognize that trap.

Really, all I am talking about is the hiring-hall practice in the trade unions. I am talking about the limitation on the number of people who can proceed to qualify themselves as journeymen. I am talking about the practice whereby people who are not journeymen are hired as permit-carrying representatives, and this sort of thing, which does, in fact, significantly reduce the efficiency of the construction industry.

I really am not a blind person about these inconsistencies. I understand the problems.

When I am talking about agreeing to concentration in one place and say we are abusing it in another, what I am saying is that those of us who are concerned with these problems ought to try to find some means of disciplining ourselves in a better way. As far as I am concerned this may require further Government intervention in terms of regulations of conduct than we now have.

I do not believe we have a free enterprise system in our country. As I said, I think we have a private enterprise system, and to think we can get by without Government interventions is false. I don't expect that. I just hope we learn to do it so that we don't use arbitrary methods to inhibit our ability to be as productive as we could be, and we are doing that today.

Mrs. GRIFFITHS. Of course, we are doing it in a lot of ways. We are arbitrarily limiting the market, arbitrarily limiting who can go into it because it is based on money. You can't be the world's leading chemical organization without money.

Mr. BYROM. I recognize that.

Mrs. GRIFFITHS. No matter how bright you are, no matter what you can do otherwise, you first have to have money.

Mr. BYROM. I think that is true. I think that is the nature of our technology and the nature of our society. I don't really see that we can afford the luxury of holding an umbrella over anybody who doesn't have enough capital in an industry where it takes capital to be an efficient producer.

Mrs. GRIFFITHS. I think maybe the trade unions figured out a way. Thank you.

Mr. BURKE [presiding]. Are there further questions?

Mr. Carey from New York is recognized.

Mr. CAREY. I would like to find out from the expert witness here your view of the impact on this industry of a trade-related matter and that is: How are you going to compete in the world in production and marketing your products and product availability in the light of the lack of future crude supplies or supplies of any resource necessary for your feed stocks? What kind of problem is this presenting to your chemical industry?

Mr. BYROM. It obviously presents a very serious problem. Maybe I have too much faith in man's ability. I do believe, however, that once a problem is well-defined that the chances are we are going to be capable of finding a solution for it.

Mr. CAREY. It was well-defined for me by a member of your industry. I am speaking of Mr. Decker of Dow Chemical. He said we had better wake up and recognize that the commodity of exchange in the world is no longer the dollar, the yen, the mark, the franc, or any other currency. It is a unit of energy supply or natural resource for the production of products such as yours.

Mr. BYROM. I couldn't agree with you more, Mr. Congressman.

This is where I get frustrated, the energy problem, the whole problem of supply that you talk about reminds me of sort of waking up in the morning and looking out and seeing a glacier in the backyard and being surprised. It took that glacier a long time to get here.

One of the things that disturbs me is that in the decisionmaking process in our country today we seem to be unable to look forward to the degree that we have to to come up with the actions today that will affect our future and our society 10 years from now. I used to get angry at individuals in our Government leadership about this until I started to think it through. I realize now that part of our problem is that the whole stimulus we give to the leadership is one based on short-term performance. We reward short-term performance, but we don't, and I am talking about me as a private citizen and a voter, we don't sit down and say how well is that guy thinking through what is going to happen out here 10 years from now.

The rate of change today and the size of things is such that, until we do that, we are going to constantly wake up with glaciers in our backyard. As far as I can see, we have a problem with us for the next five, six, seven years. There is nothing we are going to do to alleviate

that problem. What had to be done had to be done 5 years ago and it wasn't done.

Mr. CAREY. We are 5 years or more behind in coping with the shortages that may be 5 or 10 years ahead. We have to appreciate this on an emergency basis, some way perhaps in the direction that Senator Jackson is talking about in terms of an organized program to handle every resource we have and assign it a priority.

The last question is: You are one of the few industries that has been giving us a favorable export balance, a favorable balance of trade. It has been declining but it is still favorable. With the lack of feed stocks and unavailability of products based on raw materials to produce chemical products, how are you going to fare in the future if we don't do something about emergency supplies for the chemical industry?

The contractors now want emergency supplies for contracting; the farmers now want emergency supplies; the Government is insisting on its own emergency supplies in the retention of the Naval Reserves.

How is the chemical industry going to make out without a priority?

Mr. BYROM. I would feel a lousy salesman if I didn't say that my company is offering commercially one of the two proven coal gasification processes available in the United States today.

Mr. CAREY. Who is buying it? It is about time somebody bought that.

Mr. BYROM. That is what we think.

Mr. CAREY. Thank you, Mr. Chairman.

Mr. BURKE. There being no further questions on behalf of the committee, we wish to thank you for your appearance and your contribution here today.

The next witnesses will be Harold C. Whittemore, and Robert C. Barnard.

If you will identify yourself and your colleague, you may proceed with your testimony.

STATEMENTS OF HAROLD C. WHITTEMORE, PRESIDENT, AND ROBERT C. BARNARD, COUNSEL, ON BEHALF OF SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION AND DRY COLOR MANUFACTURERS ASSOCIATION

Mr. WHITTEMORE. Mr. Chairman and members of the committee, my name is Harold C. Whittemore, Jr. I am vice president of Sun thetic Organic Chemical Manufacturers Association, usually abbreviated as SOCMA. We have prepared a written statement which has been submitted to the committee. I request that this written statement be incorporated into the record, Mr. Chairman.

Mr. BURKE. The written statements of both you and Mr. Barnard appear in the record and you may summarize it.

Mr. WHITTEMORE. Thank you.

The committee has asked that testimony be coordinated to avoid duplication. In that spirit, I have been authorized to speak for the members of the Dry Color Manufacturers Association (DCMA). I am accompanied by Robert C. Barnard, counsel to the association.

We appreciate the opportunity to discuss the impact of the proposed trade bill on our industry and to suggest some changes which we believe are essential to accomplishing the bill's objective. The major

points made in my written statement, which I will attempt to summarize in my testimony today, are:

One. The need for some safeguards in connection with the President's authority to negotiate away methods of customs valuation, including, but not limited to, the American selling price method.

Two. The need for some reasonable limitations on our negotiators' ability to dismantle our remaining tariffs.

Three. The need for reciprocal consideration and benefits for an industry whose tariff or nontariff barriers are reduced.

Four. The need for industry participation in the upcoming trade talks.

Let me begin by describing our industry. The 77 member companies of SOCMA produce more than 5,000 chemical products including dyes, pigments, medicinal chemical, flavor and perfume materials, plastics and resins, rubber processing chemicals, pesticides and various other chemicals. The 33 companies comprising the membership of DCMA manufacture color pigments used in printing ink, textiles, plastics, rubber, linoleum, paints and other products. The members of these two associations manufacture over 80 percent of the benzenoid chemicals produced in the United States. I have a list of the members of each association, which include both large and small companies, to submit for the record, which, with the chairman's permission, I will hand to the reporter to be included in the record.

Mr. BURKE. Without objection the list will appear in the record.

Mr. WHITTEMORE. The industry employs more than 300,000 people in the production and sale of these chemicals. More than 115,000 are employed in producing benzenoid chemicals alone.

THE CHEMICAL AND INTERNATIONAL TRADE

The chemical industry is vitally interested in international trade and its future is deeply tied up in the proposed trade bill and the forthcoming negotiations. The chemical industry's favorable balance of trade in 1972 was $2.2 billion, of which organic chemicals account for $555 million, at a time when our overall trade was $6.4 billion in deficit. However, as the following charts illustrate, while the chemical industry maintained a favorable balance of trade our competitive position in world trade is declining markedly. In 1960, the U.S. share of world chemical trade was 29.5 percent. In 1968, when the Kennedy round cuts began, it had dropped to 24 percent. In 1972, in the three quarters for which the Department of Commerce has published figures, it fell to 19.2 percent and was as low as 16.6 percent in the second quarter.

The first chart [1] which is now in front of you, produced in living color with some of our products, shows the decline in our export balance.

The next chart illustrates the tremendous growth in imports from the period 1967 through 1972. This despite the fact that ASP still applies.

The following chart illustrates the precipitous drop in our share of world trade in both chemicals and all manufactures.

We have a vital stake in all aspects of the trade bill. However, we will confine our remarks today to those subjects in which our members

[1] The charts referred to are reproduced in Mr. Whittemore's prepared statement.

have a special interest and where, I believe we have something to contribute to the committee's deliberations.

I. NEGOTIATING AUTHORITY ON METHODS OF CUSTOMS VALUATION

Section 103(c) of the bill authorizes the President to implement a trade agreement to the extent the implementation is limited to a reduction of the burden on trade from methods of customs valuation. In this bold form, the President is delegated virtually unrestricted power to change the methods of valuation provided by law without any standards as to how this authority should be exercised. This provision is even more far reaching on close examination than it first appears, and serious questions about the constitutionality of this unfettered grant of legislative powers must be raised.

The American selling price, ASP, method of valuation is the only example specifically mentioned in the administration's analysis of this section, but the Tariff Commission has listed nine methods of valuation. The Tariff Commission has recently proposed a new standard international method of valuation—are these included? It could even be said that our f.o.b. basis of valuation is a "method" of valuation as compared to the c.i.f. basis of valuation used by our trading partners. The impact on our foreign trade of such major shifts could be profound.

But we are not here to debate the sweep of the provision. We will confine our remarks to ASP which applies to the benzenoid products manufactured by our members. Many of the points we shall make, however, would be equally applicable if other broad shifts in valuation were proposed.

WHAT IS ASP?

What is American selling price method of valuation and why all the fuss about it.

Under ASP valuation the duty paid is based on the wholesale price of the comparable domestic product rather than the price of the imported product as is the case with foreign export, f.o.b., valuation more commonly used by the United States, or Brussels, c.i.f., valuation used by many of our trading partners. If there is no comparable domestic product, ASP valuation does not apply. The principal difference between ASP and these other methods is that the duty is tied to prices, and hence costs, in this country rather than those abroad.

I will not debate the merits of ASP, but there are two points that should be noted.

One. The basic reasons ASP was originally selected for benzenoid products are still valid. Traditionally, benzenoid products have been the subjects of foreign cartels which "discipline" an industry among other things, by dumping. ASP provides an automatic partial protection against dumping since the dumper does not get reduced duties when he offers at dumping prices. And the cartels which concerned the Congress when it adopted ASP still exist. The dye cartel uncovered by the EEC in 1969 and the hundreds of registered cartels in Japan attest to this fact.

Two. As the following chart demonstrates, ASP has not prevented a steady increase in the foreign import penetration of the U.S. market.

As you will see on the following page the growth in imports of benzenoid chemicals from 1967 to 1971 is 124 percent.

We are aware that ASP has been subject to criticism from importers, principally on the grounds of delay and uncertainties in the administrative process. Beginning in 1966, we have proposed various changes in administration to take care of these points. We have repeated that proposal several times since and as late as December 6, 1972, in a letter to Ambassador Pearce.

Last week we gave these proposals again to Ambassador Eberle. I would like to offer our proposed changes and recommendations to the committee for action. I request, Mr. Chairman, that a copy be entered into the record.

Mr. BURKE. Without objection it is so ordered.

Mr. WHITTEMORE. There will be a copy distributed to each member of the committee as well.

We believe the adoption of these changes would largely remove ASP as a bone of contention.

Lest I leave the impression that ASP is the only method of valuation subject to criticism, I call the committee's attention to the fact that our trading partners' administration of BTN has been strongly criticized by the American Importers Association as arbitrary and lacking in uniformity. Quotations from their statements appear in our full testimony.

THE INDUSTRY'S POSITION ON THE ELIMINATION OF ASP

We are told that our trading partners will press for the elimination of ASP in the upcoming trade talks and our negotiators appear all too willing. It should be clear that if we give up ASP, we give up valuable protection for an import-sensitive segment of the American chemical industry. There is nothing sacrosanct about ASP. However, if Congress decides to approve its use as a bargaining chip in the trade negotiations, Congress should also require our negotiators to be as hard-nosed as their European counterparts and insist upon a fair, reciprocal deal for the U.S. chemical industry. The statute should state explicitly that any agreement calling for the elimination of ASP must contain foreign concessions on chemicals that genuinely offer export opportunities that are substantially equal in value.

INDISPENSIBLE SAFEGUARDS

The major defect with the proposed bill is that it fails to include any safeguards which would ensure that any agreement reached on ASP is fair to the United States. Section 103(c) authorizes the President to negotiate away "customs valuation methods" without any congressional review of the agreement reached. While the bill provides for certain prenegotiation procedures, including hearings by the Tariff Commission and advice from various agencies, it is not at all clear that any of these procedures would be applicable if the President were to decide to negotiate away a method of valuation.

We are concerned that this legislation gives the executive carte blanche to repeat the mistakes our negotiators made during the Kennedy round. It is very important that any agreement providing for the elimination of ASP or other methods of valuation be subject to

appropriate pre-negotiation procedures. We also believe that any trade agreement on items as basic as U.S. methods of valuation should be submitted to Congress for approval on an ad referendum basis. Ambassador Eberle said that the past experience with negotiating on an ad referendum basis has not been particularly good. What he meant was that when our negotiators brought home an agreement involving ASP which was unfair and unreciprocal, the Congress declined to approve it. In our view, that experience amply demonstrates the wisdom of having agreements involving major changes in our law reviewed by the Congress on an ad referendum basis. Moreover, this eliminates the constitutional question on the delegation of legislative powers.

THE CONVERSION ISSUE

If ASP is to be eliminated, the duty rates based on ASP valuation must be converted to new rates applicable to the new valuation method. One of the basic mistakes our representatives made during the Kennedy round was to negotiate on ASP using a faulty schedule of converted rates. In 1965 the administration requested the Tariff Commission to prepare a schedule of converted rates to substitute for the rates then in effect for the four classes of products subject to ASP valuation. However, instead of directing the Commission to develop rates which would provide substantially equivalent protection to the ASP rates, the Commission was told to determine rates which would generate a substantially equivalent amount of duty to that generated by the ASP method in a recent period; the Commission used 1964 imports.

The Commission frankly said that the schedule of rates it developed under this directive did not afford equivalent protection. Indeed, based on the Commission's own numbers, the conversion process alone produced a unilateral duty cut of from 14 percent to 44 percent on a large number of benzenoid products. Based on industry data the unilateral cuts were even higher.

Incidently, Mr. Chairman, the data on which these conclusions are based are set out in this committee's 1968 hearings, on pages 45–46 and following.

Because of this totally inadequate rate conversion the supplemental or "separate package" agreement negotiated during the Kennedy round not only provided for the elimination of ASP, it called for us to make significant duty reductions on hundreds of benzenoid chemicals. This was on top of the 50 percent chemical reduction by the Europeans. In exchange for the significant concessions we were making in the "separate package" agreement, our European trading partners magnanimously agreed to return to us the remaining 30 percent reduction in their chemical tariff which we had already bought and paid for with our 50 percent cut in the Kennedy round.

While we were stuck with the 50 percent-20 percent deal because the Trade Expansion Act authorized the executive to reduce tariffs by up to 50 percent without congressional approval or review, we were at least able to have our objections to the "separate package" heard. The obvious unfairness of these Kennedy round chemical "deals" properly resulted in the Congress declining to ratify the "separate package" agreement despite the urgings of the Johnson and Nixon administrations.

THE NEED FOR A NEW CONVERSION INDUSTRY

Since the administration appears willing to let the Europeans make ASP a subject of negotiation in the upcoming trade talks, the Trade Act should provide as an indispensable pre-negotiation step that the Tariff Commission must make a new conversion of the present ASP based rates of duty to rates of duty applicable to the new valuation method. It is essential that the Commission be instructed that unlike the "separate package" converted rates, these new rates should be computed so as to give the domestic industry protection substantially equivalent to the present ASP rates. The directive to the Commission should be similar to the one President Nixon gave it in connection with the ongoing study of converting the U.S. Tariff Schedules to the BTN nomenclature. That directive provides, among other things, that the converted tariff schedules "should avoid, to the extent practicable and consonant with sound nomenclature principles, changes in rates of duty on individual products"—37 Federal Register 16139, August 10, 1972.

While there are technical problems inherent in any tariff conversion, a schedule of rates affording substantially equivalent protection can be developed. It should be required and we stand ready to give the Commission our full assistance in this endeavor.

PUBLICATION OF TARIFF COMMISSION IMPACT STUDY

The second negotiation preparatory step which should be included in the law is a requirement that the Tariff Commission publish the new converted rates and prepare a report, after hearings, on the probable economic effect on the U.S. benzenoid industry of their adoption. If the President also proposes to negotiate based on the new converted rates, a list of commodities on which he proposes to negotiate should be published and the Tariff Commission should be directed to prepare a supplemental report on the probable economic impact of any proposed modifications. The proposed Trade Act requires that there be a Tariff Commission report on the economic impact of duty cuts, but it is unclear how this requirement relates to changes in valuation or converted rates. We believe there should be no ambiguity.

We also urge that the statute specifically direct that the Tariff Commissions impact study be published. The last time when we sought publication we were told that confidential and non confidential data were intermixed in the study. To overcome that difficulty, the statute should direct the Commission to segregate confidential data and publish that part of the report based upon nonconfidential data. There is no justification for cloaking its findings on such a crucial issue with a veil of secrecy when a simple precaution such as we have proposed would overcome the problem.

II. RECIPROCAL AND SEPARATE CONSIDERATION

The proposed trade bill should have two main objectives: to stimulate expansion of fair world trade and to do so without injury to U.S. industry. There are provisions for adjustments where injuries occur, but the objective should be to minimize injury. The obvious way to accomplish this is to provide that so far as practicable

reciprocal consideration and benefits should be secured for the industry whose barriers are reduced.

If ASP is to be negotiated away, for example, we should certainly receive in return the 30 percent cut in EEC chemical tariffs which we already paid for with our 50 percent cut during the Kennedy round. In addition, we should receive a reciprocal reduction in the Japanese and European non-tariff barriers to our chemical exports such as the border tax-export rebate system which have effectively nullified their Kennedy Round tariff concessions. In 1967, we were promised by our negotiators that the separate package would have reciprocal benefits for this industry. It did not.

As Mr. Schultz and others have already testified, we are more sinned against than sinners when it comes to non-tariff barriers. That makes it even more important that the statute reflect the need for reciprocity in trade agreements by requiring that any concessions made by the United States on ASP should be fully compensated for by foreign concessions.

In his message, the President placed primary emphasis on opening markets for our agriculture in Europe. This is sound, but should not be accomplished by putting the chemical industry or other industries on the block; on the contrary, a sound objective must be to seek reciprocal benefits for the industry affected. Otherwise the Congress is not giving the President just the power to negotiate tariffs and NTBs, but the power to remake the U.S. economy, to decide which industries shall survive and in which part of the country. Such sweeping power has never been granted. A statutory objective of reciprocal benefits for the industry involved will help prevent this.

III. NEGOTIATING AUTHORITY ON TARIFF REDUCTIONS

I would like to comment briefly on the unlimited authority in the bill to reduce or eliminate chemical tariffs. We believe that it would be a serious mistake for our negotiators to approach these talks as a tariff cutting exercise. As a result of the Kennedy round reductions, the last stage of which only went into effect January 1, 1972, the average U.S. chemical tariff is approximately 9 percent. However, non-tariff barriers to our trade have been erected which completely offset the tariff concessions made by our trading partners during the Kennedy round.

This next round of negotiations, therefore, should clearly be devoted to a negotiated reduction in the increasing non-tariff barriers to our trade including a change in GATT rules which permit the tax systems of our trading partners to impact our trade. Significant tariff cuts without these changes would result in an increase in imports that could not be matched in terms of trade by exports induced by foreign tariff concessions. For example, the Tariff Commission found that in 1971 the foreign invoice prices for benzenoid chemicals were up to 56 percent lower than the U.S. prices on equivalent products. Devaluation has changed but not eliminated this difference. Obviously, any lowering of protection for benzenoid chemicals will enable foreign producers to increase their sales at the expense of domestic producers.

The impact of large tariff cuts on our industry and, for that matter, the effect on the balance of payments, could be considerable. While the President should have adequate negotiating authority, we believe that with the possible exception of tariffs that are less than 5 percent ad valorem, the Congress should retain the right to review substanial tariff reductions of more than 30 percent on an ad referendum basis. As a minimum, the President should be required to inform the Congress whenever he proposes to negotiate a reduction in duties of more than 30 percent if the Tariff Commission has found that such a reduction would cause or threaten serious injury to the domestic industry making like articles.

IV. INDUSTRY PARTICIPATION IN THE NEGOTIATION PROCESS

The last point I want to make in this connection concerns the urgent need for a procedure whereby those vitally affected by the negotiations can provide advice and information to the negotiators as the negotiations go forward. One major reason that past negotiations were so unsuccessful is that our trading partners had industrial advisers at their elbow. They knew the significance of concessions or proposals and were able to look beyond statistics which spoke of the past and consider the future trade impact.

Our negotiators on the other hand occasionally asked for information and for some advice, but there was never any genuine opportunity to say what was good or bad about a particular proposal, or to have any influence in proposals being made. Our industry knew generally about the Tariff Commission findings as to injury from proposed cuts, but we were never able to discuss them with the Government or to participate in the proposals which supposedly took this into account. Moreover, as negotiations developed and the situation changed, we had information about the negotiations from European business sources, but not from our negotiators.

We note the bill provides, section 112(b), that Government agencies may seek advice from business, labor and agricultural groups, but there is no requirement that the procedure be followed. This leaves the matter where it was in the Kennedy round. Industry will be on the outside, consulted on some things, but having no genuine opportunity to participate in the negotiating procedure with consultation, advice and information.

We do not advocate that every businessman has a right to be consulted. A reasonable procedure allowing representatives of various segments of the industry surely can be worked out. We commend this to the committee and urge that the bill direct such consultations.

Mr. Chairman, this was also covered in quite some detail by MCA. We fully support their position in respect to the joint involvement of the industry with our negotiators.

In summary I would like to repeat once again our objectives. The first is the need for safeguards in connection with the President's authority to negotiate away methods of customs valuation including, but not limited to, the American selling price method.

Two, the need for some reasonable limitations on our negotiators' ability to dismantle our remaining tariffs.

Three, the need for reciprocal consideration and benefits for an industry whose tariff and non-tariff barriers are reduced.

Four, the need for industry participation in the upcoming trade talks.

The last points we wish to make concern the impact on our trade of the European border tax-export rebate and the need for safeguards in the underdeveloped country preference. I have asked Mr. Barnard to cover these points.

[The prepared statement of Mr. Whittemore together with supplemental material follow:]

STATEMENT OF HAROLD C. WHITTEMORE, JR., PRESIDENT, SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION

Mr. Chairman and Members of the Committee:

My name is Harold C. Whittemore, Jr. I am Vice President of Sun Chemical Corporation. I am appearing here today as President of the Synthetic Organic Chemical Manufacturers Association—usually abbreviated SOCMA. The Committee has asked that testimony be coordinated to avoid duplication. In that spirit, I have been authorized to speak for the members of the Dry Color Manufacturers Association (DCMA). I am accompanied by Robert C. Barnard, counsel to the Association.

We appreciate the opportunity to discuss the impact of the proposed Trade Bill on our industry and to suggest some changes which we believe are essential to accomplishing the bill's objective. The major points made in my written statement, which I will attempt to summarize in my testimony today, are:

(1) the need for some safeguards in connection with the President's authority to negotiate away methods of customs valuation, including, but not limited to, the American Selling Price method.

(2) the need for some reasonable limitations on our negotiators ability to dismantle our remaining tariffs.

(3) the need for reciprocal consideration and benefits for an industry whose tariff or non-tariff barriers are reduced.

(4) the need for industry participation in the upcoming trade talks.

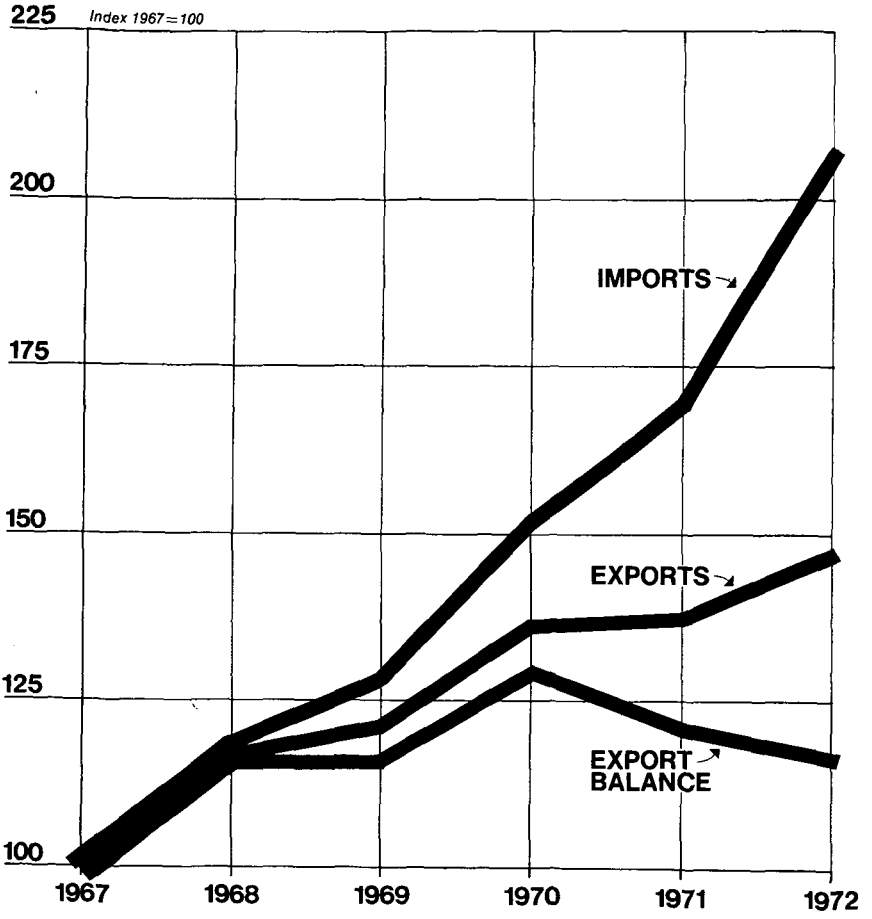
SOCMA AND DCMA

Let me begin by describing our industry. The 77 member companies of SOCMA produce more than 5,000 chemical products including dyes, pigments, medicinal chemicals, flavor and perfume materials, plastics and resins, rubber processing chemicals, pesticides and various other chemicals. The 33 companies comprising the membership of DCMA manufacture color pigments used in printing ink, textiles, plastics, rubber, linoleum, plants and other products. The members of these two associations manufacture over 80% of the benzenoid chemicals produced in the United States. I have a list of the members of each association, which include both large and small companies, to submit for the record. The industry employs more than 300,000 people in the production and sale of these chemicals. More than 115,000 are employed in producing benzenoid chemicals alone.

The Chemical Industry and International Trade

The chemical industry is vitally interested in international trade and its future is deeply tied up in the proposed Trade Bill and the forthcoming negotiations. The chemical industry's favorable balance of trade in 1972 was $2.2 billion (of which organic chemicals account for $555 million) at a time when our overall trade was $6.4 billion in deficit. However, as the following charts illustrate, while the chemical industry maintained a favorable balance of trade our competitive position in world trade is declining markedly. In 1960, the U.S. share of world chemical trade was 29.5%. In 1968, when the Kennedy Round cuts began, it had dropped to 24%. In 1972, in the three quarters for which the Department of Commerce has published figures, it fell to 19.2% and was as low as 16.6% in the second quarter.

U.S. Chemical Industry Trade Balance



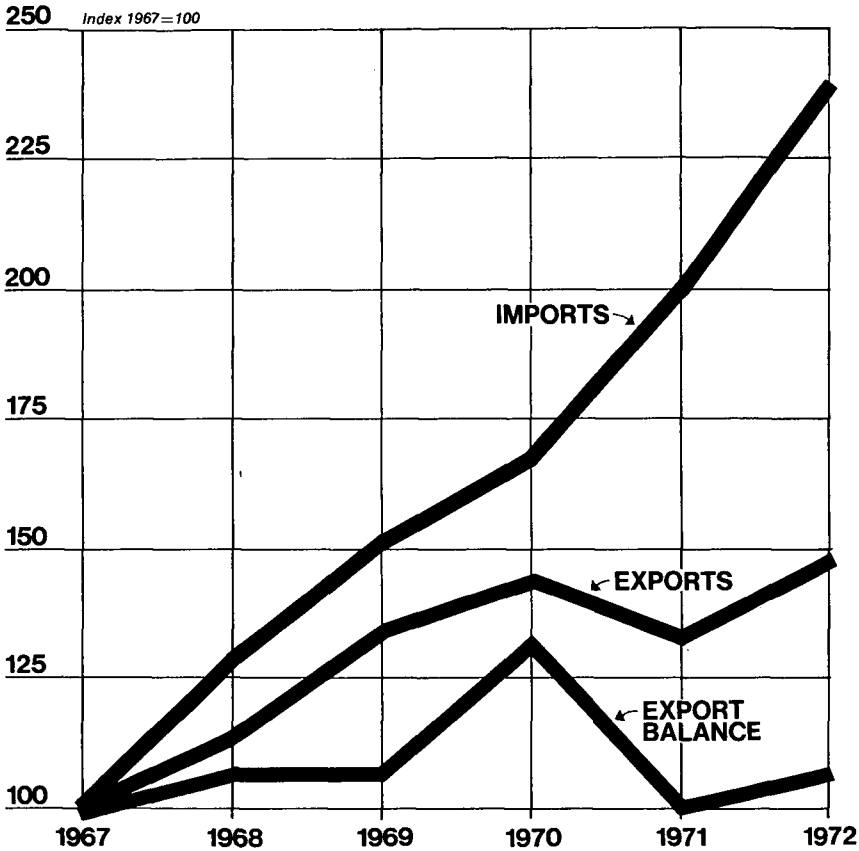
(Millions of dollars)	IMPORTS*	EXPORTS	EXPORT BALANCE
1967	947	2,803	1,856
1968	1,117	3,289	2,172
1969	1,216	3,383	2,167
1970	1,436	3,826	2,390
1971	1,599	3,837	2,238
1972	1,963	4,134	2,171

*excludes Uranium Oxide

Source: U.S. Bureau of Census

U.S. Organic Chemical Trade

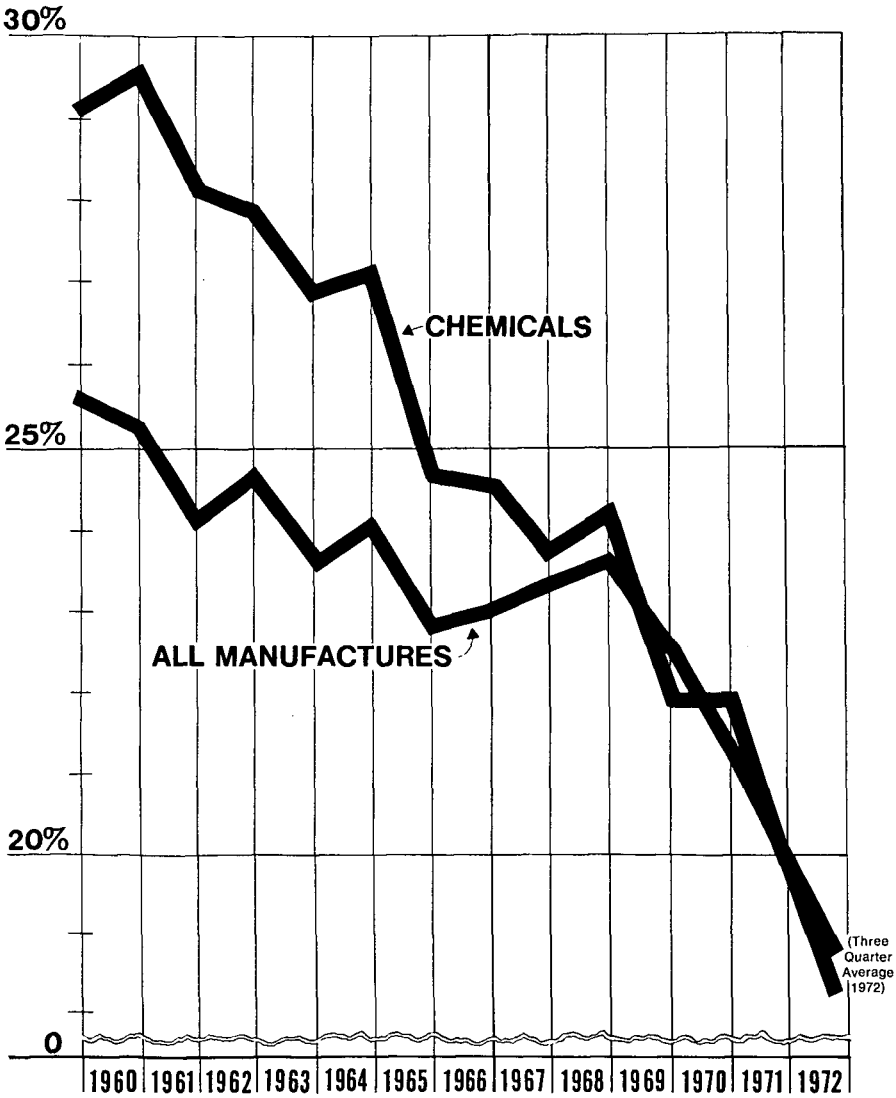
SITE GROUPS 512 & 531



(Millions of dollars)	IMPORTS	EXPORTS	EXPORT BALANCE
1967	251.2	780.2	529.0
1968	325.1	884.7	559.6
1969	379.0	937.6	558.6
1970	421.3	1,112.6	691.3
1971	501.8	1,033.2	531.4
1972	600.6	1,155.9	555.3

Source: U.S. Bureau of Census.

U.S. SHARE OF WORLD EXPORTS



Source: U.S. Department of Commerce

We have a vital stake in all aspects of the Trade Bill. However, we will confine our remarks today to those subjects in which our members have a special interest and where, I believe we have something to contribute to the Committee's deliberations.

I—Negotiating Authority on Methods of Customs Valuation

Section 103(c) of the bill authorizes the President to implement a trade agreement to the extent the implementation is limited to a reduction of the burden on trade from methods of customs valuation. In this bold form, the President is delegated virtually unrestricted power to change the methods of valuation provided by law without any standards as to how this authority should be exercised. This provision is even more far-reaching on close examination than it first appears, and serious questions about the constitutionality of this unfettered grant of legislative powers must be raised.

The American Selling Price (ASP) method of valuation is the only example specifically mentioned in the Administration's analysis of this section, but the Tariff Commission has listed nine methods of valuation. The Tariff Commission has recently proposed a new standard international method of valuation—are these included? It could even be said that our f.o.b. basis of valuation is a "method" of valuation as compared to the c.i.f. basis of valuation used by our trading partners. The impact on our foreign trade of such major shifts could be profound.

But we are not here to debate the sweep of the provision. We will confine our remarks to ASP which applies to the benzenoid products manufactured by our members. Many of the points we shall make, however, would be equally applicable if other broad shifts in valuation were proposed.

What is ASP?

What is American Selling Price method of valuation and why all the fuss about it.

Under ASP valuation the duty paid is based on the wholesale price of the comparable domestic product rather than the price of the imported product as is the case with foreign export (f.o.b.) valuation more commonly used by the United States, or Brussels (c.i.f.) valuation used by many of our trading partners. If there is no comparable domestic product, ASP valuation does not apply. The principle difference between ASP and these other methods is that the duty is tied to prices (and hence costs) in this country rather than those abroad.

I will not debate the merits of ASP, but there are two points that should be noted.

(1) The basic reasons ASP was originally selected for benzenoid products are still valid. Traditionally, benzenoid products have been the subjects of foreign cartels which "discipline" an industry among other things, by dumping. ASP provides an automatic partial protection against dumping since the dumper does not get reduced duties when he offers at dumping prices. And the cartels which concerned the Congress when it adopted ASP still exist. The dye cartel uncovered by the EEC in 1969 and the hundreds of registered cartels in Japan attest to this fact.

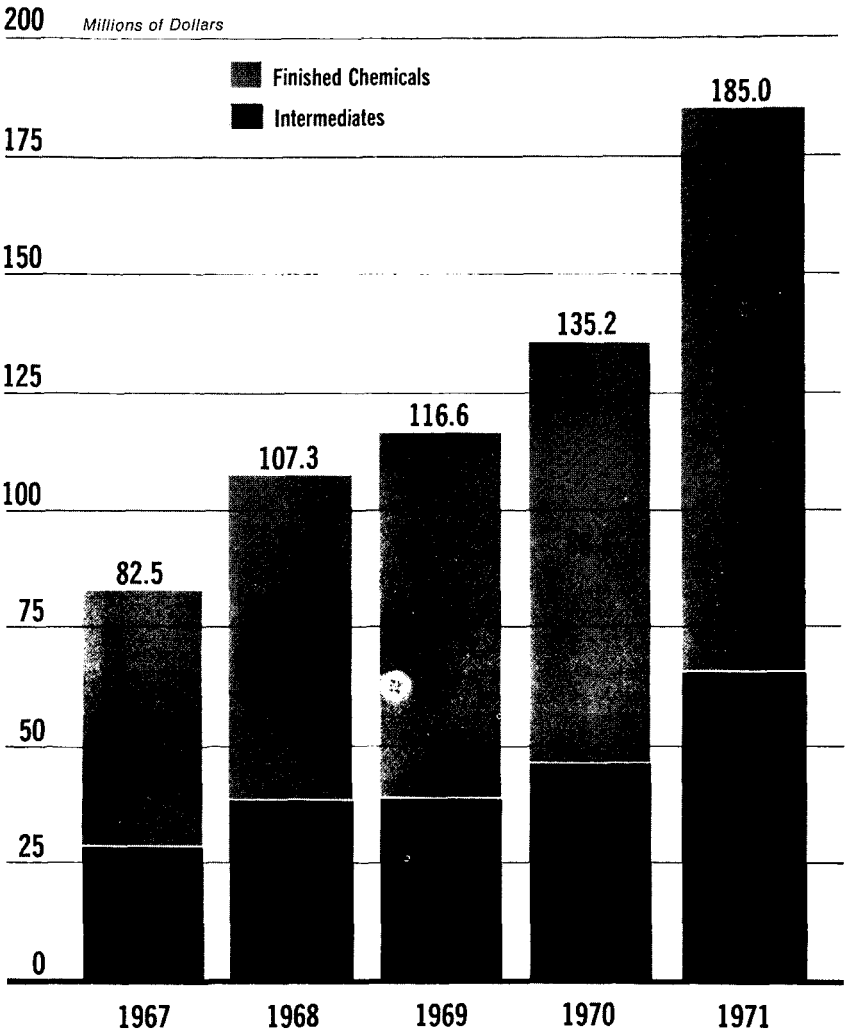
(2) As the following chart demonstrates, ASP has not prevented a steady increase in the foreign import penetration of the United States market.

We are aware that ASP has been subject to criticism from importers, principally on the grounds of delay and uncertainties in the administrative process. Beginning in 1966, we have proposed various changes in administration to take care of these points. We have repeated that proposal several times since and as late as December 6, 1972 in a letter to Ambassador Pearce. I would like to offer our proposed changes in ASP administration and commend it to the Committee for action. We believe the adoption of these changes would largely remove ASP as a bone of contention.

Lest I leave the impression that ASP is the only method of valuation subject to criticism, I call the Committee's attention to the fact that our trading partners' administration of BTN has been strongly criticized by the American Importers Association as arbitrary and lacking in uniformity. Quotations from their statements appear in our full testimony.

Imports of Benzenoid Chemicals 1967-1971 (Based on foreign invoice value)

Growth 1967-1971: 124%



Source: U.S. Tariff Commission

The Industry's Position on the Elimination of ASP

We are told that our trading partners will press for the elimination of ASP in the upcoming trade talks and our negotiators appear all too willing. It should be clear that if we give up ASP, we give up valuable protection for an impor-sensitive segment of the American chemical industry. However, there is nothing sacrosanct about ASP. If Congress decides to approve its use as a bargaining chip in the trade negotiations, Congress should also require our negotiators to be as hard-nosed as their European counterparts and insist upon a fair, reciprocal deal for the U.S. chemical industry. The statute should state explicitly that any agreement calling for the elimination of ASP must contain foreign concessions on chemicals that genuinely offer export opportunities that are substantially equal in value.

Indispensible Safeguards

The major defect with the proposed bill is that it fails to include any safeguards which would ensure that any agreement reached on ASP is fair to the United States. Section 103(c) authorizes the President to negotiate away "customs valuation methods" without any Congressional review of the agreement reached. While the bill provides for certain pre-negotiation procedures, including hearings by the Tariff Commission and advice from various agencies, it is not at all clear that any of these procedures would be applicable if the President were to decide to negotiate away a method of valuation.

We are concerned that this legislation gives the Executive carte blanche to repeat the mistakes our negotiators made during the Kennedy Round. It is very important that any agreement providing for the elimination of ASP or other methods of valuation be subject to appropriate pre-negotiation procedures. We also believe that any trade agreement on items as basic as U.S. methods of valuation should be submitted to Congress for approval on an *ad referendum* basis. Ambassador Eberle said that the past experience with negotiating on an *ad referendum* basis has not been particularly good. What he meant was that when our negotiators brought home an agreement involving ASP which was unfair and unreciprocal, the Congress declined to approve it. In our view, that experience amply demonstrates the wisdom of having agreements involving major changes in our law reviewed by the Congress on an *ad referendum* basis. Moreover, this eliminates the constitutional question on the delegation of legislative powers.

The Conversion Issue

If ASP is to be eliminated, the duty rates based on ASP valuation must be converted to new rates applicable to the new valuation method. One of the basic mistakes our representatives made during the Kennedy Round was to negotiate on ASP using a faulty schedule of converted rates. In 1965 the Administration requested the Tariff Commission to prepare a schedule of converted rates to substitute for the rates then in effect for the four classes of products subject to ASP valuation. However, instead of directing the Commission to develop rates which would provide substantially equivalent *protection* to the ASP rates, the Commission was told to determine rates which would generate a substantially equivalent amount of duty based on 1964 imports to that generated by the ASP method in a recent period (the Commission used 1964 imports).

The Commission frankly said that the schedule of rates it developed under this directive did not afford equivalent protection. Indeed, based on the Commission's own numbers, the conversion process alone produced a unilateral duty cut of from 14% to 44% on a large number of benzenoid products. Based on industry data the unilateral cuts were even higher.

Because of this totally inadquate rate conversion the supplemental or "separate package" agreement negotiated during the Kennedy Round not only provided for the elimination of ASP, it called for us to make significant duty reductions on hundreds of benzenoid chemicals. This was on top of the 50% cut in our chemical tariffs which our negotiators traded for a 20% chemical reduction by the Europeans. In exchange for the significant concessions we were making in the "separate package" agreement, our European trading partners magnanimously agreed to return to us the remaining 30% reduction in their chemical tariff which we had already bought and paid for with our 50% cut in the Kennedy Round.

While we were stuck with the 50%–20% deal because the Trade Expansion Act authorized the Executive to reduce tariffs by up to 50% without Congres-

sional approval or review, we were at least able to have our objections to the "separate package" heard. The obvious unfairness of these Kennedy Round chemical "deals" properly resulted in the Congress declining to ratify the "separate package" agreement despite the urgings of the Johnson and Nixon Administrations.

The Need for a New Conversion Study

Since the Administration appears willing to let the Europeans make ASP a subject of negotiation in the upcoming trade talks, the Trade Act should provide as an indispensable pre-negotiation step that the Tariff Commission must make a new conversion of the present ASP based rates of duty to rates of duty applicable to the new valuation method. It is essential that the Commission be instructed that unlike the "separate package" converted rates, these new rates should be computed so as to give the domestic industry protection substantially equivalent to the present ASP rates. The directive to the Commission should be similar to the one President Nixon gave it in connection with the ongoing study of converting the U.S. Tariff Schedules to the BTN Nomenclature. That directive provides, among other things, that the converted tariff schedules "should avoid, to the extent practicable and consonant with sound nomenclature principles, changes in rates of duty on individual products" (37 Fed. Reg. 16139, August 10, 1972).

While there are technical problems inherent in any tariff conversion, a schedule of rates affording substantially equivalent protection can be developed. It should be required and we stand ready to give the Commission our full assistance in this endeavor.

PUBLICATION OF TARIFF COMMISSION IMPACT STUDY

The second negotiation preparatory step which should be included in the law is a requirement that the Tariff Commission publish the new converted rates and prepare a report, after hearings, on the probable economic effect on the U.S. benzenoid industry of their adoption. If the President also proposes to negotiate based on the new converted rates, a list of commodities on which he proposes to negotiate should be published and the Tariff Commission should be directed to prepare a supplemental report on the probable economic impact of any proposed modifications. The proposed Trade Act requires that there be a Tariff Commission Report on the economic impact of duty cuts, but it is unclear how this requirement relates to changes in valuation or converted rates. We believe there should be no ambiguity.

We also urge that the statute specifically direct that the Tariff Commission's impact study be published. The last time when we sought publication we were told that confidential and non-confidential data were intermixed in the study. To overcome that difficulty, the statute should direct the Commission to segregate confidential data and publish that part of the report based upon non-confidential data. There is no justification for cloaking its findings on such a crucial issue with a veil of secrecy when a simple precaution such as we have proposed would overcome the problem.

II—Reciprocal and Separate Consideration

The proposed Trade Bill should have two main objectives: to stimulate expansion of fair world trade and to do so without injury to U.S. industry. There are provisions for adjustments where injuries occur, but the objective should be to minimize injury. The obvious way to accomplish this is to provide that so far as practicable reciprocal consideration and benefits should be secured for the industry whose barriers are reduced.

If ASP is to be negotiated away, for example, we should certainly receive in return the 30% cut in EEC chemical tariffs which we already paid for with our 50% cut during the Kennedy Round. In addition, we should receive a reciprocal reduction in the Japanese and European non-tariff barriers to our chemical exports such as the border tax-export rebate system which have effectively nullified their Kennedy Round tariff concessions. In 1967, we were promised by our negotiators that the Separate Package would have reciprocal benefits for this industry. It did not.

As Mr. Schultz and others have already testified, we are more sinned against than sinners when it comes to non-tariff barriers. That makes it even more important that the statute reflect the need for reciprocity in trade agreements by re-

96-006 (Pt. 6) O - 73 -- 5

quiring that any concessions made by the United States on ASP should be fully compensated for by foreign concessions.

In his message, the President placed primary emphasis on opening markets for our agriculture in Europe. This is sound, but should not be accomplished by putting the chemical industry or other industries on the block; on the contrary, a sound objective must be to seek reciprocal benefits for the industry affected. Otherwise the Congress is not giving the President just the power to negotiate tariffs and NTBs, but the power to remake the U.S. economy, to decide which industries shall survive and in which part of the country. Such sweeping power has never been granted. A statutory objective of reciprocal benefits for the industry involved will help prevent this.

III—Negotiating Authority on Tariff Reductions

I would like to comment briefly on the unlimited authority in the bill to reduce or eliminate chemical tariffs. We believe that it would be a serious mistake for our negotiators to approach these talks as a tariff cutting exercise. As a result of the Kennedy Round reductions, the last stage of which only went into effect January 1, 1972, the average U.S. chemical tariff is approximately 9%. However, non-tariff barriers to our trade have been erected which completely offset the tariff concessions made by our trading partners during the Kennedy Round.

This next round of negotiations, therefore, should clearly be devoted to a negotiated reduction in the increasing non-tariff barriers to our trade including a change in GATT rules which permit the tax systems of our trading partners to impact our trade. Significant tariff cuts without these changes would result in an increase in imports that could not be matched in terms of trade by exports induced by foreign tariff concessions. For example, the Tariff Commission found that in 1971 the foreign invoice prices for benzenoid chemicals were up to 56% lower than the U.S. prices on equivalent products. Devaluation has changed but not eliminated this difference. Obviously, any lowering of protection for benzenoid chemicals will enable foreign producers to increase their sales at the expense of domestic producers.

The impact of large tariff cuts on our industry and, for that matter, the effect on the balance of payments, could be considerable. While the President should have adequate negotiating authority, we believe that with the possible exception of tariffs that are less than 5% *ad valorem*, the Congress should retain the right to review substantial tariff reductions of more than 30% on an *ad referendum* basis. As a minimum, the President should be required to inform the Congress whenever he proposes to negotiate a reduction in duties of more than 30% if the Tariff Commission has found that such a reduction would cause or threaten serious injury to the domestic industry making like articles.

IV—Industry Participation in the Negotiation Process

The last point I want to make in this connection concerns the urgent need for a procedure whereby those vitally affected by the negotiations can provide advice and information to the negotiators as the negotiations go forward. One major reason that past negotiations were so unsuccessful is that our trading partners had industrial advisers at their elbow. They knew the significance of concessions or proposals and were able to look beyond statistics which spoke of the past and consider the future trade impact.

Our negotiators on the other hand occasionally asked for information and for some advice, but there was never any genuine opportunity to say what was good or bad about a particular proposal, or to have any influence on proposals being made. Our industry knew generally about the Tariff Commission findings as to injury from proposed cuts, but we were never able to discuss them with the Government or to participate in the proposals which supposedly took this into account. Moreover, as negotiations developed and the situation changed, we had information about the negotiations from European business sources, but not from our negotiators.

We note the bill provides (§ 112(b)) that Government agencies may seek advice from business, labor and agricultural groups, but there is no requirement that the procedure be followed. This leaves the matter where it was in the Kennedy Round. Industry will be on the outside, consulted on some things, but having no genuine opportunity to participate in the negotiating procedure with consultation, advice and information.

We do not advocate that every businessman has a right to be consulted. A reasonable procedure allowing representatives of various segments of the industry surely can be worked out. We commend this to the Committee and urge that the bill direct such consultations.

The last points we wish to make concern the impact on our trade of the European border tax-export rebate and the need for safeguards in the underdeveloped country preferences. I have asked Mr. Barnard to cover these points.

SOCMA MEMBERSHIP

Aceto Industrial Chemical Corp.
Allied Chemical Corp.
American Aniline Products, Inc.
American Cyanamid Co.
American Hoechst Corp.
Atlantic Chemical Corp.
BASF Wyandotte Corp.
Baychem Corp.
Benzenoid Organics, Inc.
Berncolors-Poughkeepsie, Inc.
Celanese Corp.
Ciba-Geigy Corp., Dyestuffs & Chemicals Divisions
Cities Service Co., Levey Division
Crompton & Knowles Corp.
The Dow Chemical Co.
Dow Corning Corp.
Drake Chemicals, Inc.
E. I. du Pont de Nemours & Co.
Dye Specialties, Inc.
Emery Industries, Inc.
Evans Chemetics, Inc.
Fabricolor, Inc.
Fairmount Chemical Co., Inc.
First Chemical Corp.
FMC Corp.
GAF Corp.
Gane's Chemical Works, Inc.
Givaudan Corp.
The Harshaw Chemical Co., Division of Kewanee Oil Co.
Hatco Chemical Division, W. R. Grace & Co.
Hercules, Inc.
Heterochemical Corp.
The Hilton-Davis Chemical Co., Division of Sterling Drug, Inc.
ICI America, Inc.
Industrial Dyestuff Co.
Inmont Corp.
H. Kohnstamm & Co., Inc.
Koppers Co., Inc.
Lakeway Chemicals, Inc.
Lonza, Inc.
Magnolia Industries, Inc., Milliken Chemical Division
Martin Marietta Chemicals, Sodyeco Division
Otto B. May, Inc.
MC&B Manufacturing Chemists
Miles Laboratories, Inc.
Monsanto Co.
Morton Chemical Co.
Napp Chemicals, Inc.
Nyanza, Inc.
Olin Corp.
Parsons-Plymouth, S. B. Penick & Co.
Passaic Color & Chemical Corp.
Pennwalt Corp.
Pfister Chemical, Inc.
Pfizer, Inc.
Pitt-Consol Chemical Co.
P.P.G. Industries

Reilly Tar & Chemical Corp.
Salsbury Laboratories
Sandoz Colors & Chemicals
Scholler Brothers, Inc.
Sherwin-Williams Chemicals
Sobin Chemicals, Inc., Montrose Chemical Division
Southwest Specialty Chemicals
Standard Chlorine Chemical Co., Inc.
Stauffer Chemical Co.
Sun Chemical Corp.
Synalloy Corp., Blackman Uhler Chemical Division
Syntex Corp., Arapahoe Chemicals Division
Tenneco Chemicals, Inc.
Toms River Chemical Corp.
Union Carbide Corp.
The Upjohn Co.
USS Chemicals, Division of U.S. Steel Corp.
Virginia Chemicals, Inc.
White Chemical Corp.

DCMA MEMBERSHIP

Young Aniline Works, Inc.
Allied Chemical Corp.
American Cyanamid Co.
American Hoechst Corp.
Apollo Colors
BASF Wyandotte Corp.
Binney & Smith, Inc.
Chemetron Corp.
CIBA-Geigy Corp.
Cities Service Co., Inc.
Ferro Corp.
GAF Corp.
Gliddon-Durkee
The Harshaw Chemical Co.
Hercules, Inc.
The Hilton Davis Chemical Co.
O. Hommel Co.
Hoover Color Corp.
Inmont Corp.
Keystone Color Works, Inc.
H. Kohnstamm & Co., Inc.
Magruder Color Co., Inc.
Max Marx Color & Chemical Co.
Mineral Pigments Corp.
Charles Pfizer & Co., Inc.
Richard-Coulston, Inc.
Reichhold Chemicals, Inc.
Ridgeway Color & Chemical Division, Martin Marietta Corp.
Sandoz, Inc.
Sherwin-Williams Chemicals
Sun Chemical Corp.
Tenneco Intermediates Division, Tenneco Chemicals, Inc.
Thomasset Colors Division, Sterling Drug, Inc.
Paul Uhlich & Co., Inc.

PROPOSED ADMINISTRATIVE CHANGES IN THE AMERICAN SELLING PRICE SYSTEM

Section 14.5 of Title 19 of the Code of Federal Regulations to include the following new provisions:

(a) (1) Any manufacturer or producer of any article dutiable under Schedule 4, part 1, Tariff Schedules of the United States may at any time certify to the Bureau of Customs that it manufactures or produces such article in commercial quantities in the United States. The term "commercial quantities" shall mean normal sized industrial lots and container sizes as distinct from specialty situations such as laboratory reagent or sample quantities.

(2) The Bureau of Customs shall publish a List of Benzenoid Chemicals or Products Manufactured or Produced in the United States which shall include

each article for which the Bureau has received the certification provided for in paragraph (a)(1) of this section. Thereafter, the Bureau of Customs shall each month publish a Supplement to the List of Benzenoid Chemicals or Products Manufactured or Produced in the United States, which shall:

(i) add to such List each article not previously contained therein, for which the Bureau has received the certification provided for in paragraph (a)(1) of this section; and

(ii) delete from such List any article for which no certification provided for in paragraph (a)(1) of this section has been received in the preceding 12 month period.

(3) For purposes of Headnote 5, Part 1 of Schedule 4 of the Tariff Schedules of the United States, no article manufactured or produced in the United States shall be considered similar to, or competitive with, any imported article until a reasonable period (60–90 days) after the inclusion of such domestic article in the List of Benzenoid Chemicals or Products Manufactured or produced in the United States, or any Supplement thereto.

(b)(1) The Bureau of Customs shall publish a List of Non-Competitive Imports which shall contain any article provided for in this part that has been entered, or withdrawn from warehouse, for consumption in the two year period prior to enactment for which it has been determined that the most recent entry of such article was not similar to, or competitive with, an article manufactured or produced in the United States.

(2) Upon receipt of a claim and supporting evidence providing reasonable cause to believe that any article contained in the List of Non-Competitive Imports is similar to, or competitive with, an article manufactued or produced in the United States, the Bureau of Customs shall promptly publish a notice removing such article from the List of Non-Competitive Imports effective within a reasonable period (60–90 days) after publication of such notice.

(3) The Bureau of Customs shall each month publish a supplement to the List of Non-Competitive Products which shall:

(1) add to the List of Non-Competitive Imports any article that has been entered, or withdrawn from warehouse, for consumption since the publication of such List or the most recent Supplement thereto for which it has been determined that such article was not similar to, or competitive with, an article manufactured or produced in the United States;

(2) add to the List of Non-Competitive Imports any article which the Commissioner of Customs has ruled to be non-competitive pursuant to the provisions of Section 16.10a of Title 19 of the Code of Federal Regulations; and

(3) list any article to be removed from the List of Non-Competitive Imports and the date such action shall become effective.

(4) For purposes of Headnote 5 to Part 1 of Schedule 4 of the Tariff Schedules of the United States, no article contained in the List of Non-Competitive Imports published by the Bureau of Customs pursuant to paragraph (b)(1) of this section shall be considered similar to, or competitive with, an article manufactured or produced in the United States.

(c) *Advance Rulings*—Section 16.10a of Title 19 of the Code of Federal Regulations relating to "Tariff Classification of Prospective Imports" is hereby amended to insert the words "(including, where applicable, its competitive status)" after the words "tariff classification" each time that they appear in such section. Tentative rulings as to the competitive status of an article shall be issued within 60 days after the application is filed and a final ruling shall be issued within 120 days after the application is filed.

(d) *Effective Date*—These regulations shall become effective 30 days after their publication in the Federal Register, except that:

(1) The List of Benzenoid Chemicals or Products Manufactured or Produced in the United States provided for in paragraph (a)(2) shall be published 90 days after the effective date of these regulations and shall be based upon the certification received by the Bureau in the first 60 days after the effective date. Section (a)(3) shall become effective 30 days after publication of the List of Benzenoid Chemicals or Products Manufactured or Produced in the United States; and

(2) The List of Non-Competitive Imports shall be published within 30 days after the effective date and Section (b)(4) shall become effective 90 days after the publication of the List of Non-Competitive Imports.

STATEMENT OF ROBERT C. BARNARD

Mr. BARNARD. Mr. Chairman, and members of the committee. As Mr. Whittemore has said, there are two points I would like to discuss today.

One. One of the major non-tariff barriers affecting our trade is the border tax-export rebate device permissible under GATT and used by many of our trading partners. The administration has said reform of GATT is a major objective of the forthcoming negotiations and a solution to this border tax problem should receive high priority.

Two. The proposed preference for the underdeveloped countries, Title 6 of the bill, goes beyond that granted by the EEC and safeguards similar to those adopted by the EEC should be incorporated in the bill.

I. THE BORDER TAX-EXPORT REBATE PROBLEM

In testimony before this committee, the administration asked for changes in our tax laws with the objective of making U.S. tax laws neutral with respect to international trade. I leave to others to comment on these proposed tax changes which appear more properly to be part of any tax reform this Committee may consider. However, I want to underline the stated objective, tax neutrality with respect to trade. This points to the high priority which should be given to the reform of trade distorting GATT rules on when domestic taxes can be imposed on international trade.

One of the most persistent problems affecting U.S. trade is the large and increasing barrier created by the border tax-export rebate device used by many of our trading partners. The problem arises because of the different way in which countries are allowed to adjust at the border for an indirect tax as distinguished from a direct tax. The U.S. fiscal system depends primarily on the direct tax, the income tax, while our trading partners' tax systems are based primarily on indirect taxes, the most common being the value added tax or VAT.

Under an interpretation of the GATT apparently agreed to by the United States, although the agreement has never been published, an indirect tax is treated as a tax on the product and may be assessed on imports at the border and rebated on exports. A direct tax, that is, the income tax, on the other hand, cannot be assessed on imports or rebated.

THE GERMAN EXAMPLE

Germany, our principal trading partner in the European Community, provides a good example of the workings of this border tax-export rebate mechanism. Prior to 1968, Germany had a turnover tax which resulted in a border tax-export rebate in the 4–5 percent range. In 1968, Germany shifted to a value-added tax of 11 percent. Because the turnover tax was applied to each sale in a cascade manner, the German authorities said the 11 percent value added tax did not increase the total domestic tax burden, but it significantly increased both the border tax and export rebate. The VAT is scheduled to be increased to 12 percent effective January 1, 1974, and to move to about 15 percent when the EEC tax harmonization program is complete.

The effect of the border tax and export rebate on trade is shown in the following charts. For purposes of simplification, these charts do not take into account the fact that EEC duty rates are assessed on the c.i.f. value of imports, which is higher than the f.o.b. value used

by the United States or the fact that the border tax is assessed not on the c.i.f. value but the landed value duty paid. In addition, we have left out U.S. sales and excise taxes. The net effect may be to change the foreign advantage somewhat but the major impact of the border tax-export rebate remains.

Chart I, based on data released by the EEC, shows that the increasing border tax has had the effect of raising the total barrier to U.S. chemical exports from 15.5 percent in 1967 to 26.7 percent when tax harmonization is accomplished.

The sources for our charts are shown in the tables on the back of our charts.

Chart I

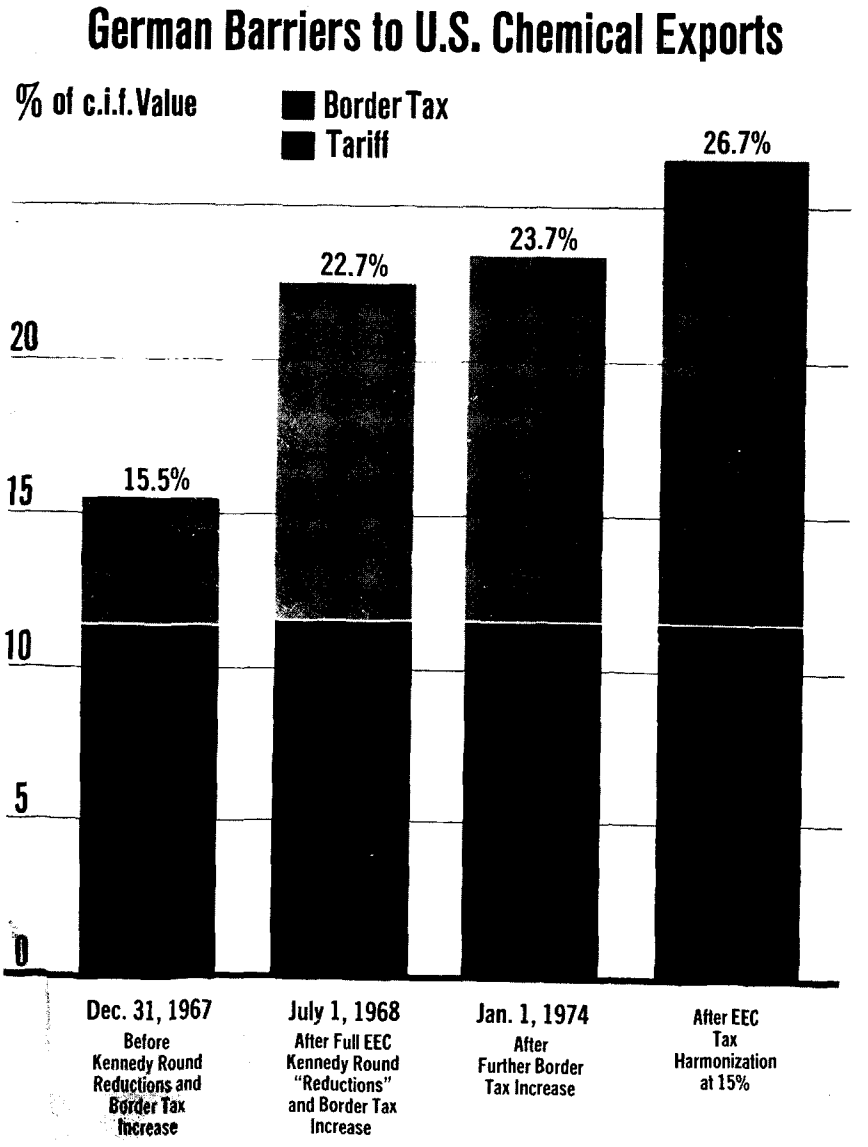


TABLE I.—GERMAN BARRIERS TO U.S. CHEMICAL EXPORTS

[Percent of costs, insurance, and freight value]

	Tariff [1]	Border tax [2]	Total trade barrier [3]
Dec. 31, 1967: Before Kennedy round reductions and border tax increase	11.5	4	15.5
July 1, 1968: After full EEC Kennedy round reductions and border tax increase	11.7	11	22.7
Jan. 1, 1974: After further border tax increase	11.7	12	23.7
After EEC tax: Harmonization at 15 percent [4]	11.7	15	26.7

[1] CCH Common Market Reporter, ¶9227 (April 1968), from data released by the EEC.

[2] Before Jan. 1, 1968, the normal German border tax was 4 percent of the duty paid landed value, with a higher rate permitted for some products. Effective Jan. 1, 1968, the German border tax was raised to 10 percent of the duty paid landed value and a 11 percent rate became effective July 1, 1968. This rate is scheduled to rise by 1 percent on Jan. 1, 1974. No adjustment has been made in the border taxes to reflect the fact that they are based upon the duty paid landed value rather than the costs, insurance, and freight value. In each case it would result in a border tax about 1 percent higher than shown on this table.

[3] Tariff plus border tax equals total barrier.

[4] During the 1970's, the EEC countries plan to harmonize their turnover taxes, border taxes, and export rebates at approximately 15 percent. This harmonization, originally scheduled for Jan. 1, 1972, has been postponed because of United Kingdom entry and delay by Italy in enacting the value-added tax. When the harmonization system and rates are adopted, there will be a 15 percent border tax—export rebate for all countries.

Chart II on the next page shows the impact of the export rebate in U.S. markets. The chart shows, for the same period as chart I, how the declining U.S. tariff, when combined with the increasing export rebate, will soon result in a negative U.S. barrier to German exports.

Chart II

U.S. Barriers to German Chemical Exports

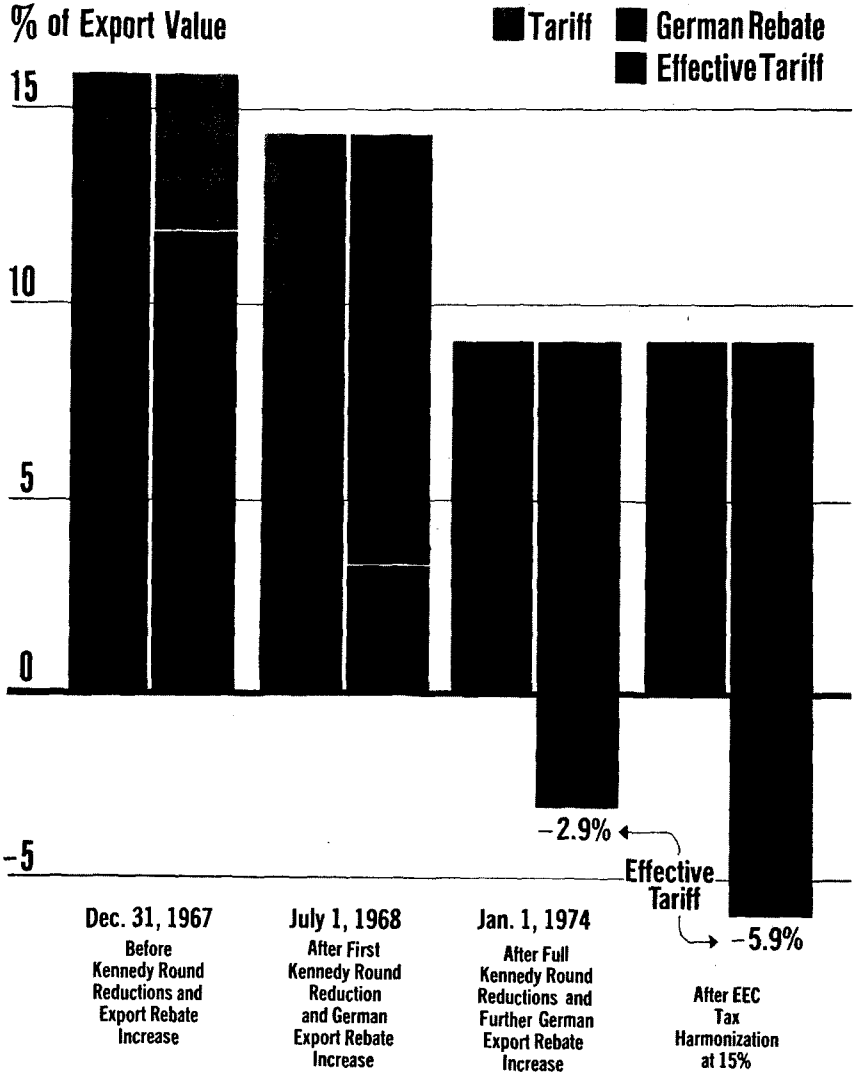


TABLE II.—U.S. BARRIERS TO GERMAN CHEMICAL EXPORTS

[Percent of export value; in percent]

	U.S. tariff [1]	German export rebate [2]	Effective U.S. tariff [3]
Dec. 31, 1967: Before Kennedy round reductions and export rebate increase	15.9	4	11.9
July 1, 1968: After first Kennedy round reduction and German export rebate increase	14.4	11	3.4
Jan. 1, 1974: After full Kennedy round reductions and further German export rebate increase	9.1	12	−2.9
After EEC tax: Harmonization at 15 percent [4]	9.1	15	−5.9

[1] Weighted average U.S. chemical tariff on dutiable imports before Kennedy round reductions were estimated by the Government to be almost 16 percent (Government statement, hearings on tariff and trade proposal, House Ways and Means Committee, 90th Cong., 2d sess., pt. 2, p. 510). The U.S. tariff after full Kennedy round reduction was obtained by reducing 15.9 percent rate by 43 percent, the average U.S. reduction in chemical tariffs in the Kennedy round (hearings at p. 502).

[2] Before Jan. 1, 1968, the German export rebate (or tax exoneration) was 4 percent of the price in Germany, with a higher rate permitted for some products. The German rebate rose to 10 percent on Jan. 1, 1968, to 11 percent on July 1, 1968, and is scheduled to rise to 12 percent on Jan. 1, 1974.

[3] U.S. tariff minus German export rebate equals effective U.S. tariffs.

[4] During the 1970's, the EEC countries plan to harmonize their turnover taxes, border taxes, and export rebates at approximately 15 percent. Originally scheduled for Jan. 1, 1972, the harmonization has been postponed.

By offsetting the U.S. duty by the export rebate we get what we call the effective tariff. In 1974, as you will see from the chart, the effective tariff will be less than zero.

Charts III and IV on the pages following show the same data for U.S. exports generally to Germany. The total barrier to U.S. products is increased, although tariffs have been reduced. The border tax barrier has increased so that the total barrier of tax plus tariff is significantly greater after the Kennedy round cuts than the combination tax and tariff barrier was before the Kennedy round.

Chart IV on the following page shows also that the increased export rebate when combined with U.S. tariff cuts results in a negative U.S. tariff barrier to imports from Germany.

Chart III

German Barriers to U.S. Exports

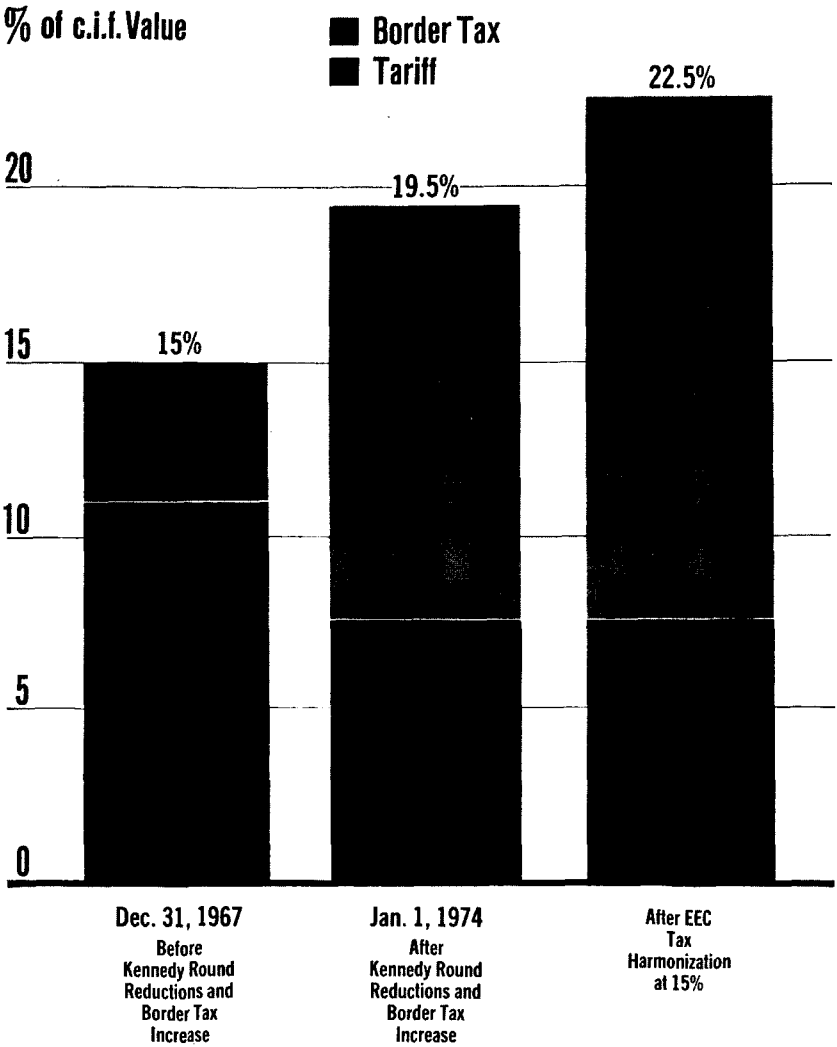


TABLE III.—GERMAN BARRIERS TO U.S. EXPORTS

[Percent of costs, insurance, and freight value; in percent]

	Tariff[1]	Border tax[2]	Total trade barrier[3]
Dec. 31, 1967: Before Kennedy round reductions and border tax increase	11.0	4	15.0
Jan. 1, 1974: After Kennedy round reductions and border tax increase	7.5	12	19.5
After EEC tax harmonization at 15 percent	7.5	15	22.5

[1] CCH Common Market Reporter, ¶9227 (April 1968), from data released by the EEC.

[2] Before Jan. 1, 1968, the normal German border tax was 4 percent of the duty paid landed value, with a higher rate permitted for some products. Effective Jan. 1, 1968, the German border tax was raised to 10 percent of the duty paid landed value and a 11 percent rate became effective July 1, 1968. This rate is scheduled to rise by 1 percent on Jan. 1, 1974. No adjustment has been made in the border taxes to reflect the fact that they are based upon the duty paid landed value rather than the costs, insurance, and freight value. In each case it would result in a border tax about 1 percent higher than shown on this table.

[3] Tariff plus border tax equals total barrier.

Chart IV

U.S. Barriers to German Exports

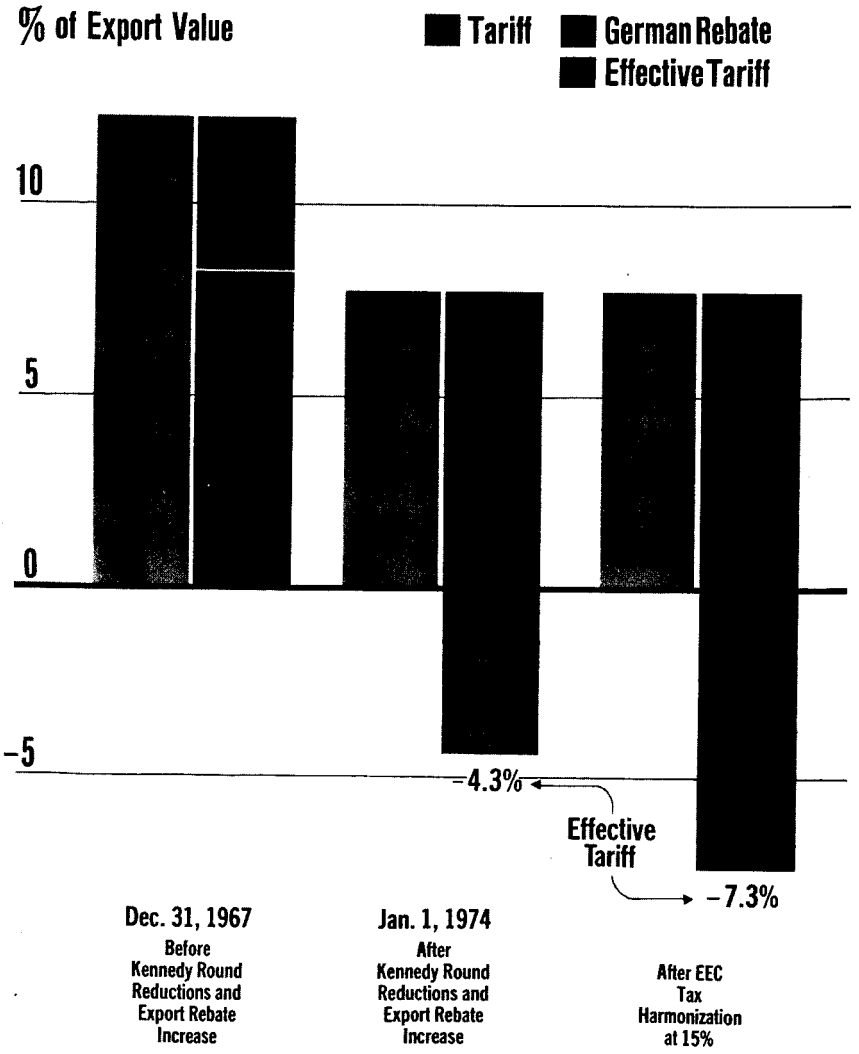


TABLE IV.—U.S. BARRIERS TO GERMAN EXPORTS

[Percent of export value]

	U.S. tariff [1]	German export rebate [2]	Effective U.S. tariff [3]
Dec. 31, 1967: Before Kennedy round reductions and export rebate increase	12.2	4	8.2
Jan. 1, 1974: After Kennedy round reductions and export rebate increase	7.7	12	−4.3
After EEC tax harmonization at 15 percent	7.7	15	−7.3

[1] Weighted average U.S. tariff on all dutiable imports in 1967. Statistical abstract of the United States, 1971, p. 781. The average duty reduction by the United States was 35 percent.

[2] Before Jan. 1, 1968, the normal German border tax was 4 percent of the duty paid landed value, with a higher rate permitted for some products. Effective Jan. 1, 1968, the German border tax was raised to 10 percent of the duty paid landed value and an 11 percent rate became effective July 1, 1968. This rate is scheduled to rise by 1 percent on Jan. 1, 1974. No adjustment has been made in the border taxes to reflect the fact that they are based upon the duty paid landed value rather than the cost, insurance, and freight value. In each case it would result in a border tax about 1 percent higher than shown on this table.

[3] Tariff plus border tax equals total barrier.

This trade distorting mechanism is apparently sanctioned by GATT on the theory that all direct taxes are absorbed by the producer and all indirect taxes are passed on to the consumer.

That economic theory has virtually no supporters today. All economists are agreed that both direct and indirect taxes are passed along to the consumer in varying degrees, depending on market conditions. You could not find a businessman in the United States or Europe who does not regard income taxes as a cost of doing business. To the extent that market conditions allow, he will treat the taxes as cost and pass them forward to the consumer.

Likewise, the VAT is an economic terms borne in whole or in part by a producer or importer who is forced to reduce his price and thus lower his net income. The reduction in net income throws the tax on the business, not consumer.

As a consequence of our failure to take border taxes into account during the Kennedy round negotiations we are faced with the fact that in most of the common market countries the barriers to our exports will actually be higher after the Kennedy round reductions than they were before the Agreement. Furthermore, the number of countries who have adopted or are considering border tax and export rebate is increasing. In some cases turnover taxes are being switched to VAT with the result there will be further increases in border taxes and export rebates. As this development continues and as the three additional countries which have joined the common market adopt the harmonized value added tax of 15 percent the U.S. competitive disadvantage will be further accentuated.

It was apparent during the Kennedy round that the theory under which the GATT interpretation was based has been outmoded. Our negotiators knew about and were concerned about the forthcoming VAT increases which would increase the border tax export rebate problem. All we did however was to file a note reserving the right to initiate action if changes in taxes nullified the Kennedy round tariff cuts. Although that has now occurred we continue to take no positive action to change this trade distorting GATT rule.

In 1968 President Johnson urgently called for action on the GATT rule which permitted the border tax export rebate border mechanism. Since then Secretary of the Treasury Kennedy, the Tax Foundation

and many others have called for action. Ambassador Malmgren who participated in the Kennedy round negotiations, in his book on the Kennedy round underlined the non-neutrality of taxes under the GATT rule.

A quotation from his book appears in our prepared statement. We believe that the time has come to deal with this issue but let me make clear what we are and what we are not proposing.

We are not proposing that any of our trading partners change their tax laws. The tax burden their people will bear and the expenditure of tax revenues is their concern.

What we are proposing is that the trade distorting nature of this border tax export rebate system be recognized and dealt with affirmatively. There are several courses of action which should be explored.

First, GATT could be amended to permit countries which primarily rely upon direct taxes to adjust for such taxes in the same manner as countries which primarily rely on indirect taxes are now permitted to do.

Second, GATT could be amended to permit all countries to adjust for both direct and indirect taxes at the border. These two alternatives would involve the use of complicated formula to determine the appropriate border adjustment for each country.

The simplest and the third solution would be for the GATT to be made neutral on indirect taxes as it now is on direct taxes. Thus, neither direct nor indirect taxes would be assesed at the border nor rebated on exports. If value is added to a U.S. import after it enters the European market the VAT will be paid on value added within the country, not at the price at the border. In countries which do not have a VAT such as the United States but do have sales taxes, some adjustment in the form of a partial exemption or rebate would have to be made to preserve strict neutrality.

The border tax problem is urgent. We ask the committee to address it. The VAT is becoming more and more widespread. Unless something is done its harmful effect on our trade will grow and further concessions by our trading partners will be cancelled or offset by increase in VAT or increased views of VAT.

I now turn to title VI, the system of generalized preferences. Title VI contains a ten year program to give tax preferences to goods from underdeveloped countries. We support the general purpose of this title. However, past experience indicates that tax preferences can be abused by simply using the country granted the preference as a transshipment point. We know that products have been imported into the Virgin Islands and transshipped to the United States with the value added in the Virgin Islands consisting of a markup in price. In other cases it was a simple repackaging.

This problem is recognized but we submit not adequately dealt within section 603 of the proposed bill. Section 603 authorizes the Secretary by regulation to require that some percentage of the value of the preference goods represent costs or value added in the developing country. We believe this section should require that a substantial percentage, in any event not less than 50 percent of the value of the goods, represent actual value added by operations in the developing country, not a mere mark-up in the price. A lower percentage would permit the purpose of the bill's title to be subverted.

Secondly, the bill provides—section 605(c)—that the preference will not apply if the imports of an article from the country represents 50 percent of our total imports of the article or $25 million on an annual basis. These limits are in the right direction but do not deal adequately with the problem of plants put into underdeveloped areas to supply the United States.

Let me illustrate the possibility. In March of this year Japan had a balance of payments deficit for the first time. I said balance of payments, not trade. This was due primarily to the greatly expanded investment abroad by Japanese industry.

Under the limits of the proposed bill a chemical plant could be set up in an underdeveloped country by a Japanese concern with Japanese technology to export to the United States. With a little care in marketing a wide range of products could be sold to the United States without surpassing the 50 percent limit and the $25 million restriction.

The same is true for other multi-product plants. We believe that additional safeguards are needed to deal with this situation. The EEC preference system applies to a limited list of products and has a quota limit restricting annual growth in preference imports. Some similar rule should be applied here to prevent the setting up of plants in underdeveloped countries to supply the U.S. market during the 10-year preference period.

Such a rule would also stem the use of underdeveloped countries as "pollution havens" by such corporations seeking to avoid the antipollution laws of the United States and other industrialized nations.

This concludes our testimony, Mr. Chairman.

We will be pleased to answer any questions you or members of the committee may have.

Mr. BURKE. Mr. Burleson is recognized.

Mr. BURLESON. Mr. Chairman, I simply want to say to Mr. Whittemore and Mr. Barnard you have presented a quite dramatic story with the charts accompanying your statement.

Is the chemical industry, the organic chemical interests, unique in foreign trade or can many other industries in the country be so dramatized?

Mr. WHITTEMORE. Congressman Burleson, we don't set ourselves up as experts on American industry. Certainly we are not unique. There are other industries that have protection although not ASP.

You have your import quotas on textiles, et cetera. So we all have our particular set of problems.

Mr. BURLESON. Mr. Barnard, you referred to nontariff barriers which our trading partners have used.

With their practice in this regard would you think they would have much reason to complain about our DISC provision?

Mr. BARNARD. Congressman, the border tax export rebate is certainly one of the most effective means that our trading partners use to stimulate their exports. In addition, a number of our trading partners have laws or provisions whereby export corporations or similar organizations can be set up with tax advantages.

DISC represents only a very small advantage in the form of tax deferral but certainly does not begin to match the kind of advantage which our trading partners get from the border tax export rebate.

Mr. BURLESON. You mentioned at the end of your statement here the matter of pollution, the burdens now placed on your industry and our more recent statutes dealing with pollution.

In what way does this handicap, if it does, the organic chemical industry?

Mr. BARNARD. Congressman, the chemical industry, as other industries in the United States, is engaged in participating in a large anti-pollution program. However, we are proceeding in this country at a pace which greatly exceeds the pace of our industrialized trading partners.

We are moving farther in that direction with the result that the costs imposed on our industry by reason of the speed and the extent to which we are being required now to make immediate investment, places a significant sort of reverse non-tariff barrier on our industry because of the added costs of anti-pollution controls in this country.

We would suggest to the committee in making up its mind as to what are reasonable and not reasonable limits for trading authority the committee take into account the fact that under various laws which the Congress has passed and is now considering industry will be facing very significant capital costs which our trading partners are not facing because of our strict anti-pollution laws.

Mr. BURLESON. Mr. Whittemore, you mentioned the Tariff Commission making public their impact statements. I can imagine this is going to be a highly controversial item.

Why do you think they should? I think you mentioned some qualification, some limitation, on their public revelation, but from the competition within the industry who would police it, who would decide as to what should be made public and what should not?

Mr. WHITTEMORE. Mr. Congressman, I would like to go back to the 1966–68 negotiations where the industry provided data to the Commission in which we showed the impact. We have reason to believe that the impact was so serious and so much to our disadvantage that the figures just weren't shown.

The official reason given was that the data included both confidential and non-confidential elements. We would like to avoid having this happen again.

We feel that enough non-confidential data can be put together to show the impact and have this published and debated publicly.

So, our position is that the Commission should be in a position to decide what is confidential and what isn't. We would be willing to go on that.

Congressman, I would like to enlarge a little bit on some of the questions you gave Mr. Barnard.

You asked him about DISC.

I would like to talk now in terms of my own personal experience, my own company. We found this to be a real incentive to go after export markets. As a matter of fact, in many of my plants it has led to additional capital expenditure and additional jobs.

We seem to be making some headway in penetrating some of the European markets. I thought I would like to make that particular statement.

Mr. BURLESON. I am pleased to have that assurance in your statement. As you well know it is under attack but it is your observation that it has been an incentive.

96-006 (Pt. 6) O - 73 -- 6

Mr. WHITTEMORE. I can speak from my own personal experience that we in our own company have taken full advantage of this opportunity.

I would also like to enlarge a little bit on the reverse non-tariff barriers that we are building for ourselves in terms of environmental and toxic substances laws.

We all, of course, have bought this. But the facts do remain that we are almost daily confronted with emergency regulations by OSHA which are going to lead to substantial capital expenditure. These expenditures will be made and we will eventually conform to the regulations as decided.

But there will be a period of time, three years, five years, whatever it might be where our trading partners will be lagging behind.

In view of our present tremendous trade gap and the present disarray of the dollar we are very much concerned about this. I don't think enough attention has been given on anybody's part to the effect on world trade in terms of our penetration.

These will be real costs.

Mr. BURLESON. Your statement, Mr. Whittemore, on the power of the Congress, the veto power, the referendum mechanism, I agree wholly with your comments in this regard. It always produces a question. I just wonder if we would ever have any agreements. You know there are a lot of us around here who are experts on a lot of things.

I would like the record to show that is facetious. I don't know whether we could ever have agreements but I agree wholly with the principle that it should be that way. I just don't know. Perhaps it could be so defined with the statute so specific that we might be able to do it. I don't know. I just make that observation, Mr. Chairman.

Thank you, sir. My time is up.

Mr. BURKE. Mr. Schneebeli will inquire.

Mr. SCHNEEBELI. Gentlemen, following up the recent statement of Mr. Burleson, I think if we had had this congressional review and industry input, we never would have gotten into the situation that we did with respect to the ASP in the Kennedy round.

I think we can avoid that in the future by leveling with each other as we go along.

You have been very specific and helpful. I can assure you that your suggestions will be given careful consideration. Thank you very much.

Mr. WHITTEMORE. Mr. Congressman, we appreciate your support in this respect.

I would like once again to stress that we stand not just ready but we are very anxious and most willing to have our best people work with the negotiators and with the Congress. This is a very far reaching and important negotiation that is going to occur. We are going to be stuck with it for many years to come.

Mr. SCHNEEBELI. Your offer of expert assistance is most welcome and appreciated.

Mr. WHITTEMORE. Thank you.

Mr. BURKE. Mr. Gibbons is recognized.

Mr. GIBBONS. Mr. Whittemore, you mentioned that since the Kennedy round our European trading partners have so increased their non-tariff barriers as to wipe out any advantages we may have gained from those negotiations.

Will you list for us the non-tariff barriers they have instituted since that time?

Mr. WHITTEMORE. This primarily is in the area of their border tax rebates. For example, West Germany recently went over to the new VAT method of taxation, the border tax will rise to about 15 percent which more than wipes out the tariff concessions given by the Kennedy round.

Mr. GIBBONS. Is there anything other than the value added tax that you would list now as a non-tariff barrier?

I am trying to catalog in my own mind the non-tariff barriers that are really problems. You say, and I don't want to put any words in your mouth, that the main one as far as you are concerned is the switch from the type of taxation they used to the value added tax, is that right?

Mr. WHITTEMORE. In terms of the chemical industry that is true, sir.

Mr. GIBBONS. That is all I am interested in right now. Just the value added tax?

Mr. BARNARD. Congressman, I think in the surveys we have made of the industry we have found non-tariff barriers affecting single products or single countries or single areas of business. But the one sort of pervasive non-tariff barrier that we find impacting all our products is the border tax—export rebate, or the administrative guidance system which our exporters meet when they try to deal with Japan.

Mr. GIBBONS. Do you have a list that you keep of these non-tariff barriers?

Mr. BARNARD. We have submitted statements to both the Tariff Commission and to the NAM which has been collecting information to present to the Congress and to the administration.

We have endeavored to bring to their attention some of these non-tariff barriers.

Mr. GIBBONS. If it does not violate your own rules on confidentiality, could you send me a copy of those statements?

Mr. BARNARD. Certainly.

Mr. GIBBONS. I don't want to put it in the record, because I don't want to burden the record. I am just collecting a list of NTB's for my own purpose.

Mr. BARNARD. We will be very pleased to, Congressman.

Mr. GIBBONS. Fine.

Mr. Barnard, you gave a very interesting statement on the value added tax, but isn't the problem really the difference in the rate of the value added tax?

For instance, we do rebate border taxes don't we in this country?

Mr. BARNARD. We rebate sales taxes, yes, sir.

Mr. GIBBONS. We rebate 3 to 5 percent sales taxes generally speaking?

Mr. BARNARD. Yes.

Mr. GIBBONS. Whereas they rebate their value added tax, which is really a sort of disguised sales tax, of roughly 12 percent. Isn't that the difference?

Mr. BARNARD. At the present time.

Mr. GIBBONS. Perhaps it is just a question of who is sinning the most, not a question of who is sinning.

Mr. BARNARD. What we propose is that GATT be made neutral so that the size of the sin is no longer relevant.

Mr. GIBBONS. I agree with you. My philosophy would be that every product that leaves the home country should bear the full cost of government, whatever that cost is.

Is that your philosophy too?

Mr. BARNARD. Yes, sir, but it should not bear double that cost by having a rebate, our trading partners have a rebate while we bear the full load plus their load too.

Mr. GIBBONS. I agree with you. Income taxes, excise taxes, value added taxes, sales taxes, all those things should be added to the cost of product when it is exported and not rebated in any way, shape or form.

Mr. BARNARD. Either that or else made neutral so that the tax effects only operations within the country where the product is actually used.

Mr. GIBBONS. Isn't it fair that each country should make the product that it exports bear the fair value of the cost of government that is related to its manufacturing process?

Mr. BARNARD. Yes, sir. That is one way to make it neutral.

Mr. GIBBONS. Would that not be the easiest yardstick to use?

Mr. BARNARD. Yes.

Mr. GIBBONS. In other words, charge the domestic consumer the same way you charge the foreign consumer?

Mr. BARNARD. Yes.

Mr. GIBBONS. Then how do you justify DISC?

Mr. BARNARD. Congressman if we began with a clean slate in which no countries in the world, none of our trading partners had tax systems which impacted our trade maybe we would have something to debate. But we begin with a situation in which all partners have systems which impact our trade, have special devices to encourage exports, tax devices. DISC in face of all of these represents only a very small variety of export assistance.

Mr. GIBBONS. I realize you have to protect yourself and pay a profit so that you can pay your taxes and return to your stockholders enough money to keep the business going. I realize all of that.

But your answer is that if we could get other people to do away with some of their sins, we would get rid of DISC too. Is that right?

Mr. BARNARD. That certainly would be something that I should think could be on the table is a discussion of GATT rules.

Mr. GIBBONS. I think, too, that we ought to put it on the table. Let me ask you this, Mr. Whittemore. You say you are using DISC. How much has DISC allowed you to reduce the price of your product to make it more competitive?

Mr. WHITTEMORE. We have taken this tax deferral, this portion of the cost of the product, into account in terms of setting our prices for export. We expect that with the increase in this kind of business we will proceed with further capital investment which is provided for in the DISC.

Mr. GIBBONS. You haven't reduced the price of your product any. You have just plowed the tax savings which have resulted from the DISC back into additional plant, is that right?

Mr. WHITTEMORE. That is the net effect in the long run.

Mr. GIBBONS. Thank you, sir.

Mr. BURLESON. I would like a list for my information that you furnished Mr. Gibbons.

Mr. BARNARD. On the non-tariff barriers?

Mr. BURLESON. Yes.

Mr. BARNARD. We will be glad to send it to you.

Mr. BURLESON. Mr. Conable is now recognized.

Mr. CONABLE. Did you use Germany on your example of the value added tax primarily because it changed after the Kennedy round?

The French have actually been tougher with their value added tax than the Germans, have they not? Or was there some other reason why you chose Germany as the example?

Mr. BARNARD. I think we chose it for two reasons. Because it is one of our principal trading partners and because during the interval we are now dealing with Germany changed over from the turn-over tax to the value added tax and you could see the impact on our trade as the amount of the tax grew.

Mr. CONABLE. What you said in respect to Germany other than the fact that it represented a change would apply equally to France, for instance?

Mr. BARNARD. Yes. You may have to go back a little farther in time to find when they first applied the value added tax.

Mr. CONABLE. The increase in tax of 1 percent to 12 percent in Germany this year is the result of an additional tax imposed by the common market is it not?

Mr. BARNARD. It is a process toward harmonization of the tax systems in the common market.

Mr. CONABLE. So it has general application within the common market countries.

Mr. BARNARD. It will as those countries adopt it.

Mr. CONABLE. Thank you.

Mr. BURKE. Mr. Karth will inquire.

Mr. KARTH. Thank you, Mr. Chairman.

Mr. Whittemore, what percentage of the synthetic organic chemical manufacturers sales abroad are in the form of exports and what percentage are in the form of U. S. subsidiary sales? That is subsidiaries that are located abroad?

Mr. WHITTEMORE. I don't have those figures regularly available to me, sir.

Mr. KARTH. Are they fairly small or are they fairly large? That is, do you export most of what you sell abroad or is a substantial portion made abroad and sold in the domestic marketplace abroad?

Mr. WHITTEMORE. Rather than speaking for the industry, in my particular company the bulk of the materials that we manufacture abroad is consumed in the domestic market in which the plant is located.

Mr. KARTH. My question is, what percentage of your sales abroad are made here in the United States and sold as exports as opposed to what percentage is made by some subsidiary you have abroad and sold domestically abroad?

Mr. WHITTEMORE. This varies considerably from company to company, from a low of 4 or 5 percent to probably as high as 30 or 40 percent.

We have some companies that are very export minded. I don't have the particular figures at hand but I know, for example, Pfizer exports a very high percentage of their total sales.

Mr. KARTH. I wonder if you could strike some kind of average and provide that to the committee for the committee's information and make it a part of the record.

Mr. WHITTEMORE. Yes, sir. This infomation is available. I know that a study has been made on the multi-national companies and this information is in that study.

[The information referred to follows:]

The available data on trade by multinational corporations does not contain a break-out for organic chemicals, However, the Tariff Commission Report, *Implications of Multinational Firms for World Trade and Investment and for U.S. Trade and Labor* (Senate Finance Committee Print, Feb., 1973), indicates that in 1970 United States' total chemical exports were $3.8 billion of which exports by multinational corporations accounted for $2.3 billion or 61%. Sales by majority owned foreign affiliates in the same year amounted to $11.4 billion with local sales accounting for $9.4 mililon or 91.4% of total sales (Table A–21, p. 374).

The *National Export Expansion Council Industry Advisory Committee Report on Chemicals* (Dept. of Commerce, September, 1972) also contains some relevant data derived from a survey of the 16 largest chemical companies. The report of the Committee sets forth the following conclusions regarding foreign investment and the chemical industry:

"1. Far from displacing exports, foreign investments made by United States companies results in an increase in United States exports. This increase comes from three sources:

"a. Exports of intermediates which require further processing by the foreign affiliates. Exports of intermediates for the companies surveyed increased by approximately 45 percent from 1966 to 1970.

"b. Better marketing of United States exports for resale as a result of establishing a stronger marketing network in a foreign market when local manufacture is undertaken. United States exports of chemical finished goods creased by 60 percent from 1966 to 1970. Of further note, the survey revealed that total exports, including intermediates and finished goods to affiliates, increased by 55 percent, whereas United States chemical exports to other than affiliated firms increased by 45 percent.

"c. Purchase of machinery and equipment from the United States for the overseas plant. The survey indicated that about 11 percent of new fixed assets for overseas plants are purchased in the United States by affiliates.

* * * * * * *

"3. Importation back into the United States of products produced by foreign affiliates is negligible. The companies interviewed as part of the survey reported that 90 to 95 percent of the production of their foreign plants is sold in the country in which the goods were produced (counting the European Economic Community as one country). The amount of goods produced by foreign affiliates imported into the United States by the direct investors is only two percent of total local foreign manufacture sales. This percentage is close to that presented in the U.S. Department of Commerce's *The Multinational Corporation: Studies on U.S. Foreign Investment* which shows that United States imports comprised only 4.2 percent of total foreign affiliate sales in 1968 (excluding the United States-Canadian Auto Agreement).

* * * * * * *

"6. The chemical industry is frequently motivated to make foreign investments in order to defend a market already obtained through direct exports, or through past investment, or to create a new market. Chemical firms interviewed in the survey reported that if foreign investments had not been made, in most instances, existing markets would have been lost and new markets not created." (pps. 11–14, footnotes deleted)

Mr. KARTH. Does the organization that Mr. Byrom represented involve a greater number of multi-national corporations than the one you represent?

Mr. WHITTEMORE. I would guess so. About one-half of our members in SOCMA are members of MCA. I would guess there are more multi-nationals in MCA than there are in SOCMA.

Mr. KARTH. I assumed that was probably true. In your testimony there seems to be somewhat of a direct contradiction to what Mr. Byrom said with respect to the American selling price. I assume it was probably for that reason.

Mr. WHITTEMORE. I think we are attacking the problem perhaps in a slightly different fashion but hoping we will wind up with the same result.

We feel strongly that ASP should remain. I think Mr. Byrom feels that if it goes we should get something that is reciprocal. Basically we are not in disagreement on that.

Mr. KARTH. Thank you very much.

Thank you, Mr. Chairman.

Mr. BURKE. Mr. Clancy is recognized.

Mr. CLANCY. Just one question, Mr. Chairman.

Mr. Whittemore, your charts indicated that there has been a sharp decrease in the U.S. share of world chemical exports since the year 1960. What are the principal reasons for this sharp decline?

Mr. WHITTEMORE. Basically even though this is a falling chart that does not mean that our exports per se have been falling. It just means that we are not getting as big a share of the expanding world trade as we had been prior to this period.

In other words, as the market has been growing we have been getting a smaller share of it.

Mr. CLANCY. Does that necessarily mean that our exports have decreased in total amounts?

Mr. WHITTEMORE. It does not necessarily mean either way. Actually our exports have increased somewhat during this period but they have been increasing at a slower rate than our competitive trading partners.

Mr. CLANCY. Then we can conclude that our competitors, foreign nations, have increased their exports.

Mr. WHITTEMORE. Yes, sir.

Mr. BARNARD. Germany and Japan have both increased their share of world exports, sir.

Mr. CLANCY. How about the prices of their exports compared to ours?

Mr. WHITTEMORE. The prices of our principal trading partners such as Japan and Germany are roughly in the area of 40 to 55 percent lower than ours in the benzenoid area.

Mr. CLANCY. Thank you very much.

Mr. BURKE. Are there further questions?

Mr. GIBBONS. I guess if you went back to 1945 you would have to have a sheet of paper as large as this room, would you not?

Really, a lot of this is because of the recovery since World War II of the industries that were completely destroyed in Germany and Japan. Isn't that right?

Mr. WHITTEMORE. That is true, sir. As you know, better than I probably——

Mr. GIBBONS. There wasn't a plant left in Germany after World War II. There was not one that you could put two bricks together with.

Mr. WHITTEMORE. That is part of the problem with foreign aid. We helped them build new modern plants.

Mr. GIBBONS. We thought we were stopping communism during that time.

Mr. WHITTEMORE. Perhaps we did.

Mr. GIBBONS. Nobody really knows, but we thought we were.

Let me ask you something. I don't really know what the organic chemical industry is. You say there are about 115,000 people employed in it?

Mr. WHITTEMORE. There are 115,000 in the benzenoid sector. It is about 300,000 total in the organic chemical industry.

Mr. GIBBONS. I am really trying to get at the parameters of your industry. According to your first chart, there are about 300,000 people employed in the chemical industry, is that right?

Mr. WHITTEMORE. In the chemical industry the figures we are referring to are the organic chemical industry which would be about 300,000 people. Then the benzenoids, subsection of organic, would be about 115,000.

You see, there are many more people involved in organic chemistry, for example. We have not addressed ourselves to that sector of the chemical industry.

Mr. GIBBONS. You are talking about a somewhat narrow sector of the industry. ASP applies to the whole chemical industry, is that right?

Mr. WHITTEMORE. No, it just applies to the benzenoid sector.

Mr. GIBBONS. Or 115,000 of a much larger pool, is that right? Mr. Whittemore, what is the attitude of all these other people in the chemical industry?

Mr. SCHNEEBELI. That is the question I asked Mr. Byrom.

Mr. GIBBONS. I did not get his answer. If you could refresh my memory.

Mr. WHITTEMORE. I would guess that the position would vary from company to company, to having no position at all if you are not in the organic field.

Mr. BARNARD. I think the MCA statement which is on file here today suggests that 103(c), which would authorize negotiation on methods of valuation without further review by Congress should be deleted. I think that Mr. Byrom suggested also that if ASP is to be traded, it certainly ought to be the subject of an agreement which provides reciprocal advantages to the chemical industry.

Mr. GIBBONS. Of course I was not on the committee when all of this occurred and I am not familiar with the past details.

I do know what our trading partners say. They say, you know we have already bargained on that and we have paid for that once. We don't intend to pay for it again.

It is too bad we are at that stage of negotiations because they just don't believe that there is anything that is negotiable. They feel they have paid for all of this at one time.

Apparently you don't and many Members of Congress don't. Obviously many Members of Congress don't because we refused to repeal the ASP.

The people on the other side of the table whom we must deal with as equals, or at least philosophically as equals, feel they have already paid the price. I don't detect any reticence at all. They not only feel as though they have paid the price, but they feel they have been tricked in addition to that. That is a very tough situation for us to be in.

Mr. WHITTEMORE. Congressman, I would like to give you some personal thoughts on that.

I have occasion in my normal course of duties to have contact with our major competitors in the European market. Basically this is no longer a commercial problem as far as they are concerned. Their increasing imports attest to that. However, they do feel they have a very nice stick over our heads so-to-speak, that we agreed to do something one time and then took it away.

That is one of the reasons that we proposed these administrative changes in the ASP system. I think this would go a long way toward——

Mr. GIBBONS. That brings me back to your proposed changes. I think they are on page 7 of your statement. Is that right? You handed over to the reporter at that time a list of the suggestions you had made.

Mr. BARNARD. Yes.

Mr. GIBBONS. I was going to ask you if you would enlighten the committee as to what they are, if we could do it your way rather than have to go back to this old sour bargain that we have.

Maybe that would be a more rational way to solve the problem. Can you tell us, what are your suggestions?

Mr. BARNARD. I will be delighted to do that. Before we go to that, may I just say that there are some Europeans who have forgotten that at the time this deal was negotiated our trade negotiators said both to the Congress and to the Europeans that the agreement was being negotiated ad referendum and unless the Congress approved it there would be no agreement.

So there was no misunderstanding as to the scope and nature of the trading authority of our negotiators in making that deal.

When they brought back a deal which was not the kind of deal which the American industry found fair or reciprocal we called attention to that fact and took advantage of the fact that the matter was referred to the Congress ad referendum and the Congress did not approve it.

It was not that the deal fell apart because of misrepresentation, it was that the procedure which had been agreed to did not produce an agreement that was fair and reciprocal.

Mr. GIBBONS. I agree 100 percent with your analysis of this. Our trading partners just feel like they got fooled once on one of these agreements and they don't want to get fooled again.

So when we talk about ad referendum arrangements I think that we are going to find them very skittish. They throw ASP at you every time you talk to them.

Mr. BARNARD. It goes both ways. Once we have a deal made that we don't find is fair and reciprocal we are reluctant to have somebody negotiate again without having a chance to look at what he is doing.

Mr. GIBBONS. I agree with you. The trouble with that is that we have to have somebody to negotiate and right now we don't seem to have anybody we trust to negotiate. Whenever you appoint somebody to negotiate for you you have to trust the fellow you appoint or there can be no real negotiation.

The trouble with this country right now is that we just don't seem to have anybody we trust.

Mr. BARNARD. Congressman, the essence of the administrative changes which we have proposed would get rid of the criticism that

there are changes in classification from noncompetitive status, to which ASP does not apply, to competitive, to which ASP does apply, without reasonable notice and that there are not adequate records kept in the Customs Bureau so that an importer can be sure when he imports a product as to the status at which the product will be treated for duty purposes.

What we have proposed is that there be a notice procedure, a renewal of the filings as to what is a competitive product, a reqirement as to what can be classified as a competitive product, with a reasonable period of time so that an importer will not be caught because he was not aware of the fact that a product was about to become a competitive product.

We have proposed all of these changes as being reasonable administrative changes which could eliminated this lack of notice or the surprise element which our foreign friends have complained about as being something which is annoying about ASP's administration.

Mr. GIBBONS. Let me thank you both for the fine testimony you have given this morning. I think it has been very constructive and very informative. If you would, I would appreciate your sending me a copy of the statements we discussed.

Mr. BARNARD. We will, to you and to Congressman Burleson.

Mr. BURKE. Now with relation to the complaints of our trading partners over their failing to get the American selling price eliminated, didn't we reduce our tariffs by 50 percent for them?

Mr. BARNARD. We did, sir.

Mr. BURKE. What did they reduce their tariffs by?

Mr. BARNARD. 20 percent.

Mr. BURKE. They did pretty well on that, don't you think?

Mr. WHITTEMORE. It was a good horse trade for them.

Mr. BARNARD. We would like to see it the other way around, sir.

Mr. BURKE. Now with the 50 percent reduction and if ASP had been eliminated, how much of a reduction in tariff would have taken place?

Mr. BARNARD. The U.S. would have gotten the 30 percent for which we had already paid but in addition our tariffs would have been reduced more than 50 percent on a wide range of benzenoid products so there would have been reductions in excess of 50 percent for a wide range of products under the separate agreement.

Mr. BURKE. How much more than 50 percent?

Mr. BARNARD. As high as 65, 70, 80 percent reduction on some products.

Mr. SCHNEEBELI. It has been suggested that maybe the ASP negotiation should have been retitled the "SAP" negotiation. [Laughter.]

Mr. BURKE. I can see that once the American selling price is eliminated that is about the last chip we have on the table.

Mr. GIBBONS. May I interject something there.

As I understand the result of the Kennedy round, and correct me if I am wrong, it was to bring the industrial tariffs of Europe and the industrial tariffs of the United States down to about a 7 or 8 percent average on both sides of the Atlantic. Is that right?

Mr. WHITTEMORE. About 9 percent, yes, sir.

Mr. GIBBONS. Between 7 and 9 percent, somewhere in there.

Really, we didn't get shafted so bad. We ended up with about the same amount of tariff as they have on a percentage basis. We didn't have further to go because of our model on the wall, who is about to jump off his hook again, Mr. Hawley.

Mr. BURKE. He will jump off it that trade imbalance goes up again as it went up last year.

Mr. GIBBONS. I am not defending the trade balance because we have pursued a lot of stupid policies, most of which I have opposed, but which we have adopted.

Mr. Burke, I hope you don't put me in a position of having to defend our trade imbalance because that is a position I deny flatly, unequivocally.

Mr. BURKE. You are defending the devaluation of the dollar with it.

Mr. GIBBONS. You don't understand the devaluation of the dollar either.

Mr. BURKE. That is what it is all about you can't separate them. It is unfortunate that you can't. Most people who take the responsibility for all these trade policies have to come up with the answers.

I was listening to the news today, they are bouncing that dollar around again overseas.

Mr. GIBBONS. If they dropped 10 pounds of gold in that London Market over there there wouldn't be any market left.

If you are that worried about the balance of payments or about the price of gold, you are so far out that I can't help you.

Gold is one of those trinkets that a few people are paying attention to. It is the value of our products that makes the difference in the value of our money internationally. There is not enough gold in the London gold market there to find.

Mr. BURKE. When the next devaluation takes place, you will understand what I am talking about. It is too bad we don't have more of the gold.

Mr. VANIK. Mr. Chairman, I would like to get down to what is involved. What are the principal companies that are involved in your organization and where are they located? That has a great deal to do about attitudes on this committee, you know. It boils down to that.

Mr. WHITTMORE. We represent all the major chemical companies, such as Allied Chemical, Monsanto, duPont, American Cyanamide. Our members are located all over the country really. There is a great concentration in the New York-New Jersey area and Delaware. Monsanto is in St. Louis, Mo.

All of these large companies have plants in many States. My company, which is a relatively small company, has 40 different manufacturing locations. So that it cuts across really the entire country.

Mr. VANIK. Is there much of a multinational activity in which some of these developments are occurring to subsidiaries abroad or is it very much of a nationalized industry. I mean something that is domestically pretty strong in the United States.

Mr. WHITTEMORE. The Benzenoid sector.

Mr. VANIK. That is pretty much domestic.

Mr. WHITTEMORE. Yes, sir.

Mr. VANIK. That boils down to the group that is specifically oriented with the principal part of this problem.

Mr. WHITTEMORE. Yes, sir.

Mr. VANIK. How many people are involved in the domestic benzenoid industry?

Mr. WHITTEMORE. Approximately 115,000.

Mr. VANIK. Those are principally on the eastern shore?

Mr. WHITTEMORE. The great majority are in the East.

Mr. VANIK. In New Jersey and Delaware. What has been the picture of the industry in America? Has it been a growth or receding industry?

Mr. WHITTEMORE. It has not been growth oriented because of the overhang of ASP. As a matter of fact, in my own case, we were planning a new plant for the Newark, N.J., area. Because of the Kennedy round, we decided not to build that plant but to import the materials instead.

Just 2 weeks ago I was turned down by my financial committee for expansion on certain benzenoid intermediates until, as they said, they could see which way the cat jumps.

What we are losing out on is the growth that is going on both in this country and abroad.

Mr. VANIK. In one way or another your industry is awaiting a long term disposition of the question you can't be hanging by a thread.

Any legislation that leaves you hanging by a thread would be a rather serious thing. In other words, however it is settled it ought to be settled so that it is not a volatile question you have to face constantly.

What effect has the other developments had on our domestic prices? Have they served to increase prices?

Mr. WHITTEMORE. The long term trend on most benzenoids has been fairly flat. There has been a problem recently, as is true on most products in this country, but up until the beginning of this year it has been a fairly flat price curve, perhaps trending even downward a little bit because there is no dearth of competition in this industry.

As the size of the industry grows and we make larger batches and put in certain cost saving devices the cost savings are passed along to the consumer.

Mr. VANIK. What about the ecological problem? Is that impeding or affecting your growth development in America?

Mr. WHITTEMORE. This is going to be a major aspect of our being competitive. Almost daily we are being given emergency regulations under OSHA, and we haven't really been hit yet with the environmental regulations which are still to come on air and water.

Mr. VANIK. What will be your estimate of that part of your increased cost that results from the environmental requirement in the United States as compared with the environmental impact on a comparable industry abroad?

Are you able to isolate that or differentiate that?

Mr. WHITTEMORE. The best answer I can give you is that in our company we recently concluded a 5-year plan. We were specifically exempt from putting in cost estimates on environmental factors. That does not mean that we are not working on it. But the scope is still not clear to us.

Almost daily we are being faced with new problems. We are going to have to work very closely with the Congress on this and we should not have to do things which are really not necessary just to speed the program up.

Our organization is active in the environmental areas in trying to bring a semblance of reason into the pace of the environmental program.

All of us are consumers, we all want clean air, and clean water. It is just a question of not wanting to do it in a year if we can do it in 5 years and accomplish the same result.

Mr. VANIK. The final question I want to ask is with respect to relief, if there should be some effect on the selling price.

Are you satisfied that our system would provide relief quickly enough to really save an industry? I notice that in other countries they have rather quick remedies. They go rather quickly, some directly into the courts and other things, in order to get relief, while here in America the relief seems to come almost after all the damage is done and fully sustained by the industry. Have you made any comparison of that?

Mr. WHITTEMORE. Yes, sir, my personal opinion is that it is a matter of psychology. We have enjoyed such superior position from the end of World War II on up into the sixties that I don't think we have gotten it out of our heads that we can do anything if we put enough money into it. I think our experience in the last few years is starting to have a sobering influence. I think that gradually we are getting to the point where perhaps timely solutions will be found but I think we have to address ourselves to it.

Mr. BARNARD. Congressman, if you are addressing yourself to the adjustment assistance——

Mr. VANIK. I was going beyond that.

Mr. BARNARD. Our primary emphasis is not on trying to find adjustment assistance but on getting a reciprocal and fair deal so that our industry can grow.

Mr. VANIK. I was concerned not with the assistance factor at all but how quick an industry, both employer and employees, can get relief on a thing comparable to dumping or some of the other adjustments that have to be made.

It just seems to me that our system provides under this law or under any other law, provides rather slow remedies, sometimes remedies have to be very quick and very speedy in order to catch a problem before it overwhelms, becomes too difficult to handle. I was thinking one of the places we need greater flexibility in the law is not in the discretion of the President but perhaps in the administrative relief system so that it would more quickly deal with a problem that may develop under the act as we write it.

Thank you very much.

Mr. BURKE. Thank you on behalf of the committee. We appreciate your testimony.

The committee now will be in recess until 2 o'clock.

[Whereupon, at 12:25 p.m., the committee recessed, to reconvene at 2 p.m.]

AFTERNOON SESSION

Mr. ULLMAN [presiding]. The committee will come to order.

Our next witness is Mr. Eugene L. Stewart.

Mr. Stewart, we welcome you back before the committee. If you will identify yourself further, we will be pleased to hear you.

STATEMENT OF EUGENE L. STEWART, SPECIAL COUNSEL, AD HOC COMMITTEE ON U.S. DYESTUFF PRODUCERS

Mr. STEWART. Thank you, Mr. Chairman.

In view of the extensive patience of the committee this morning with extended testimony on behalf of chemical interests, it is not my purpose to read my testimony at length. I would appreciate it, Mr. Chairman, if my prepared testimony could appear in the record as though I had delivered it orally.

Mr. ULLMAN. Without objection your testimony will appear in the record.

You are welcome to proceed in any manner that you see fit, sir.

Mr. STEWART. Thank you, Mr. Chairman.

In order to put the group which I represent into context with the chemical groups that appeared this morning, it is my honor to appear for a small group of manufacturers of dyes, lakes, and toners, and dye intermediates. The names and addresses of the members of the group are set forth as an exhibit to my prepared statement. There are 12 companies, each operating a comparatively small manufacturing plant located in seven States: Massachusetts, New York, New Jersey, Maryland, Pennsylvania, Michigan, North and South Carolina.

Questions were asked this morning as to the size of the chemical industry. In 1971 the chemical and allied products industry, as defined at the two-digit level of the standard industrial classification. Industry 28, had 844,600 employees.

The first witness this morning stated that members of the chemical industry represented by him owned $4.5 billion worth of capital investment abroad. There is a rule of thumb in the chemical industry that a dollar's worth of capital investment produces about a dollar's worth of sales annually. Therefore, that foreign investment represents roughly $4.5 billion worth of foreign sales out of foreign manufacturing facilities.

In 1971 the total exports from the United States of the entire chemical industry was valued at $4.057 billion. Thus, it would seem from the information presented thus far that the first group of witnesses this morning had a more important stake from the point of view of foreign trade in the sales of their foreign affiliates than from the output of their domestic plants. Thus it was not surprising to me that that group of witnesses appeared to be comparatively relaxed about the repeal by presidential action of the American selling price, so long as something of value to them was secured, concessions from foreign countries for increased access for exports of chemical products.

The second group which appeared today was concerned with benzenoid chemicals and organic chemicals. That group testified that the employment in the benzenoid chemicals industry, which has a direct stake in the American selling price is about 115,000 workers. Thus, we know that of the giant chemical industry, 844,600 workers total, if only 115,000 had any stake in the ASP, their comparative lack of concern about what happens to the ASP becomes even more understandable.

The second group stated that in organic chemicals totally in the United States there are more than 300,000 workers, of which approximately a third, 115,000, are in benzenoid chemicals. Hence, the pre-

ponderance of the economic interests of that group is not directly concerned with the outcome of the ASP battle.

It was major chemical firms from that group in 1970 which, after initially supporting the group's appearance in opposition to the repeal of ASP by the Congress in ratification of the supplemental agreement, at the 11th hour made an accommodation with the administration in promised exchange for something that they regard as of greater value, a commitment to endeavor to include in the multifiber textile arrangement, which it was the objective of the Nixon administration tion to negotiate with other countries, certain man-made fiber products, the output of the chemical industry, not otherwise scheduled for incorporation.

Hence, in view of the importance of the major firms in relation to the group, the position of the second group today, of being willing to see ASP sacrificed on an ad referendum basis, is understandable to me. If a negotiated agreement must come back to the Congress, and at the 11th hour another accommodation can be made the big chemical companies who are represented by the second group of witnesses, then they will agree to jettison ASP. The organizations which I represent, however, domestic manufacturers of dyes, lakes and toners, are the smaller companies in an industry that has a total of 20,000 workers, no foreign plants outside the United States, and 95 percent of their market, of the output of their goods, is sold in the United States.

The rationale behind the American selling price battle is the repeated assertion of the foreigners that it is a non-tariff barrier, and on this premise this and prior administrations have considered the possibility that it could be placed into negotiations for elimination.

Please, gentlemen, allow me briefly to sketch the actual record of import growth, export performance, and domestic growth in employment and sales so that you can judge is it fair to describe the American selling price as a barrier of any kind, non-tariff or otherwise.

Using 1967 as a base for our comparison, the year preceding the Kennedy round, and remembering that all of the products of the companies I represent were reduced a full 50 percent in the Kennedy round, recognize that the average annual rate of increase of imports of dyes has been 25 percent since then, and the average annual rate of increase of lakes and toners has been 29 percent. Domestic sales of dyes have increased only at the average annual rate of slightly under six percent, and lakes and toners under 5 percent. As a result, the import penetration of the U.S. market in dyes, as shown at the foot of the table on page 6 of my testimony, in terms of quantity, increased from less than 6 percent to more than 13 percent from 1967 to 1972. When we calculate that on the basis of value, landed cost in the United States, as shown on the table on page 8 of my testimony, the import penetration of foreign produced dyes in this market in 1972 reached 24 percent.

Now the Trade Relations Council of the United States has a three-volume computer study which I have here with me in which they have placed the foreign trade and domestic output data of U.S. manufacturing industries in a computer data bank, calculated the import penetration of the domestic market, and then ranked them from the industries most seriously affected to the industries least affected.

In that ranking there are 259 industries or groups of industries, defined at the four-digit level of standard industrial classification. The ranking was for the year 1970 when the import penetration of

dyes on a dollar basis was 20 percent, which is the basis on which all of the other industries were ranked, and 228 of the 259 industries had lower import penetration ratios than on dyes. We were in the upper 10 percent of the most seriously affected, deeply penetrated industries from the point of view of imports.

Most of the other industries have imports that are subject to value for customs purposes not under the American selling price but under the ordinary valuation rules.

The ASP is not a barrier of any kind. The foreigners have had better access to the American market for dyes than they have had for nine out of 10 industries in the United States.

On page 12 of my statement, using quantity, I show a comparison between the import penetration and the growth of that penetration for dyes, lakes and toners, and textiles. Textiles has been a matter of special concern for this committee and for this administration.

This committee has encouraged and approved extraordinary efforts to limit imports of textiles, as to which I have no disagreement, but notice please at the table on page 12 of my testimony that between 1967 and 1972 the import penetration of dyes moved from less than 6 percent to more than 13 percent in quantity, lakes and toners from slightly above 6 percent to nearly 15 percent, while textiles were only moving from 7½ to 9.6 percent. We are more seriously penetrated in our market by imports than all textiles. We are as labor intensive as textiles. They were not reduced 50 percent in the Kennedy round. They have the benefit of an international agreement that puts quantitative limitations on their products.

There is not an iota of suggestion in the administration's trade bill that that nontariff barrier will be eliminated by negotiation. Yet they center on the American selling price, the sole basis for the economic stability of a small manufacturing industry with 20,000 workers in seven States, as though somehow this was going to unlock the key to the unfair trade relationship that the United States finds itself in around the world.

On page 14 I provide you data that is directed to another favorite notion of the exponents of destroying my industry. They say that subjecting competitive dyes to customs value on the basis of the American selling price is such a barrier that competitive dyes do not have equitable access to this market.

Let us look at the record. In that table on that page from Tariff Commission data I show the actual quantity of competitive dyes imported into the United States. The noncompetitive dyes are not made subject to the American selling price. Notice, please, that in 1958 slightly under 2 million pounds of competitive, slightly over 2 million pounds of noncompetitive dyes were imported. Notice the steady increase in each category until 1971 when suddenly the noncompetitive dyes caught up with competitive dyes which had increased more rapidly than noncompetitive in the preceding 2 years.

In my opinion, the ballooning of imports classed as noncompetitive in 1971 was the result of a conscious policy on the part of the administration to resolve all doubts as to classification, competitive versus noncompetitive, in favor of the importers as a token of sympathy for them in the refusal of the Congress to ratify the special ASP agreement.

In any event, this table squarely establishes that competitive dyes

had every bit as good an access to the United States with ASP as the noncompetitive dyes did at ordinary valuation. Where, therefore, is there any factual basis for the statement that ASP is a nontariff barrier? There is none. If there is no barrier effect, why do we want it continued?

That deserves an answer. We want it continued because it was a fact when ASP was enacted into law that the European chemical industry operated in a cartel that divided up production and markets and set prices in whatever manner was necessary to expand their domination of the world dye market.

The man who recommended ASP was a democratic free trade President, Woodrow Wilson. In 1969 the European Economic Commission convicted the same European chemical producers, in today's modern world, of noncompetitive practices in conspiring to fix prices throughout the Common Market. It continues to behave today as it did in the beginning, as a cartel.

If customs valuation is based upon the price at which the product is sold by the foreign producers, and the foreign producers conspire to fix those prices, then we in this country, especially the small manufacturers that I represent, face the destruction of our business in a conscious campaign of domination by price-fixing foreign cartel members, and the Treaty of Rome permits industries in the Common Market to enter into combinations and conspiracies in relation to the export trade. It is only the intra EEC trade as to which such practices are forbidden.

Please look at page 17 of my prepared statement, where I show you the value of U.S. imports calculated at landed cost, including the freight and duty, and the value of our exports valued at the mil as published by the Trade Relations Council of the United States in this three-volume study, a copy of which I will be happy to present to the staff.

Notice from the average of 1958 to 1960 of a balance of trade deficit of less than a million dollars, the trade deficit in dyes has grown steadily to over $111 million in 1971. The point I am making is that not only is the rate of growth of imports far in excess of the rate of domestic production, sales, and employment growth, but we are comparatively unable to export in any comparable volume so that the rising burgeoning volume of imports is a net loss to the production potential of the U.S. industry.

If you look at page 18 for the world dyestuff industry by country and by region, I have shown the exports of the United States compared with that of the other countries. Our share, you will notice that in 1966 we had 7.4 percent, and in 1970, 6.6 percent, the last year for which the statistics published by the OECD are available.

On page 23 of my statement, Mr. Chairman, I recommend to this committee's serious consideration that section 103(c) of the bill be amended by adding a proviso, that there is excluded from the authority contained in this section, that would enable the President by fiat to repeal the American selling price, there is excluded from that authority the existing methods of customs valuation applicable to synthetic organic dyes, lakes and toners, and dye intermediates.

Workers numbering 20,000 out of 844,600 are the people whose welfare I am here seeking to protect.

I thank you for your attention to my testimony.

[The prepared statement of Eugene L. Stewart follows:]

96-006 (Pt. 6) O - 73 -- 7

STATEMENT OF EUGENE L. STEWART, AD HOC COMMITTEE OF U.S. DYESTUFF PRODUCERS

TABLE OF CONTENTS AND SUMMARY

		PAGE
I.	The heaviest impact of the repeal of ASP will fall on the U. S. dyestuff industry which is highly labor intensive and very import sensitive	1
II.	The U. S. dyestuff industry is already highly vulnerable to import injury as a result of the 50% cut in duties which it sustained in the Kennedy Round	2
III.	The existing system of import duties on dyes has permitted foreign producers steadily to increase their share of the domestic market, and this trend has accelerated as a result of the Kennedy Round tariff cuts	4
IV.	The ASP does not in fact inhibit access to imports of competitive dyes as they have increased more rapidly than noncompetitive dyes at conventional customs values	14
V.	Foreign dye producers have a decisive competitive advantage against U. S.-produced dyes and pigments as shown by the steadily increasing deficit in the U. S. balance of trade in dyes and pigments, and by the small and declining share of world exports in these products accounted for by the United States	16
VI.	The repeal of ASP and the substitution of the converted rates based upon the foreign selling price would give the cartel-like European industry the means for making further reductions in the actual duties collected through concerted pricing actions	19
CONCLUSION		21

EXHIBIT 1 (following text of the statement):
Ad Hoc Committee of U. S. Dyestuff Producers

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

The members of the Ad Hoc Committee of U. S. Dyestuff Producers, listed on Exhibit 1 to this statement, strongly oppose Section 103(c), Chapter 1, Title I, of H. R. 6767, the "Trade Reform Act of 1973." Its enactment would authorize the repeal of the Americal Selling Price basis of customs valuation on imports competitive with our production. Repeal of ASP will destroy our business and the jobs of our workers.

I. THE HEAVIEST IMPACT OF THE REPEAL OF ASP WILL FALL ON THE U. S. DYESTUFF INDUSTRY WHICH IS HIGHLY LABOR INTENSIVE AND VERY IMPORT SENSITIVE.

The production of dyes is the most labor-intensive sector of benzenoid chemical production in the United States. The most severe effect of the repeal of ASP will fall upon the U. S. dye producers and their workers. The Tariff Commission so advised the U. S. negotiators in the Kennedy Round, and they understood that we would be especially vulnerable if ASP were to be repealed. Ambassador Blumenthal, who conducted the negotiations in the Kennedy Round in Geneva, acknowledged this in an address to the German chemical industry:[1]

> "The Tariff Commission has found that the tariff effect of ASP protection is significant only for dyes, certain dye intermediates, and a few drugs and other specialty products. These are typically labor intensive, higher priced, batch-produced products. And since labor costs are relatively high in the United States, this batch process area of chemical production is an especially sensitive one for us."

---

[1] Address by Ambassador Blumenthal before the European Chemical Industry, Kronberg, Germany, December 8, 1966, p. 7.

II. THE U. S. DYESTUFF INDUSTRY IS ALREADY HIGHLY VULNERABLE TO IMPORT INJURY AS A RESULT OF THE 50% CUT IN DUTIES WHICH IT SUSTAINED IN THE KENNEDY ROUND.

The duty to be paid on imports is determined by multiplying the rate by the value. ASP is the rule for determining the value. The *rate* is a separate factor from ASP. The majority of imported dyes were subject, pre-Kennedy Round, to the rate of 40%. This was cut to 20%. No exceptions.

A group of 86 dyes was subject, pre-Kennedy Round, to the rate of 32%. This was cut to 16%. No exceptions. Two dyes, sulphur black and synthetic indigo, were dutiable at a compound rate, 3¢ per pound plus 20%. These were cut to 1.5¢ per pound plus 10%.

A special group of dyestuff components called fast color salts, fast color bases, and Naphthol AS and derivatives - which collectively are referred to as "Azoics" - were subject, pre-Kennedy Round, to the rate of 3.5¢ per pound plus 20%. These were cut to 1.7¢ per pound plus 10%. No exceptions. Synthetic organic pigments - known as "lakes and toners" - were dutiable, pre-Kennedy Round, at 40%. They were cut to 20%. No exceptions.

Finally, advanced chemical compounds made in dyestuff plants, known as advanced intermediates, were also cut by 50%. Most of these were dutiable, pre-Kennedy Round, at 3.5¢ per pound plus 25%. These were cut to 1.7¢ per pound plus 12.5%. A group of 23 advanced intermediates were dutiable, by name, pre-Kennedy Round, at 3¢ per pound plus 20%. These were cut to 1.5¢ per pound plus 10%. A second group of 30 advanced

intermediates, and their salts, were dutiable, pre-Kennedy Round, at 2.8¢ per pound plus 20%. These were cut to 1.4¢ per pound plus 10%. No exceptions.

Few industries had each and every product in its line cut by the full 50%. We did.

The U. S. trade negotiators in the Kennedy Round used up every bit of the President's authority in cutting duties on dyestuffs and dye intermediates by 50%. They then entered into the supplemental chemical agreement, which they neither had authority to negotiate nor to implement, promising to secure the repeal of the ASP value rule, the effect of which would have been to reduce duties well below the 50% cut achieved through the reduction in the rates. This was a price asked of no other industry. Why? Fortunately for the domestic producers and their workers, the Congress did not ratify the supplemental agreement.

Now this Committee has been asked by the present Administration in effect to ratify the commitment made by the prior Administration, by giving the President the power in Section 103(c) of H. R. 6767 to enter into a trade agreement commitment to change the method of customs valuation for imported dyes, lakes and toners, azoics, and dye intermediates, and then without reference to the Congress to make such change effective by proclamation without any right in the Congress to disapprove.

Section 103(c) states that the President can take such action "to the extent that such implementation is limited to a reduction of the burden on trade resulting from methods of customs valuation." The actions of the Administration on this issue leave no doubt that for trade agreement

purposes it accepts the claim of foreign countries whose dyestuff industries are intent upon completing a takeover of the American market that ASP is a "burden on trade."

III. THE EXISTING SYSTEM OF IMPORT DUTIES ON DYES HAS PERMITTED FOREIGN PRODUCERS STEADILY TO INCREASE THEIR SHARE OF THE DOMESTIC MARKET, AND THIS TREND HAS ACCELERATED AS A RESULT OF THE KENNEDY ROUND TARIFF CUTS.

According to the Tariff Commission, two-thirds of the dyes sold in the United States are consumed by the domestic textile industry.[2] This coincides with trade information. The total invasion of the U. S. market for dyes for the textile industry includes both the dyes imported as dyes, and the dye content of textiles imported in a dyed or printed state.

The existing system of deeply reduced duties based upon the ASP has permitted imports to increase at a much more rapid rate than the growth in domestic shipments or in domestic consumption of dyes. Though the rate of growth has been unequal, it has been regulated to a sufficient extent by the ASP system of duties so as to permit the domestic industry to increase its shipments and employment notwithstanding the steady reduction in the share of the market available to domestic producers.

While the domestic producers of dyes would prefer import regulation which maintains their share of the domestic market relative to imports, they are able to live with a situation in which they have

---

[2] U. S. Tariff Commission, *Synthetic Organic Chemicals, U. S. Production and Sales of Dyes, 1971*, October 1972, p. 1.

access to some of the growth in the market even though their market share declines.

The experience of the past 5 years demonstrates that the ASP system of duties, while operating more generously for the benefit of foreign producers than for domestic, does serve to maintain growth in employment and in domestic production and sales of dyes. Clearly the foreign producers have the better of it, and the Kennedy Round cuts have stimulated an increased rate of import penetration of the U. S. market. The domestic producers, however, have a sufficient position in the market, given the quality of import regulation achieved by the ASP system of duties and the strength of domestic demand, to stay alive and to enjoy some modest growth, and thus to protect the present and future outlook of their employees.

If the market demand slackens appreciably, on the other hand, we will be severely hurt by the reduced share of the market available to us in view of the steady rise in imports.

The data in the following table are evidence of these facts.

TABLE 1

U. S. EMPLOYMENT, OUTPUT, AND FOREIGN TRADE IN SYNTHETIC ORGANIC DYESTUFFS (SIC 28152)

	1967	*1968*	*1969*	*1970*	*1971*	*1972*	*Annual Average % Change*
EMPLOYMENT[1]	11,600	12,740	13,510	13,190	13,710	15,515	*+6.1%*
PRODUCTION *(000's lbs.)*	206,240	226,498	240,208	234,526	243,729	275,831[2]	*+6.1%*
SALES							
Quantity *(000's lbs.)*	198,592	214,661	220,886	223,218	229,544	259,778[2]	*+5.6%*
Value *($000's)*	$332,049	$370,196	$385,301	$390,429	$422,627	$482,253[3]	*+7.9%*
Average Unit Value	$1.67	$1.72	$1.74	$1.75	$1.84	$1.86	*+2.2%*
IMPORTS							
Quantity *(000's lbs.)*	11,832	16,647	20,845	24,602	32,643	35,491	*+25.1%*
Value *($000's)*	$36,185	$49,015	$59,343	$65,004	$93,146	$97,500	*+22.8%*
Average Unit Value	$3.06	$2.94	$2.85	$2.64	$2.85	$2.75	*-2.0%*
EXPORTS							
Quantity *(000's lbs.)*	13,780	15,939	15,061	21,526	21,666	28,976	*+17.5%*
Value *($000's)*	$21,624	$22,624	$21,033	$28,691	$28,360	$34,024	*+10.6%*
Average Unit Value	$1.57	$1.42	$1.40	$1.33	$1.31	$1.17	*-5.6%*
DOMESTIC MARKET[4]							
Quantity *(000's lbs.)*	196,644	215,369	226,670	269,346	240,521	266,293	*+6.7%*
Value *($000's)*	$346,610	$396,587	$423,611	$426,742	$487,413	$545,729	*+9.6%*
Average Unit Value	$1.76	$1.84	$1.87	$1.58	$2.03	$2.05	*+4.3%*
RATIO OF IMPORTS TO DOMESTIC MARKET							
Quantity	5.8%	7.7%	9.2%	9.1%	13.6%	13.3%	*+19.7%*
Value	10.4%	12.4%	14.0%	15.2%	19.1%	17.9%	*+12.0%*

[1] Employment data derived at the ratio of production (lbs.) per employee for industry SIC 28152 in 1967 to the production data for each year.

[2] Estimated based on industry sales statistics of the quantity of dyes sold in 1972 versus 1971.

[3] Estimated based on industry sales statistics of the value of dye sales in 1972 versus 1971.

[4] Domestic Market = Sales + Imports - Exports.

SOURCES:

Employment: U. S. Department of Commerce, Bureau of the Census, *1967 Census of Manufactures.*

Production and Sales: U. S. Tariff Commission, *Synthetic Organic Chemicals, United States Production and Sales*, 1967-1971, and industry data.

Imports: U. S. Department of Commerce, Bureau of the Census, FT 246 (1967-1971), IM 146 (1972). TSUS Nos. 406.0200-406.6000, and 406.8020-406.8060.

Exports: U. S. Department of Commerce, Bureau of the Census, FT 410 (1967-1972). Sch. B No. 531.0100.

The data in the foregoing table understate the extent to which imported dyes have increased their penetration of the United States market. This understatement is due to the following factors: First, foreign producers tend to concentrate their exports of dyes to the United States in those categories which have the higher unit values. They prefer to concentrate their marketing efforts on the "cream" of the market rather than to carry the burden which rests upon the domestic industry of supplying a full range of dyes, including the low unit value products.

Second, imports of dyes tend to be in concentrated forms in comparison with the less concentrated formulations in which the dyes are sold to textile mills for use. Domestic production data are in terms of the dyes as produced for sale to textile mills, so that a pound of imported dyes tends to displace more than one pound of domestically produced dyes. As pointed out by the Tariff Commission, "Dyes are sold as pastes, powders, lumps, and solutions; concentrations vary from 6 percent to 100 percent."[3]

In the case of dyes, therefore, a closer approximation of the market penetration can be gained by comparing the value of imported dyes with the value of domestic sales since value varies in accordance with the concentration. When values are used, it is necessary to adjust import values which are reported by the U. S. Government on an f.o.b. origin basis to landed cost (including transportation and duty) in order

---

[3] U. S. Tariff Commission, *Synthetic Organic Chemicals, U. S. Production and Sales of Dyes, 1971*, October 1972, p. 1.

that the value of the foreign and domestic merchandise in position for sale in the United States market can be compared.

In its study, *Employment, Output, and Foreign Trade of U. S. Manufacturing Industries, 1958-71* (Fifth Edition, 1973), the Trade Relations Council of the United States, Inc., has reported the value of domestic shipments of dyes and of imports on a landed-cost basis. The report also indicates the value of domestic consumption. The data in the following table are taken from that report.

TABLE 2

SYNTHETIC ORGANIC DYES: VALUE OF U. S. SHIPMENTS AND FOREIGN TRADE; IMPORT PENETRATION OF THE U. S. MARKET
(In millions of dollars)

	1967	*1968*	*1969*	*1970*	*1971*
Value of Shipments	$325.6	$360.4	$388.9	$397.4	$434.7
Imports, landed cost	55.6	73.5	86.9	92.9	129.9
Exports, valued at mill	19.4	20.4	18.9	26.0	25.5
Domestic Market	340.2	386.8	427.2	433.5	499.5
Ratio, Imports to Domestic Market	*15.4%*	*17.8%*	*19.0%*	*20.0%*	*24.1%*

SOURCE: Trade Relations Council of the United Statss, Inc., *Employment, Output, and Foreign Trade of U. S. Manufacturing Industries, 1958-71* (Fifth Edition, 1973).

That report presents similar data for the entire chemical industry defined at the 2-digit level of the Standard Industrial Classification "chemicals and allied products." By contrast with the deep

and rising market penetration shown in the above table for imported dyes, the report indicates that for the entire chemicals and allied products group, the import penetration rose slowly from 2.4% in 1967 to 3.5% in 1971.

The TRC study also ranks all U. S. manufacturing industries as defined at the 4-digit level of the Standard Industrial Classification in accordance with the ratio of imports to the domestic market. There are 259 separate industries or industry groups in the ranking. The dyestuff industry, which is defined at the 5-digit level of the Standard Industrial Classification, with its import penetration ratio of 20.0% in 1970, had a deeper penetration of its domestic market by imports than 228 of the 259 4-digit industries or groups of industries in the ranking.

In other words, dyes were among the industries with the most severe market penetration by imports notwithstanding that few of the industries in the ranking had the benefit of the American Selling Price valuation on competitive imports. I cite these data, Mr. Chairman, to make the point that the application of the American Selling Price value base to imports of competitive dyes cannot fairly be regarded as a burden on the import trade in view of the fact that imports of dyes have made a deeper penetration than the vast majority of American industries have experienced.

The above data and discussion are limited just to synthetic organic dyes. A closely related sector of batch-processing manufacture of labor-intensive benzenoid chemicals is concerned with synthetic organic pigments, sometimes referred to as lakes and toners. These

are used in paints and related products, in printing ink, and in plastics and resin materials.[4]

The production methods and labor intensiveness of the synthetic organic dye and pigments industries are very much the same, and their vulnerability to import competition is equal in degree. The growth of domestic employment and production in lakes and toners is similar to that previously discussed for dyes, but the rate of growth of imports is higher than that for dyes alone. The pertinent data are shown in the following Table 3.

---

[4] U. S. Tariff Commission, *Synthetic Organic Chemicals, U. S. Production and Sales of Organic Pigments, 1971*, August 1972, p. 1.

TABLE 3

U. S. EMPLOYMENT, OUTPUT, AND FOREIGN TRADE IN PIGMENTS (LAKES AND TONERS) (SIC 28153)

	1967	*1968*	*1969*	*1970*	*1971*	*1972*	*Annual Average % Change*
EMPLOYMENT[1]	4,400	4,435	5,035	4,665	4,815	5,445	*+4.7%*
PRODUCTION *(000's lbs.)*	53,322	53,749	61,011	56,524	58,326	66,008[2]	*+4.7%*
SALES							
Quantity *(000's lbs.)*	42,867	45,810	50,794	47,166	47,052	53,249[2]	*+4.7%*
Value *($000's)*	$108,354	$119,934	$133,149	$122,965	$130,013	$148,357[3]	*+6.8%*
Average Unit Value	$2.53	$2.62	$2.62	$2.61	$2.76	$2.79	*+2.0%*
IMPORTS							
Quantity *(000's lbs.)*	2,457	4,046	6,065	6,030	8,977	7,409	*+29.1%*
Value *($000's)*	$3,872	$6,904	$10,751	$12,533	$15,268	$15,013	*+34.2%*
Average Unit Value	$1.58	$1.71	$1.77	$2.08	$1.71	$2.03	*+6.0%*
EXPORTS							
Quantity *(000's lbs.)*	5,557	7,345	6,579	8,406	9,286	10,588	*+14.8%*
Value *($000's)*	$10,052	$12,486	$11,710	$14,291	$16,224	$19,205	*+14.4%*
Average Unit Value	$1.81	$1.70	$1.78	$1.70	$1.75	$1.81	*+2.6%*
DOMESTIC MARKET[4]							
Quantity *(000's lbs.)*	39,767	42,511	50,280	44,790	46,743	50,070	*+5.1%*
Value *($000's)*	$102,174	$114,352	$132,190	$121,207	$129,057	$144,165	*+7.5%*
Average Unit Value	$2.57	$2.69	$2.63	$2.71	$2.76	$2.88	*+2.3%*
RATIO OF IMPORTS TO DOMESTIC MARKET							
Quantity	6.2%	9.5%	12.1%	13.5%	19.2%	14.8%	*+22.3%*
Value	3.8%	6.0%	8.1%	10.3%	11.8%	10.4%	*+24.6%*

[1] Employment data derived at the ratio of production (lbs.) per employee for industry SIC 28153 in 1967 to the production data for each year.

[2] Estimated based on industry sales statistics of the quantity of dyes sold in 1972 versus 1971.

[3] Estimated based on industry sales statistics of the value of dye sales in 1972 versus 1971.

[4] Domestic Market = Sales + Imports - Exports.

SOURCES:

Employment: U. S. Department of Commerce, Bureau of the Census, *1967 Census of Manufactures.*

Production and Sales: U. S. Tariff Commission, *Synthetic Organic Chemicals, United States Production and Sales*, 1967-1971, and industry data.

Imports: U. S. Department of Commerce, Bureau of the Census, FT 246 (1967-1972), IM 146 (1972). TSUS Nos. 406.7000 and 409.0000.

Exports: U. S. Department of Commerce, Bureau of the Census, FT 410 (1967-1972). Sch. B. No. 531.0200.

As in the case of dyes, it is evident from the data that the ASP system of import duties has permitted a very strong rate of growth for imports of lakes and toners, which increased threefold in the 5-year period, 1967-1972. Notwithstanding the exceptionally rapid increase in imports, at a rate six times that of domestic production and sales, domestic production increased modestly, and this served to boost employment moderately during the period.

The highlights of the data shown in Table 3 are that the ratio of imports to the total supply for domestic use increased from 6% in 1967 to nearly 15% in 1972.

The ratio of imports to domestic consumption of dyes and pigments is greater than that applicable to textiles by a wide margin, as shown by the following table.

TABLE 4

RATIO OF IMPORTS TO DOMESTIC CONSUMPTION
(Based on Quantity)

	DYES	*LAKES AND TONERS*	*COTTON, WOOL, AND MAN-MADE FIBER TEXTILES**
1967	5.8%	6.2%	7.5%
1968	7.7%	9.5%	7.9%
1969	9.2%	12.1%	8.5%
1970	9.1%	13.5%	9.0%
1971	13.6%	19.2%	9.2%
1972	13.3%	14.8%	9.6%

* Fiber equivalent of imports of textile articles of cotton, wool, and man-made fiber to domestic consumption of such textile fibers, per Department of Agriculture, *Supplement for 1972 to Statistical Bulletin No. 417*; *Cotton Situation*, April 1973; *Wool Situation*, May 1973.

Mr. Chairman, the data in the preceding tables establish conclusively that the Kennedy Round tariff cuts on dyes and pigments have strongly stimulated the importation of these products into the United States.

Should there be any weakening of demand for dyes in the future, and we must face that now as a probability, rising import penetration of this magnitude will obviously cause serious disruption of the domestic market and corresponding hardship to domestic producers and their employees. The domestic producers will have their hands full in meeting this continuing and accelerating competitive challenge from the foreign producers. To repeal ASP in the face of these facts would clearly make a bad situation very much worse.

No one can honestly say that the access which is afforded to foreign-produced dyes and pigments under the existing system of duties and the increased access which the Kennedy Round 50% tariff cuts is conferring on foreign producers, is unfair or significantly restrictive of the interests of foreign producers. The situation has already developed to a point where it is plain from the data that the U. S. producers and their employees face diminished market opportunities in the United States with the consequent loss of future opportunity for expansion of production and the domestic work force. It would be harsh and unfair for this Committee to give tacit approval to the repeal of ASP as it applies to synthetic organic dyes and pigments in the light of this evidence. For this reason, we urge you not to approve Section 103(c) of the Administration bill, as now written.

IV. THE ASP DOES NOT IN FACT INHIBIT ACCESS TO IMPORTS OF COMPETITIVE DYES AS THEY HAVE INCREASED MORE RAPIDLY THAN NONCOMPETITIVE DYES AT CONVENTIONAL CUSTOMS VALUES.

When you cut through all of the rhetoric and rationalizations which are used by the opponents of the ASP, it amounts to this: The ASP value basis is claimed to inhibit imports of competitive benzenoid chemicals and thus retard reasonable access to the American market for such foreign-produced chemicals. Tariff Commission data concerning the competitive-noncompetitive status of imported dyes disprove that contention. These data are summarized in the following table.

TABLE 5

COMPARATIVE ACCESS FOR U. S. IMPORTS OF COMPETITIVE VS. NONCOMPETITIVE DYES, 1958-1971

	IMPORTS OF DYES CLASSIFIED AS -		*RATIO OF COMPETITIVE TO NONCOMPETITIVE*	*DOMESTIC CONSUMPTION OF 3 TEXTILE FIBERS (million lbs.)*
	COMPETITIVE (000 lbs.)	*NONCOMPETITIVE (000 lbs.)*		
1958	1,957.6	2,146.1	91.2%	5,790.0
Avg. 1959-62	2,425.6	2,957.5	82.0%	6,706.5
Avg. 1963-64	5,114.4	4,187.5	122.1%	7,552.8
Avg. 1965-67	6,236.3	6,589.4	94.6%	8,945.8
1967	6,389.3	6,384.8	100.1%	9,356.4
1968	9,421.3	9,489.2	99.3%	10,268.3
1969	12,252.8	10,536.2	116.3%	10,285.9
1970	14,679.3	10,558.0	139.0%	10,111.5
1971	14,672.0	15,819.1	92.7%	11,317.0
% Change 1967-71	*+129.6%*	*+147.8%*		*+21.0%*

SOURCE: U. S. Tariff Commission, *Imports of Coal-Tar Products*, 1958-1963; *Imports of Benzenoid Chemicals and Products*, 1964-1971. U. S. Department of Agriculture, *Supplement for 1972 to Statistical Bulletin No. 417*; *Cotton Situation*, April 1973; *Wool Situation*, May 1973.

The table establishes that -

1. Imports of dyes classified as competitive on the ASP basis have increased about as rapidly as those classified as noncompetitive. This is the direct opposite from what you would expect if the Administration's contentions were true.
2. Imports of competitive dyes made a mighty surge forward during the years 1968-1970 when the domestic textile market was in a stage of relative stagnation. This proves that the foreign producers can increase their penetration by boosting their exports of competitive dyes to the United States whenever they choose to do so and are not dependent upon a corresponding rise in the consumption of dyes by the domestic textile industry.
3. Roughly half of the imports of dyes are classed by Customs as noncompetitive, so that large share of the imports does not undergo customs valuation at the American Selling Price.

If the ASP basis of valuation were in fact a barrier which inhibits imports over and above the incidence of the duty itself, the roughly equivalent rates of growth of competitive and noncompetitive dyes would not have taken place.

Perhaps the most striking fact which emerges from the above table is that imports of both competitive and noncompetitive dyes increased more than six times the rate of increase in textile consumption in the

United States, the principal basis for demand of dyes. Obviously, the ASP system has permitted foreign-produced dyes to enter the United States market at a rate many times greater than the increase in demand for dyes. These facts refute conclusively any notion that the ASP system is unfair in its operation on dye imports.

V. FOREIGN DYE PRODUCERS HAVE A DECISIVE COMPETITIVE ADVANTAGE AGAINST U. S.-PRODUCED DYES AND PIGMENTS AS SHOWN BY THE STEADILY INCREASING DEFICIT IN THE U. S. BALANCE OF TRADE IN DYES AND PIGMENTS, AND BY THE SMALL AND DECLINING SHARE OF WORLD EXPORTS IN THESE PRODUCTS ACCOUNTED FOR BY THE UNITED STATES.

The reason for the existence of the ASP system of customs valuation is the dominant competitive power of the European producers and of Japan in trade in batch-processed, labor-intensive synthetic organic chemicals, epitomized by dyes and pigments. The United States competes with European and Japanese dyes and pigments in its home market and in world export markets. A study of the trends of U. S. imports, exports, and balance of trade, and of our share of the world export market, will demonstrate the dominance of the foreign producers.

For example, there has been a continuous and growing deficit in the U. S. balance of trade in synthetic organic dyes and pigments throughout the past decade. Compared with the average annual trade balance for the years 1958-1960, the United States has experienced a trade deficit which by 1971 had increased in size by more than 12,000%. Our exports nearly balanced our imports during the base period, but by 1971 U. S. imports, valued f.a.s. U. S. port, were nearly four times the value of U. S. exports.

TABLE 6

U. S. FOREIGN TRADE IN SYNTHETIC ORGANIC DYES, PIGMENTS, AND LAKES AND TONERS (SIC 28152, 28153)

(In millions of dollars)

	IMPORTS, landed cost, U. S. port	*EXPORTS, f.o.b. plant*	*BALANCE OF TRADE*
Average 1958-60	$ 19.5	$ 18.6	$ -0.9
Average 1961-63	29.1	24.2	-4.9
Average 1964-66	50.3	29.8	-20.5
1967	61.9	28.5	-33.4
1968	84.3	31.6	-52.7
1969	103.1	29.5	-73.6
1970	111.2	38.9	-72.3
1971	151.6	40.1	-111.5
% change:			
Avg. 1958-60 to 1971	*+677.4%*	*+115.6%*	*-12,288.9%*

SOURCE: Trade Relations Council of the United States, Inc., *Employment, Output, and Foreign Trade of U. S. Manufacturing Industries, 1958-71* (Fifth Edition, 1973)

As the foreign producers have strongly increased their penetration of the United States market, our position in the world export trade in dyes and pigments has deteriorated. In 1966, the United States supplied 7.4% of the exports of dyes and pigments by the world's developed countries. Japan then held last place at 3.9%, while the producers in Western Europe accounted for 88.7% of the total. By 1970, the United States had been relegated to last place, supplying only 6.6% of the exports of dyes and pigments by the developed countries. Japan moved ahead of the U. S. industry. The producers in Western Europe continued to hold in excess of 85%. Our loss of position was almost entirely for the benefit of Japan.

The remarkable stability in the shares of the world export market accounted for by the European producers is, in our opinion, evidence of the continued coöperation of the European producers, through the working arrangements previously established through the European dye cartel. The pertinent data are set forth in the following table.

TABLE 7

WORLD EXPORTS OF DYES AND PIGMENTS (S.I.T.C. 531)
(In metric tons)

EXPORTING COUNTRY	1966	*% of Whole*	1968	*% of Whole*	1970	*% of Whole*
West Germany	51,880	*38.5%*	61,423	*39.3%*	84,561	*40.9%*
Other EEC	16,524	*12.3%*	18,375	*11.7%*	22,875	*11.1%*
		50.8%		*51.0%*		*52.0%*
Switzerland	28,238	*21.0%*	30,553	*19.5%*	37,218	*18.0%*
United Kingdom	21,355	*15.9%*	24,706	*15.8%*	30,237	*14.6%*
Other EFTA	1,304	*1.0%*	1,826	*1.2%*	2,193	*1.1%*
		37.9%		*36.5%*		*33.7%*
Japan	5,275	*3.9%*	8,975	*5.7%*	15,876	*7.7%*
United States	9,966	*7.4%*	10,562	*6.8%*	13,577	*6.6%*
TOTAL	134,542	*100.0%*	156,420	*100.0%*	206,537	*100.0%*

SOURCE: OECD, *Commodity Trade: Exports* - annual volumes 1966-1970.

We believe that this Committee should carefully consider the dominant position already held by the European producers, and the growing strength of the Japanese dye and pigment industry, in the world export market. It is obvious that the United States industry is essentially limited to the United States market for the sale of its production of dyes.

The health of our industry and the maintenance of our work force are dependent upon our continued access to the American market. The data already presented show that under the existing system of ASP duties, the foreign producers are steadily increasing their share of the American market, though not yet at a rate which denies us total access to a modest increase in sales and employment.

The steady increase in the balance of trade deficit of the United States in synthetic organic dyes and pigments, and the reduction which is occurring in our very small share of the world export market should indicate to the Committee that there are no compelling reasons for accommodating the insistent demand of the foreign producers for repeal of ASP. It is not a case where the foreigners are being shut out of our market; indeed, it is abundantly evident that they have succeeded with a dominant competitive power of virtually shutting us out of the world export market while they enjoy a large and growing position in our market.

VI. THE REPEAL OF ASP AND THE SUBSTITUTION OF THE CONVERTED RATES BASED UPON THE FOREIGN SELLING PRICE WOULD GIVE THE CARTEL-LIKE EUROPEAN INDUSTRY THE MEANS FOR MAKING FURTHER REDUCTIONS IN THE ACTUAL DUTIES COLLECTED THROUGH CONCERTED PRICING ACTIONS.

The European industry operates through a cartel-like arrangement. On July 24, 1969, the Commission of the European Economic Commission conducted an investigation and entered its decree finding 10 European producers of dyes guilty of violating the antitrust provisions of the

Treaty of Rome by repeatedly fixing prices for dyes sold in the Common Market through concerted action. The European producers are relatively free from competition from American producers in the European market. Where they have virtually complete domination of a market, it is their tendency to raise prices in concert to the detriment of the consumers served by that market.

The antitrust article of the Treaty of Rome, Article 85, applies only to practices which affect trade *within* the Common Market, and specifically exempts practices which affect the export trade of EEC producers. Consequently, the companies which have been found guilty of anticompetitive concerted action within the EEC are free to carry out such activities in their exports to the United States without fear of any prohibition by the EEC Commission.

If the independent dye producers in the United States are driven out of business by the tactics of the European industry, which the ASP has been an effective shield to prevent, you may expect anti-competitive activities in the American market similar to those which have been found by the Commission to be carried out in Europe.

The principal way in which the ASP serves as a shield against such possibilities is that the foreign producers who have the means and disposition to agree on prices are unable to affect the determination of U. S. import duties since they are based on the selling price of the U. S.-produced product rather than the selling price of the foreign-produced product. The repeal of ASP would base import duties on the

selling price of the foreign product, which, of course, is under control of the foreign producer, and which he is in a position to set by way of concerted action with the other members of the European cartel.

Through their U. S. affiliates, the European producers (Hoechst, Bayer, Badische, and Casella of Germany; Ciba-Geigy and Sandoz of Switzerland; and I.C.I. of England) are in a position quickly to dominate the American market through the U. S. production and distribution activities of their affiliates and their own foreign production for the American market - if they gain this type of leverage over the determination of U. S. duties applicable to their exports to the United States.

According to the Tariff Commission, through the combination of their U. S. affiliates and their export to the United States from Europe, the foreign producers had captured fully one-third of the American market by 1965.[5] According to our trade estimates, the European producers have now increased this market share to more than 40%.

CONCLUSION

The foreign chemical industry and other advocates of ASP repeal base their case on the allegation that American producers can cut off imports by arbitrarily raising the duty on a product by raising the price. This argument conveniently ignores the reality of the market place where a price increase of $1 per pound would be required to raise

---

[5] U. S. Tariff Commission, Report to the Special Representative for Trade Negotiations, July 25, 1966, p. 19.

the duty by 20¢ and would itself make the U. S. product noncompetitive, if it were not already so.

The real crux of the matter is that the members of the foreign cartels wish to secure *for themselves* the power *to reduce* U. S. duties under a system in which dutiable value would be based upon their foreign export price. If ASP is repealed, the foreign cartels will be able to carry on a campaign under which for each 30¢ reduction in their foreign export price, the United States Government would contribute a further reduction in landed costs of 9¢.

By every test in the domain of results by which a liberal trade policy can be judged, there is no need to repeal ASP and thus sacrifice the independent American dyestuff industry: The growth rate of imports is several times the growth rate of American production. Furthermore, the rising import penetration of the domestic market in dyes is equal to that in textiles, a recognized symbol of excessive import competition. The manufacture of dyes is, moreover, equally or more labor intensive than the manufacture of textiles, the industry which the dye manufacturers exist primarily to serve and with whose fate the welfare of the dye industry is inextricably bound.

The decision before this Committee, therefore, turns essentially upon the concepts of justice, equity, and fair play. Our past trade agreement reductions in rates of duty have unquestionably granted more than equitable access to the foreign producers to the U. S. market. On the other hand, the sole basis for the health and welfare of the U. S. dye industry and its employees lies in continued access for

U. S.-produced dyes to the U. S. market. This access will be destroyed by the repeal of ASP.

In the name of justice and fair play, therefore, we call upon this Committee and the Congress to reject the proposal to repeal ASP as to dyes, pigments, and dye intermediates. We urge you to amend Section 103(c) of Chapter 1, Title I of H. R. 6767 by changing the period at the end of the subsection to a semicolon and adding the following:

> "*provided that*, there is excluded from the authority contained in this section the existing methods of customs valuation applicable to synthetic organic dyes, lakes and toners, and dye intermediates subject to classification under Part 1, Schedule 4, Tariff Schedules of the United States."

Thank you. This concludes my statement.

EXHIBIT 1

AD HOC COMMITTEE OF U. S. DYESTUFF PRODUCERS

AMERICAN ANILINE PRODUCTS, INC.
Paterson, New Jersey

ATLANTIC CHEMICAL CORPORATION
Nutley, New Jersey

BENZENOID ORGANICS, INC.
Bellingham, Massachusetts

BERNCOLORS-POUGHKEEPSIE, INC.
Poughkeepsie, New York

BLACKMAN UHLER CHEMICAL DIVISION
Synalloy Corporation
Spartanburg, South Carolina

CROMPTON & KNOWLES CORPORATION
Dyes and Chemicals Division
Fair Lawn, New Jersey

FABRICOLOR MANUFACTURING CORPORATION
Paterson, New Jersey

LAKEWAY CHEMICALS, INC.
Muskegon, Michigan

NYANZA, INC.
Lawrence, Massachusetts

PFISTER CHEMICAL WORKS, INC.
Ridgefield, New Jersey

SODYECO
Division of Martin Marietta Corporation
Charlotte, North Carolina

YOUNG ANILINE WORKS, INC.
Baltimore, Maryland

Mr. ULLMAN. Thank you very much for a very able presentation, and a paper that has good statistical background. It will be very helpful to the committee.

Are there questions?

Mr. Burke.

Mr. BURKE. On the establishment of a price in the country of origin, how do you think we could establish a price of goods originating in Soviet Russia?

Mr. STEWART. In anti-dumping cases the Treasury Department uses the price at which similar goods are sold in the markets of a Western European country. This is also the practice of Canada. This represents a considered judgment by our Government and the Canadian Government that any price placed upon the sale of their goods by the Soviet Union is unworthy of consideration when it comes to placing a fair value on such imports.

When trade is liberalized with the Eastern Bloc countries we will be faced with a Hobson's choice, being fortified with the judgment of the Treasury Department that the transaction prices in dealing with that country are unworthy of consideration in determining the true value of the goods, and facing a burgeoning volume of trade, however desirable, where the matter of establishing value will be so complex as to be virtually impossible.

The only way that is efficient, readily administerable, would be to base the customs value of imports from state-controlled economies on the American selling price value basis, the value at which comparable goods are sold at wholesale in the United States.

Mr. BURKE. How do you think that will affect European industry?

Mr. STEWART. I don't think that the use of the American selling price valuation basis on imports from Eastern Bloc countries would inhibit such trade. I think that it would have a very important effect on insuring that the terms of trade between such goods and domestic goods would be fair. Therefore, I think that it would have a salutary and beneficial influence for the committee to consider in conjunction with the authority that might be granted the Executive under the section of the bill dealing with East-West trade to impose a condition that imports from such countries be subject to evaluation for customs purpose at the American selling price.

Mr. ULLMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Chairman, I remember that on prior occasions when our committee was considering the matter of the American selling price, those who were on the committee who were opposed to giving up the American selling price—including among others, Mr. Burke and myself—sought the advice of Mr. Stewart as much as anybody, because we recognized his expertise in this field. We shall continue to do so because, as far as I am concerned, Mr. Stewart has probably as much knowledge in this area as anyone.

We are very much indebted to you, Mr. Stewart, for your expertise, and for your intelligent manner of approaching this problem.

Thank you very much.

Mr. STEWART. Thank you, Mr. Schneebeli.

Mr. ULLMAN. Mr. Corman.

Mr. CORMAN. Thank you, Mr. Chairman.

Mr. Stewart, I would like to move to a more fundamental problem that I see in this legislation. Your industry certainly highlights the

potential difficulty. I assume that the negotiators are going to be approaching negotiations on the basis of what is good for the total United States, and what is good for the trading partner. Within the United States we have a number of conflicting business interests, each time that concessions are made, and concessions are gained it has a significant impact on somebody within our own community. I am very uneasy at leaving the American businessman no place to make his case, not on the totality of the trade, but what happens to his industry or his business.

In your instance, you have been able to make that case before the Congress. Under the proposed legislation not only would the American selling price be taken out from any congressional consideration, but for all practical purposes all of these decisions will be. We have a veto right in some limited areas, but they are not significant.

Do you have any suggestions as to what you would like to see to give you your day in court to make your case, save your industry, if negotiations are about to destroy it?

Mr. STEWART. Mr. Corman, I have the privilege of appearing here tomorrow on behalf of the Trade Relations Council of the United States. My testimony exceeds 100 pages. It is that long because I go systematically into each provision of the bill and offer a technical evaluation, and amending language precisely along the lines you are interested in.

If I may have your indulgence on the subject, might I ask you to await the events of my testimony tomorrow to see if your question is directly answered?

Mr. CORMAN. Do we have your statement of tomorrow yet?

Mr. STEWART. Not as yet, Mr. Corman.

I am a one lawyer law office, and I have a very loyal and hard working staff, but in digesting a statement today and a 100 page statement tomorrow, they are still typing at page 80, but that will be delivered up here either by the end of the day today, or the first thing tomorrow morning.

Mr. CORMAN. I will be very much interested in your proposals.

Mr. ULLMAN. Are there further questions.

Mr. Duncan?

Mr. DUNCAN. Thank you, Mr. Chairman.

Mr. Stewart, you said in the Kennedy round your industry was reduced 50 percent.

Mr. STEWART. Yes.

Mr. DUNCAN. More than any other industry?

Mr. STEWART. Well, many industries, Congressman, were reduced 50 percent. The administration states that the weighted average reduction in duties on industrial products amounted to 35 percent. Therefore, it would be correct to say that the dye producers that I represent suffered a reduction in duty of 15 percentage points more than the average of all industry.

Mr. DUNCAN. Why was that so? What was the reasoning for it?

Mr. STEWART. Because the European industry, supported by the Japanese, had mounted a determined campaign to eliminate the protection for my industry because of the power and articulateness of the German and other European chemical spokesmen who are close to their governments. Our Government evidently felt that not only

should we eliminate the American selling price, which I calculate would have a weighted average reduction affecting duties of 16 percent, but it should also grant the maximum reduction in rates of duty of which it was empowered, notwithstanding a report from the Tariff Commission that pointed out that our industry was the most sensitive industry in the whole chemical sector because it is so labor sensitive.

Mr. DUNCAN. You said our percentage of the world market in dyestuff has gone down?

Mr. STEWART. Yes, it has, from 7.4 to 6.6.

Mr. DUNCAN. But the employment situation, I notice, has been somewhat better, it has gone up.

Mr. STEWART. Yes. I have made the point in my statement that so long as we have the American selling price as a shield against the European cartel being able to control customs duties by controlling the value, we believe that we can make out, although we will steadily lose our position in the American market, so long as the demand for textiles made in America remains strong. If we go into a period of slack demand, the strong position of the foreign dye industry in this market, and the scramble that will then take place to maintain market position will result in our serious injury.

Mr. DUNCAN. What are your foreign sales now?

Mr. STEWART. Those are shown on page 17.

In 1971, $40 million.

Mr. DUNCAN. That has gone down in the last 5 years?

Mr. STEWART. The absolute volume, $40 million, is the largest of the period. The value has gone up incrementally, but because the world export market is growing at a faster pace, and that growth is supplied by the European and Japanese industries, our share of the world export market has declined just as our share of the American market has declined.

Mr. DUNCAN. Possibly inflation has added dollar value to our product.

Mr. STEWART. I don't think that is so much the case. The value of the dyestuffs in an article of clothing is a matter of a few cents.

Mr. DUNCAN. What do you refer to as the landed cost?

Mr. STEWART. The landed cost is the foreign invoice cost, plus the ocean freight and insurance, plus the duty paid on entering the country. The only way you can make a comparison of the value of goods produced in this country with foreign goods is to take the value of all the goods in this market. Your staff has recognized that, as has the Tariff Commission in its recent compilation on the import concentration of various products.

Mr. DUNCAN. Do you run into non-tariff barriers in these foreign countries?

Mr. STEWART. Not significantly, Mr. Duncan, because the principal part of our exports are to Canada, our neighbor to the immediate north, that has a substantial textitle industry. We are able to ship across the border, and because Canada does not have its own dye industry, our dyes enter Canada at a very favorable duty provision. There is no chance for us to carry coals to New Castle and sell to Germany. We do have export sales to Japan on specialized dye for the new fiber developed in this county. That generally proved to be a short-lived experience until the Japanese mastered the art of copying the dye.

Mr. DUNCAN. Thank you very much.

Thank you, Mr. Chairman.

Mr. ULLMAN. Are there any further questions?

Mr. Gibbons.

Mr. GIBBONS. Thank you, Mr. Chairman.

I appreciate your forthright and vigorous appearance here. Let me ask you a question. In exhibit 1, you refer to your ad hoc committee. I assume those are the people you are speaking for. What percent of the industry do they represent?

Mr. STEWART. My estimates of that go about as follows: the foreign companies and their U.S. affiliates have about 40 percent of the market. The big integrated chemical companies that I do not represent, such as duPont, Allied Chemical, General Analine, and Film, I estimate probably have about 35 percent of the market, and we have the balance, about 25 percent.

Mr. GIBBONS. And about 20,000 people, is that correct?

Mr. STEWART. The total dye and lakes and toner industry is about 20,000 people. Of that we would have approximately 5,000 workers.

Mr. GIBBONS. So, your ad hoc committee represents about 5,000 workers employed in domestic operations, is that it?

Mr. STEWART. That is correct. But we represent 100 percent of the small independent dye manufacturers.

Mr. GIBBONS. So really what we are talking about here is the small independent dye manufacturer versus the industry, is that it?

Let me put it in perspective. Is it 5,000 people versus 800,000 people?

Mr. STEWART. The entire chemical and allied products industry had 844,600 people in 1971.

Mr. GIBBONS. You are representing about 5,000.

Mr. STEWART. That is correct.

Mr. GIBBONS. Those 5,000 certainly are vigorously represented, and I think quite capably represented.

Mr. STEWART. It is like Daniel Webster said in arguing the Dartmouth College case to the Supreme Court, "It is a small college, but there are those of us who love it."

Mr. GIBBONS. There is even more love now that it is coed. [Laughter.]

I never took any chemistry in school to speak of, and I don't really know that I understand much about the industry. Why is our American industry in need of such protection?

Mr. STEWART. That is a very helpful question, Mr. Gibbons, and I appreciate your asking it.

Most of the chemical sales in the United States consist of continuous process products. An ammonia plant operates 24 hours a day seven days a week. It may produce 1,200 tons a day. It represents a capital investment of $25 million. It only has 30 employees. The labor content in that output is virtually nil. The cost consists of the capital investment, the power consumed, and the raw materials.

Now dyes. Reflect for a minute on the myriad of colors that are available in every consumer product that you are familiar with. There are in the United States commercially sold to the textile industry more than 2,000 dyes that are used repetitively, and many specialized dyes as well. These do not lend themselves to continuous process manufacture. The production of dyes is done in batches. It is called a batch process industry.

There is a complicated series of steps in which raw materials are ground, blended, roasted, cooked, and brought into various intermediate forms, synthesized to still higher forms, so that the final dye is very complex in its chemical structure. It may be in process in a dye plant for up to six weeks, moving from kettle to kettle, from step in process to step in process. At each step there is a significant amount of technical labor, highly trained, that must be administered to take care of it and move it to the next step.

The quality control procedures are very exacting. It is the batch process industry of which the hardest dyes have nourished America's capability in manufactured chemical synthesis. But because of the very high amount of technical labor, and the fact that you can't produce this in a continuous process, you have comparatively high labor content. In dyes the proportion of total salaries and wages to value added is 40 and 50 percent. In all chemicals, this big 844,000 worker industry, it is plus or minus 25 percent. There is that significant difference in the labor content.

It is for that reason that the batch process industry with its high labor content requires protection.

The technology for making dyes originated in Germany. The European industry is very solid, technically competent, and for the reason that Mr. Byrom referred to this morning, since they operate as a cartel they can eliminate competition between themselves; each of the big German companies concentrates in a particular line of dyes that does not substantially overlap the other companies, and whatever maximization in output is available, they are able to secure because of their system.

I disagree with Mr. Byrom, we don't happen to want the antitrust laws changed, those of us who are small dye manufacturers. This gives us a chance to compete, to build plants in little communities, in Pennsylvania, in Massachusetts, New Jersey, Michigan, North and South Carolina, and Maryland, and to add genuine value to the economic life of those communities.

Mr. GIBBONS. Are you telling me that to protect those small and, you admit, somewhat inefficient and labor intensive industries we ought to get into a worldwide trade war over the American Selling Price; industries where we have 5,000 workers versus the welfare of 209 million people? I know you love Dartmouth, but do you love it that much?

Mr. STEWART. Congressman Gibbons, you are the one who introduced the word "inefficient" in the dialog.

Mr. GIBBONS. It seemed to me that the word was applicable here.

Mr. STEWART. If having labor costs that are a function of our standard of living in comparison with the rest of the world is equal to inefficiency, so be it. That is not my test of inefficiency.

Mr. GIBBONS. We could manufacture cloth by hand if we wanted to. That would be plenty labor intensive.

Mr. STEWART. We manufacture dyes with the same technology and production methods that are used in Germany and Switzerland and England and Japan. Our production methods and the units of labor per unit of output by us are equal to theirs. But our workers receive wages several times higher than theirs, and I would not have it otherwise.

So far as the approach that our Government should take, both in the Constitution and in the recent utterances of the President on the subject, our trade policy ought to be administered in the interest of all the American workers.

Mr. GIBBONS. I know, but somewhere we have to balance a few different areas of equity. I doubt very seriously that our pay is two or three times higher than theirs these days.

Mr. STEWART. Suppose I submit figures to you?

Mr. GIBBONS. I would like to have some figures on this.

Mr. STEWART. Thank you.

Mr. GIBBONS. You will be comparing pay in what industries now?

Mr. STEWART. The industry producing synthetic organic chemicals.

Mr. GIBBONS. In what countries?

Mr. STEWART. I will take the principal producers, which will be West Germany, France, Switzerland, the United Kingdom, Italy, Japan, and the United States.

Mr. GIBBONS. I would like to have those figures. I sometimes wonder whether we—you know, I love your 5,000 people like you love Dartmouth, but I wonder whether we don't sometimes lose track of what we are fighting for over here.

[The information requested follows:]

WASHINGTON, D.C., *May 29, 1973.*

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.

DEAR MR. MARTIN: Enclosed please find the data requested of me by Congressman Gibbons concerning the wage rates of the principal foreign producers of dyes and of the United States.

In the time allowed, the best that I could do was to secure such data with respect to the *Chemical Industry* in the respective countries. I am, however, making an effort through private research to secure such information for the *Dyestuff Industry*, and if I am successful I will submit the information to the Committee and to Congressman Gibbons.

Respectfully yours,

EUGENE L. STEWART.

AVERAGE HOURLY WAGES IN THE CHEMICAL INDUSTRY, SELECTED COUNTRIES, 1967–72

	National currency	Exchange rate of national currency (cents per unit of foreign currency)[1]	Published average hourly earnings[2]		Ratio of additional compensation per hour worked to published hourly earnings (percent)[3]	Estimated hourly wages including compensation per hour worked (in U.S. dollars)
			National currency	U.S. dollars		
1967:						
United States	Dollars		3.10	$3.10	26	$3.91
Japan	Yen	0.27613	268	.74	19	.88
France	Francs	20.323	4.72	.96	77	1.70
West Germany	Marks	25.084	4.41	1.11	53	1.69
Italy	Lire	.16022	468	.75	85	1.39
Switzerland	Francs	23.104	6.09	1.41	30	1.83
United Kingdom	Pence	1.146	107.0	1.23	[4] 28	1.57
1968:						
United States	Dollars		3.26	3.26	26	4.11
Japan	Yen	.27735	305	.85	19	1.01
France	Francs	20.191	5.22	1.05	77	1.87
West Germany	Marks	25.048	5.17	1.29	53	1.98
Italy	Lire	.16042	488	.78	85	1.45
Switzerland	Francs	23.169	6.27	1.45	30	1.89
United Kingdom	Pence	.9973	112.7	1.12	[4] 28	1.44
1969:						
United States	Dollars		3.47	3.47	26	4.37
Japan	Yen	.27903	362	1.01	19	1.20
France	Francs	19.302	5.90	1.14	75	1.99
West Germany	Marks	25.491	5.68	1.45	56	2.26
Italy	Lire	.15940	558	.89	94	1.73
Switzerland	Francs	23.186	6.82	1.58	30	2.06
United Kingdom	Pence	.9959	122.9	1.22	[4] 28	1.57
1970:						
United States	Dollars		3.69	3.69	26	4.65
Japan	Yen	.27921	427	1.19	19	1.42
France	Francs	18.087	6.79	1.23	75	2.15
West Germany	Marks	27.424	6.41	1.76	56	2.74
Italy	Lire	.15945	712	1.14	94	2.20
Switzerland	Francs	23.199	7.46	1.73	30	2.25
United Kingdom	Pence	.9983	138.5	1.38	[4] 28	1.77
1971:						
United States	Dollars		3.94	3.94	26	4.96
Japan	Yen	.28779	495	1.42	19	1.70
France	Francs	18.148	7.57	1.37	78	2.45
West Germany	Marks	28.768	7.21	2.07	61	3.34
Italy	Lire	.16174	849	1.37	86	2.55
Switzerland	Francs	24.325	[5] 10.13 [6] 6.07	[5] 2.46 [6] 1.48	30	[5] 3.20 [6] 1.92
United Kingdom	Pence	2.44	67.5	1.65	[4] 28	2.11
1972:						
United States	Dollars		4.20	4.20	26	5.29
Japan[7]	Yen	.32995	559	1.84	19	2.19
France	Francs	19.825	8.13	1.61	78	2.87
West Germany	Marks	31.364	7.80	2.45	61	3.94
Italy	Lire	.17132	965	1.65	86	3.08
Switzerland	Francs	26.193	(8)	(8)	30	(8)
United Kingdom	Pence	2.50	75.7	1.89	[4] 28	2.42
1972: United States[9]	Dollars		4.35	4.35	26	5.48

[1] Par value or prevailing exchange rate.

[2] Published earnings do not represent the same items of labor compensation in each country because of differences in the treatment of various supplementary benefits. Earnings generally refer to gross cash payments to wage workers before deductions for taxes and social security, and include overtime pay and shift differentials; regular bonuses and premiums; and cost-of-living adjustments. Holiday, vacation, and sick leave pay, bonuses not paid regularly each pay period, and other supplementary benefits are included by some countries, excluded by others. The earnings data are per paid hour for some countries; per hour worked for other countries.

[3] Compensation refers to all payments made by employers directly to their workers before deductions of any kind, plus employer contributions to legally required insurance programs and private welfare plans for the benefit of employees. The figures on additional compensation per hour worked as a percent of published earnings are the best estimates currently available to the Bureau of Labor Statistics. The estimates are based primarily on labor cost or labor compensation surveys.

[4] Excluding effect of selective employment tax.

[5] Men (skilled): Average hourly earnings before compensation for both sexes is estimated at $2.03 and average hourly earnings for both sexes including compensation at $2.64 based on ratios of previous years' statistics.

[6] Women: Average hourly earnings before compensation for both sexesis estimated at $2.03 and average hourly earnings for both sexes including compensation at $2.64 based on ratios of previous years statistics.

[7] Estimated.

[8] Not available.

[9] March 1973.

Source: U.S. Department of Labor, Office of Productivity and Technology, Division of Foreign Labor Statistics and Trade.)

96-006 (Pt. 6) O - 73 -- 9

EUGENE L. STEWART,
Washington, D.C., June 12, 1973.

Mr. JOHN M. MARTIN,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MARTIN: This letter and the data which are presented in the attached exhibit are in further response to the request made of me by the Honorable Sam Gibbons during my testimony before the Committee on May 21, 1973, on behalf of the Ad Hoc Committee of U.S. Dyestuff Producers.

Congressman Gibbons requested that I supply for the record data concerning employee compensation in the dyestuff industries of the United States and leading foreign nations. By letter to you of May 29, I made a partial response to Congressman Gibbons' request in the form of average hourly wage data applicable to the "chemical industry" in the United States and selected foreign countries for the period 1967 to 1972. In that letter I indicated that I would make efforts to secure more specific data as to compensation of production workers in the dyestuff industry and, if successful, supply such data to the Committee.

Promptly following my presentation of testimony to the Committee on May 21, I commissioned independent management consultants-market research organizations in Asia and in Europe to make a survey of the compensation paid production workers in the dyestuff industries of the principal producing nations. To focus the survey as precisely as possible, I supplied a description of three principal categories of production workers, occupations which are necessarily performed in a dyestuff plant in view of the batch-processing nature of its production. These occupations were selected with the guidance of my client organization to be typical, important, and representative of production worker functions in a dyestuff plant.

In view of the schedule for the Committee's consideration of the trade bill, I requested these independent organizations in Asia and Europe to conduct their survey expeditiously so that I might make available the results of their investigation while the trade bill was still under consideration by the Committee.

The accompanying table and its attachments present the results of this survey. I wish to call attention to a few salient points established by the data in the table.

1. The compensation of these "bellwether" categories of production workers in the U.S. dyestuff industry considerably exceeds that in the principal foreign producing nations for which data could be secured, as shown by the following percentages which express the ratio of U.S. to foreign dyestuff industry wages in 1972:

[In percent]

U.S. compensation as a percentage of	Operator A	Operator C	Operator C
Japan (medium-sized company)	269	303	400
Italy	160	156	180
France	[1] NA	126	162
West Germany	133	136	161

[1] Not available.

2. It is also pertinent to consider the rate of change in production worker compensation in each of these countries compared with that in the United States. Between 1967 and 1972, total compensation of these selected production worker categories changed by the percentages indicated below:

[In percent]

	Operator A	Operator B	Operator C
Japan	142	142	142
Italy (not available; data available only for 1972)	[1] NA	[1] NA	[1] NA
France	[1] NA	75	82
West Germany	97	100	107
United States	50	51	52

[1] Not available.

3. More important than the rate of increase in compensation is the absolute amount of the increase in compensation of production workers which occurred in these countries during the above period. This change in compensation between the years 1967 and 1972 is summarized as follows:

	Operator A	Operator B	Operator C
Japan	$1.12	$0.94	$0.67
Italy (not available; data available only for 1972)	([1])	([1])	([1])
France	([1])	1.65	1.28
West Germany	1.90	1.78	1.47
United States	1.71	1.64	1.58

[1] Not available.

Thus, it may be seen that the absolute amount of increase in compensation experienced in the U. S. dyestuffs industry exceeded that of the other nations for which data are available in the production worker categories accounting for the principal number of production workers (Production Worker C), and is virtually as great as that of France and West Germany in Category B, the second most numerous occupation category.

The data presented in the attached table, and summarized herein, do adequately establish that even for the latest year, 1972, in which the principal effects of revaluation of the dollar vs. other currencies took place, the compensation of production workers in the U. S. dyestuff industry substantially exceeds that of workers in the dyestuff industry of the principal foreign nations for which the data are available.

The very substantial difference in compensation paid in the Untied States vs. the other countries and the labor-intensive nature of dyestuff manufacture, employing in each country the common technology of batch processing, give to the foreign suppliers a very substantial competitive advantage. This competitive advantage in production costs plus the cartelized nature of foreign marketing practices, fully discussed in my testimony, continues to constitute justification for the retention by the United States of the American Selling Price basis of customs valuation for imported synthetic organic dyes and dye intermediates.

Very truly yours,

EUGENE L. STEWART.

AVERAGE HOURLY WAGES IN THE DYESTUFF INDUSTRY, SELECTED WORKERS, 1967-72

	U.S. dollars per hour			Ratio of additional compensation per hour worked to published hourly earnings (percent)	Exchange rate (units of foreign currency per dollar)
	Hourly wage	Fringe benefits	Total hourly compensation		
UNITED STATES					
Operator A:					
1967	2.68	0.752	3.432	28.1	----------
1968	2.79	.946	3.736	33.9	----------
1969	2.98	.946	3.926	31.7	----------
1970	3.14	1.155	4.295	36.8	----------
1971	3.45	1.155	4.605	33.5	----------
1972	3.73	1.408	5.138	37.7	----------
Operator B:					
1967	2.47	.752	3.222	30.4	----------
1968	2.58	.946	3.526	36.7	----------
1969	2.75	.946	3.696	34.4	----------
1970	2.90	1.155	4.055	39.8	----------
1971	3.19	1.155	4.345	36.2	----------
1972	3.45	1.408	4.858	40.8	----------
Operator C:					
1967	2.26	.752	3.012	33.3	----------
1968	2.37	.946	3.316	39.9	----------
1969	2.53	.946	3.476	37.4	----------
1970	2.67	1.155	3.825	43.3	----------
1971	2.94	1.155	4.095	39.3	----------
1972	3.18	1.408	4.588	44.3	----------
FRANCE					
Operator A	(1)	(1)	(1)	(1)	(1)
Operator B:					
1967	1.47	.74	2.21	50.2	4.92
1968	1.62	.81	2.43	50.2	4.95
1969	1.80	.90	2.70	50.2	5.18
1970	1.90	.95	2.85	50.2	5.53
1971	2.09	1.05	3.14	50.2	5.51
1972	2.57	1.29	3.86	50.2	5.04
Operator C:					
1967	.94	.62	1.56	66.1	4.92
1968	1.05	.69	1.74	66.1	4.95
1969	1.17	.77	1.94	66.1	5.18
1970	1.25	.83	2.08	66.1	5.53
1971	1.39	.92	2.31	66.1	5.51
1972	1.71	1.13	2.84	66.1	5.04
ITALY					
Operator A: 1972	1.08	1.42	3.21	131.5	583.7
Operator B: 1972	1.05	1.24	2.94	118.1	583.7
Operator C: 1972	.97	1.13	2.55	116.5	583.7
WEST GERMANY					
Operator A:					
1967	1.00	.96	1.96	96.0	3.99
1968	1.05	1.02	2.07	97.1	3.99
1969	1.19	1.15	2.34	96.6	3.92
1970	1.53	1.40	2.93	91.5	3.65
1971	1.73	1.65	3.38	95.4	3.48
1972	2.00	1.86	3.86	93.0	3.19
Operator B:					
1967	.95	.83	1.78	87.4	3.99
1968	1.00	.89	1.89	89.0	3.99
1969	1.06	1.11	2.17	104.7	3.92
1970	1.45	1.27	2.72	87.6	3.65
1971	1.64	1.41	3.05	86.0	3.48
1972	1.91	1.65	3.56	86.4	3.19
Operator C:					
1967	.83	.54	1.37	65.1	3.99
1968	.87	.58	1.45	66.7	3.99
1969	.98	.71	1.69	72.4	3.92
1970	1.28	1.02	2.30	79.7	3.65
1971	1.44	.98	2.42	68.1	3.48
1972	1.68	1.16	2.84	69.0	3.19

See footnotes at end of table.

AVERAGE HOURLY WAGES IN THE DYESTUFF INDUSTRY, SELECTED WORKERS, 1967-72—Continued

	U.S. dollars per hour			Ratio of additional compensation per hour worked to published hourly earnings (percent)	Exchange rate (units of foreign currency per dollar)
	Hourly wage	Fringe benefits	Total hourly compensation		
JAPAN [2]					
Large company (over 5,000 workers):					
Operator A:					
1967	0.851	0.166	1.017	19.5	362.1
1968	.962	.217	1.179	22.6	360.6
1969	1.138	.247	1.385	21.7	358.4
1970	1.323	.286	1.609	21.6	358.2
1971	1.655	.301	1.956	18.2	347.5
1972	2.194	.404	2.598	18.4	303.1
Operator B:					
1967	.694	.140	.834	20.2	362.1
1968	.802	.165	.967	20.6	360.6
1969	.943	.193	1.136	20.5	358.4
1970	1.095	.225	1.320	20.5	358.2
1971	1.334	.271	1.605	20.3	347.5
1972	1.770	.360	2.130	20.3	303.1
Operator C:					
1967	.482	.099	.581	20.5	362.1
1968	.557	.115	.672	20.6	360.6
1969	.656	.134	.790	20.4	358.4
1970	.762	.156	.918	20.5	358.2
1971	.927	.188	1.115	20.3	347.5
1972	1.231	.250	1.481	20.3	303.1
Medium company (300 to 1,000 workers):					
Operator A:					
1967	.673	.115	.788	17.1	362.1
1968	.766	.135	.901	17.6	360.6
1969	.885	.153	1.038	17.3	358.4
1970	1.028	.179	1.207	17.4	358.2
1971	1.223	.213	1.436	17.4	347.5
1972	1.629	.281	1.910	17.3	303.1
Operator B:					
1967	.565	.097	.662	17.2	362.1
1968	.643	.113	.756	17.6	360.6
1969	.743	.129	.872	17.4	358.4
1970	.863	.150	1.013	17.4	358.2
1971	1.027	.179	1.206	17.4	347.5
1972	1.368	.237	1.605	17.3	303.1
Operator C:					
1967	.404	.069	.473	17.1	362.1
1968	.459	.081	.540	17.6	360.6
1969	.531	.092	.623	17.3	358.4
1970	.617	.107	.724	17.3	358.2
1971	.733	.129	.862	17.6	347.5
1972	.978	.168	1.146	17.3	303.1
Small company (about 100 workers):					
Operator A:					
1967	.586	.083	.669	14.2	361.1
1968	.681	.098	.779	14.4	360.6
1969	.808	.112	.920	13.9	358.4
1970	.944	.131	1.075	13.9	358.2
1971	1.144	.160	1.304	14.0	347.5
1972	1.534	.216	1.750	14.0	303.1
Operator B:					
1967	.498	.071	.569	14.3	362.1
1968	.579	.083	.662	14.3	360.6
1969	.686	.095	.781	13.8	358.4
1970	.802	.113	.915	14.1	358.2
1971	.972	.136	1.108	14.0	347.5
1972	1.305	.183	1.488	14.0	303.1
Operator C:					
1967	.369	.053	.422	14.4	362.1
1968	.429	.061	.490	14.2	360.6
1969	.508	.072	.580	14.2	358.4
1970	.595	.082	.677	13.8	358.2
1971	.721	.100	.821	13.9	347.5
1972	.966	.137	1.103	14.1	303.1

[1] Comparable data are not available.
[2] Japanese hourly wage includes paid vacations and holidays and 2 yearly bonuses which are included under "Fringe benefits" in the data presented for other countries.

Source: Exchange rates—The Federal Reserve System, Board of Governos, Federal Reserve Bulletin, June 1973, January 1971; wage rates—The data in the table are based on the following sources: United States—Actual wages and fringe benefits of a medium-size producer; other countries—Data based upon information developed in a survey conducted by an independent management consultant-market research organization of selected industrial and governmental sources.

Job Description

JOB TITLE: CHEMICAL OPERATOR "A"

Responsible for the operation of all equipment pertaining to the production of dyestuffs and chemicals in the area to which he is assigned.

Duties include the following:

(A) Operation of production equipment including reactors, autoclaves, kettles, vats, tanks, stills and distillation columns, centrifuges, filter presses and boxes, continuous and batch pressure and vacuum filters, continuous and batch dryers, sand mills, ball mills, pulverizers and grinders, compressors and vacuum systems, pumps and other miscellaneous equipment.

(B) Responsible for charging, operating and controlling production processes in accordance wtih written operating process instructions and his supervisors instructions. This includes checking and weighing or measuring all materials used, charging materials to the process equipment, controlling temperature, pH, pressure, volume and rate of addition or discharge in accordance with the process instructions, maintaining a written log of each process operation, transfer of product and process materials between vessels and running control tests during the processing.

(C) Works under the direction of and is responsible to the department supervisor or shift supervisor.

(D) Directs and trains Chemical Operators "B" and "C" and Trainees or Probationary Employees to operate and assist in operation of the above equipment and processes.

(E) Responsible for operating in a safe manner, keeping equipment and operating area clean and in good condition.

(F) Reports to his supervisor all maintenance problems and requirements, status of safety equipment, inventories of materials and process or operating problems.

(G) Performs miscellaneous duties such as pumping and drumming bulk materials, minor maintenance work including tightening fittings, adding packing to pumps, replacing small pipe nipples, etc.

(H) Completes a time card listing all products and operations worked on during each shift.

(I) Complies and follows all plant rules and policies pertaining to safety, fire protection, good housekeeping, operating practices and personal conduct and appearance.

JOB TITLE: CHEMICAL OPERATOR "B"

Under direction of Chemical Operator "A", department or shift supervisor, operates all equipment pertaining to the production of dyestuffs and chemicals in the area to which he is assigned.

Duties include the following:

(A) Operation of production equipment including reactors, kettles, vats, tanks, stills, centrifuges, filter presses and boxes, continuous and batch pressure and vacuum filters, continuous and batch dryers, sand mills, ball mills, pulverizers and grinders, compressors and vacuum systems, pumps and other miscellaneous equipment.

(B) Under direction of the Chemical Operator "A", operates, charges and controls production processes in accordance with written operating process instructions and his supervisors instructions. This includes checking and weighing or measuring all materials used, charging materials to the process equipment, controlling temperature, pH, pressure, volume and rate of addition or discharge in accordance with the process instructions, maintaining a written log of each process operation, transfer of product and process materials between vessels and running control tests during the processing.

(C) Works under the direction of the Chemical Operator "A" and is responsible to the department supervisor or shift supervisor.

(D) Directs and trains Chemical Operator "C" and Trainees or Probationary Employees to operate and assist in operation of the above equipment and processes.

(E) Responsible for operating in a safe manner, keeping equipment and operating area clean and in good condition.

(F) Reports to his supervisor all maintenance problems and requirements, status of safety equipment, inventories of materials and process or operating problems.

(G) Performs miscellaneous duties such as pumping and drumming bulk materials, minor maintenance work including tightening fittings, adding packing to pumps, replacing small pipe nipples, etc.

(H) Completes a time card listing all products and operations worked on during each shift.

(I) Complies and follows all plant rules and policies pertaining to safety, fire protection, good housekeeping, operating practices and personal conduct and appearance.

JOB TITLE: CHEMICAL OPERATOR "C"

Under the direction of Chemical Operator "A" or "B", department or shift supervisor performs a variety of physical tasks pertaining to plant production and operation. Assists Chemical Operators "A" and "B" in the conduct of operations.

Duties include:

(A) Moving, loading and unloading, dumping and general handling of raw materials, intermediate stage products and finished products.

(B) Dumps and cleans contents of filter presses, filter boxes and other filter equipment. Washes and resets filter equipment. Replaces filter cloth or paper as needed in the equipment.

(C) Weighs, tags and stencils drums and other containers of dyestuff, intermediates and chemicals as directed.

(D) Assists Chemical Operator "A" and "B" in charging materials, operating process equipment and general process operations.

(E) Responsible for working in a safe manner and keeping tools, equipment and work areas in a clean and orderly condition. Performs general housekeeping duties in the department.

(F) Performs other general labor tasks as directed.

(G) Completes a time card listing all products and operations worked on during each shift.

(H) Complies and follows all plant rules and policies pertaining to safety, fire protection, good housekeeping, operating practices and personal conduct and appearance.

Mr. ULLMAN. Are there further questions?

Mr. STEWART. Mr. Gibbons, you were not present when I began my remarks at which I stated that the reasoning advanced by those who advocate the repeal of ASP is that they allege it is a non-tariff barrier.

Mr. GIBBONS. I was here when you said that, yes. I heard it very clearly.

Mr. ULLMAN. Mr. Brotzman.

Mr. BROTZMAN. Yes.

Mr. GIBBONS. I think it is an absolute barrier the way you have it worked out. I don't know what lobbyist your people had then, but apparently he was damned effective.

Mr. ULLMAN. Mr. Brotzman.

Mr. BROTZMAN. I want to welcome Mr. Stewart to the committee and to thank him for his testimony.

Let me ask you a couple of questions. These dyestuffs that your clients produce, to whom are they sold? They go to the textile industry basically, but I assume there are other purchasers.

Mr. STEWART. Two-thirds of the sales volume is directly to the textile industry where the dyes are used in dying and finishing plants to dye fabric. The remainder is sold to companies manufacturing plastic, finishing leather, and products of that sort, where you see color. The dyes are used to provide color to all of this variety of materials that you find in consumer products. But two-thirds of it goes into textiles.

Now in lakes and toners——

Mr. BROTZMAN. I was going to ask you about lakes and toners. I don't know what they are.

Mr. STEWART. They are in reality pigments, and the largest part of the output goes into paints and into inks which are used in printing. Not only printing paper, but printing textiles, printing leather, and plastic, and other products, where the means of coloring is to make an impression on the surface as distinguished from diffusing the color throughout the mass of the article.

Mr. BROTZMAN. These dyestuffs, however, are not used in paints?

Mr. STEWART. No.

Mr. BROTZMAN. This is something else.

Mr. STEWART. Pigments will be used in paints, but not dyestuffs.

Mr. BROTZMAN. Actually I was going to get into this subject you covered just briefly in your prior questioning here with my colleague from Florida. The differential is basically one of the cost of labor?

Mr. STEWART. That is correct.

Mr. BROTZMAN. We are producing as efficiently, I understand, because you said we are following along basically the same standards of production as those in Germany.

Mr. STEWART. That is correct.

Mr. BROTZMAN. Germany I understand is a leader in this field.

Mr. STEWART. That is correct.

Mr. BROTZMAN. This is the basic differential that occurs that causes the problem, and the price differential.

Mr. STEWART. That is the principal differential.

Mr. BROTZMAN. Are there others?

Mr. STEWART. To a degree. The difference in the investment in the plants that Mr. Byrom this morning developed at great length. It costs more to build a plant in the United States than it does abroad because of the higher cost of construction labor and the like.

Mr. BROTZMAN. Where are these plants?

Mr. STEWART. In seven States. Dye plants are located in Massachusetts, New York, New Jersey, Maryland, Michigan, North and South Carolina.

Mr. BROTZMAN. I interrupted your other answer.

Mr. STEWART. That is quite all right.

Dyes are manufactured from other chemicals called intermediates that are purchased in the United States of domestic manufacture and may cost somewhat more than intermediates produced abroad because of the impact of higher capital investment and labor cost, though labor is less a significant element in intermediates than in dyes themselves. But the principal differential would be the difference in labor cost.

Mr. BROTZMAN. Thank you very much.

I would understand that the real thrust of your testimony is that these should not be considered NTB's and the legal effect of your amendment would be to remove them from consideration in negotiations as non-tariff barriers, is that correct?

Mr. STEWART. That is correct.

Mr. ULLMAN. Mr. Burke.

Mr. BURKE. Now you are speaking for 5,000 people who would be affected by the elimination of the American selling price. Is that correct?

Mr. STEWART. That is correct.

Mr. BURKE. You don't want to leave the impression that those are the only people who will be affected by the elimination.

Mr. STEWART. No. The entire 20,000 will be affected.

Mr. BURKE. According to the statistics I have here, in 1964 producers of benzenoid chemicals subject to the American selling price amounted to 111,500 employees.

Mr. STEWART. Yes, but of that number only 20,000 are involved in making dyes, lakes, and toners, the particular group I speak for.

Mr. BURKE. Are other people whose jobs will be affected by the elimination of the American selling price, the people in the rubber footwear industry?

Mr. STEWART. Indeed so.

Mr. BURKE. 250,000 employees.

In other words, I don't want you to leave the impression with the Committee that the only people going to be affected by this elimination of the American selling price are the 5,000 people you represent.

Mr. STEWART. I appreciate your clarification.

Mr. SCHNEEBELI. Is the entire benzenoid industry going to be adversely affected? If not, what portion of it would be affected by the elimination of the American selling price?

Mr. STEWART. In my opinion the industries that will be the most acutely affected are dyes, lakes and toners, dye intermediates, and medicinals that are the finished products made from benzenoid chemicals. The industries that will be secondarily or indirectly affected will be those benzenoid chemical plants that make the intermediates that are then used in manufacturing the dyes and so on. The medicinals industry, which is also very severely impacted, standard industrial classification 2833, had in 1971, 11,800 workers. That brings the total to 31,800 that will be directly affected.

The industry that makes the intermediates, which is standard industrial classification 2815, cyclic intermediates, 2851, employed in 1971, in the manufacture of intermediates, according to my estimates, approximately 10,000 people. So that brings it to 41,800 that in my judgment will be severely affected, directly or indirectly.

The other sectors of the benzenoid chemical industry I do not have knowledge of and, therefore, I do not speak to.

Mr. SCHNEEBELI. Thank you very much, Mr. Chairman.

Mr. ULLMAN. Mr. Corman.

Mr. CORMAN. Thank you, Mr. Ullman.

I forgot to ask one thing. As I understand the American selling price, it really has to do with the base on which the tariff is computed. Is that correct?

Mr. STEWART. That is correct.

Mr. CORMAN. I am just wondering what we would do if we eliminate that. We say we are going to keep the American selling price, but in another part of the bill we give the President total authority, unchecked, to remove all tariffs?

Mr. STEWART. That is correct.

Mr. CORMAN. Now we really haven't given you any protection at all. He can reduce the tariff to the amount you would pay without the American selling price, or he could remove it entirely, and there is no recourse, at least so far as the congressional protection is concerned. Am I seeing this thing properly?

Mr. STEWART. You are, sir.

Mr. CORMAN. Thank you very much.

Mr. ULLMAN. Are there further questions?

If not, Mr. Stewart, thank you very much for a very able presentation.

Mr. STEWART. Thank you, Mr. Chairman.

Mr. ULLMAN. Our next witness today is Mr. William F. Christopher.

Mr. Christopher, we are glad to have you before the committee. Will you please identify your colleagues and further identify yourself, and we will be pleased to hear you.

STATEMENT OF WILLIAM F. CHRISTOPHER, ON BEHALF OF THE SOCIETY OF THE PLASTICS INDUSTRY, ACCOMPANIED BY ROBERT TIERNAN AND PETER NEMKOV

SUMMARY

The Statement of The Society of the Plastics Industry, Inc., the national trade association for the plastics industry, comments on H.R. 6767 and, in addition, offers a number of recommendations concerning further legislative steps which are deemed appropriate at this time.

In its Statement, the Society states that this is not the time to begin a new series of "Kennedy Round" type tariff negotiations. Rather, the thrust of the Bill should be aimed at dealing with non-tariff distortions to trade (NTDs), commonly known as non-tariff barriers, which seriously impair U.S. plastics exports. Thus, the Society recommends that any tariff reducing authority be limited to those purposes, and it suggests additional procedures aimed at controlling the exercise of this authority as well as for insuring industry-advisor input.

The Society supports the changed criteria for import relief and proposes certain procedural improvements. It recommends that Title IV of the Bill dealing with international trade policy management be revised to require advice of both industry and the Congress before presidential action is taken.

In the Society's view, that portion of the Bill relative to preferences for developing countries is far too broad and contains inadequate safeguards, particularly for those segments of the U.S. plastic industry which manufacture finished or fabricated products and are, therefore, extremely import-sensitive. Any such tariff preferences should receive Congressional approval.

The Society urges that consideration be given to the formation of a new cabinet-level department in government chartered specifically to deal with trade policy and management and to coordinate all existing governmental activity in this area. The department should be organized so as to establish a formal mechanism for industry-government liaison in all matters affecting trade.

Mr. CHRISTOPHER. Thank you, Mr. Chairman.

My name is William F. Christopher. I am director of marketing for Hooker Chemical Corp. I am here representing the SPI, the Society of Plastics Industry.

With me is counsel who participated in the development of this testimony. On my left, Mr. Robert Tiernan. On my right, Mr. Peter Nemkov.

Our testimony is rather lengthy. So, I will only high-light the testimony in my oral remarks here. I would like to request that the full testimony appear in the proceedings.

Mr. ULLMAN. Without objection your testimony will appear in the record.

Mr. CHRISTOPHER. Thank you.

The Society of the Plastics Industry is made up of manufacturers in three different segments of the overall plastics industry, manufacturers of plastics materials, manufacturers of plastic fabricating equipment and machinery and manufacturers of plastic products.

We appeared before this committee twice before, in 1968 and in

1970, testifying on the administration trade bills and then and now we made two general areas of recommendation. One, steps that are needed to develop open and fair trade among nations and, two, actions that are needed to strengthen the U.S. trading position.

In our testimony today we develop these recommendations under four broad and general themes:

Theme No. 1. Our plastics trade contributes a substantial and favorable trade balance but we have defined unfavorable constraints and trends that must be confronted and dealt with.

Theme No. 2. The international negotiations that are scheduled to begin later this year must be oriented not to the problem of the past but to future conditions of the trading world of the years after 1975. We give some perspectives on what these future conditions will probably be.

Theme No. 3. Therefore, most important of all is the direction in which we can go. With the direction determined appropriate delegation of authority can be provided.

Theme No. 4. These new directions will require some new institutional forms. First of all, on theme No. 1 a few comments.

When I appeared before this committee in 1968 I noted that the plastics materials industry had a favorable trade balance of one-half billion dollars. It still has. The balance has not gone down but it has not gone up either, and world production and world trade has been rising sharply.

Gentlemen, we are losing our share of world markets. We are not contributing what we could be contributing to the U.S. trade balance. In four years' time our share of world markets has dropped 22 percent.

The EEC produces more plastics than we do and exports more. Japan has a smaller industry than ours but is growing faster and by 1980 is likely to exceed ours in both size and in exports.

In looking at our theme number two, looking toward the future as we negotiate internationally on trade problems, if we are going to understand the future, what matters particularly are not individual facts or statistics. In the Kennedy round we began negotiating on the basis of 1963 trade data and completed the negotiations on the basis of 1964 trade data.

We were actually negotiating of course for the trading world of 1972 and beyond. What matters and what we must understand now are not the specific facts and figures but the trends and changes in trends that these can help us understand and determine.

Important trends and changes in trends that have been identified in my industry, the plastics industry, include, one, economic trends increasingly favoring overseas competitors; two, technology has become internationalized so that no nation has or can attain comparative advantage.

Trend No. 3. Barriers to trade other than tariffs have become the major constraints to trade. I want to emphasize, really emphasize, these constraints other than tariffs. We have a tremendous economic and political problem in this area, but it begins really with the language problem. We have become I think prisoners of our vocabulary in a sense whenever we use this term "non-tariff barrier." We seem to be making assumptions that these are specific and tangible barriers erected to limit trade. Actually they are a whole range of

government, economic, and business practices and systems that in some way distort the flow of trade.

For the most part, they are practices and procedures developed for domestic purposes, but they have a trade effect. A tariff can be negotiated from 20 percent to 10 percent. These other kinds of distortions can't be negotiated away. They are characteristics and constraints of different country systems.

In my testimony, I will not use the term "non-tariff barrier." Instead, I will use the term "Non-tariff barrier trade distortion" or NTD. It rhymes or sounds the same as NTB, but I think it is a much better term and implies a more realistic set of assumptions.

If we are going to have open and fair trade among nations, we must confront this problem of NTD. We cannot do this by the target date of these negotiations of 1975. We will have to work on this problem in international forums continuously.

In the post-1975 trading world international competition must become fair. This will require that we cope with this problem of NTD. But increasingly the future world will also be a world of scarcity and a world of common problems and food products and energy and petro-chemical stocks and an increasing number of raw materials, and in our efforts to minimize the pollution of our physical environment, we will have to find new ways of cooperation, at the same time that we are finding fair ways of competition.

The Trade Reform Act of 1973 that sets the direction of trade policy for coming years will also require other actions if the objectives of the act are to be achieved. Everything is related to everything else. Among these other actions must be domestic measures for encouraging capital formation and for improving productivity.

Theme No. 3, the direction that our trade policy must take. We have a long list of recommendations appearing specifically in our testimony and I will only highlight one or two fundamentals.

The bill is primarily concerned with a broad authority to reduce tariffs. It also asks that non-tariff barriers, or NTD's as I would call them, be negotiated. We feel that now is not the time to negotiate for tariff reductions and the authority to reduce tariffs at this time is not required and may not be in our best interest.

The important thing that must get attention in these negotiations is the NTD's. If we give authority to both what we will acually do will be a repeat of past history and we will again reduce tariffs. If you want to send your delegate to Chicago, why give him a ticket to New York. NTD's are the thing that we must concentrate on.

If, however, Congress wishes to grant an authority for tariff reductions, this authority should be limited in amount and the use of it should be specified as to the direction it should be used in. There are two possibilities as to how this could be limited. Among the possibilities would be these two. One, it could be used in connection with non-tariff distortion negotiations as a part of an overall package and limited to negotiations along with NTD's.

Second, it could be used in connection with sector negotiations. During the Kennedy round there were sector discussions on alumnium, steel, textiles, chemicals and paper. And authorization for tariff modification might be granted for use in such sector negotiations. The authority might be limited in relation to some base rates selected in consideration of U.S. fob valuation methods and for other reasons such as 15 percent with authority granted to reduce rates above this

base by 50 percent but not to lessen the base, and tariff rates below this base, could be increased up to that base rate.

A limitation and direction of this kind would make possible a harmonization of trading conditions within an industry sector. If tariff cutting authority is provided but limited in extent we would not favor authorization to reduce low tariff rates to zero just because these rates are already low. More likely to be needed is authority to harmonize some of these low rates upward rather than to reduce them further.

Theme No. 4. New institutional forms. For the future trading world and for the administration of future trade policy we will need, one, better methods for industry-government dialogue and two, better functioning within government on trade matters.

Eleven years ago the trade expansion act made industry liaison permissive. There was established an advisory group and a roster of technical specialists of which I was one. While these functioned only poorly during the Kennedy round we learned much about how such liaison could work effectively. Since the Kennedy round my industry has presented recommendations to the STR, to the council on international economic policy, and to the Department of Commerce. Always the reception was favorable and encouraging. Now, the TRA repeats again the same language of the TEA, making industry liaison permissive. This does not strike us as being much in the direction of reform in trade policy. It is urgent that we now use our accumulated experience to establish an effective industry government liaison on international trade affairs. This liaison should be required not only permitted.

Secondly, in our past testimony in 1968 and in 1970 we have urged a better orchestration of the many agencies of government that participate in developing and administering trade policy.

Now, instead of better orchestration, we are suggesting a better orchestra. We need a strong cabinet-level agency to deal with international trade and economic affairs. This would not be an agency in addition to but rather instead of the many we now have. It would not be an addition, it would be a simplification.

Summarizing these four themes briefly, No. 1, we must learn from our trading experience and from this learning see ahead toward the future just as we have learned and interpreted for you and for government agencies with respect to the plastics materials industry which I represent.

Two. We must direct our negotiating efforts to 1975 and beyond and that means that NTD's are the focus of our negotiations rather than tariffs.

Theme No. 3. Clear direction must be provided for the authority granted in the Trade Reform Act.

Theme No. 4. We will need new institutional forms that can take us in the direction we must travel in the years ahead.

Thank you.

[The prepared statement follows:]

STATEMENT OF WILLIAM F. CHRISTOPHER, THE SOCIETY OF THE PLASTICS INDUSTRY, INC.

My name is William F. Christopher. I am Director of Marketing for Hooker Chemical Corporation whose main offices are located at 1515 Summer Street, Stamford, Connecticut. I am also Chairman of the International Committee of The Society of the Plastic Industry, Inc. In that capacity, I am pleased to have the opportunity to file this statement as a means of presenting the Society's views on

the Trade Reform Act of 1973 (H.R. 6767). It is my intention not only to comment on the Bill, itself, but to identify some of the major problem areas which we believe require specific and immediate attention as well as to offer a number of recommendations for your consideration.

By way of introduction, The Society of the Plastics Industry, Inc. (SPI) is a corporation organized under the membershp corporation laws of the State of New York. The Society's functions are to assemble and disseminate scientific, engineering, and general information on plastics; to cooperate with departments of the United States government in furtherance of its plastics projects; to act as an authoritative central forum for its member companies; and to promote actively and advance the application of plastics through greater public acceptance and favorable recognition of plastics products. The Society is composed of over 1,200 companies which supply raw materials, process or manufacture plastics or plastics products, engineer or construct molds or accessory equipment for the plastics industry, and engage in the manufacture of plastics machinery. The Society is the major national trade association of the plastics industry, its membership being responsible for more than three-fourths of the total dollar volume of industry sales in the United States.

The International Committee is a standing Committee of the Society whose function is to consider, investigate, make recommendations, and take action on the plastics industry's behalf with regard to matters involving international trade. One of the primary activities of the International Committee is to represent the industry on such matters before the various agencies and departments of the government as well as appropriate committees of Congress. The Committee has filed presentations with and testified before the House Ways and Means Committee on several occasions in the past.

I. INTRODUCTORY STATEMENT

In this testimony, the Society develops four major themes. These themes, then, become the basis for analyzing the various provisions of the Trade Reform Act of 1973, and for providing specific recommendations and additions with regard to the Act.

The major themes are as follows:

1. The plastics industry trade contributes a substantial, favorable trade balance for the United States. But in the trading relationships between the U.S. and foreign nations, there are constraints and trends that must be confronted and resolved.

2. The Trade Reform Act of 1973 and the accompanying proposed multinational trade negotiations must be related to the post-1975 trading world. In attempting to predict trading conditions in this new era, future solutions must be based on future planning. The issues we are asked to debate today, while controversial, are also conventional. Under the Trade Reform Act, historic methods are being proposed for resolving historic problems which, over the years, have increased greatly in magnitude. There must be a more creative use of wisdom derived from past trade policy and negotiations to facilitate current trade negotiations directed at solving the future problems of the trading world. This process will require innovation more than historic convention.

3. Our current major problem is to determine our future direction. Once this direction is determined, travel there will be achieved on the vehicle of appropriate Congressional delegation of authority.

4. Development of trade policy for the post-1975 world, and the administration of policy will require new institutional forms in government, and in the partnership of government with the constituencies concerned with international trade and economics.

II. THE COMPETITIVE POSITION OF THE U.S. PLASTICS INDUSTRY IN WORLD TRADE INCLUDING PROJECTED TRENDS

A. Plastics production of the major producing nations

The plastics materials industry is large in size, and is growing rapidly in all of the major producing countries. The industry is growing most rapidly in Japan. Second in rate of growth is the EEC while the United States is third.

In terms of actual size, the new nine-member EEC is the largest producer of plastic materials, with the United States in second place, and Japan third. Rapid growth is expected to continue over the next several years in all of these nations. By 1980, EEC will continue to be the major producer while Japan will have expanded to equal or perhaps exceed U.S. production. These trends are illustrated in Table 1 and Chart 1.

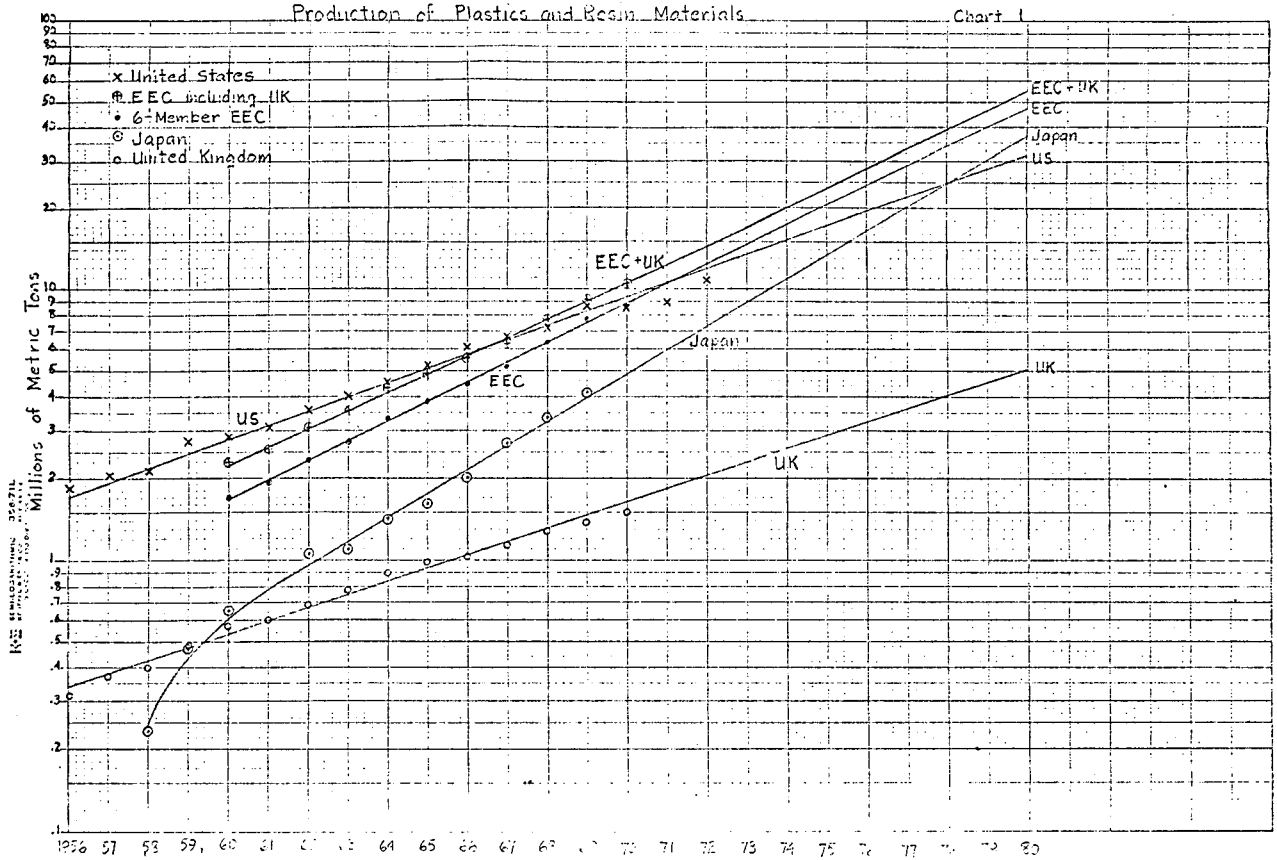

Production of Plastics and Resin Materials
Chart 1
x United States
EEC including UK
• 6-Member EEC
Japan
United Kingdom
EEC+UK
EEC
Japan
US
UK
Millions of Metric Tons
1956
57
58
59
60
61
64
65
67
71
73
74
75
77
80

TABLE 1.—PRODUCTION OF PLASTICS AND RESIN MATERIALS

[In thousands of metric tons [1]. Index 1960=100]

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
United States:											
Production	2,851	3,075	3,605	4,025	4,529	5,253	6,103	6,700	7,215	8,663	8,564
Annual increase		224	530	420	504	724	849	597	515	1,448	(99)
Percent		8	17	12	13	16	16	10	8	20	−1
Index	100	108	126	141	159	184	214	235	253	304	300
EEC:											
Production	1,724	1,971	2,379	2,750	3,397	3,893	4,534	5,204	6,404	7,794	8,813
Annual increase		247	408	371	647	496	615	670	1.200	1.390	1,019
Percent		14	21	16	24	15	16	15	23	22	13
Index	100	114	138	160	197	226	263	302	371	452	511
Japan:											
Production	650	-------	1,047	1,096	1,417	1,613	2,011	2,705	3,416	4,181	-------
Annual increase				49	321	196	388	694	711	765	-------
Percent				5	29	14	24	35	26	22	-------
Index	100	-------	161	169	218	248	309	416	526	643	-------
United Kingdom:											
Production	570	599	688	776	900	974	1,037	1,125	1,280	1,365	1,504
Annual increase		29	89	88	124	74	63	88	155	85	139
Percent		5	15	13	16	8	6	8	14	7	11
Index	100	105	121	136	158	171	182	197	225	239	264

[1] Data from the chemical industry published by OECD.

Although the trends as projected are anticipated for the next few years ahead we may, by 1980, also begin to see some significant new trends, and some significant re-structuring.

1. Oil producing countries with their rapidly accumulating reserves will begin to invest overseas and will increasingly become partners in multinational enterprise. They will also increasingly upgrade their petroleum exports to include petrochemicals, and perhaps plastics materials as well.

2. The EEC now has free trade agreements with EFTA and other nations and has special trade agreements with a large number of additional countries. By 1980, we may begin to see the rationalization or optimization of plastics production within this larger network of nations.

3. By 1980, Japan may be developing regionally in collaboration with other nations similar to what we now see being done by the EEC.

4. The state-managed economies may begin to become significant in plastics trade.

B. U.S. plastics trade

Another significant trend to note is the comparative shift in U.S. plastics exports away from the major resin producing nations and towards third country markets. In the eleven-year period from 1960–1971, exports in pounds from the U.S. increased 140%. Exports to third countries, however, were up 247%, while exports to the major producing countries rose only 35%. Of total U.S. plastic materials exported in 1960, the major producing countries took 50% and third countries 50%. In 1971, the third country share amounted to 72% and the share for the major producing countries dropped to 28%. Data summarizing these trends are shown in Table 2 and 3, and Chart 2.

Over the eleven-year period, it is interesting and instructive to note price trends. Average price per pound for U.S. exports in total has remained about the same over the period, with perhaps a slight declining trend. This is a more favorable price trend than is seen in the domestic wholesale price index for plastic materials which is down about 10% from the 1967 base. Explanation can be found in the relatively higher average prices for materials exported to the other major producing countries. These prices are much higher than are the export prices to third countries. To these competing countries our exports are weighted towards the higher priced specialty materials. The general purpose grades of materials from U.S. are less able to compete in these markets. Not only are the average prices to the major producing countries higher, but also they tend to rise over the period, indicating a narrower and narrower range of specialty materials as being competitive in these markets.

Prices to the third country markets are lower and have declined over the eleven-year period. It is in this area of export competition that our industry faces strong competitive pressures for reasons reviewed in Section III of this testimony.

TABLE 2.—U.S. EXPORTS OF PLASTICS AND RESINS[1]

[1960—100]

	1960	1961	1962	1963	1964	1965
Total:						
Dollars in millions	296.1	292.5	301.4	314.7	390.3	424.7
Pounds in millions	825.2	879.2	915.1	940.2	1,213.1	1,313.5
Average, dollar/pound	.359	.332	.329	.334	.312	.350
Index, pounds	100	107	111	114	152	147
EEC:						
Dollars in millions	78.9	78.4	82.4	75.8	86.2	94.5
Pounds in millions	244.8	262.8	266.3	219.1	242.2	217.9
Average, dollar/pound	.322	.298	.309	.346	.355	.434
Index, pounds	100	107	109	90	99	89
United Kingdom:						
Dollars in millions	38.0	29.2	27.5	35.6	46.4	48.6
Pounds in millions	83.2	57.0	49.2	67.5	98.2	93.7
Average, dollar/pound	.457	.512	.559	.527	.473	.519
Index, pounds	100	69	59	81	118	113
Japan:						
Dollars in millions	27.3	30.8	19.3	20.7	21.6	19.9
Pounds in millions	86.0	114.8	61.1	55.3	60.6	38.9
Average, dollar/pound	.317	.268	.316	.374	.356	.512
Index, pounds	100	133	71	64	70	45
Canada:						
Dollars in millions	53.2	55.6	63.5	62.6	70.6	88.2
Pounds in millions	134.6	136.7	176.7	157.8	192.3	215.4
Average, dollar/pound	.395	.407	.359	.397	.367	.409
Index, pounds	100	102	131	117	143	160
Mexico:						
Dollars in millions	10.5	10.7	9.8	13.2	16.4	22.4
Pounds in millions	28.3	33.2	30.8	50.7	68.3	87.8
Average, dollar/pound	.371	.322	.318	.26	.24	.255
Index, pounds	100	117	109	179	241	312
Hong Kong:						
Dollars in millions	6.8	7.9	7.2	7.9	13.7	8.3
Pounds in millions	27.8	41.1	42.1	45.0	89.6	48.2
Average, dollar/pound	.245	.192	.171	.176	.153	.172
Index, pounds	100	148	151	162	322	173
All other:						
Dollars in millions	81.4	79.9	91.7	98.9	136.4	142.8
Pounds in millions	220.5	233.6	288.9	344.8	504.0	511.3
Average, dollar/pound	.369	.342	.317	.287	.271	.279
Index, pounds	100	106	131	156	229	232
Total:						
Dollars in millions	471.3	473.3	589.9	589.7	653.9	----------
Pounds in millions	1,301.2	1,313.5	1,793	1,892	1,973	1,984
Average, dollar/pound	.362	.360	.329	.311	.331	----------
Index, pounds	158	159	217	229	239	240
EEC:						
Dollars in millions	106.2	110.8	158.0	172.0	170.0	158.0
Pounds in millions	249.6	265.8	407.9	413.5	399.3	418.0
Average, dollar/pound	.409	.416	.387	.415	.425	.377
Index, pounds	102	109	167	169	163	171
United Kingdom:						
Dollars in millions	49.4	50.1	53.0	55.0	45.0	46.0
Pounds in millions	96.5	106.6	103.2	121.2	136.4	76.4
Average, dollar/pound	.511	.470	.513	.453	.329	.602
Index, pounds	116	128	124	146	164	92
Japan:						
Dollars in millions	23.5	31.9	36.2	34.3	41.5	----------
Pounds in millions	47.6	58.4	79.6	64.5	70.4	64.0
Average, dollar/pound	.494	.546	.454	.531	.589	----------
Index, pounds	55	68	93	75	82	74
Canada:						
Dollars in millions	96.3	102.3	102.6	132.6	133.8	----------
Pounds in millions	244.0	263.7	334.4	370.0	358.6	444.4
Average, dollar/pound	.395	.388	.360	.358	.373	----------
Index, pounds	181	196	248	275	266	330
Mexico:						
Dollars in millions	22.3	16.4	18.3	18.8	24.6	----------
Pounds in millions	90.1	48.6	68.2	77.0	108.5	104.3
Average, dollar/pound	.248	.337	.268	.244	.226	----------
Index, pounds	318	172	241	272	383	369
Hong Kong:						
Dollars in millions	4.6	6.5	8.6	8.5	8.1	----------
Pounds in millions	28.6	38.9	57.2	57.2	52.8	70.4
Average, dollar/pound	.172	.164	.150	.148	.153	----------
Index, pounds	103	138	206	206	190	253
All other:						
Dollars in millions	173.0	155.3	195.2	168.5	230.9	----------
Pounds in millions	544.8	532.0	742.5	788.6	1,147.0	806.5
Average, dollar/pound	.318	.291	.263	.214	.201	----------
Index, pounds	247	241	337	358	520	366

[1] Source: U.S. Department of Commerce, FT-410 reports, U.S. exports and OECD figures.

96-006 (Pt. 6) O - 73 -- 10

TABLE 3.—U.S. EXPORTS OF PLASTICS AND RESINS TO MAJOR PRODUCING COUNTRIES AND TO THIRD COUNTRIES[1]

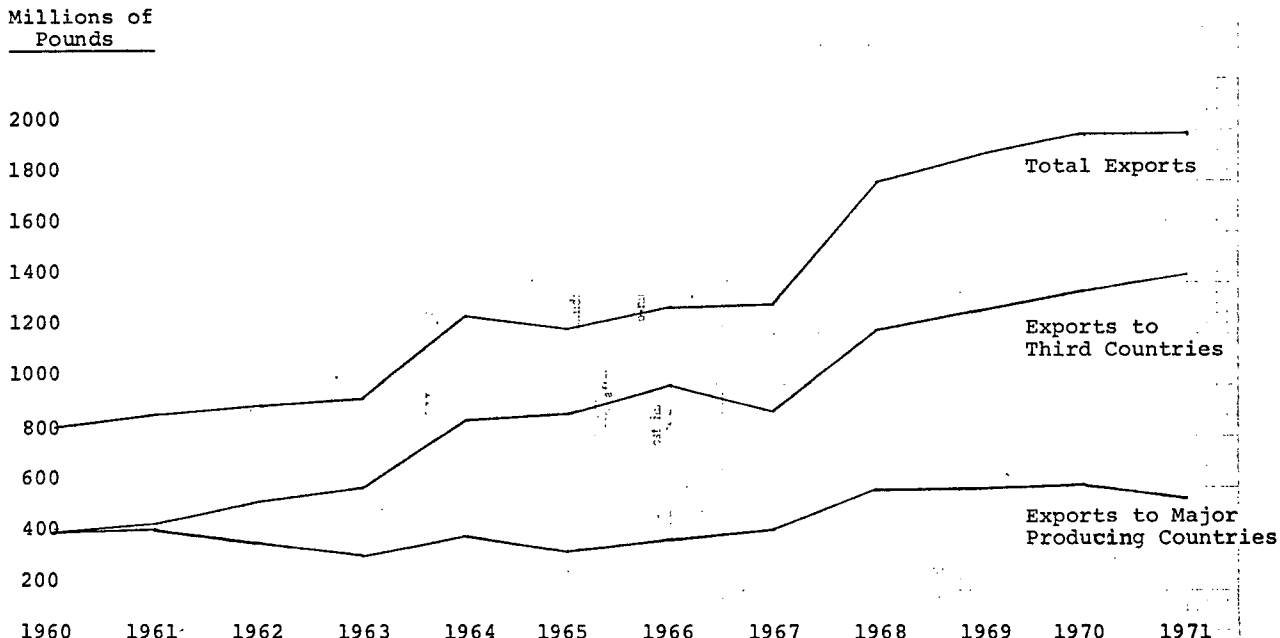
[Pounds in millions]

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Total exports	825.2	879.2	915.1	940.2	1,255.2	1,213.2	1,301.2	1,313.5	1,793	1,892	1,973	1,984
To major producing countries	414.0	434.6	376.6	341.9	401.0	350.5	393.7	430.8	590.7	599.2	606.1	558.4
EEC	244.8	262.8	266.3	219.1	242.2	17.9	249.6	265.8	407.9	413.5	399.3	418.0
United Kingdom	83.2	57.0	49.2	67.5	98.2	93.7	96.5	106.6	103.2	121.2	136.4	76.4
Japan	86.0	114.8	61.1	55.3	60.6	38.9	47.6	58.4	79.6	64.5	70.4	64.0
To 3d countries	411.2	444.6	538.5	598.3	854.2	862.7	997.5	882.7	1,202.3	1,292.8	1,366.9	1,425.6
Index (total)	100.0	107.0	111.0	114.0	152.0	147.0	158.0	159.0	217.0	229.0	239.0	240.0
To major producing countries	100.0	105.0	91.0	83.0	97.0	85.0	95.0	104.0	143.0	145.0	146.0	135.0
To 3d countries	100.0	108.0	131.0	146.0	208.0	210.0	221.0	215.0	292.0	314.0	332.0	347.0
Percent total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Major producing countries	50.0	49.0	41.0	36.0	32.0	29.0	30.0	33.0	.33	.32	.31	.28
3d countries	50.0	51.0	59.0	64.0	68.0	71.0	70.0	67.0	.67	.68	.69	.72
EEC percent of total	30.0	30.0	29.0	23.0	19.0	18.0	19.0	20.0	.23	.22	.20	.21

[1] Statistical data summarized from table 2.

Chart 2

U.S. EXPORTS OF PLASTICS AND RESINS



U.S. plastics trade in recent years is summarized in Table 4. Exports have increased 47% since 1966 and our trade balance is up 26% since 1966, showing a favorable trade balance of one half-billion dollars. This substantial and favorable situation concerning plastics resins is frequently cited as "proof" that the U.S. plastics industry is competitive.

The U.S. plastics industry is a strong and growing industry, and under conditions of equivalently free trade can be expected to maintain a strong world trading position. However, we cannot take much comfort from recent trade data which indicates that while our trade balance is substantial, it has remained at about the same level for the past five years since 1968. During the same five years exports were up 18%, while imports rose 89%.

If our exports had kept pace with world expansion of plastics exports, our five year growth would have been 45% instead of the 18% actually achieved. Note specifically the trade data for 1970 and 1971. In 1970 there was a recession in the U.S. resulting in unutilized capacity for production of plastics materials. Overseas, demand was strong as other economies continued to expand. Our plastics exports showed an increase of $64.2 million in 1970 but even with this increase, our proportionate share of world exports continued to drop! With the most favorable combination of conditions for export expansion, we still lost market position! And imports continued to rise so that there was only a moderate improvement in the trade balance.

TABLE 4.—U.S. PLASTICS TRADE

[Dollars in millions; index 1966=100]

Year	Exports		Imports		Trade balance		U.S. share of world plastics exports (percent)
	Amount	Index	Amount	Index	Amount	Index	
1966	$472.7	100	$59.3	100	$413.4	100	26.5
1967	473.3	100	61.0	103	412.3	100	24.1
1968	589.9	125	93.4	158	496.5	120	25.1
1969	589.7	125	99.0	167	490.7	119	21.4
1970	653.9	138	122.6	207	531.3	128	20.6
1971	656.8	139	132.4	223	524.4	127	(1)
1972	696.3	147	176.9	298	519.4	126	(1)

1 Not available.

In 1971, with the recession continuing in U.S. plastics production, and the motivation strong for export sales to employ available capacity, exports remained at almost exactly the same level as in 1970. Thus, there is no assurance from recent past performance that our present favorable trade balance will continue.

More important than the trade figures themselves are the data showing U.S. share of total world exports. These figures show whether or not the U.S. is increasing its position, maintaining position, or losing position in the world marketplace in relation to all countries. For U.S. plastics exports we have data only through 1970. In 1966 U.S. plastics exports totaled 26.5% of world plastics exports. By 1970 this figure had dropped to 20.6%, a decrease of 22.3%. We can take no comfort in our half-billion dollar trading surplus, or in our slowly rising volume of exports when we see a loss of share of the world market of 22.3% in four years time.

III. PREDICTING THE INTERNATIONAL SITUATION IN THE POST-1975 TRADING WORLD BASED ON TRADE DATA OF THE PAST

A. The past as prologue

During the Kennedy Round, I was a technical specialist for the chemical industry. I was appalled to find negotiations proceeding on the basis of purely historical considerations. Immediately, I, and many others, pointed out that we were not negotiating for 1962, but rather for 1972, when the agreement we reached would be fully in effect. There was, of course, recognition of this reality. But while some intellectual consideration may have been given to the perspective of the future, for all practical purposes, the negotiations proceeded on the basis of history with the final stages of the negotiations based on 1964 trade data history.

In resolving the problems of the past, we left unsolved the problems of the future. The agreement of 1967 was for the world of the early 1960's and only contributed to the problems of today, a decade later. Based on this experience, we submit that the future trading world must be considered as the practical base for all present and proposed international negotiations and agreements.

It is not the individual statistical artifacts from the historical record that are important. It is not figures for a year that tell a story. What we must understand are the trends and the changes in trends in the fundamentals. These are the considerations that really matter.

We must order complex and disaggregated facts, numbers, experiences, and judgments into the significant patterns that help us understand where we are, how we got here, and where we are proceeding. Trends and changes in trends in these patterns, these fundamentals, are what matters. Only on this kind of an understanding of fundamentals, oriented to the future, can we create a trade policy that will contribute to our progress, and to the progress also of our trading partners.

B. Economic fundamentals in the future trading world

During the Kennedy Round negotiations, our chemicals technical advisory group identified several fundamentals that would make the trading world of 1972 much different from the trading world of 1964:

1. Economic trends were increasingly favoring overseas competitors.
   a. Productivity was increasing faster in the other industrialized countries than in the United States.
   b. The U.S. was lagging in capital formation.
   c. Where the U.S. had a significant advantage in energy costs, this advantage was declining and would disappear.
   d. In materials costs, there were some advantages for the U.S. and some for overseas countries, but these relative advantages were diminishing.
   e. The U.S. advantage of scale was disappearing, as large scale enterprise developed in all industrialized nations.
2. Technology and know-how was increasingly internationalized so that no nation enjoyed, or could attain, any significant comparative advantage.
3. Other-than-tariff barriers to trade, especially differences in economic and political systems, were becoming the major constraints on trade distorting trade between nations.
4. U.S. share of world exports of chemicals and of manufactures in general was declining.

These trends were identified, measured, and interpreted in written reports filed with the STR. From our understanding of them and with our eyes focused on 1972 rather than on the past, we recommended:

1. action on Non-Tariff Trade Distortions (NTDs) since a mutual reduction of tariffs would only relatively disadvantage U.S. trade while the decline of the U.S. share of world exports would accelerate;
2. government action to encourage capital formation;
3. government and industry action to improve productivity; and
4. improved government/industry liaison and dialogue on trade policy development and administration, and on international economic problems.

C. Past and future trade negotiations

The early discussions of the Kennedy Round negotiations attempted to deal with both tariffs and other trade barriers and our negotiating team went into the negotiations with the intent to deal with three broad areas: agricultural trade, industrial tariffs, and non-tariff barriers. Non-tariff barriers were of special concern as was indicated in an address delivered on April 29, 1963 before the U.S. Chamber of Commerce by Christian A. Herter, the Special Representative for Trade Negotiations, at that time. Mr. Herter observed that: "Our third main objective is to make sure that non-tariff barriers as well as tariffs are subject to negotiation and reduction in next year's round." However, only industrial tariffs were reduced, while agriculture and non-tariff barrier problems proved too difficult to resolve.

The Trade Bill now before this Committee was written to cope with the new realities of world trade. In my experience, these realities were as real in Kennedy Round days as they are now. The only difference is that then we could see these realities ahead, whereas now we see those very same realities around us. But, again, as in Kennedy Round days, we must do more than deal with what we see around us and with what we see in the historical record. We must deal with what

we can see ahead. This perspective includes the problems unattended by the Kennedy Round agreement. It also includes trends and changes in trends that can be identified now as new problems and new opportunities of the post-1975 trading world. These present problems, future problems, and future opportunities include: non-tariff trade-distortions (NTDs), capital formation and productivity, and international cooperation.

D. Non-tariff Trade Distortions

1. *The limitations of language.*—We have an immense economic and political problem in this area, but it begins with a problem of semantics. We often become prisoners of our vocabulary, victims of the assumptions that we made, and this is certainly true, it seems to me whenever we use the term "non-tariff barrier." In inverting the term, we make the assumption that these matters are specific and tangible barriers erected to limit or constrain international trade. Actually they are a whole range of governmental, economic, and business practices and systems which have in some way a differential effect on international trade. For the most part they are practices and procedures developed for domestic purposes, but they also have a trade effect. A tariff can be negotiated from 20% to 10%. These other kinds of trade influences cannot be negotiated away. They are characteristics and constraints of different country systems.

Thus, the term "non-tariff barrier" should not be used. We recommend that this much-too-popular term be banished from our vocabulary, and its much-too-simplified assumptions banished from our thinking. Then perhaps we can begin to confront and deal with the very real problems that we face. Instead of "non-tariff barrier," I will use the identification "non-tariff trade distortion" or "NTD." NTD sounds about the same, but gives us a much different, and more realistic perspective.

2. *Specific non-tariff trade distortions.*—Each trading country can be thought of as a trading system. A multi-national corporation is itself a trading system constrained in the various areas of its operations by each host country, and often by the extra-territorial constraints of its home country base. A trading transaction becomes an interface between two trading systems each with its own sub-systems of taxation, law, financing, transport, industry structure, public ownership, subsidies, business practice, government-business relationships, and other factors which have a major effect on competition. Not unexpectedly there are many significant differences in these sub-systems as between countries. Wherever there are differences, the international trade interface will be affected, favoring one supplier, and limiting another. These are the kinds of things we are talking about when we use the over-simplified and misleading term "non-tariff barrier." They can't be "reduced" or "negotiated away." They can only be changed.

Listed below are a number of NTDs:

a. Differences in taxation systems,
b. Present methods of border adjustments for tax neutrality,
c. Tax mechanisms which favor exports or limit imports,
d. Discriminatory ocean freight rates which especially effect those plastics considered to be bulky cargo,
e. Assessment of import duty by many foreign countries such as those in the EEC on a c.i.f. basis which is further accentuated by abnormally high freight rates,
f. Trade-diverting regional trading blocs,
g. Multi-lateral and bi-lateral trading agreements,
h. Methods of doing business,
i. Various forms of state trading or procurement,
j. Import quotas or other quantitative limitations on imports, and
k. Standards that define specifications or certification favorable to domestic products.

3. *Importance of NTDs.*—Let me cite just one example of the importance of nontariff trade distortions on U.S. exports. During the concluding months of the Kennedy Round negotiations, there were discussions in Geneva directed toward a generalized harmonization of tariffs on plastic materials at a level of about 10%. While I was in Geneva in the spring of 1967 as a technical specialist for the chemical industry, one of the questions I was asked was: "What U.S. tariff rate on plastic materials would be the protective equivalent of an EEC external tariff rate of 10%." For materials having the same home market price, I worked out the equivalent U.S. tariff rate to be 24½%. This greatly surprised those who had put the question to me, since they had estimated the equivalent more in the range of 15%.

The very substantial difference in rate is accounted for by several factors:

a. U.S. tariffs are levied on the export value, while EEC tariffs are levied on the c.i.f. value, which for the materials I calculated at that time amounted to an increase in valuation base of 15%.

b. The ad valorem tax policy of the EEC nations includes VAT remission on EEC exports with VAT assessment on imports from U.S.

c. The VAT assessment on U.S. exports to EEC is based on a cascaded c.i.f. duty paid on valuation, a valuation with a abse increase of 26.5%

d. Higher ocean freight rates exist from U.S. to EEC than from EEC to U.S.

Later and more comprehensive data on plastic freight rates that we have examined indicate that the increase in c.i.f. value for U.S. exports of the large volume of plastics would be more on the order of 30% than the 15% figure used in 1967. Using this 30% freight cost, the cascaded c.i.f., duty paid base for VAT assessment would be increased by 43%.

4. *Harmonization of the NTDs.*—To deal with NTDs, the approach now developing in the GATT is to harmonize NTDs by negotiating International Codes and by other solutions. If these efforts prove to be successful and are ultimately extended to include all present areas of differences, we will have achieved a common world trading system in place of the individual national systems of today. However, this result would appear to be unrealistic. But it is an effort certainly worth undertaking for those areas of difference most amenable to international agreement.

In preparation for the negotiations the United States and other major trading nations in the GATT have drafted proposed codes on product standards and, separately, in the OECD, on national procurement policies. Discussions are under way on additional areas of import licensing procedures, custom standards, and documentation and agreement has been reached to begin discussions on import quotas, export restraints, countervailing duties, and export subsidies. Routes to the discussion and possible negotiation of more complex NTDs are yet to be developed. Here will be included state trading, systems of business practice, antitrust regulation and, most important of all, taxation and the differential effect on trade of differences in taxation systems.

Non-tariff distortions of trade are the most important problems to be dealt with in the coming multinational negotiations. This is the direction and the emphasis that should be written into the Trade Reform Act of 1973 by the Congress, as will be discussed in the next Section. Except for Section 103 of the Act, the entire Bill is directed towards the mechanics of tariff reduction as they have been learned in the past. With this present Act, we can foresee that, just as in the Kennedy Round, after some opening discussions of non-tariff matters the negotiations again will get down to another round of tariff cutting.

Let's not permit a great international effort to ignore or to deal ineffectively with the major problem area of our now and future trading world. We recommend that the Congress provide a direction, and an authority, and a mechanism for Congressional involvement in multinational negotiations for harmonizing the trade effects of non-tariff trade distortions. No authority for unlimited tariff reductions is needed. We don't need a ticket to Chicago if our destination is Geneva. If we have two tickets, we are too likely to follow the route we know. If the old paths are followed again, tariffs will be reduced, and non-tariff distortions to trade will remain to restrict and deter trade flows.

During the Kennedy Round, our industry made studies of production and trade trends, production cost trends, and costs and barriers limiting U.S. trade. We arrived at four major conclusions, which remain valid today:

a. Equivalent tariff reductions on plastics by the major producing countries will result in greater increases in imports into the United States from other producing countries than in exports from the United States to other producing countries.

b. An additional adverse trend will also work to limit U.S. exports. Growth in U.S. plastics exports now is predominantly to third country markets. For the following reasons, the ability of the U.S. plastics industry to export to third countries will be increasingly limited by foreign competition:

(1) Lower price levels for many products prevailing overseas,

(2) Generally favorable costs for overseas producers,

(3) Increased capacity of foreign producers to provide for both their domestic markets and export sales, and

(4) The growing handicap to U.S. producers of foreign non-tariff distortions such as c.i.f. valuation, border tax adjustments, cascaded valuation base, and discriminatory ocean freight rates.

c. Equivalent tariff reductions will result in a greater reduction in costs of entry into the U.S. market than into the European or Japanese markets if the non-tariff distortions to trade, which are greater abroad, remain untouched.

d. Significant reduction in tariffs will increase the need for improved anti-dumping and countrevailing duties procedures or the development of other methods for preventing unfair competition from foreign sources.

E. Capital Formation and Productivity

These two problems are major dimensions of the problem of the competitiveness of American industry. Separately from the Trade Reform Act of 1973, specific actions and programs must be developed to encourage the capital formation that will be needed by the post-1975 American economy; and specific actions and programs must be developed by both government and by industry to improve productivity.

Everything is related to everything else. The Trade Reform Act of 1973 that sets the direction of trade policy for coming years will also require other actions if its objectives are to be achieved. Among these other actions will be measures for encouraging capital formation and productivity. This was equally a need at the time the Trade Expansion Act was passed in 1962. Our inattention to this need in past years has proved a substantial contributor to our present international trade problems. This year, and in future years, these two problem areas must be considered as we develop both domestic and international economic policy.

F. Increasing Need for International Cooperation

The world is moving more and more from a competitive world of abundance to a cooperative world of scarcity. Our very large grain sales of last year now appear not to have adequately taken this important emerging trend into consideration. More and more we see the production of products in insufficient quantity or the availability of resources in insufficient quantity as the problem. Where there is to be competition it must become fair. But in the future trading world there will also be a need to obtain availability. In food products, in energy, in an increasing number of raw materials, and in our efforts to minimize the pollution of our physical environment, we will have to find new ways of cooperation at the same time that we are finding fair ways of competition.

IV. THE APPROPRIATE DELEGATION OF CONGRESSIONAL AUTHORITY—SPECIFIC COMMENTS ON TRADE REFORM ACT OF 1973

A. Title I, Chapter I—General Authorities

The Society does not believe this is an appropirate time to enter into a new round of negotiations for broad tariff reductions. The last stage of the Kennedy Round cuts was only recently completed and many industry segments have yet to adjust fully to their impact. Thus, we cannot support Sections 101 and 102 of the Bill which would give the President virtually unlimited authority to modify duty rates.

In the Society's view, by far, the most impotrant trade problem areas to be dealt with at this time are the NTDs outlined earlier in this statement. These barirers have a far greater effect on the plastics industry's trading capabilities and must be dealt with forcefully if we are to achieve relative equivalency with our Chief competitors in the EEC, Japan, and other industrialized nations of the world.

Historically, past statutory authority such as was contained in the Trade Expansion Act of 1962, provided some mandate for dealing with NTDs as well as tariffs. However, prior administrations consistently chose to concentrate their energies on tariffs with the result that NTDs were virtually ignored. We fear that history will repeat itself if the present Bill authorizes the President to negotiate in both areas.

We do support Section 103 of the Bill in that it would clearly authorize and direct the President to deal with NTDs. However, we believe that any agreement which is negitiated should be subject to Congressional approval. There would seem to be no valid reason to exclude matters such as these concerning customs valuation from sanction by Congress. Accordingly, we suggest that Section 103(c) be deleted.

In reviewing Section 103(d) of the Bill, it is not entirely clear whether the President would necessarily be required to submit any trade agreement on NTDs for Congressional approval. That Section could conceivably be construed as allowing the President to completely by-pass Congress unless he "determines that it is necessary or appropriate" to seek such additional action. Not only do we believe that any and all agreements on NTDs should require approval by Congress but such approval should be handled in the cinventional way, not on the basis of a 90-day "up or down" vote as is proposed in the Bill.

If, however, Congress is of the opinion that the President's negotiating authority must be strengthened by dealing with NTDs on other than a purely *ad referendum* basis, we suggest the following steps:

1. That a joint committee of the House Ways and Means and Senate Finance Committees specifically determine those instances when special Congressional procedures may be utilized.
2. That the approval procedure be modified to provide that Congress shall have at least six months rather than ninety days to act on a proposed agreement.
3. That affected industry and other groups be given an opportunity to express their views in some formal way while the proposed agreement is pending before Congress.

In our view, these suggested procedures will considerably strengthen the Presidents' hand in negotiating NTDs and, at the same time, give Congress a reasonable basis for reviewing any proposed agreement.

Finally, the Society recognizes that the President may be required to reduce U.S. tariff duties as part of the *quid pro quo* for eliminating NTDs abroad. If so, then we believe that any such authority should be strictly limited to those purposes. This provision would insure that any proposed duty reduction would also be subject to the kind of Congressional review outlined above since it would be part and parcel of a trade agreement dealing with NTDs.

The Society also is of the opinion that any tariff reduction should relate as nearly as possible to those product or material categories most liable to benefit most from elimination of a given NTD and we suggest that this somehow be incorporated into the Bill now before the Committee. Consistent with this position, we believe that the Bill should also give some direction that the "sector" approach be followed in negotiating NTD and tariff matters. Past experience indicates that the concept of dealing on an all commodities basis is virtually unmanageable and that the "sector" approach is far better designed to result in informed and enlightened decisions by all concerned. The chemical industry should be defined as one sector with plastics materials and plastics fabricated articles as two specific subsectors thereof.

B. Title I, chapter 2—Hearings and advice procedures

In our view, the hearings and advice procedure called for in Chapter 2 is not adequate. First of all, this procedure would only apply as regards proposed reduction in tariff duty rates. Furthermore, there is no requirement that the advice of the Tariff Commission, nor for that matter industry, be sought with respect to NTDs. We strongly feel that proposals to deal with NTDs should be investigated by the Tariff Commission as the effects of these agreements may have far greater impact than changes in tariff duty rates.

In addition, we are disappointed to note that participation by industry advisors under Section 112(b) is only permissive, not mandatory. While we intend to devote greater attention to the general subject of industry-advisors later in this statement, we submit that one of the major shortcomings of past negotiations affecting international trade was the absence of a strong, viable industry-advisor program and this mistake should not be repeated. Further, we believe that Section 112(a) of the Bill should be amended to require the President to seek the advice of the Ways and Means and Senate Finance Committees as well as other departments of government.

Finally, we support that portion of Section 112 which specifically exempts advisory groups from the Federal Advisory Committee Act. Given the nature of the advisory activity, we feel the application of that Act would be neither necessary nor appropriate.

C. Title II, chapter I—Import relief

In general, the Society supports the changed criteria for import relief for domestic industry. As proposed in the Bill, we believe relief should be available

when increased imports, or the threat thereof, cause serious injury and that it should not be necessary to relate such injury to the granting of prior tariff concessions. The years of unsatisfactory experience under existing law clearly indicate that these liberalized features of the bill are necessary to make import relief meaningful to domestic industry.

We question, however, that portion of the Bill which would require that import relief be phased out within a defined time period. For many industries, including those deemed necessary for national defense and security, this would limit relief to little more than a temporary measure. In the Society's view, so long as those facts and circumstances which warrant the granting of relief continue to exist, or are likely to do so, the import relief mechanism should be available.

Another area of concern with the Bill is that, notwithstanding an affirmative finding on the Tariff Commission's part, the President would not be required to grant relief. Since, under the Bill, the Tariff Commission's findings must be based on thorough investigations and hearings, we submit that they should have some binding force and effect. Most assuredly, the President must have discretion to forge a relief program appropriate to the findings at hand but that discretion should be liimted to the form of relief not as to whether it will be granted at all.

In addition, we believe that the relief measures set forth in Section 203(a) are far too limited. Generally speaking, it is impractical to invent solutions tailored to cope with problems before they arise. Each is unique. Each can be dealt with at a government-to-government level, or perhaps through GATT, or, if necessary, by unilateral action. Section 203(a) should accordingly be amended to give the President power to take whatever action is deemed most appropriate as a solution, constrained only by then existing statutory limitations.

Finally, in any case where the Tariff Commission concludes import relief is in order, it should retain jurisdiction to further investigate the underlying causes of the involved industry's problems. This could provide a factual basis for other measures by the President calculated to strengthen an industry over the long term as well as to take such added remedial steps as are appropriate. This recommendation is similar, in principle, to the Trade Act of 1970 introduced by the Chairman of the Committee on Ways and Means.

D. Title III—Relief from unfair trade practices

The Society generally endorses Title III and, in particular Section 301, which allows the President to take steps aimed at removing unfair trade practices which disadvantage our exports in third country markets. As the statistical data in Section II of this statement indicates, third country markets are the U.S. plastics industry's chief export growth area, so we are pleased that prime consideration will be given to competitor-country discrimination affecting this trade.

E. Title IV—International trade policy management

Section 401 permits the President to exercise great powers in dealing with balance of payments problems and, yet, requires no advance notice of hearings in which interested parties could submit their views. The Society believes that this result is a serious deficiency which should be corrected by an appropriate amendment.

In our judgment, the specific procedures outlined in our comments on Sections 103(d) and (e), perhaps with an appropriately shorter time period, should equally apply to Sections 401 as well as 402, 403, and 404. That is, Presidential action under these sections should require Congressional approval but the joint Congressional Committees could authorize employment of the special legislative procedure so long as interested industry and other groups could express their views before final action is taken.

Section 403, we believe, appears broader than necessary or perhaps intended. That Section should limit the President's authority to adjust tariffs only where necessary to implement existing trade agreements.

The Society supports Section 411. The trade bill should specifically authorize appropriations to support our share of GATT expenses rather than having such funds provided out of a State Department supplemental budget as is currently the case.

F. Title V—Trade relations with countries not enjoying most favored nation treatment

We support this Section of the bill. However, we feel that provision should also be made for industry-advisor input and for direct participation during the negotiating process by a joint Congressional Committee.

G. Title VI—Generalized system of preferences

The Bill proposes to vest in the Executive virtually unlimited authority not only to eliminate tariffs for developing countries but to designate those countries which would qualify. While we do not object to the principle of preferential treatment for developing countries, we fear that such preferences could easily be abused and we do not believe that the Bill provides adequate safeguards for U.S. domestic industry.

An example of how the developing country could be exploited can be presented in the case of plastic buttons. The U.S. plastic button industry, much like the domestic industry for many of the finished or fabricated plastics products, is extremely sensitive to imports because a substantial portion of its costs are attributable to labor. With much cheaper labor available in developing countries plus the added benefit of a special tariff preference, undue advantage could be taken of the domestic industry. This could be done with a relatively modest investment or, for that matter, no investment at all, as there are producers of button-making machinery in Europe and other parts of the industrialized world who would be willing to assist prospective operators in setting up production facilities in developing countries. The net result would be facilities dominated *de facto* by interests located in industrialized countries making convenient use of the developing country's cheaper labor and special tariff preferences. It can hardly be argued that this would prove of any long-term economic value to the developing country but it would certainly constitute a grave peril for an industry such as the domestic button industry.

For the foregoing reasons, we do not believe that Congress should relinquish the authority to approve any and all agreements which propose to grant preferences to developing countries. Rather, we submit that Congress should indicate its willingness to consider any specific agreements the Executive Branch might propose, hold hearings on such proposed agreements, and only then adopt appropriate implementing legislation.

H. Proposed tax changes

The message of the President on H.R. 6767 contains certain recommended changes in tax treatment for U.S. firms doing business overseas. The Society objects to that proposal which would tax unrepatriated earnings of American companies doing business in host countries offering tax incentives. In our view, this could serve to competitively disadvantage U.S. firms, *vis-a-vis* companies from other industrialized areas of the world which do business in the host country.

V. NEW INSTITUTIONAL FORMS IN GOVERNMENT-TRADE ADMINISTRATION AND INDUSTRY PARTICIPATION IN THE POST-1975 WORLD

In general, the bill proposes to deal with trade matters through traditional governmental mechanisms. We believe the complex trade problems of the 1970's and beyond require some restructuring of government to better enable it to deal with such problems in a more coordinated and authoritative way. Such a proposal should not be considered as implied criticism for existing agencies or departments; it is merely suggestive that ways may be found to strengthen and improve current procedures.

It is the Society's recommendation that a new cabinet-level department be established to coordinate U.S. trade policy, the Secretary of which would be subject to confirmation and directly answerable to both the President and Congress. Such agency would not only assume the present responsibilities of the office of STR but would broaden its horizons to encompass the entire worldwide and competitive situation. In sum, it would serve as the focal point for government in dealing with all aspects of trade and related matters.

Assuming that a new and centralized administrative tool would be made available to deal with trade and related matters, we believe that one arm of any such new department should be an industry-consulting group. Actually, even if no new department were created as we are suggesting therein, some form of industry-advisor mechanism should be required under existing procedures. The purpose of such a liaison group would be to provide industry input to government on trade policy and programs in areas such as export expansion and incentives, import competition, overseas investment, tariff and other barriers to trade, export and overseas financing, and productivity as it relates to international competition.

While there have been many avenues for communication between government and industry in the past, there has never been any basic organized, on-going

system for the involvement of industry in the formulation or administration of international economic and trade policy, and there is none at this moment.

Under the Trade Expansion Act of 1962 a mechanism was established, on an *ad hoc* basis through use of Executive Orders, to provide for joint industry-government dialogue which formed the basis for the industry-advisor program in the Kennedy Round. While this concept did not develop to the point of maximum effectiveness during the Kennedy trade negotiations, it did make a useful contribution during the negotiations. The background obtained from that program provided valuable experience on how industry expertise could be mobilized to assist in policy formulation and program administration. In our opinion, it would be very beneficial to continue to utilize this industry expertise in the future development of government foreign trade policies.

One of the points which became clear as a result of industry input in the Kennedy Round negotiations is that, to be truly effective, an industry-advisor program must be established on set, formal procedures. The joint industry-government council should be recognized as a permanent part of government's structure; regular meeting should be scheduled and held; and two-way dialogue on all matters deemed significant should not only be encouraged but should be mandatory. In this way, industry expertise will be available and can be applied to problems as they arise and, hopefully, even before then, so that information will be available during the decision-making process.

This structure would also achieve a better understanding of the total trade situation by industry as well as government, would facilitate faster and more effective adjustment to change, and would also help in providing an early warning system that will identify and make possible needed and informed action before crises situations develop.

The specific way of establishing the procedure we are recommending is as follows:

1. Determine appropriate industry sectors to comprise the council using sector definitions that can be expressed in BTN or SITC terms so that international data will be available by sector.
2. Define as one sector the chemical industry. A starting point would be the work done by the Tariff Commission and STR on chemical sector definition in 1969 in response to a GATT initiative. Establish sub-sectors within the chemical industry sector as appropriate. One such sub-sector should be Plastics: SIC 2821, BTN 39, SITC 581.
3. Consult with industry on the appointment of consultants, and appoint a minimum of two consultants for each sector, the total to include one or a maximum of two consultants for each specified sub-sector. Consultants would serve on a part-time basis and would continue in their normal industry positions and careers. Each would have the responsibility for organizing industry response on international economic and trade matters dealt with by the Council. We recognize that this proposal gives rise to questions such as confidentiality and an appearance of potential conflict, but it seems to us that, given the desirability of such a system, solutions can be found.
4. Establish an appropriate Council organization and develop procedures for its operation. This aspect would include setting up a secretarial and coordinating function for the Council in the appropriate government agency.
5. Schedule meetings of the Council on a regular but not frequent basis such as twice a year, in the first quarter and in the third quarter. Every three years, in a formal way, review the operation and the contribution of the Industry Council on International Economics and Trade and determine whether or not it should be continued and/or whether or not changes are needed in its composition and function.

The Administration's Trade Bill does not provide for any type of formal mechanism to establish industry-government liaison. As a matter of fact, even under those portions of the Bill which provide for industry participation, such participation is merely permissive, not mandatory. As stated earlier, in the view of the Society, one of the major shortcomings of our trade policy and administration has been the absence of procedures aimed at insuring that informed industry judgment can be brought to bear in a meaningful way. This is a serious deficiency which does not exist as regards trade programs in most of the developed countries of the world. Most, if not all, of our chief competitor countries work very closely with industry and we believe it is imperative that the United States do so, as well.

VI. CONCLUSION

We trust that the views expressed in this testimony will be of value to this Committee in evaluating the Trade Reform Act of 1973 and that you will consider the comments set forth herein to be constructive and helpful. Needless to say, if you wish us to further amplify any of the points we have covered, or if you have any questions whatsoever concerning the contents of this statement, please do not hesitate to call on us.

Thank you very much.

Mr. ROSTENKOWSKI [presiding]. Thank you, Mr. Christopher. Are there any questions? Mr. Waggonner.

Mr. WAGGONNER. Thank you, Mr. Chairman.

Mr. Christopher, I find rather intriguing your final recommendation about a new Cabinet-level position to coordinate all these matters having to do with trade. You don't really believe here in Government that we can do that without adding something new, do you?

Mr. CHRISTOPHER. I have been told that it is impossible, but I have great faith in people and in our Government and I am sure we can find a way. If it is needed as a solution to a problem, it is a course of action to pursue.

Mr. WAGGONNER. There is nothing worse than a laminated layer on something that already is not working. It seems to me that is what you are talking about. I don't believe you and I will live long enough to extract from all agencies and Cabinet-level positions in Washington those matters that have to do with trade and transform their functions to a new position. I just have trouble believing that this is a very feasible idea. But for the record, I sure would like to have you describe at this point how this could be done.

Thank you, Mr. Chairman.

Mr. CHRISTOPHER. I am no expert in government, but in the 10 years that I have been working for my industry and with Government on trade matters we have continually urged and worked for improvement and better coordination within Government. We don't appear to have accomplished great progress in this coordination within Government. So now we are taking a different approach as a recommendation for consideration.

Mr. WAGGONNER. It seems to me you are taking the position that everything in Treasury, everything in Commerce, everything in Agriculture, everything in Labor that has to do with trade ought to be put somewhere else; is that correct?

Mr. CHRISTOPHER. The concept is correct, that we would recommend consideration for placing in one agency those functions now in many agencies concerned with international trade, yes, sir. Other governments, of course, do this kind of thing and have done it rather successfully.

Mr. WAGGONNER. What other governments?

Mr. CHRISTOPHER. The United Kingdom Board of Trade, for example. In each of the Government studies that I have any contact with as they were being developed, there were discussions of this concept, should the United States move toward a Board of Trade idea? It has been considered in many a government and many an industry advising government, but it did not show up in the final recommendations. Perhaps it should.

We have put it in our recommendations today.

Mr. WAGGONNER. You think that it has to be a new Cabinet-level position?

Mr. CHRISTOPHER. It could be an existing one transformed, changed.

Mr. WAGGONNER. I begin to understand you when you talk about realining some of the functions.

Mr. CHRISTOPHER. It could be built from an existing one.

Mr. WAGGONNER. I was interested, too, in your comment that the President should not be given any authority to negotiate tariffs upward or downward, that priority should be given to negotiations involving the nontariff barriers. I personally agree that the NTB's are a bigger problem than are the tariffs, but if we write safeguards in to provide for negotiations that really are reciprocal and agreements that are reciprocal and, for example, say if we don't just let the authority to submit certain NTB agreements to the Congress for approval, but try to provide for safeguards in the instance of all NTB agreements, what is wrong with pursuing both at the same time? The idea is good, is it not?

Mr. CHRISTOPHER. The idea is very good. The experience, however, has been very bad. We went into the Kennedy Round agreements on the basis of the Trade Expansion Act, intending to negotiate nontariff barriers. After some discussions these were laid aside and we proceeded to cut tariffs. The present bill includes in one section, 103, directions to negotiate nontariff barriers. The balance of the bill deals with the mechanics of reducing tariffs. We are pointing again in the same direction.

Mr. WAGGONER. I hope we can write safeguards to rectify that in this trade proposal.

Thank you, Mr. Chairman.

Mr. ROSTENKOWSKI. Thank you, Mr. Christopher. You are excused.

Our next witness will be Dr. DePodwin and Mr. Murchison.

Identify yourself for the record. If your statement is lengthy, you may wish to insert it in the record.

STATEMENT OF HORACE J. DePODWIN, ON BEHALF OF THE CERAMIC TILE MANUFACTURERS OF THE UNITED STATES, ACCOMPANIED BY DAVID C. MURCHISON, COUNSEL

SUMMARY

This statement addresses itself to the need for modifications to the "Trade Reform Act of 1973" in order that the United States might deal more effectively with restrictive business practices by foreign firms. These practices have an adverse effect on our balance of payments and on the level and growth in sales of domestic industry. At present, we have insufficient machinery for dealing with them.

Foreign governments have often sought to assist their industries by promoting export sales while at the same time limiting imports. Two major means of accomplishing this (apart from tariff and subsidy policy) have been:

(a) Promotion of rationalization (*i.e.*, encouraging reduction in number but increase in average size of domestic firms), and

(b) Promotion of export cartels (arrangements between firms to fix prices, quantities sold and so on).

Promotion of rationalization by foreign governments, while in some cases reducing competition and affecting U. S. industries adversely, should not be discouraged by the U. S. But where such promotion is accompanied by encouragement of cartel arrangements, which increase exports to the U. S. by restricting competition, we believe that our government should intervene.

Economic basis for the market power of cartels.—Cartel arrangements among foreign firms enable them to sell at less than competitive prices in the U.S., reducing the sales of U.S. firms and affecting our balance of payments position adversely. These lesser prices do not reflect greater efficiency on the part of foreign firms. They reflect the exercise of monopoly power of the same kind that our antitrust laws are intended to limit on the domestic front.

Cartels enable foreign firms to sell at less than competitive prices in the U.S. market by:

Reducing the risk and uncertainty to which participating firms are exposed;

Protecting members from undesired fluctuation in sales through enforcement of export quotas; and

Enabling members to segment their markets. When insulated from competition in their home markets, cartel members can offset losses on low-priced exports with monopoly profits on sales at home.

Examples of cartel arrangements impacting U.S. industry.—The major examples of export cartels discussed involve British firms in the heavy electrical equipment industry and the ceramic tile industry. The British government is itself a party to the price discrimination practiced by the firms in question. And in both industries, the prices of exports to the U.S. resulting from such discrimination have been found by the U.S. government to be at less than fair value. The U.S. government has also found that our tile and electrical equipment industries have been injured as a result of sales lost to the British due to their pricing policy.

The major British manufacturers of heavy electrical equipment are members of the International Electrical Association, a world-wide manufacturers' cartel. This cartel specifies in minute detail how members should price their machines for export purposes.

The British Central Electricity Generating Board and fourteen area Boards comprise the sole purchaser of heavy electrical equipment in Britain. These government agencies purchase equipment from the British companies at price levels high enough to make possible export sales at marginal cost, facilitating their membership in the above-cited cartel.

The British ceramic tile industry, as a result of rationalization, is now made up of only two firms. One of these firms accounts for over 80 percent of British exports. Both are members of an export cartel (the Glazed and Floor Tile Export Association) which regulates price. The ability of these firms to sell at less than competitive prices in the U.S. has been due in part to their ability to control home market prices through their membership in the Glazed and Floor Tile Home Trade Association. This Association fixes prices, terms and conditions of sale of all ceramic tile in Britain.

Recommendations.—As presently written, Title III of the Trade Reform Act of 1973, "Relief From Unfair Trade Practices", is inadequate to handle unfair trade practices of the type and magnitude described above. It is time for the U.S. to cease being preoccupied with tariffs and start being more concerned with more fundamental trade issues.

These specific recommendations for trade policy are respectfully submitted:

(1) U.S. laws with respect to international competition should be reappraised and codified.

(2) Responsibilities for dealing with unfair foreign business practices, whether domestic or international, should, as the Administration proposes, be given over entirely to the Federal Trade Commission. Beyond the Administration's proposals, the handling of all phases of dumping proceedings should also be transferred to the Federal Trade Commission.

(3) Tighten the standards for determining price discrimination.

(4) Revitalize the Department of Justice's foreign business practices program.

(5) Require that unfair trade practices found by the Federal Trade Commission be reported to the President, and that the President report to Congress on actions taken.

Overall, the Administration's trade bill has worthwhile features. Its principle weakness lies in the absence of machinery provided to achieve fair trade. I am convinced that such machinery is necessary if we are to arrest the deterioration of America's competitive position.

Mr. DEPODWIN. Thank you, Mr. Chairman, for the opportunity to appear. I am accompanied by David C. Murchison, legal counsel for the Ceramic Tile Manufacturers of the United States, on whose behalf

we appear. I have submitted a prepared statement for the record. I would merely like to highlight some of the main points.

Mr. ROSTENKOWSKI. Without objection your entire statement will be in the record.

Mr. DEPODWIN. Thank you.

My purpose in appearing is to propose modifications of the Trade Reform Act of 1973 so that the United States might deal more effectively with restrictive business practices by foreign firms which affect our international trade adversely. Unfair business practices are important to the ceramic tile industry for reasons I will explain. The industry is a small but old industry.

It employs about 7,500 workers. We believe it to be modern and efficient, but it is seeing its American market absorbed by foreign firms. In the wall tile sector imports account for about 28 percent of the market. The mosaic tile sector, 69 percent of the market. All told foreign tile accounts for about 35 percent of the market.

I said the market was lost largely through unfair trade practices. I refer specifically to three major determinations by Treasury on less than fair value sales, that is persistent dumping, cases pending before the Treasury on subsidies under our countervailing duty statutes and a 337 case presented to the Tariff Commission. It is my belief that one of the most important trade issues concerns the rule of international competition and, hence, the ability of American firms to compete in their own market. Trade bargaining has by and large ignored the rules of international competition and I would add that the United States has not made any fundamental changes in the scope and nature of government controls over unfair trade for many decades despite the fact that the volume of trade has increased very significantly and the inclination of people to deal unfairly has grown, too. I say the U.S. Government must act if we are to reverse the deterioration in the balance of payments and if we are not to have American firms continually disadvantaged.

I assert at the outset that trade policy must accept the fact that some foreign nations can cut below our costs in some areas of production. Obviously it is the obligation of the Congress to insure an orderly adjustment for those firms that can't make it. But I think it is an even greater obligation to insure that the import growth really derives from technological or manufacturing cost superiority and not from unfair business practices.

Over the last few decades we have seen governments working with industries to accelerate their development and also to increase their exports. We have seen a variety of assistance given—basically of two types. In the first category we have those actions which have helped to rationalize industries, enabled them to grow to larger size, enabled them to operate on a larger scale. These can be legitimate efforts and we would cite a number of them that are along those lines.

Japan is a country that has worked very aggressively with their industry. I think Japan is also a country which has tolerated restricted competition at home, encouraged exports and also engaged in some of the practices that I am going to relate. I say, therefore, that the key issue is not government working with industry, but rather whether government promotes a particular industry structure, promotes restricted competition at home and promotes the acceleration of exports through unfair means.

Export cartels have been a means by which foreign companies and foreign governments have moved to secure larger shares of the world market. By and large export cartels exist because enterprises believe that they will be harmed by excessive competition. As you know, the Japanese Government has laws on their books which permit reduction of competition in the export trade. Great Britain does the same thing.

Let me explain for a moment why we are concerned. First of all, cartels reduce risk and uncertainty which are the hallmarks of competition. Obviously exporting into foreign markets can be expensive with its large investments in inventories, equipment and personnel. If you can reduce the uncertainty that attends export sales, you can do a great deal to cut your costs.

Secondly, we have seen cartels set export quotas and then work collusively to realize those quotas. I have in my testimony some examples of that. In one case the Japanese ceramic tile cartel in 1964 decided that their objective would be a 58-percent increase in exports over 5 years and in 5 years they actually achieved a 54-percent increase by a variety of means that involved companies working together with government sanction. We have also seen companies segment the world market, setting different quotas for different countries. A case I have cited is a case where for one product they set a higher quota for the United States than they did for Germany, obviously moving to optimize their distribution of sales.

Finally, perhaps the most effective way that these cartels have operated is to establish low export prices to enable firms to seize larger shares of the market than they might otherwise. Such prices I am suggesting do not reflect greater efficiency, they reflect the exercise of monopoly power to make inroads in foreign markets at the expense of our firms.

There is no doubt that the economic literature is abundant with good economic theory showing how cartels can do this to their advantage. I would like to cite some examples. In the case of the Japanese tile cartel that I spoke of, they set higher prices for the Japanese market than they did for the American market. In fact, they cut their prices for the American market year after year. As a cartel they could coordinate changes in domestic and export prices to achieve maximum penetration of the U.S. market.

Fortunately those producers were found to have sold at less than fair value. They had to revise their business practices drastically and some raised their prices by as much as 40 percent. Furthermore, each firm operating in this market was required by Treasury to give assurances that they would never again dump here. These actions I am suggesting were brought to the attention of the Japanese Government and by and large we have seen them being fairly responsible in our markets largely because their government saw fit to intervene.

In the case of the United Kingdom, a great trading nation, we find that that country regards international price discrimination as a right of her manufacturers and here the disturbing fact is that the British Government is frequently a party to such price discrimination. I can cite the case of electrical equipment, heavy electrical apparatus such as transformers, large switch gear, turbines and the like, because I have studied that market in depth and done a number of studies, in fact, on international competition in such apparatus.

96-006 (Pt. 6) O - 73 -- 11

What we find in the United Kingdom's case is that the United Kingdom's Government is the sole buyer of that equipment, that is, their government agencies are, and their government takes the position that they don't mind paying a higher price for the product as long as when their exporters export, they will at least cover their marginal cost. I think the Congress should note that the British market for this heavy electrical equipment is not open to competition and, therefore, those firms with a closed home market and with a government that is willing to pay more than the market price, those firms have a very strong incentive for selling here on a marginal cost basis.

In the transformer dumping proceeding they were found to have dumped in this market and the dumping duties are now being calculated. It is amusing to note that calculating dumping duties on a product such as transformers where you are dealing with products made one of a kind is an extremely difficult thing, but I find it amusing that the Bureau of Customs is contemplating using an international cartel agreement with which to price the product for purposes of the less than fair value dumping duty calculation. I should also note that that agreement that I speak of, that details the price of the product in great detail, contains penalties which are set on the manufacturers when they bid a price that is too low. My colleague, Dr. Epstein, has written on this subject a book that is publicly available which goes into this matter in some detail.

Let me go back to the tile industry and again cite the excursions of the British industry into the American market because I think here we have some clear examples of unfair trade practices. Now the largest British producer is H & R Johnson Richards Co. It is the largest producer in the United Kingdom. It is the largest producer in the world.

When that company was formed through merger, its stockholders were advised that there was considerable potential for expanding sales in the export market. Now that merger would have violated the antitrust provisions of both the Clayton Act and the Sherman Act and we do not object to that merger so long as it occurs on foreign soil but we do object to the related collusive activities which affect U.S. industry.

The second largest company in the United Kingdom is the Pilkingtons Tile Co. Both Pilkingtons and Johnson Richards Companies have a home market cartel that is approved by the British Restrictive Practices Court. It fixes the prices, terms and conditions of sale of all ceramic tile in the United Kingdom.

At the same time these manufacturers have an export association and this association has a common price list that both firms adhere to. Now what we have seen over the past two decades is these firms operating as a cartel under the umbrella of a fixed domestic price to move aggressively into our market as conditions warrant.

Back in 1949 the pound was devalued by some 31 percent. The cartel reached an agreement to cut prices deeper than the devaluation in order to maintain the same sterling value of sales that they had before the devaluation.

I cite a letter from one of the British manufacturers at that time that says, "Our association decided to revise our selling prices by discounting approximately 30 percent from the dollar prices of each line." As a consequence of that those firms were able to triple their sales in the American market in a period of two years.

In 1966, 1967, 1968 there was another agreement to cut prices very deeply. Here British sales in this market doubled from 8.5 million square feet to 17.5 million square feet in just one year.

It is clear to us that the British manufacturers use their cartel arrangement to establish prices and control product availability for both markets. The very purpose of the cartel is to substitute joint action for individual action and thus to eliminate competition.

I cited the recent dumping case and I would like to quote if I may from the record of the U.S. Tariff Commission, the injury part of the proceeding. Here the vice chairman of the world's largest ceramic tile company, speaking to the Tariff Commission, says that the situation therefore is that "In the home market Johnson and Pilkingtons are permitted to fix prices in terms of sales. In export markets they,"—the two companies, "agree upon minimum prices and conditions of sale." They know that any buyer will have the assurance that he will not be undercut by another manufacturer.

On cross-examination Mr. Murchison asked the managing director of Pilkingtons "Do you personally attend the meetings of the cartel to fix prices yourself?"

Mr. SMITH. Not every meeting, but I do go from time to time.

Mr. MURCHISON. And this morning I think you said that you acknowledged that there was an agreement as to minimum prices for the United States but that your actual prices sometimes vary from H&R Johnson's prices.

Mr. SMITH. That is correct.

Then again Mr. Smith was asked, do you have a cartel at home?

Yes. In the United Kingdom there is only one price. It is both the maximum and a minimum.

We will find that the cartel in addition to setting low export prices can arrange the availability of the product in the American market. So, in 1970 when the Tariff Treasury Department found that they had dumped here their first reaction was to remove the product from the market so that there would be no basis on which to compare the price to the American market. When they found that Treasury wouldn't buy that they reinstated the product.

I have only quoted sketchily from the record. The record is much more complete than I have indicated but it is clear to us that from our experience in the ceramic tile industry that title III of the Trade Reform Act is inadequate to handle unfair trade practices of the type and magnitude reviewed here. Consequently, the share of the market accounted for by domestic producers and the very size of our industry is being determined by the actions of foreign governments and manufacturers.

Consider the two examples: In one, the electrical equipment. The British Government is a monopoly buyer. It pays a higher price than required and imports are barred. It encourages that industry to sell abroad as long as they cover their marginal costs.

In the other example we have a domestic cartel sanctioned by the Restrictive Practices Court. In both we have economic circumstances that encourage exports at less than competitive prices. The solution for the American industry presently is to act as private attorneys general, and mount their own case in the Federal court system, or to seek relief through the Tariff Commission.

The first route can be horrendously expensive; the second has proven ineffective.

Furthermore, other Government agencies have been loathe to confront foreign governments on the issues of the rules of comeptition which affect the foreign industries. In reality, there is a regulatory void.

The United States, I think has been reluctant to act because of our Webb-Pomerene law. Assistant Attorney General Donald F. Turner, when he was with the Department of Justice, spoke rather eloquently to that issue saying it is impossible to argue to foreign countries that they should limit the use of export cartels when our law allows them to exist.

I have, therefore, a number of specific recommendations six in number, which speak to the issues I have covered.

First, the U.S. laws with respect to international competition should be reappraised and codified. Unfair competition in international trade should be dealt with in the same manner as unfair competition in domestic trade under our domestic laws. Foreign firms have much greater latitude, enabling them to engage in predatory practices in U.S. trade. Their risk of running afoul of our laws because of predatory practices are not nearly as great as the risks encountered by American firms. What we would suggest is making less-than-fair value sales where they stem from collusion among foreign firms' per se violations of our law, eliminating the need to prove injury.

Secondly, we feel the responsibilities of dealing with unfair business practices, currently scattered through our Government, should be pulled together under the Federal Trade Commission. Thus, we support the proposal of the administration but, would go beyond the administration proposal and turn over to the FTC the complete handling of all phases of dumping proceedings.

What we find is that present agencies in Government are not particularly enthusiastic about their job. We found this to be the case with the adjustment assistance. We found a number of contradictory decisions by the U.S. Tariff Commission on adjustment assistance.

Let me give you two examples. In the *Winburn Tile* case they found the firm was not entitled to relief because it had sought to combat foreign trade by installing modern machinery. In another case they were not entitled because the firm was not efficient enough. They had not tried to install modern, efficient machinery.

What you often find is that agencies don't have the enthusiasm or background or interest in dealing with these cases. We think the kind of fact-finding that is required in order to ferret out unfair trade practices does rest with the Federal Trade Commission. It does not reside in the U.S. Tariff Commission.

Next, I think I would tighten the standards for determining price discrimination so we would not get frivolous cases brought and would make sure we are justified in moving. And here I cite some specifics which are somewhat technical. They are given in the prepared statement.

Next I would revitalize the Justice Department's foreign practices program. I would do that by providing sufficient funds for a meaningful program and, next, review its performance periodically. It appears it is sometimes like pushing on a string to get these things taken care of within the regular Government agencies. There is simply no one to take up the slack.

Next I would require that unfair trade practices, those uncovered by the Federal Trade Commission that involved foreign governments, be reported to the President in a formal manner. Subsequently the President should be required to report to the Congress on the actions taken.

I am sure I can cite several instances where there are on record documentation of Government involvement, foreign government involvement in foreign trade unfair practices. These should be brought to the attention of the President in a formal manner and his action or inaction should be reported to the Congress.

Next I would repeal the Webb Pomerene antitrust exemption. By and large it is unused by American business. It accounts for only between 4 and 5 percent of our export trade, and I think the harm being done is substantially greater.

Overall, in conclusion, the administration's trade bill has many worthwhile features and we support it. Its principal weakness concerns achieving fair trade. I am convinced that immediate action is necessary if we are to convert balance of payment deficits to surpluses, and if we are to arrest the deterioration of America's competitive position.

I think had we taken such action in the early 1960's, import growth would have been retarded and export growth accelerated. As it now stands, we are the poorer and our currency is in crisis. The Congress has the extraordinary responsibility of ensuring that present trade trends are reversed.

I trust what I proposed will prove helpful.

[The prepared statement of Mr. DePodwin follows:]

STATEMENT OF HORACE J. DEPODWIN, CERAMIC TILE MANUFACTURERS OF THE UNITED STATES

I am Horace J. DePodwin and I appear before the Committee on behalf of the Ceramic Tile Manufacturers of the United States, Inc. Our firm of economists are economic consultants to this industry group. My purpose in appearing is to propose modifications to the "Trade Reform Act of 1973" so that the United States might deal more effectively with restrictive business practices by foreign firms which affect our international trade adversely. These modifications concern Title III. Relief from Unfair Trade Practices. In addition, I will give my views on what should be included in the companion legislation which promises to provide the Federal Trade Commission authority to investigate and regulate other unfair methods of import competition.

NEED FOR AFFIRMATIVE ACTION ON RESTRICTIVE PRACTICES

It is my belief that one of the most important trade policy issues of the decade ahead concerns the rules of international competition, including government actions which affect industry structure and hence the ability of firms to compete in world markets. Apart from the Kennedy Round's negotiations on antidumping rules, trade bargaining among countries has all but ignored the rules of international competition. While they were included in the ill-fated Havana Charter of the International Trade Organization, the predecessor to the General Agreements on Tariffs and Trade (GATT), they have not been a matter of serious negotiations since. Nor has the United States made any fundamental changes in the scope and nature of government control over unfair trade for many decades. Consequently, we have insufficient machinery for dealing with unfair competitive practices despite the spectacular growth in the volume and complexity of trade and the increased opportunities and inclination to promote trade unfairly. Furthermore, even if the Trade Reform Act of 1973 were passed in this present form, Title III, Relief from Unfair Trade Practices, would not be sufficient to curb restrictive practices which disadvantage United States firms.

The U.S. Government must act on the matter of unfair international competition more aggressively than heretofore, lest we continue to impact the U.S. balance of payments adversely and place U.S. firms and workers at a severe competitive disadvantage.

Failure to act has already spurred U.S. firms to seek protection along narrow self-serving lines. Should the Administration's trade bill pass Congress these firms may be able to obtain protection, but the root causes of increased imports from unfair competition will not be corrected.

At the outset, I assert that United States trade policy must continue to accept the fact that foreign nations can undercut our costs in some areas of production. To deny them the opportunity to sell here is to deny our ability to trade abroad. The obligation of the Congress lies in ensuring that American industry and workers are helped in making an orderly adjustment to other areas of production. But there is an even greater obligation to ensure that import growth really derives from technical or manufacturing cost superiority and not from unfair business practices.

GOVERNMENT-SPONSORED RATIONALIZATION AND CARTELS

Some loss of United States market share has come about because nations have worked to accelerate the development of industries with a view toward promoting export sales at the same time they limit imports. These industries have grown to critical size more rapidly than they might have otherwise and to a larger size than might be dictated by domestic demand.

The assistance provided by governments to their industries is of two types. In the first category we have those actions by foreign governments which help determine industry structure and ultimately size of industry. By and large, actions of governments have led to a reduction in the number of firms and sometimes in the degree of competition among them. While such actions may affect U.S. industries adversely, there is nothing that the United States Government can or should do in retaliation in most cases. If these are, indeed, legitimate attempts to promote the efficiency of domestic industry and, in turn, world wide competitiveness, we should hail them.

France, for example, effected a rationalization of industry under what is referred to as the "Fifth Plan." Some major features have been summarized by the Societe Generale:

One of the principal objectives laid out for French industry is the strengthening of its position in Europe and worldwide. . . . The fifth plan advocates for the majority of the large industrial sectors the eventual formation of a limited number of groups of international dimensions.[1]

The move to consolidate firms in France is widespread and is designed to make their industries highly competitive in international trade. The Journal of Commerce has reported:

The three main Lorraine steel concerns, Sidelor, DeWendel and Moselaine, are merging to form the fourth largest steel complex in the European Common Market.

It will be the biggest steel group in France, slightly outsizing Usinor-Lorraine-Escaut, also recently formed in a government encouraged merger.

. . . Since 1966 Finance Minister Michel Debre has been strongly urging the formation of European-sized complexes in France to put French industry on the most competitive footing possible. . . .[2]

Japan provides a similar example, but the Japanese have moved more aggressively. Their government has:

. . . contributed help, approval, and pressure in moving the economy towards the goal laid down in successive economic plans.

. . . consistently advocated restriction of consumption and the promotion of both private and government investment policies which concentrated on heavy industry (including chemicals).[3]

Through detailed planning, the Japanese Ministry of International Trade and Industry has worked with business firms to shape their economic growth. Restricted competition is tolerated at home; and exporting, in particular, is encouraged. This is believed to account for the rapid growth to critical mass for several key Japanese industries that have been important dollar earners, for example, chemicals, steel, heavy machinery, and electronics. There is, in fact,

. . . a rising move among Japanese economic circles for strengthening the stage of oligopoly among key industries in order to facilitate more efficient industrial activity and bolster international competitiveness.[4]

---

[1] Les Accord dans l'Industrie Electrique, *Bulletin Mensuel d'Informations,* Societe Generale, Paris, May 1966, p. 5.

[2] *The Journal of Commerce*, December 14, 1967.

[3] Broadbridge, *Industrial Dualism in Japan,* Aldine Publishing Company, Chicago (Frank Cass & Company, Ltd., London), p. 40.

[4] "Trend to Strengthen Oligopoly Increases Among Major Firms", *The Japan Economic Journal,* October 24, 1967, p. 10.

A key trade issue arises, however, when a foreign government not only promotes a particular industry structure but also promotes restricted competition at home and abroad which serves to increase exports. These actions comprise the second type of government assistance, a type which encourages unfair trade. Export cartels are an example. Export cartels, with their open agreements, have been based on the belief that enterprises have been harmed by excessive competition spurred by a fierce race for market shares.

The Japanese government, for example, has sought to eliminate price competition among firms, when such competition can harm export trade, by allowing them to organize into export cartels which, we claim, increase exports by more than if the market were competitive.

The Export-Import Transactions Law states its purpose is to prevent unfair export transactions, establish order among export and import transactions and thereby provide for the sound development of foreign trade. The law authorizes exporters and importers in certain circumstances to agree upon prices, quantity restrictions and similar matters relating to exports and imports.[5]

Great Britain has also allowed export cartels to operate. In Britain, however, the circumstances under which they operate can be more anticompetitive than in the case of Japan.

Let us examine the ways in which such cartels promote exports and disadvantage United States firms and workers unfairly.

CARTELS REDUCE RISK AND UNCERTAINTY

Risk and uncertainty are the hallmarks of competition. When producers combine to agree on the rules of competition these risks and uncertainties can be reduced substantially and exports to the United States can proceed in a more orderly fashion and we should add at much lower cost. Professor Hexner, a noted cartel authority, recognized the distinct economic advantages of firms acting in concert during uncertain times.

Knowledge of a potential competitor's plans in regard to the export market alleviates risks to a considerable extent.[6]

Considering that manufacturing firms normally carry large investments in inventories, equipment and personnel, it obviously reduces one's costs to be informed of how competitors plan to conduct themselves in export markets.

MARKET PENETRATION AND PROTECTION OF CARTEL MEMBERS THROUGH EXPORT QUOTAS

One of the admitted purposes of export cartels has been to protect members from competing among themselves for the U.S. market, particularly when the market here slowed. Legal counsel for one cartel which has concentrated on the U.S. market for the past decade has stated that the cartel device was used "to achieve soft competition and thereby stability in the economy." [7] The cartel's protection of its members is further exemplified by a 1967 U.S. Department of State, Foreign Service Dispatch from an American Consul, who states:

"The NMTIA [National Manufacturers Tile Industry Association] . . . hopes that the new production quotas and controls will avoid overproduction and shrink inventories to normal levels in six months."

Exports to the United States of this product, therefore, have moved under conditions quite carefully controlled by foreign industry cartels. Professor Joseph Schumpeter states that such cartel actions:

". . . may in the end produce not only steadier but also greater expansion of total output than could be secured by an entirely uncontrolled onward rush that cannot fail to be studded with catastrophes." [8]

Consider the growth performance of the Japanese ceremic tile cartel during the 1960's. In their 1964/65 fiscal year they projected that between 1965 and 1969 their exports of ceramic tile to the world would grow by 54.1 percent. In actuality they grew by 58.6 percent, to $74,316,000. The bulk was sold in the United States.

MARKET SEGMENTATION

Cartel agreements containing provisions regulating the direction of trade are common. The purpose is to achieve market segmentation, channelling more trade into one market or another, depending on local market conditions. The

[5] Kanazawa, "The Regulation of Corporate Enterprise", in *Law in Japan*, Arthur Taylor Von Mehren, ed, Harvard University Press, Cambridge, p. 497.

[6] Hexner, *International Cartels*, 51, (1952).

[7] U.S. Tariff Commission, *Hearings*, Inquiry into competitive conditions in the Ceramic Tile Industry, 8 332–50, May 10, 1967, Transcript, 423.

[8] Schumpeter, *Capitalism, Socialism & Democracy*, 91 (1942).

purpose is often justified by statements that such quota devices are necessary "to secure orderly marketing in an otherwise chaotic industry." [9]

Different quotas have been set for the U.S. and Canada and Germany by one foreign cartel on which the record is quite complete.

EXPORT QUOTAS FOR 2 JAPANESE PRODUCTS PRODUCED BY THE SAME INDUSTRY

[In percent]

	Quota for 1st half 1967 as percent of quota for 2d half 1966	
	United States and Canada	Germany
Product 1	80.5	83.3
Product 2	72.5	65.6

Source: U.S. Department of State, Foreign Service Dispatch, No. A-22, April 1967.

Thus, the U.S. and Canada received relatively more of one product than Germany, and somewhat less of the other. This cartel responded to the conditions peculiar to each market. It did so in 1967 and in earlier years. Other examples exist and a probe will uncover similar purposes on the part of other foreign industries.

LOW EXPORT PRICES

By reducing risk and uncertainty, facilitating export quotas and enabling participating firms to segment their markets, cartels enable firms to maintain export prices below those which would prevail in a competitive setting. Such prices do not reflect greater efficiency; they reflect the exercise of monopoly power to make inroads in foreign markets at the expense of competitor's sales.

Economists do not question the logic of a cartel setting low export prices at less than full cost. They are well aware that low export prices—much below higher domestic prices—can be "profitable". See, for example, the conventional analysis in George Stigler's *Theory of Price*, or Karl Pribram for the Brookings Institution:

Even 'dumping' in the narrower sense of the term—that is, selling abroad at discriminatory prices which are below the average cost per unit of output—may be practicable and profitable for lengthy periods if the importance of degressive costs is so great that the low export prices are outweighted by the reduction of cost per unit of output due to the increased volume. The decision will rest, in this case, with the margin of profit obtainable on the home market and the relation of the exported quantities to the total volume of output.[10]

Professor Jacob Viner despairs of trying to make a distinction between a profitable and unprofitable price differential:

A great deal of dumping results from the ability of producers to exact monopoly or quasi-monopoly prices in their domestic markets, but it is impossible to distinguish in particular instances between the dumping price which provides a fair return on cost of production.[11]

The export prices of the Japanese ceramic tile cartel fell year after year for a decade while their home market prices rose. As a consequence these Japanese manufacturers increased their share of the U.S. market to 20 percent, added significantly to their plant capacity and set continually higher export objectives for sale here. Acting as a cartel they could coordinate changes in domestic and export prices so as to achieve maximum penetration of the U.S. market. Fortunately for the U.S. industry, these foreign producers were found to have sold here at less than fair value. Consequently, they were required to revise their business practices drastically. Some raised their prices by as much as 40 percent and each corporation involved was required by the U.S. Treasury to give assurance that they would never again dump in the U.S. market.[12]

These actions were brought to the attention of the Japanese Government and ever since Japanese ceramic tile manufacturers and exporters have been good business citizens and, by and large, their business practices have been fair. Un-

[9] Machlup, *The Political Economy of Monopoly*, 92 (1952).
[10] Pribram, *Cartel Problems*, 72 (1935).
[11] Viner, *Dumping: A Problem in International Trade*, 146, (reprint 1966).
[12] See U.S. Treasury Department Dumping Investigation on Glazed Wall Tile from Japan, December 1965 to April 1967.

like some other countries, the Japanese government has become very responsive to criticisms of unfair business practices.

COMPETITION FROM GREAT BRITAIN

Great Britain presents the case of a great trading nation which regards international price discrimination as a necessity, if not a right of her manufacturers. Perhaps most disturbing is the fact that the British government is a party to such price discrimination, for without its participation discrimination could not be as successful as it has been.

Heavy electrical equipment is a case in point. Practically speaking, the sole buyers are government agencies, the Central Electricity Generating Board and the Area Boards. The manufacturers, for years, had restrictive agreements among themselves. They were exposed during the Monopolies Commission Hearings in the mid-1950's and many were dissolved by the early 1960's. Then there began a new set of agreements with the Board itself. In the mid-1960's Professor Sir Ronald Edwards, Chairman of the Electricity Council, the central council for the electricity supply industry, spoke of the incentives for export fostered by such price agreements. He said that the Electricity Boards in Great Britain, which include the CEGB and fourteen Area Boards, purchase electrical generating and transmission equipment at price levels which make possible export sales at marginal cost.

The plant manufacturers will say that there is one other small item that I have neglected to mention regarding export incentives, namely, the price they get for the products they sell to the Boards and which I am sure that they will say has a considerable influence on their efficiency and therefore their ability to compete in the export market. . . .

I am not saying that home prices and export prices must be equal. I am saying that the latter must at least fully cover marginal costs.[13]

The Congress should note that the British market for heavy electrical equipment is not open to competition. British firms therefore have a strong incentive for selling at a higher price at home and at a lower price overseas. The British manufacturers have, in fact, sold their electrical equipment in the United States at less than fair value. The American industry was found to have been injured and dumping duties are now being calculated.

It is interesting to note that since pricing power transformers, the dumped product, is exceedingly complex, the United States Bureau of Customs is considering using the pricing agreement of the International Electrical Association, a world-wide manufacturers' cartel. That agreement specifies in minute detail how the members should price their machines for export purposes. It is my understanding that the major British manufacturers are members of the IEA.

My colleague Dr. Barbara Epstein has written about the IEA and specifically about how the agreement among manufacturers operates. Speaking of the penalties assessed when manufacturers bid too low, she has said:

The penalties become progressively stiffer as the amount increases by which the order price deviates from the agreed price.* It is anticipated that at least one company will find it more profitable to take overs at penalty prices rather than lose a contract, especially if domestic demand is slow and its factory underutilised. It is hoped, however, that the increasing severity of penalties will deter deep price cutting and, thereby, raise the price floor.

The effect of the penalties appears to be that they act as an addition to variable costs. In this case, the impact of the IEA agreements is probably to raise the price floor by an amount equal to the size of the penalty. A second benefit of the association meetings is the diffusion of market information. The secretary sends quarterly reports to all members containing the total number of inquiries and the number of orders reported by each member and each nonmember. Annual reports divide orders taken by territories, and then by recipient, technical specifications, and award price as a percentage of reference price. In addition,

[13] Sir Ronald Edwards, "Electricity and Economic Policy", presidential address, British Electrical Power Convention, Brighton, June 1965, pp. 20 and 21.

*Section 5a of Agreement P(H)C reads:

(i) where the order price is not less than 90 percent of the reference price, the pool shall be calculated at the rate of 0.25 per cent of the f.o.b. reference price per 1.0 per cent by which the order price is less than the reference price;

(ii) where the order price is less than 90 per cent of the reference price, the pool shall be 2.5 per cent of the f.o.b. reference price plus an additional amount calculated at the rate of 0.75 per cent of the f.o.b. reference price per 1.0 per cent by which the order price is less than 90 percent of the reference price.

meetings provide a forum for discussing technical specifications and terms of sale, as well as price.[14]

The basis for the excursions of another British industry into the American market should be of great interest to this Committee also. Hence, since there are clear examples of unfair trade practice, I speak of ceramic tile and I give a detailed account of these practices. They suggest that Title III of the Trade Reform Act requires strengthening.

THE BRITISH CERAMIC TILE INDUSTRY

The largest British ceramic tile manufacturer is H & R Johnson Richards Tiles Ltd., accounting for between 50 and 60 percent of home market sales of ceramic tiles and over 80 percent of United Kingdom exports. This giant tile enterprise is the result of the acquisition in April 1968 of Richards-Campbell Tiles Ltd.[15] by H. & R Johnson. A major objective of this acqusition was to strengthen the position of H. & R. Johnson in *export* markets. The company advised its stockholders as follows:

In the home market the two companies sell essentially through the same outlets and maintain selling organizations and finance marketing activities which, in the main, are employed against each other. In export markets, they also sell against a background of intense and increasing competition from large foreign manufacturers. However, it is in their view clear that *there is a considerable potential for expansion of their current export sales if added emphasis can be placed on overseas selling, backed by the resources and competitive strength of an undertaking of doubled size.* (Emphasis added.)[16]

In the United States, this merger would have violated the antitrust prohibitions of Section 7 of the Clayton Act and Sections 1 and 2 of the Sherman Act since the effect of the arrangement was to eliminate competition and to create a virtual monopoly. We would not object to such a merger on foreign soil were it not related to collusive activities which affect U.S. industry.

The second largest British tile manufacturer is Pilkingtons Tiles Ltd. This company is also the result of a merger, in 1964, between Pilkingtons Tiles and Carter Tiles. It presently accounts for balance of United Kingdom exports to the United States not accounted for by H & R Johnson-Richards.

GLAZED AND FLOOR TILE HOME TRADE ASSOCIATION

H & R Johnson-Richards and Pilkingtons are both members of the Glazed and Floor Tile Home Trade Association, a cartel arrangement authorized for the home market by the British Restrictive Practices Court. The Association is responsible for closely regulating the home market for British ceramic tiles. It fixes prices, terms, and conditions of sale of all ceramic tile in the United Kingdom, publishing a compulsory industry price schedule for this purpose.[17]

Since the inception of this Association, British home market prices on ceramic tile have consistently increased. in contrast with sharp reductions made in prices for the United States market.[18] In 1963, this cartel consisted of thirteen corporate members. By 1969 it had been consolidatd into only two giant manufacturers, H & R Johnson-Richards and Pilkingtons.

GLAZED AND TILE EXPORT ASSOCIATION

There also exists in Great Britain a Glazed and Floor Tile Export Association, which states that it deals with objectives, policies and regulations relating to export markets open or potentially open to the industry. Among its announced activities is the publication of an *export price list.* Both H & R Johnson-Richards and Pilkingtons are members.

---

[14] Epstein. *Politics of Trade in Power Plant,* Trade Policy Research Centre, London, 116–117 (1971).

[15] H&R Johnson, Ltd., Letter to the Shareholders, dated April 6, 1968.

[16] *Id.*

[17] See the Agreement and Constitution of the Glazed and Floor Tile Home Trade Association (2 March 1960) on file with the Registrar of Restrictive Trading Agreements, Chancery House, Chancery Lane, London, England.

[18] The records of Britain's Restrictive Practices Court (1961 No. 13 (E. & W.)) make direct reference to the lack of price reductions during the first 3 years of the cartel. Since 1963, based on the latest home market prices, there have been regular home market price increases.

HISTORY OF IMPORTS FROM THE UNITED KINGDOM

During the period since World War II, the British were not a major factor in the United States ceramic tile market until after 1964. Prior to that time, they did not possess much as 3 percent of the United States market, except for 1951, following the United Kingdom's devaluation of its currency by 31 percent. The sharp increase in British exports in 1951 was clearly the result of concerted price reductions by the British export cartel. The following explanation was given by the Managing Director of one of the largest British tile companies:

The position is that following devaluation of sterling in September 1949 *we and our fellow members of the Glazed and Floor Tile Manufacturers Association agreed to reduce our U.S.A. dollar prices* in order to give us approximately the same sterling yield. As a temporary measure we achieved this object by discounting the said prices by 30%, thus achieving the same selling prices at the dollar rate of $2.80 as we had previously obtained with a dollar rate of approximately $4.08. As of June 19, 1950 *our Association decided to revise our selling prices by discounting approximately 30% from the dollar price of each line.* (Emphasis added.)[19]

As a consequence of this deep price cut, the British sold 3.2 million square feet of wall tile in the U.S., for a market share of 3.1 percent. The year before, they sold only 1.1 million square feet and had a market share of 1.2 percent.

The second instance of accelerated British tile import penetration occurred between 1967 and 1968. During this period, the United States market was literally flooded with British tile. British sales here rose from 8.5 million square feet in 1967 to 17.5 million in 1968 and 20.3 million in 1969. The effect of this sharp rise in imports was to more than double the United Kingdom's share of the United States market—from 3.0 percent in early 1967 to a peak of 7.2 percent in the second quarter of 1969.

It is clear that the British manufacturers utilize their cartel arrangements to establish prices and control product availability for both their home and foreign markets, "turning the spigot" on and off at will. The very purpose of the cartel arrangement is to substitute joint action for individual action, and thus to eliminate competition. Through collusive adoption of sales at less-than-fair-value, the cartel can enlarge the sales of each member beyond what they would be in the presence of competition.

In a 1954 letter from the Managing Director of one of the largest British tile firms to a United States recipient who had questioned British export pricing practices, the Director stated as follows:

"I can say without fear of contradiction that had any other English firm invoiced goods to the U.S. in the early part of 1950, then these goods would have been charged at the gross prices less a discount of 30%."[20]

Thus, it would seem that there was little room for individualism in the pricing policies of the British ceramic tile producers, even at a time when the number of these producers was much larger than is the case today.

There is no doubt that the primary objective of the British tile cartel is to set low export prices to achieve maximum profits in both home and export markets. The higher level of domestic prices, adopted by common agreement among members of the industry, has provided the British manufacturers with a profitable base from which to make low-priced sales in the United States and elsewhere.

No American ceramic tile manufacturer would be able to withstand the pricing pressure if the British cartel seeks to do commercial warfare with him by focusing on his particular market. To remain competitive his prices could easily be forced to loss levels, while the profits of the cartel members could remain high as a result of their monopoly position at home.

EVIDENCE OF CONSPIRATORIAL PRICING IN THE EXPORT MARKET DEVELOPED IN THE BRITISH TILE ANTIDUMPING CASE

During the coure of the two-year investigation by the Bureau of Customs into the dumping of ceramic wall tile from the United Kingdom, various facts evidenced that collusive and concerted pricing and marketing activities undertaken by the British manufacturers related to export as well as home-market sales.

---

[19] Letter, dated October 11, 1954, from W. S. Adams, Managing Director, Richards Tiles Ltd. to a U.S. attorney.

[20] *Supra*, n. 1, page 5.

1. The fact that the export cartel arrangement is used to set and maintain artificial prices, in conjunction with the Home market Association, was admitted during hearings before the U.S. Tariff Commission by Mr. Alex Done, Vice Chairman of H & R Johnson-Richards, Ltd.

The agreement that relates to Johnson and Pilkington is the agreement of the Glazed and Floor Tile Home Trade Association. Johnson and Pilkington are the only members of that Association producing wall tile. . . . The situation, therefore, is that in the home market, Johnson and Pilkington are permitted to fix prices and terms of sale. . . . *In export markets, they [Johnson and Pilkington] agree upon minimum prices and conditions of sale]* . . . . the only effect and purpose of this particular agreement is to insure that distributors who are minded to take on the distribution of Johnson or Pilkington tile *will know with assurance that they cannot be undercut by other people to whom similar distribution facilities may be offered by Johnson or Pilkington.* . . . (Emphasis added.) [21]

The nature of this pricing agreement among members of the British export cartel for sales in the United States was also confirmed in testimony at the same hearing by Mr. Arnold Smith, Managing Director of Pilkington Tiles, Ltd.

We compete with H and R Johnson in the United States. And I think I might add at this point, that we do not sell necessarily at the same price as Johnson in the United States. *We sell always, of course, above association [sic] our minimum price,* but very often we sell at different prices. (Emphasis added.) [22]

On cross-examination by counsel for the United States industry, Mr. Smith confirmed the nature of the export pricing agreement:

Mr. MURCHISON. Do you personally attend the meetings of the cartel to fix prices yourself?

Mr. SMITH. Not every meeting, but I do go from time to time.

Mr. MURCHISON. And this morning I think you said that you acknowledged that there was an agreement as to minimum prices for the United States but that your actual prices sometimes vary from H&R Johnson's prices.

Mr. SMITH. That is correct.

Mr. MURCHISON. Is that correct; and I would like to ask you this, are there any similarities between the minimum price schedule and your present price schedule? Are all of the prices different or are some of them the same?

Mr. SMITH. Some are the same and some are different. Talking about United States prices, of course.

Mr. MURCHISON. Yes.

Mr. SMITH. In the United Kingdom, there is only one price. It is both maximum and minimum.

Mr. MURCHISON. Yes, sir.[23]

2. The fact that the export cartel is also used to control product availability in the United States, as well as price, is apparent from the coordinated manipulation of both the availability and price of British 4¼ x ¼" tile during the course of the recent antidumping investigation.

In April, 1970, the British manufacturers first announced joint removal of this standard tile from the *home* market. Effective in September, 1970, they jointly reinstated the product in a "limited range" at prices jointly "published and established which on a direct comparison basis with tile sold to the United States would not permit sales at less than fair value." [24] This presupposes a prior agreement as to what the price of this same tile would be in the United States. Legal counsel for the British manufacturers, in a submission to the Department of the Treasury, furthermore, admitted that, to this end, "reductions were made in home market prices *with some adjustments in price lists for sales to the United States.*" (Emphasis added.) [25]

3. The arguments of counsel and the factual findings contained in the 1963 Opinion of the British Restrictive Practices Court concerning the reasonableness of the cartel agreement creating the British Home Trade Association also relate, in part, to the nature of the functions of that Association and activities of its members relating to *export* sales.[26]

---

[21] *Ceramic Wall Tile from the United Kingdom,* AA 1921–68; Testimony of Alex Done, March 2, 1971, Official Report of Proceedings, pp. 110–111.

[22] *Id.,* Testimony of Arnold Smith, March 3, 1971, pp. 193.

[23] *Id.,* pp. 218–219.

[24] E. Thomas Honey, Counsel, *Statement on Behalf of Exporters from the United Kingdom,* December 11, 1970, at 6.

[25] *Id.*

[26] *In re Glazed and Floor Tile Home Trade Association's Agreement,* 4 R.P. Ct. at 239, 1961 No. 13 (E. & W.).

The Restrictive Practices Court made a finding of fact that, as to all sales made outside of Great Britain, which it specifically termed export sales: "Members were required to make monthly returns of home and *export sales, capacity and production.*" [27]

In the judgment section of the Opinion, the Court found that, commencing in about 1949, the British industry had "made a determined effort, in aid of the export drive, to sell tile in the United States: but had initially met with only limited success because the United States market demanded a 4¼ x 4¼" tile, as opposed to the 4 x 4" tile then being made by the British manufacturers.[28] The Court found that, as a result of this limited exporting success, certain members of the Association subsequently began producing the 4¼ x 4¼" tile for sale in the United States market and *jointly* withdrew the 4 x 4" size. This concerted change was carried through "in the face of considerable opposition by some manufacturers."

Thus, the Restrictive Practices Court found, in its 1961 Opinion, that the British tile manufacturers acted in concert to change and standardize their ceramic tile products for sale to the United States, specifically to "aid the export drive to sell their tile in the United States. . . ." [29]

4. Additional evidence of the collusive determination of British prices on exported tile products can also be found in the identity of the published export price lists of the two members of the Glazed and Floor Tile Export Association and the price list published by their Association.

5. In a letter dated November 22, 1967, from Richards Tiles Ltd. to a Massachusetts wholesale distributor, collusive price setting and the manipulation of product availability for exports to the United States between Richards, H & R Johnson and Pilkington was openly discussed:

First of all *I must tell you what reductions we are to make* and these unfortunately are not as much as I wanted, nor are they done in the way I wanted them to be done. Nevertheless, *neither H. & R. Johnson nor Pilkington's would accept any other alternatives.*

* * * * * * *

One other reason put forward by H. & R. Johnson for not wanting to decrease [the U.S. price of] project quality tiles was the threat of a dumping claim from the American manufacturers. . . . This I don't think is a valid reason because in any case the *present* situation is one of dumping and *the 10% by which prices have been increased will make the position that much better.*

* * * * * * *

In passing H. & R. Johnson's said, and I don't know if this true, that durthe period of the dock strike they shipped £80,000 worth of tiles into America, and it is obvious that *they have an extremely large investment in the country and do not propose to put it at risk under any circumstances.* (Emphasis added.)

CONCLUSION

From the experience of the United States ceramic tile industry it seems clear that Title III of the Trade Reform Act of 1973 is inadequate to handle unfair trade practices of the type and magnitude reviewed here. They include foreign government actions which restrict competition at home and enlarge foreign exports. Consequently, the share of the U.S. market accounted for by domestic producers and the size of our industry is being determined by the actions of foreign governments and manufacturers.

Consider the two British examples. In one, electrical equipment, the government as the monopoly buyer pays a higher price than required and imports are barred. In the other, ceramic tile, a domestic cartel has government sanction to set home market prices. In both, the economic circumstances encourage exports at less-than-competitive prices.

As private attorney generals concerned with unfair international trade practices, American companies are required to mount cases on their own in the Federal Court system or in the U.S. Tariff Commission. The first route can be horrendously expensive and the second has been ineffective.

Furthermore, other United States government agencies have been loathe to confront foreign governments on the issue of rules of competition which affect their domestic economies. In reality, there is a regulatory void.

[27] *Id.*, at 249.
[28] *Id.*, at 289–90.
[29] *Id.*

The United States has been reluctant to seek remedial action since our Webb-Pomerene law permits collusion in export trade. Assistant Attorney General Donald F. Turner has testified before the Senate Judiciary Committee, Subcommittee on Antitrust and Monopoly that:

. . . the existence of an antitrust exemption for American export cartels harms us because it provides an unfortunate precedent for foreign nations. Many foreign countries including France, Germany, and Japan exempt export cartels from their antitrust laws. . . . In fact, the use of foreign export cartels is far more widespread than is the use of Webb-Pomerene associations by United States businessmen. Yet it is impossible to argue to foreign countries that they should limit the use of export cartels when our law allows them to exist . . . and there would be greater likelihood of other countries abandoning export cartels injurious to us if the Webb-Pomerene exemption were abolished.

The significant issue is that the U.S. government agencies have rarely involved themselves in the issue of price discrimination of the type discussed. Their preoccupation has been with foreign cartels which sell at inordinately high prices and they have ignored cartels which sell at prices fixed at low levels to achieve U.S. market penetration.

The realities of international trade warrant immediate action on unfair trade practices, particularly when they involve foreign governments. Government encouraged exports can have profound influence on the competitiveness of some of our industries and on the U.S. balance of trade position. Abroad, government encouraged cartelization and industry investment programs, purchasing programs of nationalized industries and deliberate encouragement of pricing practices to improve export penetration have put U.S. industry in a difficult position. Until now tariffs have dominated trade negotiations. It is time for the U.S. to cease being preoccupied with tariffs and start being more concerned with more fundamental trade issues.

RECOMMENDATIONS

These specific recommendations for trade policy are respectfully submitted:

(1) U.S. laws with respect to international competition should be reappraised and codified. Unfair competition in international trade should be dealt with in the same manner as unfair competition in domestic trade under our antitrust laws. Presently, the latitude of foreign firms is much greater, enabling them to engage in predatory practices in U.S. trade with far less risk than U.S. firms incur. This reform and codification would include making less-than-competitive prices for U.S. imports stemming from collusion among foreign firms *per se* violations of law, eliminating the need to prove injury in each case.

(2) Responsibilities for dealing with unfair foreign business practices are scattered throughout Government. We support the Administration's proposal to have the Federal Trade Commission handle unfair trade practices whether they apply to domestic or international trade. But go beyond the Administration's proposals and transfer to the Federal Trade Commission the complete handling of all phases of dumping proceedings, consolidating in one agency what is now divided between two, Treasury and the Tariff Commission.

(3) Tighten the standards for determining price discrimination. Here I would accept the proposal of my colleague Dr. Barbara Epstein to appear in the *Antitrust Bulletin*, Spring 1973. She proposes two conditions be met: (a) The exporter's price should be below the American price level; and (b) The margin of price discrimination should be greater than the difference between the export price and the American domestic price level.

(4) Revitalize the Department of Justice's foreign business practices program by providing sufficient funds for a meaningful program and review its performance periodically.

(5) Require that unfair trade practices determined by the Federal Trade Commission to involve foreign governments be reported to the President. Subsequently, the President should be required to report to the Congress on actions taken. The bill before the Committee would give the President sufficient power to act to curb such practices.

(6) Repeal the Webb-Pomerene antitrust exemption for export associations, which is largely unused by American businessmen but which makes untenable any argument to foreign countries that they should limit the use of export cartels.

Overall, the Administration's trade bill has worthwhile features. Its principal weakness concerns achieving fair trade. I am convinced that immediate action is necessary if we are to convert balance of payments deficits to surpluses and arrest

the deterioration of America's competitive position. Had we taken such action in the early 1960's, import growth would have been retarded and export growth accelerated. As it stands we are poorer and our currency is in crisis. The Congress has the extraordinary responsibility of ensuring that present trade trends are reversed. I trust that what I have proposed will prove helpful.

Mr. ROSTENKOWSKI. Thank you for a very forthright statement.

Are there any questions?

There being no questions, the witness is excused.

Our next witness is Mr. George Byrne, secretary of the Alumina Ceramic Manufacturers Association.

If you will identify yourself, and, if you care to summarize your statement and have it printed in its entirety in the record, that is all right with the committee.

STATEMENT OF GEORGE P. BYRNE, JR., EXECUTIVE SECRETARY, ALUMINA CERAMIC MANUFACTURERS ASSOCIATION, AND ON BEHALF OF THE MANUFACTURERS OF SMALL TOOLS AND METAL FASTENERS

Mr. BYRNE. I am George P. Byrne, Jr., executive secretary of the Alumina Ceramic Manufacturers Association.

With the indulgence of the committee, I am also presenting a brief statement for the Manufacturers of Small Tools and Metal Fasteners. I understand you have both statements. I would appreciate it if my statements were included in the record.

Mr. ROSTENKOWSKI. Those statements will be included in the record without objection.

Mr. BYRNE. Our problem here in Alumina Ceramics relates to a small chip, ceramic chip, that is used in electronic parts in the electronic industry, and through a technical interpretation our duty protection has been reduced from approximately 27 percent to 6 percent. Over a period of months, in fact, for a period of years we have attempted to get this problem resolved, and through the courtesy and kindness of Congressman Brotzman we have introduced here H.R. 7905 which we ask the committee to approve either separately or as an amendment to H.R. 6767.

In introducing H.R. 7905, Congressman Brotzman is following the tradition of the Congress established in the case of certain textile imports of revising tariff language to prevent an unintended exploitation of a highly technical flaw in the meaning of our tariff to the detriment of domestic producers. This loophole was opened up by the importers, and its presence in the law was acknowledged by the Bureau of Customs subsequent to the enactment by the Congress of the Tariff Schedules Technical Amendments Act of 1965. Had this problem been known at the time this committee did its very constructive work on the Technical Amendments Act, I have no doubt but that the committee would have decided on the merits to including in the act a provision which would close the loophole, the nature of which I describe in my statement.

My statement describes the ceramic chip and its importance in the industry and the number of employees affected by the adverse ruling here.

The Alumina Ceramic electrical ware plants supplying semiconductor industry with ceramic packaging materials employed about

1,860 workers in 1972. They are part of the porcelain, steatite, and ceramic electrical products industry, Standard Industrial Classification 3264. That industry has suffered from losses of sales and of employment in recent years. In 1971 employment was 11,400, the lowest point in any of the years 1967 through 1971, down by 21 percent from the peak employment of 1969.

The tariff loophole was opened up by the ingenuity of importers, and, I regret to say, sanctioned by the Bureau of Customs in the manner that I now shall describe. First, the domestic industry producing ceramic electrical ware has been alert to the possibility that foreign producers might attempt to circumvent the intended meaning of our Tariff Act. In May of 1968 this trade association, representing the domestic producers, secured a Customs ruling that alumina ceramic base and cap members for semiconductor packages were subject to duty under item 535.14 of the Tariff Schedules of the United States at the then-applicable rate of 27 percent ad valorem. But the importers and their foreign suppliers were not daunted by this ruling. In December 1969 and again in April 1971, they importuned the Bureau of Customs to change the ruling on the contention that they had changed the nature of the ceramic base and cap members for semiconductor packages by applying a thin glaze of glass to the surface of the ceramic articles.

Even though the Bureau of Customs acknowledged that this glazing of glass did not change the fact that the articles were still composed in chief value of ceramic, the Bureau of Customs reversed its prior position and issued a ruling holding that alumina oxide base and cap members for semiconductor packages were henceforth to be dutiable under item 687.60 of the Tariff Schedules at the reduced rate of 6 percent ad valorem.

As a result of this series of events, the importers were handed on a silver platter a reduction in landed costs equal to 21 percent of the value of the imported ceramic package elements for semiconductors.

It is this development, gentlemen, that we are asking that your committee kindly consider the details set forth in my statement and the bill introduced by Congressman Brotzman to remedy this situation.

I refer to comments earlier this morning, and earlier in the day, of the time it takes to rectify a small matter in the processes of the Tariff Schedules and attempting to secure reasonable protection for domestic industry. This is an example of it. We have been working on this 4 years. We had a bill similar to this in the last Congress but it was not acted upon. We are hoping in some way with an amendment to H.R. 6767, or independently, this committee will support this bill.

Thank you for your indulgence in this matter.

Mr. ROSTENKOWSKI. Thank you, Mr. Byrne.

Mr. BYRNE. If I might I would like to refer to my statement regarding hand tools, screws, nuts and rivets. My statement again speaks for itself. I would like to refer the committee in my statement to exhibits A and B. They are charts and statistics showing the increases in imports of these fabricated metal products.

These are metal fasteners, machine screws, cap screws, wood screws, hand tools, pliers, wrenches, screwdrivers, all items essentially to the carrying on of the day-to-day industry of the United States. This country couldn't run its machines without hand tools.

Examination of the charts that I have before you show that imports are increasing each year and we are convinced that under the present H.R. 6767 the powers that will be given to the President will be used probably pretty much the way the powers have been used in the last 20 years.

An industry such as ours will continue to be dangerously eroded in this country and we consider this to be a most serious development. Imports in these industries are now approximately at the 10 percent level but in the fragmented product lines, there are some product lines that are hit by imports up to 50 percent so we see those smaller fabricated metal products industries are gradually being replaced in this country. Our production is going abroad.

What we are in danger of becoming, as was said here earlier today, a service country. I quote from this month's "Fortune" magazine, Henry Ford, who says, "I don't think anybody pays enough attention to it. Washington is not really doing anything about it. We are going to end up like Britain, we will be a service country and won't be able to produce against other countries at reasonable prices to the consumer so the consumer will buy from overseas and we will be a nation of fixers and spare-parts industries."

I have watched these industries for the past 20 years and am very close to them. I see what the trend is now and I say to you that this picture, unless some steps to increase tariffs or use quotas judiciously, in 5, 10, 15 years is going to be doubled or tripled what it is now, and we simply will not have a viable hand tool or fastener industry in this country.

Thank you very much.

[The prepared statements of Mr. Byrne and supplemental material follow:]

STATEMENT OF GEORGE P. BYRNE, JR., EXECUTIVE SECRETARY, ALUMINA CERAMIC MANUFACTURERS ASSOCIATION

Mr. Chairman and Members of the Committee: I am George P. Byrne, Jr., the Executive Secretary of the Alumina Ceramic Manufacturers Association. The Association represents U.S. manufacturers of ceramic articles. The most important part of the product line of these manufacturers consists of ceramic parts used by the electrical and eelctronic manufacturing industries of the United States. Our appearance here today is concerned with a unique problem which we have in the foreign trade of alumina ceramic electrical ware in the form of elements used to form the package or body of semiconductors, and especially integrated circuits.

Our problem arises because of a loophole which exists in our tariff law which is being exploited by importers to the detriment of domestic manufacturers of ceramic electrical ware. Increased imports damaging to our industry have occurred because of the exploitation of this loophole. No provision of the Administration's trade bill, H.R. 6767, is designed to deal with this type of problem. As a result, Congressman Brotzman has introduced a bill, H.R. 7905, which incorporates the substance of the technical recommendations of the Tariff Commission on this subject. We ask the Committee to approve the Brotzman bill either separately or as an amendment to H.R. 6767.

In introducing H.R. 7905, Congressman Brotzman is following the tradition of the Congress established in the case of certain textile imports of revising tariff language to prevent an unintended exploitation of a highly technical flaw in the meaning of our tariff to the detriment of domestic producers. This loophole was opened up by the inspectors, and its presence in the law was acknowledged by the Bureau of Customs subsequent to the enactment by the Congress of the Tariff Schedules Technical Amendments Act of 1965. Had this problem been known at the time this Committee did its very constructive work on the Technical Amendments Act, I have no doubt but that the Committee would have decided on the merits to include in that Act a provision which would close the loophole, the nature of which I shall describe in a moment.

The subject of H.R. 7905 is ceramic electrical ware of the type used as packages for integrated circuits of both the monolithic and hybrid types, and of other semiconductors. The family of products known as semiconductors originally consisted of transistors and diodes, but as a result of an explosion of technology in recent years, now includes monolithic and hybrid integrated circuits.

The integrated circuit chip has become the workhorse of the electronic products industry. It is the amazing, tiny, vital valve and current controller and modifier which permits complicated electronic systems such as large computers, desk-top calculators, and radios to be reduced to physical dimensions only a fraction of their former size, yet enables these electronic products to operate at peak efficiency. Today all of the electronic circuitry required for a small electronic calculator can be put on one integrated circuit chip less than one-seventh of an inch in diameter.

These integrated circuit chips, just as the power chips of transistors and diodes before them, must be mounted into packages which will protect them in use, enable them to be handled in assembly operations without damage, seal them against the corrosive effects of humidity, and insulate them from other current-carrying components of electronic products.

The ceramic electrical ware industry in the United States developed a variety of packaging materials for integrated circuits and for other semiconductors. Alumina oxide ceramic, for example, proved to be especially useful in this connection. It is comparatively inexpensive to fabricate; it can readily be molded into the geometric design required as the housing of integrated circuit chips; it is inert electrically and acts a good insulator for the chip; and it is comparatively strong so as to protect the chip from damage in use.

Basically, these alumina ceramic packaging materials take the form of flat rectangular pieces of material which are molded to the particular geometric design required in order to serve as the base and the cap members of a flat package to house the chip and its connections to the leads of the integrated circuit.

The technology for the manufacture of these parts of packages for semiconductors, including integrated circuits, was developed by the American ceramic products industry in cooperation with members of the U.S. semiconductor industry.

Today there are nine ceramic product plants in the United States which produce alumina oxide ceramic products for use as parts of semiconductors, including integrated circuits. They are located at Golden, Colorado; Riverside, California; West Lafayette, Indiana; Frenchtown, New Jersey; Shreve and Toledo, Ohio; Sarver, Pennsylvania; Laurens, South Carolina; and Chattanooga, Tennessee.

In 1972, these plants shipped about 605 million pieces of ceramic parts for semiconductors, including integrated circuits, valued at approximately $34 million. Thus, the average unit value of these parts is quite small, in the range of about 5.6 cents each. The product range is quite diverse, however, as these components for ceramic packages for semiconductors are made to a variety of sizes and shapes to accommodate integrated circuit chips which employ from a few to a great many leads, demanding varying package configurations.

The nine alumina ceramic electrical ware plants supplying the semiconductor industry with ceramic packaging materials employed about 1,860 workers in 1972. They are part of the porcelain, steatite, and other ceramic electrical products industry, Standard Industrial Classification 3264. That industry has suffered from losses of sales and of employment in recent years. In 1971, employment was 11,400, the lowest point in any of the years 1967 through 1971, down by 21% from the peak employment in 1969.

In 1971, imports accounted for 7% of domestic consumption (calculated on a dollar value basis) of porcelain and ceramic electrical ware; but in the sector of ceramic electrical ware for semiconductors, imports in 1971 accounted for about 50% of domestic consumption, according to our estimates and an estimate for 1970 made by the Tariff Commission. In other words, the segment of the domestic industry directly affected by the exploitation by foreign producers of the tariff loophole which I will describe in a moment has been subjected to preemption of the domestic market in a magnitude six times more severe than that affecting the rest of the industry of which it is a part.

Mr. Chairman, the ceramic product industries in the United States have been more heavily impacted by imports than most other adversely affected U.S. industries. Last year the President was constrained to raise the tariff on ceramic table and dinnerware in accordance with Tariff Commission findings that imports equivalent in 1970 to 54% of domestic consumption were severely injuring the domestic industry. Those imports were caused by tariff concessions. The ceramic

electrical ware industry supplying package parts for semicondutors is just as severely affected by excessive levels of imports, but in this case the imports have been triggered by the exploitation of a technical loophole in the Tariff Act, an injurious assault unwittingly promoted by erroneous determinations by the Tariff Commission and the Bureau of Customs.

The tariff loophole was opened up by the ingenuity of importers, and, I regret to say, sanctioned by the Bureau of Customs, in the manner that I now shall describe. First, the domestic industry producing ceramic electrical ware has been alert to the possibility that foreign producers might attempt to circumvent the intended meaning of our Tariff Act. In May of 1968, this trade association, representing the domestic producers, secured a Customs ruling that alumina ceramic base and cap members for semiconductor packages were subject to duty under item 535.14 of the Tariff Schedules of the United States at the then-applicable rate of 27% ad valorem. But the importers and their foreign suppliers were not daunted by this ruling. In December 1969 and again in April 1971, they importuned the Bureau of Customs to change the ruling on the contention that they had changed the nature of the ceramic base and cap members for semiconductor packages by applying a thin glaze of glass to the surface of the ceramic articles.

Even though the Bureau of Customs acknowledged that this glazing of glass did not change the fact that the articles were still composed in chief value of ceramic, the Bureau of Customs reversed its prior position and issued a ruling holding that alumina oxide base and cap members for semiconductor packages were henceforth to be dutiable under item 687.60 of the Tariff Schedules at the reduced rate of 6% ad valorem.

As a result of this series of events, the importers were handed on a silver platter a reduction in landed costs equal to 21% of the value of the imported ceramic package elements for semiconductors. Meanwhile, the ceramic electrical ware provision was subject to a reduction in duty in the Kennedy Round; but had the Bureau of Customs not issued its ruling, the articles that I am speaking of would have been subject to duty at the reduced rate of 15% as ceramic electrical ware rather than at 6% as parts of semiconductors.

In 1970, the average unit value of imports of ceramic electrical ware of the type used as packaging for semiconductors was 4.5 cents each. This converts to an f.o.b. origin value of 3.5 cents each. The 21% ad valorem windfall conferred upon the importers is equivalent to approximately 1 cent. This added amount of leverage in competing for the sale of such products in the United States has proved to be decisive. It is responsible for the escalation of imports from a very small position a few years ago to half of the market today.

Mr. Chairman, the sad history of this body blow which has been delivered by our own Government to the interests of the small industry producing ceramic electrical ware is set out in technical detail in a memorandum which I am submitting as an appendix to my statement.

I am informed that a spokesman for the semiconductor industry in the United States has suggested that the Brotzman bill would constitute a serious economic hardship to the U.S. producers of integrated circuits. This contention deserves to be carefully examined. Let us look at the facts. H.R. 7905, while carrying out, incidentally, a much-needed reform in the present unclear language of item 687.55, TSUS, would clarify the dutiable status of ceramic parts of semiconductors and make them subject to the reduced rate of duty of 15% ad valorem. This is far below the 27% duty which was in effect prior to the events which I have described.

The semiconductor industry has a stake in H.R. 7905 on the positive side because the present tariff language does not refer to either semiconductors or integrated circuits. There is, in fact, a serious question as to whether such articles are properly classifiable for duty under the provisions of item 687.60, the reduced duty of which is favorable to U. S. semiconductor companies who assemble a very large part of their products outside of the United States and import them into this country for sale here. To the extent that H. R. 7905 eliminates doubt as to the proper classification of such products, it is consistent with the economic interests of the semiconductor industry.

The magnitude of the increased cost to the semiconductor manufacturers represented by changing the duty from 6% to 15% is quite small in terms of the value of their products, though it is important enough to be of help to the small group of producers who manufacture ceramic electrical ware in the United States. To illustrate this, I call attention to the fact that in 1972 the U. S. industry producing integrated circuits shipped 770 million units valued at $718

million, an average unit value of 93 cents each. The cost of the ceramic packaging elements for those integrated circuits at an average of 5.6 cents each represented only 6% of the value of the finished unit. When the 9% increase in duty which would result from the enactment of H. R. 7905 is applied to the f.o.b. origin value of 3.5 cents for the ceramic packaging materials which I am discussing, the increase in duty will amount to only 0.3 cent. The landed cost of the foreign product woud then be about 4.1 cents each, leaving the foreign product still with a significant competitive advantage of nearly 1.6 cents apiece over the domestic product.

There is simply no basis for regarding such a moderate increase in duty as imposing any hardship on U. S. semiconductor producers who desire to import their ceramic packages rather than purchase them from the small group of domestic producers who pioneered in their technological development.

Furthermore, Mr. Chirman, the great bulk of the production of the integrated circuits sold by the U. S. industry is carried out in plants owned by the U. S. companies but located outside of the United States. In 1972, there were imported into the United States from these plants, with partial exemption from duty under the provisions of items 806.30 and 807.00 of the Tariff Schedules of the United States, 538.7 million integrated circuits sold by the U. S. producers in that year.

In connection with these imports, it is very important that you understand that 54% of the declared value of the imported integrated circuits consisted of component parts previously fabricated in the United States which were exported to the offshore plants of the U. S. producers for use in the assembly of the imported integrated circuits. The domestic producers receive an exemption from duty on this U. S. content of their imported integrated circuits. If the price of domestically produced alumina ceramic packaging elements for integrated circuits can be close enough to the landed cost of foreign-produced ceramic packaging elements, the duty-free treatment available to U.S. producers who use the American product in their offshore assembly enables us to compete even though the foreign product is nominally lower priced. But if the spread between the domestic and foreign price becomes too great, there is no longer an advantage for the U. S. integrated circuit producers to purchase the American product for export to their offshore assembly plants. This competitive differential which enables the domestic producers of ceramic packaging elements to compete with the foreign product was destroyed by the discovery and exploitation of the previously described loophole in the tariff law by the foreign producers.

At the most, H.R. 7905 will restore less than half of the tariff protection which the domestic producers of ceramic electrical packages for semiconductors enjoyed in 1968 but lost subsequent thereto as a result of the interaction of the Bureau of Customs ruling and the exploitation of this technical loophole by the foreign producers and their importer customers.

Mr. Chairman, when the Kennedy Round negotiations were concluded and that trade agreement signed in July 1967, it was still the Customs practice in the United States to classify alumina ceramic parts for semiconductors under the ceramics schedule, as confirmed by the Customs ruling issued to the domestic industry in 1968. The tariff concessions which were made in the Kennedy Round could not, therefore, have been intended to encompass alumina ceramic parts of semiconductors at the much lower rate of duty applicable to the provision for semiconductor parts in the electrical products section of the tariff. Notwithstanding this clear historical record, the Executive Departments opposing the concept of H.R. 7905 have asserted that its enactment would subject the United States to a claim for compensation by member countries of GATT whose exports to the United States would be affected.

There are two answers to this connection. First, as a matter of fact, the persons in the Executive Branch who have articulated the standard boilerplate objection to any tariff bill which undertakes to assist domestic industry are in this instance incorrect because of the chronology which I have described to you. Second, even if there were merit to the position, the Congress each year confers unilateral benefits on the same trading nations by placing articles on the free list or extending duty-free treatment for certain imported articles, a gratuity for which the United States receives no compensation from the benefited countries.

Finally, it is now common knowledge that the interests of the United States, ostensibly protected by the provisions of the General Agreement on Tariffs and Trade, have been severely injured by our trading partners by actions contrary to our rights under GATT, and the United States has refrained from demanding

or has failed to secure compensation for such violations. I refer to the actions of the Common Market in curtailing our agricultural exports by use of the variable import levy, and the action of Japan in curtailing our computer and semiconductor exports through the use of mandatory quotas, administrative guidance, and other techniques which have been fully documented in the study of these matters by the Tariff Commission and other Government agencies.

Should any nation demand compensation as a result of your enactment of the Brotzman bill with its minuscule effect on our overall trade patterns with the affected countries of Japan and Europe, our trade negotiators have abundant bargaining material to prevent any compensation in fact being paid by the United States.

Mr. Chairman, I invite the attention of the members of this Committee and of its professional staff to the technical memorandum which I am submitting as an appendix to my statement. That memorandum very carefully sets forth the technical background of this problem and also systematically responds to the objections of various Executive Departments which were submitted to the Committee in connection with an earlier form of this bill in the 92d Congress.

I thank you for your attention to our statement. On behalf of this small industry which is struggling for survival in the face of an unprecedented windfall which has been conferred upon its foreign competitors, we earnestly ask your favorable action on H.R. 7905.

APPENDIX

A. BACKGROUND MATERIALS IN SUPPORT OF H.R. 7905

1. The bill seeks to corect an error made by the Tariff Commission, which has been enforced by the Bureau of Customs, on imports directly competitive with a new article of commerce, electrical ware in the form of base and cap members for semiconductors and integrated circuits, consisting in chief value but not wholly of ceramic.

2. The article in question is composed in chief value of ceramics, a fact acknowledged by the Bureau of Customs in letter December 3, 1969, reference MCS 444.213 R (Exhibit A), p. 2, par. 5.

The article consists of flat rectangles of alumina oxide ceramic, one surface of which has been lightly coated with glass frit. Some versions of the article also have a gold dot in a cavity in the upper surface of the base member. The value of the glass frit and of the gold dot is less than the value of the ceramic material incorporated in the finished article. Under settled judicial construction, this makes the ceramic the component material in chief value. The value of the ceramic is greater than the value of the glass frit and of the gold dot taken at the stage to which the materials must be brought just prior to their final assembly into the finished product. *United States* v. *Bernard, Judae & Company*, 15 Ct. Cust. App. 172, T.D. 42231; *United States* v. *Rice-stix Dry Goods Co.*, 19 C.C.P.A. (Customs) 232, T.D. 45337; *United States* v. *H. A. Caesar & Co.*, 32 C.C.P.A. (Customs) 142, CA.D. 299; *United States* v. *Jovita Perez*, 44 C.C.P.A. (Customs) 35, C.A.D. 633.

3. Under the Tariff Act of 1930, electrical ware, in chief value of ceramic, was dutiable at 45% under Par. 212 as articles composed wholly or in chief value of vitrified ware, not specially provided for, rather than as parts of electrical hardware at 12½% or 10% under Par. 353. T.D. 54717(17) (1958).

T.D. 54717 (17) Capacitor, ceramic, in chief value of a titanium compound ceramic core is classifiable as vitrified ware, not specially provided for, not containing 25 percent or more of calcium bone, under paragraph 212, Tariff Act of 1930, as modified. Capacitors in chief value of metal classifiable as articles suitable for producing, rectifying, modifying, controlling, or distributing electrical energy, under paragraph 353. Bureau letter dated October 13, 1958.

As of the date the new Tariff Schedules of the United States went into effect, the difference in duty between classification of ceramic electrical ware under Par. 212 vs. Par. 353 was 32½% to 35% (45% under Par. 212 vs. 12½% or 10% under Par. 353).

4. Because of this great difference in duty, the Tariff Commission excluded "ceramic electrical ware" from the scope of the provisions for Electrical Machinery and Equipment (Part 5, Schedule 6) in the new Tariff Schedules of the United States. Thus, the Part 5 headnotes specified:

"1. This part does not cover—

"(iii) ceramic electrical ware (part 2D of schedule 5)".

The intent to exclude ceramic electrical ware from the provisions for electrical and electronic articles in Part 5 of Schedule 6 is shown by the notes as to the derivation of the rates applicable to the classifications provided in Part 5, Schedule 6. Par 212 is not shown in a single instance as being included in the antecedent provisions whose contents were intended by the Tariff Commission to be subsumed into the new classification provisions for electrical machinery and equipment. (See Vol. 8, Schedule 6, pages 296–301, Tariff Classification Study.)

Further, the Tariff Commission's explanatory materials concerning the provisions for "Industrial Ceramics" in Part 2D, Schedule 5 of the new Tariff Schedules show that the Commission intended to deposit the entire contents of former Par. 212 therein, so far as ceramic electrical ware is concerned. The first classification provision in that part includes ceramic electrical ware, using language which on its face is all embracing:

"Ceramic magnets, ceramic electrical insulators whether or not in part of metal, and other ceramic electrical ware, including ferroelectric and piezoelectric ceramic elements: 535.11 Porcelain insulators, with metal parts cemented thereto and comprising not less than 30 percent of the weight thereof, used in high-voltage, low-frequency electrical systems, 535.12 Ferrites 535.14 Other."

The intended all-inclusive scope of Part 2 of Schedule 5 (of which Subpart D is a part) was emphasized by the Commission in its Explanatory Notes to the Tariff Classification Study. Thus, it stated:

"Part 2 of schedule 5 brings together practically all ceramic products. These are now covered primarily by paragraphs * * * 212 * * * in the present schedule 2 of the Tariff Act of 1930. Also included in part 2 of schedule 5 are those relatively few ceramic articles from paragraph 353 * * *." (Vol. 7, Sch. 5, p. 75)

The Commission specifically referred to nonclay ceramics such as "pure oxide articles" [the articles in question under H.R. 15459 are of alumina oxide], and the fact that it had become the practice to classify such nonclay ceramics under par. 212 as "other vitrified wares" (p. 77).

In its Explanatory Notes to Subpart D of Part 2, Schedule 5, the Commission referred to the fact that nonclay ceramics were being classified as "other vitrified wares" under par. 212 at 45% ad valorem. The Commission thought the "nonclay" vs. "clay" concept to be an anomaly. There were other practices established by Customs Court rulings or Bureau of Customs practice which the Commission thought to be anomalous. In its Explanatory Notes, after describing these matters, the Commission indicated its intent to eliminate such anomalies by merging these various practices into its provisions for Industrial Ceramics in Subpart D at the rates applicable to the preponderant bulk of imports.

For "ceramic electrical ware" the Commission chose the rate of 30%, down sharply from the 45% rate theretofore applying to such products. The Commission indicated that Item 535.14 ("other ceramic electrical ware") was derived from Par. 211, 212, 214, and 355. (p. 73) Therefore, the Commission's bankground materials were consistent with its declared intent to include practically all ceramic articles in Part V of Schedule 5.

5. But in describing in words the scope so clearly cannoted by the background materials, the Tariff Commission erred. Its error consisted in the following. In referring to Item 535.14, the Commission obviously desired to draw a classification dividing line between complete articles connected into electrical circuits in their condition as such, on the one hand, which were to be put into the electrical machinery and equipment provisions in Part 5 of Schedule 6, and ceramic ware used in the manufacture of such end items, which ware was to be put into the Industrial Ceramic provisions of Part 2, Schedule 5. This is what the Commission said:

"Item 535.14 does not embrace switches, fuses, receptacles, lamp sockets, resistors and other electrical articles which are to be connected into electrical circuitry. (*These are specifically provided for in part 5 of schedule 6.*) Item 535.14 does not include ceramic wall plates for electric switches, or electric lamp bases; such articles are chiefly used for ornamental purposes, and are in subpart C of this part. With the exception of certain insulators, item 535.14 would cover *for the most part* ceramic articles practically as they come from the final firing, or possible after subsequent minor processing such as grinding or shaping." [Emphasis added.]

Two things are obvious from that explanation: The ceramic articles taken out of the ceramic schedule and placed in the electrical machinery and equip-

ment schedule are only those articles specifically provided for in Part 5 of Schedule 6. They are finished articles, not parts of articles. So far so good. Ceramic base and cap members for semiconductors or integrated circuits are not specifically provided for in Part 5, Schedule 6, so they remain in Item 535.14.

But then the Commission closed its description with the general statement that "for the most part" the ceramic articles included in Item 535.14 are those articles "practically as they come from the final firing, or possibly after subsequent minor processing."

Notice the words "for the most part." Those words obviously were intended by the Commission at the time they were written to leave open the possibility that other articles—not in the condition they were in as they came from the firing, would be covered by Item 535.14. Yet the Bureau of Customs in its classification ruling on the merchandise in question, and the Tariff Commission in its report on the predecessor bill treat these words as a universal rue to apply to any article whether or not it is specifically provided for in Part 5 of Schedule 6.

6. Having reduced the duty on ceramic electrical ware from 45% to 30% by the duty specified for Item 535.14, the Commission now says it meant to reduce it still further, to the 12½% or 10% applicable to parts of radios or TV apparatus under Par. 353. Neither the Committee on Ways and Means nor the Congress intended such a drastic change in dutiable treatment when the Commission was empowered to draft new Tariff Schedules, nor does the language of Item 535.14 or its origin plainly require such a drastic result.

7. The tariff concessions granted by the U.S. in the Kennedy Round reduced the duties from 30% to 15%, and under the provision of Schedule 6 under which the articles in question are now being classified. Item 687.60, to 6%. Thus by a combination of errors committed by the U.S. Tariff Commission either in failing to make its meaning crystal clear in treating with ceramic electrical ware, or in eschewing its pristine intent when confronted with a contrary interpretation by the Bureau of Cusoms, coupled with Kennedy Round reductions, ceramic electrical ware, in chief value but not wholly of ceramic, has been reduced from 45% to 6% ad valorem. This is a precipitate reduction far greater in magnitude than the maximum which Congress intended that any industry should bear. It impinges on the principal area of growth of the ceramic electrical ware industry, which overall has been egregiously impacted by excessive imports.

8. The problem addressed by H.R. 7905 is of very recent origin, occurring long subsequent to the Kennedy Round negotiations. The erroneous classification decision which would be conformed by the bill to the original legislative intent cannot, therefore, properly be regarded as the object of a tariff concession in the Kennedy Round.

A. Alumina oxide ceramic base and cap components for use in packaging semiconductors became important articles of commerce in the second half of the 1960's. The domestic industry which perfected these articles, in a forehanded manner, secured a ruling from the Bureau of Customs dated May 3, 1968, ORR Ruling 398–68, Bureau File SP 444.213 R, holding that such articles "composed of 90 percent aluminum oxide which are in finished form as they come from the final firing" (Exhibit B) are classifiable under Item 535.14 TSUS. This was the state of Customs practice shortly following the initial implementation of the Kennedy Round trade agreement. That ruling indicated that the concessions were understood as relating a known article of commerce to classification under Item 535.14 and not elsewhere.

B. On February 27, 1970, the Customs Court handed down its decision in *Sprague Electric Co. et al.* v. *United States*, C.D. 3972, holding that finished ceramic capacitors were dutiable under Part 5, Schedule 6, under the specific provision for "Electrical capacitors" rather than under Item 535.14. (Exhibit C) That decision emphasized the portion of the Explanatory Notes which state that Item 535.14 does not embrace electrical articles which are connected into electrical circuits and are specifically provided for in Part 5 of Schedule 6. This was the real basis of the court's decision, that ceramic electrical capacitors, which are used by being connected in an electrical circuit, and which are specifically provided for in that Schedule, are not classifiable under Item 535.14. By way of dictum, the court also referred to the language of the Explanatory Notes regarding the state of the article practically as it comes from the final firing, or possibly after subsequent minor processing. It is clear from the text of the decision that this was a cumulative bit of reasoning by the court, and not of the essence of its decision.

C. Thereafter a manufacturer of semiconductors applied to the Bureau of Customs for a ruling which would classify alumina oxide ceramic base and cap members under Item 687.60 as parts of semiconductors at the (present) final Kennedy Round rate of 6% ad valorem. The theory of the request was that by the addition of glass frit to the surface of the ceramic articles, they were subjected to processing which, under the *Sprague Electric* case, took them out of Item 535.14. On July 2, 1969, a brief was filed with the Bureau of Customs on behalf of the domestic producers of ceramic base and cap members opposing any change in classification. (Exhibit D) On December 3, 1969, the Bureau ruled in favor of the importer. (Reference MCS 444.213 R) (Exhibit A) The domestic producers requested reconsideration, and on April 22, 1971, Reference MCS 444.213 R, the Bureau adhered to its position. (Exhibit E) Its rulings were based on the language quoted by the court in *Sprague Electric* by way of dictum regarding the condition of the articles "practically as they come from the final firing, or possibly after subsequent minor processing." No weight was given the words "item 535.14 *would cover for the most part* ceramic articles *practically* as they come from the final firing, or possibly *after subsequent minor processing*." (Emphasis added.) The exceptions implied by those words were never considered. Without regard to the difference between the articles in question (which are not themselves connected into electric circuitry, and are not finished articles of equipment, and were not specifically provided for in Part 5 of Schedule 6) and the complete capacitors (finished articles which *are* connected into electric circuitry) which were the subject of the *Sprague* case, the Bureau of Customs in its ruling in regard to the ceramic electrical ware used as parts of semiconductors simply cited the *Sprague* case as justification of its adverse ruling.

9. H.R. 7905 is technically sound, being based upon language recommended by the Tariff Commission in its report to the Committee on Ways and Means on a predecessor bill in the 92d Congress, H.R. 11469.

An earlier version of the bill has been the subject of department reports submitted to the Committee on Ways and Means. The Tariff Commission report recommended that a particular formulation of legislative language be used to accomplish the purposes of the bill. That language is the substance of H.R. 7905.

The departmental reports generally do not favor the predecessor bill on the mistaken belief that its enactment would violate GATT, a traditional "boilerplate" position which the Executive Branch takes on legislation helpful to domestic industry.

As explained a length in this memorandum, no tariff concession was granted for the tariff treatment which has resulted from the combined errors of the Tariff Commission and the Bureau of Customs in construing, subsequent to trade agreement commitments, the language of the statute so as to deny to ceramic electrical ware used as parts of semiconductors the tariff classification treatment which such articles had enjoyed prior to such rulings.

B. RESPONSE TO OBJECTIONS RAISED BY THE EXECUTIVE DEPARTMENTS TO LEGISLATION TO CORRECT THE MISCLASSIFICATION OF CERTAIN CERAMIC ARTICLES

1. The allegation that enactment of the legislation would require compensation under GATT.

The obligation to grant compensation is limited to actions by a government which withdraw from a Contracting Party the benefit of tariff concessions previously granted. The last tariff concessions made by the United States were in the Kennedy Round, the trade agreement being signed on July 1, 1967, with concessions to take place in five increments, January 1, 1968, through 1972.

The proposed legislation does not in any way affect concessions granted in that trade agreement; rather, it would reverse a reclassification decision of the Bureau of Customs made in 1969 and affirmed in 1970, long after the execution of the Kennedy Round trade agreement. Since the legislation does not withdraw any concession previously granted Contracting Parties in a trade agreement, there would be no obligation under GATT for compensation.

Furthermore, the United States has an accumulation of grievances resulting from the impairment of its rights under GATT by its trading partners on which it has not demanded compensation. Were compensation to be demanded, the United States is in an excellent bargaining position with relation to claims that it is in a position to press but has chosen thus far not to make in regard to violations of U.S. rights under GATT by other nations.

2. If the domestic industry producing ceramic parts of semiconductors is injured by imports, it is suggested by the Executive Departments that it utilize the tariff adjustment procedures specified in section 301 of the Trade Expansion Act.

This likewise is a spurious suggestion because section 301 is limited to injury which has resulted in major part from tariff concessions under trade agreements. The problem which is addressed by the proposed legislation, on the other hand, results from a classification decision by the Bureau of Customs rather than from the reduction in duty by trade agreement concession. Hence, the condition precedent to relief under section 301—namely, a tariff concession—is not involved in the matter which the proposed legislation would correct.

3. The antidumping investigation concerning ceramic parts of semiconductors was suggested as a proceeding which would provide relief for the domestic industry.

This suggestion likewise totally misconceives the nature of the remedy suggested in lieu of the corrective legislation. The antidumping investigation was concerned with a determination of whether (regardless of what normal import duties are applicable) imports of ceramic parts of semiconductors from Japan are being unfairly priced; that is, sold at less than their "fair value" (the price at which the same goods are sold in Japan).

Our tariff laws are based upon the concept that the correct duties specified in the tariff will be applied to merchandise at the fair value of that imported merchandise. The antidumping remedy is designed to prevent the erosion of existing duty protection by an understatement of the value of the merchandise. It has nothing to do with establishing the correct rate of duty to be applied to the merchandise.

The proposed legislation, on the other hand, is directed to correcting an error made by the Bureau of Customs in its 1969/1970 decision reclassifying ceramic parts of semiconductors at a much lower rate of duty than theretofore applied when such merchandise was classified as "ceramic electrical ware."

Finally, it should be noted that the antidumping proceeding concerning electronic ceramic packages and parts thereof from Japan was discontinued by the Treasury Department on May 2, 1973. While the antidumping investigation disclosed that there were sales at less than fair value, the Treasury Department determined that these sales were minimal in terms of the volume of sales involved. Moreover, the Treasury Department accepted formal assurances from the manufacturer that he would make no further sales at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

The problem which H.R. 7905 seeks to correct does not arise by virtue of the dumping of foreign merchandise but, rather, by virtue of the very large reduction in duty which has been achieved through the exploitation by foreign producers of the loophole in the tariff law described in this Appendix.

4. The allegation that enactment of the legislation would result in parts of semiconductors bearing a higher rate of duty than the finished semiconductors and conceivably force domestic manufacturers of the end item to transfer their manufacture offshore.

This suggestion likewise misconceives the actual facts that apply to the situation to which the legislation is addressed. In point of fact, the major producers of semiconductors are already producing the end items outside of the United States (see Exhibit F). If components to be used in the manufacture of semiconductors are available in the United States at competitive prices, these manufacturers purchase such components from U.S. sources and export them for use in the assembly of the semiconductors abroad in order to take advantage of the duty-free treatment specified in items 806.30 and 807.00, TSUS, with respect to the importation of the finished articles.

When the domestic components are no longer competitive, as in this case, because the Bureau of Customs unilaterally makes a major reduction in duty by its reclassification decision of 1969/1970, the semiconductor manufacturer ceases to procure the component of U.S. origin and, instead, purchases the components offshore. Hence, the enactment of the legislation would not have the effect attributed to it by the Commerce Department but, instead, would preserve a climate of opportunity for the domestic component materials to be purchased and used in the assembly of semiconductors whether offshore or, in some instances, in the United States in specialized applications.

EXHIBIT A

TREASURY DEPARTMENT,
BUREAU OF CUSTOMS,
Washington, December 3, 1969.

EUGENE L. STEWART, ESQ.,
Lincoln & Stewart,
Washington, D.C.

DEAR MR. STEWART: In your letter of July 2, 1969, on behalf of Alumina Ceramic Manufacturers Association, you submit views with respect to a request for a ruling concerning the dutiable status of certain alumina ceramic articles manufactured in Japan and the United Kingdom.

The merchandise consists of rectangularly shaped ceramic items measuring approximately .52 and .076 inch thick by ¾ inch long and ¼ inch wide, used as the base and cap portions of integrated electrical circuits.

The ceramic base is glazed on one side with low temperature sealing glass and a gold-moly-manganese dot is applied on the cavity of the base prior to the placement of the integrated circuit die and the metal frame containing the fingers which become the electrical leads. The cap is likewise previously glazed prior to its being placed, glazed side down, on top of the frame, die and base. The Bureau is of the understanding that the ceramic base and cap do not come in contact with the electrical circuit and apparently do not serve any electrical insulating function; such function being provided by the sealing glass, and that the ceramic serves the primary purpose of providing support and protection to the electronic circuit.

Specifically a ruling has been requested for the ceramic bases and caps with and without the sealing glass applied, and with the application of a proprietary gold-manganese dot to the cavity on the glazed base, and it has been submitted the merchandise is classifiable, in all stages of manufacture, under the provision for parts of transistors and other related electronic crystal components, in item 687.60, Tariff Schedules of the United States (TSUS), and not under the provision for ceramic electrical insulators and other ceramic electrical ware, in item 535.14, TSUS.

As ceramic electrical ware is precluded from classification in item 687.60, TSUS, by headnote 1(iii) to part 5 of schedule 6 of the tariff schedules, the sole issue involved is whether the merchandise is classifiable as ceramic electrical ware.

With respect to the unglazed ceramic, it has been submitted that the term "ceramic electrical ware" is limited in scope to articles which are related in function to or are *ejusdem generis* with the terms "ceramic electrical insulators" and "ferro-electric and piezoelectric ceramic elements," and that ceramic electrical ware embraces only those articles which are either electrically active or perform an active function within an electrical circuit.

The Bureau is of the opinion that the common meaning of the term ceramic electrical ware embraces not only those ceramic articles which perform an electrical function but also those articles which are chiefly used in electrical devices and apparatus, other than for merely ornamental or decorative purposes.

Accordingly, the Bureau remains of the opinion the unglazed ceramic cap and base are classifiable under the provision for ceramic electrical ware, in item 535.14, TSUS, with duty at the rate of 24 percent ad valorem.

With respect to the glazed cap and base, it is noted that the sealing glass comprises a relatively small portion of the subject item. It is our understanding that prior to assembly the approximate component material costs of the cap and base per 1000 units are as follows:

	Sealing glass	Alumina ceramic	Gold dot
Cap	$3.00	$7.00	
Base	4.00	7.25	$4.00

In view of the demonstrated function the sealing glass plays in the finished component and the relative values of the component materials, the Bureau considers that the *de minim's* rule has no application to the classification of the subject merchandise.

In addition, the Bureau is of the opinion that resort to the legislative history to item 525.14, TSUS, is justified in order to determine the intent of that provision.

The Tariff Classification Study with regard to item 535.14, TSUS, provides in part as follows:

"With the exception of certain insulators item 535.14 would cover for the most part ceramic articles practically as they come from the final firing, or possibly after subsequent minor processing such as grinding or shaping."

The Bureau takes the position that the legislative history indicates an intent that the provision for ceramic electrical ware does not embrace ceramic wares which have been subjected to further fabrication by the addition of non-ceramic materials which serve essential electrical functions.

Accordingly, the Bureau is of the opinion the glazed ceramic cap and base, with or without the gold-moly-manganese dot attached, are classifiable under the provision for transistors and other electric crystal components, and parts thereof, in item 687.60, TSUS, with duty at the rate of 10 percent ad valorem. Effective January 1, 1970, the rate of duty will be 8.5 percent ad valorem.

This decision is being circulated to all customs officers to insure that the merchandise will be so classified at each port at which it may be entered.

Sincerely yours,

SALVATORE E. CARAMAGNO,
Director, Division of Tariff Classification Rulings.

EXHIBIT B

TREASURY DEPARTMENT, BUREAU OF CUSTOMS,
Washington, May 3, 1968.

Mr. GEORGE P. BYRNE, Jr.,
Alumina Ceramic Manufacturers,
New York, N.Y.

DEAR MR. BYRNE: In your letter of March 5, 1968, you asked for information concerning the dutiable status of certain alumina ceramic products manufactured in Japan and England and imported by Fairchild Camera and Instrument Corporation.

Samples were submitted.

The merchandise consists of rectangularly shaped items stated to be composed of 90 percent aluminum oxide which are in finished form as they come from the final firing.

You also indicate the articles, which measure ¾ by ¼ by 1/16 inch, are used as electrical insulators in semi-conductor devices and do not become part of the electrical circuit.

Based on the information submitted, the Bureau is of the opinion the merchandise is classifiable under the provision for Ceramic electrical insulators, Other, in item 535.14, Tariff Schedules of the United States (TSUS), dutiable at the rate of 27 percent ad valorem.

This decision is being circulated to all customs officers in order that the merchandise may be uniformly so classified at each port at which it may be entered.

Sincerely yours,

E. F. KILPATRICK,
Director, Division of Tariff Classification Rulings.

EXHIBIT C

(64 Cust. Ct. 135–147)

(C.D. 3972)

SPRAGUE ELECTRIC CO.; CORNELL-DUBILER ELECTRONICS, DIV. OF FEDERAL PACIFIC ELECTRIC CO.; JEFFERS ELECTRONICS DIV., AIRCO SPEER (FORMERLY SPEER CARBON CO.)

v.

UNITED STATES (MONTGOMERY WARD & CO., PARTY-IN-INTEREST)

Ceramic electrical capacitors

Capacitors imported from Japan and claimed by American manufacturers pursuant to a protest duly filed under 19 U.S.C., section 1516(b), to be properly subject to classification under item 535.14. Tariff Schedules of the United States,

as other ceramic electrical ware *held* properly subject to classification as capacitors under item 685.80, Tariff Schedules of the United States.

Intent—Legislative History

When ambiguity exists it is proper to refer to Tariff Commission's explanation or legislative hiistory, *Rifkin Textile Corp* v. *United States*, 54 CCPA 138, C.A.D. 925 (1967), and to the so-called "Brussels Nomenclature" when the superior heading appears to be derived from said source, *Herbert G. Schwarz, dba Ski Imports* v. *United States*, 57 CCPA 19, C.A.D. 971 (1969).

Same

The intent of Congress as determined by the Explanatory Notes of the Tariff Commission is to exclude porcelain electrical articles which are to be connected into electrical circuitry and to include articles practically as they come from the final firing or possibly after subsequent minor processing such as grinding or shaping. The additional processing of the capacitors after final firing is more than minor processing.

Eo Nomine Classification

An *eo nomine* classification without terms of limitation includes all forms of such articles unless a contrary legislative intent is established. *Smillie & Co.* v. *United States*, 11 Ct. Cust. Appls. 199, T.D. 38966 (1921); *Charles T. Wilson Co., Inc.* v. *United States*, 38 CCPA 19, C.A.D. 433 (1950).

General Interpretative Rule 10(c)

General Interpretative Rule 10(c) is applicable herein and the provision of item 685.80, *supra*, more specifically provides for the capacitors than item 535.14.

Ceramic Electrical Ware

The phrase "ceramic electrical ware" has the same meaning as if the provision had read electrical ware of ceramics. See General Headnote 9(f)(i).

Component Material

Component material is determined as of the time nothing further remains to be done except final assembly. *Kaplan Products & Textiles, Inc.* v. *United States*, 49 Cust. Ct. 145, C.D. 2376 (1962), aff'd *Same* v. *Same*, 51 CCPA 2, C.A.D. 828 (1963).

Same—Chief Value

Testimony relative to costs of components in the United States is insufficient to establish component material in chief value.

United States Customs Court, Second Division

Protest 68/62942 Against the Decision of the Regional Commissioner of Customs at the Port of New York

[Judgment for defendant.]

(Decided February 27, 1970)

Lincoln & Stewart (*Eugene L. Stewart of counsel*) *for the plaintiffs.*

William D. Ruckelshaus, Assistant Attorney General (*Frederick L. Ikenson*, trial attorney), for the defendant.

Ronald S. Platt; Barnes, Richardson & Colburn (*Joseph Schwartz* and *E. Thomas Honey* of counsel) associated counsel; for the party-in-interest.

BEFORE RAO, FORD, AND NEWMAN, JUDGES

FORD, Judge: This action by American manufacturers is brought pursuant to provisions contained in 19 U.S.C., section 1516(b). The merchandise involved was imported by Montgomery Ward & Co., the party-in-interest, and is described on the invoice as ceramic capacitors by the Japanese manufacturer, KCK Co. Ltd. The regional commissioner of customs at the port of New York classified said capacitors under the provisions of item 685.80, Tariff Schedules of the United States, which provides as follows:

68.80 Electrical capacitors, fixed or variable..... 12% ad val.

Plaintiffs contend the merchandise involved is subject to duty at 27 per centum ad valorem under item 535.14, Tariff Schedules of the United States, which provides as follows:

Schedule 5, Part 2, Subpart D:

Ceramic magnets, ceramic electrical insulators whether or not in part of metal, and other ceramic electrical ware, including ferroelectric and piezoelectric ceramic elements:

* * * Porcelain insulators, with metal parts cemented thereto and comprising not less than 30 percent of the weight thereof, used in high-voltage, low-frequency electrical systems * * *.

* * * Ferrites * * *.

535.14 Other 27 percent ad val.

The pertinent portion of the headnote to schedule 5, part 2 states: Part 2 headnotes:

1. This part covers ceramic wares, and articles of such wares and, in addition, certain unshaped refractory material (subpart A) closely related thereto.

2. For the purposes of the tariff schedules—

(a) a "ceramic article" is a shaped article having a glazed or unglazed body of crystalline or substantially crystalline structure, which body is composed essentially or inorganic nonmetallic substances and either is formed from a molten mass which solidifies on cooling, or is formed and subsequently hardened by such heat treatment that the body, if reheated to pyrometric cone 020, would not become more dense, harder, or less porous, but does not include any glass article;

It is not disputed by plaintiffs that the imported merchandise is in fact capacitors but it is their contention that ceramic capacitors are excluded from item 685.80, *supra*, because of headnote 1(iii) of schedule 6 part 5 which reads as follows:

Part 5 headnotes:

1. This part does not cover—

* * * * * * *

(iii) ceramic electrical ware (part 2D of schedule 5); * * *.

The record herein consists of the testimony of three witnesses called on behalf of plaintiffs and seven exhibits received in evidence. The ruling on the admission in evidence of collective exhibit 8 for identification was reserved. Collective exhibit 8 consists of photostatic copies of notes purported to be made by the president of KCK the manufacturer involved. We sustain the objection to the admission of said documents on the ground that they are hearsay and irrelevant. Said documents are not admissible as an exception to the hearsay rule as a declaration against interest and their contents are at best meaningless to the court and are therefore irrelevant.

Plaintiffs' collective exhibit 1 consists of correspondence directed to establishing compliance with the jurisdictional requirement of an American manufacturer to institute proceedings in this court. Plaintiffs' collective exhibit 2 consists of photographs of KCK capacitors made at the office of the commodity specialist at the port of New York. Plaintiffs' exhibit 3 consists of a brochure put out by KCK depicting its capacitors. The exhibit was limited to the photographic portion of the brochure. Plaintiffs' exhibit 4 consists of a display board depicting the various components and stages of manufacture of American made capacitors. Plaintiffs' exhibit 6 is a photostatic copy of a quotation of prices to Sprague of Wisconsin Inc. from KCK Co. Ltd. Collective exhibit 7 is a box of KCK capacitors and components. Plaintiffs' exhibit 9 is a display of the various components and stages of manufacture of an American manufacturer.

The oral testimony of three well qualified witnesses called on behalf of plaintiffs has established that capacitors are used in electronic circuits and have no other use. Their use is to isolate direct current or voltage fields from one another and permit the passage of higher frequency currents. A capacitor also stores an electric charge. The measurement of the capacity of the capacitor is in farads, microfarads or picofarads. The amount of the charge is dependent upon the dielectric which in this instance is the ceramic. The dielectric material in ceramic capacitors is barium titanate in a crystalline vitreous state.

The manufacture of ceramic capacitors starts with a ceramic disc which is purchased domestically or imported upon which a silver paint is screened and then passed through a firing furnace to bond the silver to the disc. Wire leads are then attached to the silvered disc to enable it to be utilized in electronic circuits. A resin is then applied to the body of the capacitor. Prior to the addition of the leads, the ceramic discs or silver ceramic discs are not electrical articles. The witnesses were of the opinion based upon their manufacturing experience in the United States that the ceramic disc was the component material in chief value.

Mr. Peck, called on behalf of plaintiff, however admitted he is not familiar with the prices of supplies used by KCK or the quantities it purchased or if said firm makes or purchases the materials it uses for its capacitors. Plaintiffs' witness, Mr. Kirschner, admitted he did not know the price in Japan of silver paint in producing capacitors.

Before consideration is made as to the merits of plaintiffs' claim, it should be stated there does not appear to be objection to the status of plaintiffs. The papers contained in plaintiffs' collective exhibit 1 coupled with the testimony of record establishes to the satisfaction of the court that plaintiffs are proper parties to institute the action before the court pursuant to the provisions of 19 U.S.C., section 1516(b).

There is no dispute that the imported articles are in truth and in fact capacitors. This is so not only by plaintiffs' admission but also by the presumption of correctness which attaches to the customs classification of the importation as capacitors. Flowing from the presumption is the fact that the classifying officer found all facts necessary to so classify the involved capacitors. For plaintiffs to prevail in this action it was incumbent upon them to establish not only that the classification was erroneous but that the claimed provision is correct. *United States* v. *Cody Manufacturing Co., Inc., et al.*, 44 CCPA 67, C.A.D. 639 (1957); *Hayes-Sammons Chemical Co.* v. *United States*, 55 CCPA 69, C.A.D. 935 (1968).

It is the contention of plaintiffs that classification of so-called ceramic capacitors is excluded from item 685.80, *supra*, by virtue of headnote 1(iii) of schedule 6 part 5, *supra*, which provides that said part does not include ceramic electrical ware. Plaintiffs urge the imported capacitors are ceramic electrical ware, and classification in said part 5 accordingly is erroneous. The court has before it for determination the question of what was intended by Congress to be encompassed within the term "ceramic electrical ware." Upon reviewing the various headnotes contained in the Tariff Schedules of the United States, we note that no definition or explanation of the term is to be found. However, we do find in schedule 5 part 2 headnote 2 a definition of ceramic article, *supra*.

Plaintiffs in effect contend that the imported capacitors are composed of ceramic discs and since the function of a capacitor is to store electrical energy, they are ceramic electrical ware. Counsel for plaintiffs appear to have no difficulty in arriving at the conclusion that the imported merchandise falls within the language ceramic electrical ware as is evidenced by the following headings in their brief:

I. THE IMPORTED MERCHANDISE WAS ERRONEOUSLY CLASSIFIED AS ELECTRICAL CAPACITORS, FIXED OR VARIABLE, UNDER ITEM 685.80 TSUS

A. The Imported Merchandise Consists of Ceramic Capacitors Which Are "Ceramic Electrical Ware" Within the Meaning of Headnote 1(iii) of Headnotes to Part 5, Schedule 6, TSUS Which Exclude Such Articles from Classification Under the Said Part in Which Item 685.80 Is Contained.

1. The imported merchandise consists of ceramic capacitors whose essential operating properties as a capacitor are based upon the presence of ceramic material as the principal ingredient.

2. The imported ceramic articles are "electrical" because in accordance with their intended purpose they perform a useful function in an electrical circuit.

3. The imported ceramic electrical articles are a class of manufactured article having in common the presence of ceramic as the predominant material and the performance of an electrical function in a circuit, and accordingly are ceramic electrical *ware*. [Italics quoted.]

Predicated upon these points it is contended that no ambiguity exists in the relevant statutory language and therefore resort to extrinsic aids to determine its meaning is improper. *J. M. Altieri* v. *United States*, 62 Cust. Ct. 91, C.D. 3687, 295 F. Supp. 269 (1969). We are, of course, in accord with the principle cited. However, we do not find it applicable in the instant case. We are of the opinion that the language in issue is far from explicit and sufficiently ambiguous to warrant clarification from extraneous sources. Apparently even plaintiffs' own witness, Peck, was not entirely clear about the meaning of the expression "ceramic electrical ware" as the following testimony indicates:

Q. Have you ever been in the ceramic electrical ware business?—A. I have been in the ceramic capacitors business for many years.

Q. Have you ever bought or sold anything as ceramic electrical ware?—A. You mean under the title ceramic electrical ware?

Q. Yes, sir.—A. We don't use that expression in our specific class, which is ceramic capacitors.

Q. Do you know whether anybody uses the expression ceramic electrical ware?—A. I don't know anybody that specifically uses that expression in commerce.

When ambiguity does exist it is proper to refer to Tariff Commission explanations as legislative history. *Rifkin Textile Corp.* v. *United States*, 54 CCPA 138, C.A.D. 925 (1967). Reference is also permissible to the so-called "Brussels Nomenclature" when the superior heading appears to have been derived from said source. *Herbert G. Schwarz, dba Ski Imports* v. *United States*, 57 CCPA 19, C.A.D. 971 (1969).

The Interim Report of the United States Tariff Commission in connection with its Tariff Classification Study makes the following comment with respect to component material:

(a) *Classification by component material.*—The tariff status of an article may depend upon whether it is "wholly or in chief value of" a special material such as glass, wood, metal, cotton, wool, etc. It is said that the process of identifying with certainty the exact materials incorporated in a manufactured article and establishing the relative values thereof commonly leads to dispute. It is also said that this concept tends at times to produce unanticipated results. An example given to illustrate the latter complaint is that a golfer's caddy cart with an aluminum frame may be admitted as a manufacture of metal, while one with a wooden frame may be subject to duty as a wood product at a totally different rate.

Duty rate descriptions of articles according to their component material of chief value is probably the most widely used method of description in the tariff schedules. These descriptions appear in a variety of forms such as "composed wholly or in chief value of _____," "manufactures in chief value of _____," etc. Paragraph 1559(b) of the Tariff Act, as amended, provides that "The words 'component of chief value', wherever used in this Act, shall be held to mean that component material which shall exceed in value any other single component material of the article involved; and the value of each component material shall be determined by the ascertained value of such material in its condition as found in the article." It is peculiar that this definition is literally concerned only with the definition of the words "component of chief value," which words are rarely used in the tariff schedules. Moreover, this definition does not in any sense dispose of the questions which are involved in the component-material-of-chief-value method of tariff description.

The foregoing method of tariff description has resulted in disputes, and there are also instances where unanticipated results have been produced. It is doubtful, however, that a general indictment can be returned against this descriptive method. Standardization of the terms used where this descriptive method is desired and an improved definition may be helpful in overcoming some of the difficulties involved.

As a result of the foregoing observation, the submitting report of the Tariff Commission makes the following comment:

In the proposed schedules, the problems associated with the chief-value concept have been reduced substantially, but have not been entirely eliminated. However, a material improvement has been brought about by standardization of language. Also, the incidence of such descriptions has been significantly and realistically curtailed by the proposed shift from the chief-value concept to weight as the basis for classifying metal alloys and composite articles of two or more base metals, and by "carving out" from the various existing "basket" provisions based on component material of chief value many new classes of articles and providing for them at a single compromise rate wherever possible regardless of the component material. Another device employed in the proposed schedules to stabilize classifications based on component material of chief value is, by means of appropriate headnotes, to narrow the field of competing materials. Also, words connoting the preexistence of component materials have been avoided.

The Explanatory Notes, schedule 5 part 2, makes the following comment about subpart D involved herein:

Subpart D embraces certain important classes of industrial ceramics. Items 535.11 and 535.14 embrace ceramic electrical articles, covered by items 534.21 (ceramic magnets) and 534.25 (other) in the draft published for the hearing. These provisions have been completely revised as a result of information received at and subsequent to the hearing. It was learned that significant imports of large porcelain insulators are being classified as articles in chief value of metal in paragraph 353 of the tariff act at a rate of 15 percent ad valorem. In line with the general effort to avoid, whenever possible, the classification uncertainties incident

to the "chief value" concept, information was obtained from the importer of such insulators and from U.S. producers of similar insulators, on which to base an objective description of the insulators being imported under paragraph 353. The description in item 535.11 was developed from such information. Item 535.14, othr ceramic electrical articles, includes not only other porcelain and subporcelain, but articles such as ferrites. Item 535.14 embraces any ceramic electrical articles of porous ceramic ware, whether earthenware, now dutiable in paragraph 211 at about 25 percent ad valorem, or other ware, now dutiable in paragraph 214 at 15 percent ad valorem. Imports of all such ware are likely to be negligible.

Item 535.14 does not embrace switches, fuses, receptacles, lamp sockets, resistors and other electrical articles which are to be connected into electrical circuitry. (These are specifically provided for in part 5 of schedule 6.) Item 535.14 does not include ceramic wall plates for electric switches, or electric lamp bases; such articles are chiefly used for ornamental purposes, and are in subpart C of this part. *With the exception of certain insulators, item 535.14 would cover for the most part ceramic articles practically as they come from the final firing, or possibly after subsequent minor processing such as grinding or shaping.* [Emphasis supplied.]

From the foregoing data, it is apparent that in the past classification based upon component material has resulted in disputes and unanticipated results. In order to prevent this, the new schedules have attempted to substantially reduce such provisions. Where component material is still a basis for classification appropriate headnotes have been provided to narrow the field of competing materials.

The Explanatory Notes, *supra*, shed some light on what was intended to be covered by schedule 5 part 2 subpart D and what was not intended to be covered thereby. The latter category significantly points out that item 535.14, *supra*, was not intended to encompass a number of articles set forth *eo nomine* which are provided for under items 685.80 and 685.90, Tariff Schedules of the United States, resistors which are provided for in item 686.10, Tariff Schedules of the United States, and other electrical articles which are to be connected into electrical circuitry. There is no dispute herein that the imported capacitors are used solely in electrical circuitry. Therefore, unless component material is the controlling factor in classification, it is obvious that capacitors fixed or variable must find classification under item 685.80, *supra*, as classified. This is particularly so since an *eo nomine* classification without terms of limitation includes all forms of such article unless a contrary legislative intent is established. *Smillie & Co.* v. *United States*, 11 Ct. Cust. Appls. 199, T.D. 38966 (1921); *Charles T. Wilson Co., Inc.* v. *United States*, 38 CCPA 19, C.A.D. 433 (1950). The only limitation imposed by the language of item 685.80 is that the capacitor be fixed or variable. There is no requirement with respect to the component material. In addition, under General Interpretative Rule 10(c), the provision which most specifically describes the article, controls. Under previous statutes see *United States* v. *Astra Trading Corp.*, 44 CCPA 8, C.A.D. 627 (1956); *United States (Lansen-Naeve Corp. a/c Albert Klingelhofer, Party-in-Interest)* v. *Simon Saw & Steel Co.*, 51 CCPA 33, C.A.D. 834 (1964). An *eo nomine* provision which more specifically provides for the article is preferred over a general descriptive provision and a provision having requirements more difficult to satisfy is controlling. The provisions of item 685.80, *supra*, more specifically describe the article in terms of its name, character and function while the claimed classification is under a general descriptive provision. The provision under which classification was made has requirements which are more difficult to satisfy.

Plantiffs contend that component material was in fact considered in the classification of ceramic capacitors and quotes five rulings of the Commissioner of Customs relating to various ceramic articles including ceramic capacitors. These rulings were made under the Tariff Act of 1930 and plaintiffs contend were before the Tariff Commission and Congress when the Tariff Schedules of the United States was enacted. Prior classification under such ceramic provisions coupled with the following language of the Tariff Commission in its Explanatory Notes is deemed by plaintiffs as confirming their position that only capacitors in chief value of metal were intended to be covered by item 685.80:

Item 685.80 covering electrical capacitors involves no rate change. Item 685.90 provides, without rate change, for electrical apparatus for making or breaking electrical circuits, for the protection of electrical circuits, or for making connections to or in electrical circuits and also provides for switchboards (other than telephone switchboards) and control panels. Items 686.10 and 686.20 provide without rate change for resistors and automatic voltage regulators, respectively.

It is, however, also to be noted that some four pages prior to the above in said Study the following explanatory statement is made:

This part includes many new provisions specifically covering various electrical articles and electrical components of articles which are presently classifiable under various general tariff descriptions, "parts" provisions, and "basket" provisions usually based upon component material of chief value. The provisions often clash head-on and produce uncertain and anomalous classification results.

The foregoing would seem to suggest that component material was not intended to be a significant criterion in the classification of electrical components or articles. Consequently the fact of prior classification of ceramic capacitors under schedule 2 of the Tariff Act of 1930 and the Tariff Commission's statement that no rate change was involved do not necessarily support the contentions of plantiffs. All other indicia seem clearly to say that Congress intended to include all capacitors, regardless of component material, within item 685.80, *supra*, and we so conclude.

Supporting this result is the information contained in the so-called Brussels Nomenclature under the heading (85.18) electrical capacitors, fixed or variable. This is the identical language used in item 685.80, *supra*, and is explained as follows:

Electrical capacitors (or condensers) consist in principle of two conducting surfaces separated by an insulating material (dielectric), e.g., air, paper, mica, oil, resins, ceramics or glass.

They are used for various purposes in many branches of the electrical industry (e.g.:—to improve the power factor of A.C. circuits; to protect electrical contacts from the effects of arcing; for storing and releasing given quantities of electricity; in oscillating circuits; in frequency filters; and very largely in the radio, television and telephone industries).

Their characteristics (shape, size, capacitance, nature of dielectric, etc.) vary according to their intended use. The heading, however, covers all capacitors whatever their intended use (including standard capacitors used in laboratories, specially made within fine limits and designed to remain constant during use).

In any event based upon the record as made herein classification under item 535.14, *supra*, is untenable. Both counsel for defendant and the party-in-interest urge that classification as other ceramic electrical ware is controlled by the definition of ceramic article contained in headnote 2(a) part 2 schedule 5, *supra*, and we agree with this contention.

The explanation of said headnote is set forth in the First Supplemental Report of the Tariff Classification Study as follows:

REFERENCE NO. 6—VOL. 2, P. 359; VOL. 7, P. 61:

Part 2 headnote 2(a) defining *ceramic article* is amended by inserting in the last two lines "by such heat treatment that the body, if reheated to pyrometric cone 020, would not become more dense, harder, or less porous," in lieu of "by heating to a temperature of over 1200° F,".

EXPLANATION

A significant characteristic of a ceramic article which distinguishes it from other mineral products is the relatively high temperature which it undergoes in its production. Because the heat treatment of ceramic articles is a function of both time and temperature a question has been raised regarding the administration of the published definition of "ceramic article". It is not unusual in the ceramic industries to refer to a heat treatment in terms of the maximum temperature reached (about 1200° F. or higher) even though the duration of commercial firing to a given temperature varies considerably. Ceramic heat treatments, however, are more commonly referred to in terms of pyrometric cone equivalent. A pyrometric cone is a triangular pyramid formed from a nonmetallic mineral composition which indicates by its deformation the extent of the heat treatment it has undergone. These cones are made in a series of compositions which deform at different temperatures. The deformation temperature, however, depends somewhat upon the rate at which the temperature is increased. For example, pyrometric cone 020 deforms at 1157° F. if the temperature is increased 108° F. per hour and at 1175° F. if the temperature is increased 270° F. per hour. Thus pyrometric cones measure the effect of both the temperature and the time of heat treatment.

It can be determined if an article is a ceramic article by measuring the physical properties of pieces of the body of such an article before and after reheating them

96-006 (Pt. 6) O - 73 -- 13

to cone 020. If the body of the article has not previously had sufficient heat treatment to qualify it as a ceramic article, the density and hardness of the pieces will increase and their absorptivity and volume will decrease.

The great majority of ceramic articles when produced receive heat treatments considerably greater than the minimum heat treatment described in the amended definition, because such a minimum heat treatment would leave most ceramic compositions too fragile to be of commercial value. Only very infrequently should an article need testing to determine if it has received a heat treatment sufficient to qualify as a ceramic article.

It is apparent from the foregoing that for an article to fall within the term ceramic article proof must be offered to establish its compliance with this definition. The record is devoid of any evidence of the method of manufacture of the ceramic discs in the country of origin which would bring the imported capacitors within the statutory description of ceramic articles. We do have some evidence of the manufacturing process employed by plaintiffs in the United States but such evidence does not establish that the imported article falls within the definition.

The question of whether the provision for ceramic electrical ware is limited to articles wholly or in chief value of ceramic is debated at some length by all parties, especially in view of General Headnote 9(f) (i). We have carefully considered the respective arguments and have reached the conclusion that the language employed was intended to refer to articles wholly or in chief value of ceramics. In our view the phrase "ceramic electrical ware" has the same meaning as if the provision had read electrical ware of ceramic. We are fortified in this view by the circumstance that where in this subpart Congress intended otherwise, as in the case of insulators, the phrase "whether or not in part of metal" was inserted.

Component material is determined as of the time when nothing further remains to be done except final assembly. *Kaplan Products & Textiles, Inc.* v. *United States*, 49 Cust. Ct. 145, C.D. 2376 (1962), aff'd *Same* v. *Same*, 51 CCPA 2, C.A.D. 828 (1963).

With this understanding, it is interesting to note that the submitting report in considering component material made the following observation:

* * * Sometimes the chief-value description presents troublesome questions as to the order and nature of the processing steps involved abroad in the production of the article. Differences in production techniques and changing cost factors from time to time or from producer to producer (especially in different countries) may result in like articles being classified differently.

Since there is no evidence as to the cost of material in Japan at a time when nothing further remains to be done except final assembly the court is not in a position to determine the component material of said capacitors. As indicated, *supra*, the costs vary from manufacturer to manufacturer and country to country; hence the testimony relative to the costs in the United States is insufficient to establish component material in chief value.

In addition to the foregoing and based upon the Explanatory Notes, schedule 5, part 2, subpart D, quoted, *supra*, the imported capacitors do not appear to fall within the class of articles intended to be covered by the claimed provision. On the contrary the Explanatory Notes indicate that the articles covered therein are ceramic articles "practically as they come from the final firing, or possibly after subsequent minor processing such as grinding or shaping." The record herein establishes after the firing of the ceramic disc the capacitor is screened with silver paint and then fired after which lead wires are attached and a resin coating is applied. These additions are in our opinion more than "minor processing" and are indicative of the type of article intended to be excluded from schedule 5, part 2.

In view of the foregoing we are of the opinion that plaintiffs have failed to overcome the presumption of correctness attaching to the classification. The protest is therefore overruled.

Judgment will be entered accordingly.

EXHIBIT D

LINCOLN & STEWART,
ATTORNEYS AT LAW,
Washington, D.C., July 2, 1969.

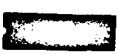
MR. SALVATORE E. CARAMAGNO,
Director, Division of Tariff Classification Rulings, Bureau of Customs, Washington, D.C.

DEAR MR. CARAMAGNO: On behalf of the Alumina Ceramic Manufacturers Association, we ask your kind consideration of the views presented in this letter concerning a request for ruling pending with the Bureau filed by an importer concerning certain alumina ceramic products.

The request for ruling which you have before you pertains to alumina ceramic articles containing a surface coating of glass over a portion thereof. These articles are used as the base upon which are mounted the active elements of semiconductor devices or as the cap placed over such a subassembly.

With one exception, the imported merchandise is identical to that which is the subject of ORR Ruling 398–68, May 27, 1968, Bureau file SP 444.213 R, your predecessor's letter of May 3, 1968. In that ruling your office held that alumina ceramic articles used in semi-conductor devices, which articles do not become part of the electrical circuit, are classifiable under the provision for ceramic electrical insulators, other, in Item 535.14 TSUS. We concur in that ruling.

The instant merchandise which is the subject of the present request for ruling now pending before you consists of the same alumina ceramic article which was the subject of the ruling, cited above, with the exception that on one surface thereof there has been applied, either over the entire surface or a part thereof, a glass coating. For your convenience I am attaching to this letter, a sample of the merchandise which was the subject of your ruling cited above, and a sample of the same merchandise containing a glass coating on one surface:

Articles the Subject of ORR Ruling 398-68		*Articles the Subject of the Present Request for Ruling*	
			
Base	*Cap*	*Base*	*Cap*

The imported articles are used as passive members of a semiconductor device assembly. The method of assembly and the stages of processing of the alumina ceramic articles may be described as follows:

1. An alumina ceramic base member is bonded to a lead frame. The bonding is accomplished by placing the lead frame and the ceramic member in a fixture, and applying heat which softens the glass on the surface of the ceramic member. Pressure against the member causes the lead frame to become embedded in the glass surface. The heat is removed, and upon cooling a union of ceramic member to lead frame has been accomplished with the surface coating of glass serving as the bonding medium.

2. The silicon, germanium, or other "chip," which is the active element of the semiconductor, is bonded to the base at the recessed portion thereof. Wire is bonded to the chip and the leads.

3. The alumina ceramic cap member, with the glass surface down, is placed on top of the lead frame-base-chip subassembly in a fixture and passed through

the furnace. The heat softens the glass coating on the lower surface of the cap, and pressure is applied. This effects a bond of the cap to the subassembly, and the softened glass coating which has been pressed over the leads makes a union with the softened glass surface of the base. The unit is removed from the heat and cools, bonding the top to the subassembly and effecting a hermetic seal of the assembly.

As is evident from the above description, the alumina ceramic base member and the alumina ceramic cap are used primarily to serve as structural members of the semiconductor assembly. They are suitable for this use because the alumina ceramic is a nonconductor of electricity and involves no risks of shorting the semiconductor circuit. Further, the alumina ceramic body of the semiconductor, being a nonconductor, involves no risk of shorting in the electronic circuit into which the semiconductors are inserted.

Alumina ceramic is used as the constituent material for the base and cap members for the following reasons:

a. Its strength—it is not fractured.

b. Its low cost—the ceramic is quite inexpensive in relation to metal.

c. Its properties as a nonconductor of electricity—this is a "plus" value as the use of metal would require some insulating material to isolate the semiconductor chip from the metal base. This assembly step is eliminated through the use of the alumina ceramic.

The glass surface coating makes no contribution to these essential properties which dictate the selection of the alumina ceramic: it adds nothing to the strength or low cost of the unit nor to those insulating properties which are desirable in the completed article. It is the exterior of the finished body which is primarily exposed to the risk of electrical shorts in the electrical circuit. The glass coating material is completely enclosed within the body and supplies no insulating function whatever to the outside of the body.

The protection of the semiconductor chip and the wires connecting the chip to the leads at the interior of the body is accomplished, in the first instance, by the alumina ceramic material itself. In the embodiment of the imported articles that are used by the importer in its manufacturing processes, the glass coating does not cover the portion of the base member upon which the semiconductor chip is mounted, and in some instance glass coating is excluded from the recessed portion of the cap so that when the subassembly with cap member placed on top moves through the furnace for the softening of the glass, there is no danger of the glass dropping from the center portion onto the semiconductor chip.

In short, the glass serves one, and only one, purpose and that is to effect a hermetic seal which has nothing whatever to do with functioning as an insulator.

The semiconductor assembly is, of course, an electrical article destined for use in an electrical or electronic circuit. As an integral part of the semiconductor assembly, the alumina ceramic base and cap are articles of electrical ware. That is to say, they are a class of manufactured article which is used in the assembly of electrical articles. Being passive electrically, however, they are not connected into the electrical circuit.

The semiconductor is connected in an electrical circuit by means of the metal leads which, in turn, are connected to the silicon, germanium, or other active element "chip" which performs the function of a semiconductor in the electrical circuit. The alumina ceramic articles have no part to play in supplying the electrical characteristics of the semiconductor to the electrical circuit. Rather, they perform the passive role of supplying a base and a cap for the semiconductor "chip" to be mounted on and covered by, for protective purposes.

The nonconductive properties of the alumina ceramic members further insure against an interference with the performance of the electrical function of the semiconductor by virtue of the fact that, electrically speaking, they do not conduct electricity but are merely passive and, mechanically speaking, are substantial enough securely to protect the semiconductor chip and the wire connections to the leads from damage. The alumina ceramic members are "other ceramic electrical ware" within the meaning of Item 535.14.

The ruling of May 3, 1968, referred to the alumina ceramic articles as "electrical insulators" use in semiconductors devices. That ruling could just as well have referred to the alumina ceramic members as "other ceramic electrical ware" as that term is used in the superior heading to Item 535.14. The truth of the matter is that the alumina ceramic articles are insulators in the sense that they are nonconductors of electricity, and as base and top serve to "insulate" the semiconductor chip and wire connections to the leads from electrical shorts as well as from physical damage.

It would also be correct, however, to view the alumina ceramic articles as performing in an electrical assembly an essentially mechanical purpose; namely, that of a sturdy base for the mounting of the chip and leads and a sturdy cap with which to cover or enclose the semiconductor chip and wire-connected leads to protect them from damage in use.

It is not essential to the construction of the body for the semiconductor that it be made of insulating or nonconductive material. Where a metal base and cap are used, it is obviously necessary to use insulating material which insulates the metal base from the silicon chip. The convenience involved in using the alumina ceramic base and cap lies in the fact, first, that in their sturdiness they are appropriate for discharging the mechanical task; and in their electrical nonconductivity, they are adequate to supply the protection from electrical shorts which would have to be provided for separately if a conductive material were to be used for the base and cap.

We understand that the importer contends that the presence of the glass coating on the surface of the base and the cap at the time of importation requires the Customs treatment of the imported article as something other than "ceramic electrical ware" because in his opinion the glass coating performs the function of insulator rather than the alumina ceramic element. There are a number of reasons why such a position is ill-founded.

First, neither the alumina ceramic article nor the glass surface coating thereof is performing essentially the role of an insulator qua insulator. Item 535.14 is not limited to "ceramic electrical insulators, other," but includes the larger class of articles described as "other ceramic electrical ware, other." Ceramic electrical ware is any article of ceramic used in an electrical assembly. It is undisputed that the imported articles are of ceramic, and it will be obvious to you from an examination of the samples submitted herewith that the glass is only a very thin coating on one surface of the alumina ceramic article. It can also not be disputed that the alumina ceramic articles are "ware," and that they are used in an electrical article and therefore must be literally considered as "electrical ware."

Second, the glass portion of the article is so minor from the point of view of its physical content that it does not in any way change the essential nature of the imported article as being a ceramic item. The following dimensions will be of interest on this point:

The alumina ceramic base member is approximately 0.080'' thick, and the glass coating thereon is approximately 0.007'' thick.

The cap element is approximately 0.055'' thick, whereas the coating of glass on the surface of the cap is only 0.009'' thick.

The importer's argument, therefore, is equivalent to saying that a protective coating such as paint, or an adhesive coating such as epoxy, changes the basic elements of the article to which the coating is applied. There is no support for such a position either in technical fact or in Customs law.

Third, there is no possibility of the importer seriously taking the position that the surface coating of glass represents the component material in chief value of the imported article. The surface coating of glass is applied in the following manner: Glass in powder form mixed in a suitable carrier is sprayed onto the surface of the alumina ceramic member. The sprayed members are passed through a furnace which burns off the organic material in the liquid suspension, leaving the glass coating on the surface.

Taking the cost of the materials in the state to which hey must be brought just prior to final assembly, the ceramic is equal to 100, and the glass to no more than 35.

Fourth, even assuming for the sake of argument that the alumina ceramic article functions primarily as an insulator, it is not the case that the glass coating on the upper surface of the base member and the lower surface of the cap member take over the insulating function. It is believed that the importer in question is the Fairchild Semiconductor Division of the Fairchild Camera and Instrument Corporation. To the knowledge of the Alumina Ceramic Manufacturers Association, that organization uses in its process for the assembly of semiconductors a form of alumina ceramic member with a surface coating of glass in which the recessed cavity in the base member upon which the semiconductor chip is mounted is kept free from glass, so that the chip is mounted directly onto the ceramic surface of the recessed portion of the base member.

Hence, in this embodiment without question the ceramic continues to perform the function of an insulator for the ceramic chip and the glass coating does not enter into this at all. The glass does not serve in this embodiment in any way as an insulator for the silicon chip.

Fifth, the importer's technology confirming the above description of the purpose and use of the alumina ceramic member and the particular function of the glass surface coating is discussed in a paper, "Solder Glass Seals in Semiconductor Packaging," presented by D. W. A. Forbes at the Symposium on Glass in Electronics sponsored by the Society of Glass Technology, University of Sheffield, England, January 4–6, 1966. A copy of the paper is enclosed.

Mr. Forbes was prominent in developing the use of the glass surface coating as a means for effecting a hermetically sealed bond of the base and cap alumina ceramic members which enclose the active elements of the semiconductor. Further, he is an employee of the importer in this case, the Fairchild Camera and Instrument Corporation.

As you will observe from the paper, both from the abstract and in the subsequent portions thereof, the ceramic base and cap members are selected to provide an enclosure for the active elements of the semiconductor, and the glass coating is selected solely to achieve a hermetic seal of the ceramic enclosure.

Note especially page 3 of the paper which states quite plainly that ceramics are preferred as envelope materials by virtue of their high strength, thermal conductivity, and electrical resistivity. This enumeration of properties and the emphasis given them in the sequence in which stated confirm the description previously given in this letter as the reason why alumina ceramic members are used in semiconductor assembly.

Further on page 3, please note that glass is described as fulfilling the function of forming a hermetic, dielectric seal. On that page emphasis is also given to the fact that the body used to enclose the active elements of the semiconductor performs chiefly a mechanical function, supporting the active elements of the semicoductor and protecting them in a mechanical sense.

After developing the theoretical considerations which pertain to the semiconductor package, the paper presents as a conclusion on page 5 "that the package structure most capable of providing maximum performance at minimum cost would comprise a ceramic envelope, sealed with glass." The paper then develops the cost-efficiency considerations leading to the selection of the so-called "single-seal concept" which involves the use of the base and cap ceramic members with their surface coating of glass.

We believe that your study of the enclosed paper will convince you that the only purpose served by the glass coating on the upper surface of the base member and the lower surface of the cap member is to provide a means for effecting a bond and hermetic seal for the ceramic package for the semiconductor. No special significance is given in the paper to the insulating properties of the glass; indeed, the paper confirms that the ceramic material is selected primarily for its cost and mechanical efficiency as well as for its insulating properties.

Accordingly, there is no factual or legal basis for the Bureau to change the practice established by its ruling of May 3, 1968, ORR Ruling 398–68.

We shall appreciate the opportunity to confer with you concerning this matter in the event that this submission and other information available to you do not persuade you to adhere to the present Customs practice of classifying alumina ceramic articles, whether surface coated with glass or not, under Item 535.14 TSUS.

Very truly yours,

LINCOLN AND STEWART.

Enclosure.

EXHIBIT E

THE DEPARTMENT OF THE TREASURY,
BUREAU OF CUSTOMS,
Washington, April 22, 1971.

EUGENE L. STEWART, Esq.,
Lincoln and Stewart,
Washington, D.C.

DEAR MR. STEWART: Reference is made to your oral request on behalf of the Alumina Ceramic Manufacturers Association for a reconsideration of a Bureau ruling dated December 3, 1969, concerning the dutiable status of certain ceramic articles manufactured in Japan and the United Kingdom.

The Bureau had ruled that rectangularly shaped items measuring approximately .052 and .076 inch thick by ¾ inch long and ¼ inch wide which were glazed on one side with low temperature sealing glass and which were used as the base and cap portions of integrated electrical circuits, were classified under the provision for transistors and other electronic crystal components, and parts

thereof, in item 687.60, Tariff Schedules of the United States (TSUS), rather than under the provision for ceramic electrical ware, in item 535.14, TSUS.

The Bureau's opinion was based, in part, on a pertinent portion of the legislative history to item 535.14, TSUS, which provides: "With the exception of certain insulators item 535.14 would cover for the most part ceramic articles practically as they come from the final firing, or possibly after subsequent minor processing such as grinding or shaping."

In *Sprague Electric Co. et al.* v. *United States*, C.D. 3972, the Customs Court, in holding that ceramic electrical capacitors were classifiable in item 685.80, TSUS, rather than in item 535.14, TSUS, found that the operations performed upon a ceramic disc which had been screened with silver paint, fired in order to attach lead wires and had a resin coating applied to produce the finished capacitor, constituted more than "minor processing" and was indicative of the type of article intended to be excluded from Shedule 5, Part 2.

Under the circumstances the Bureau remains of the opinion the subject ceramic caps and bases upon which the low temperature sealing glass has been applied are similarly precluded from classification in item 535.14, Tariff Schedules of the United States, and are classifiable under the provision for parts of transistors and other electronic crystal components in item 687.60, TSUS.

Because your written submission of July 2, 1969, was on behalf of an association of manufacturers and not a specific manufacturer, producer or wholesaler, the Bureau is unable to consider the submission as a request for the furnishing of tariff classification information for purposes of section 516, Tariff Act of 1930 (19 U.S.. 1516). Should a request be made from an American manufacturer, producer or wholesaler the Bureau will endeavor to furnish such information as expeditiously as possible.

Sincerely yours,

ROBERT V. MCINTYRE,
Assistant Commissioner,
Office of Regulations and Rulings.

EXHIBIT F

U.S. FIRMS WITH INTEGRATED CIRCUIT PLANTS OVERSEAS

U.S. Firms:	*Location of integrated circuit plants overseas*
American Micro-Systems, Inc., 3800 Homestead Road, Santa Clara, Calif.	South Korea, West Germany, Japan.
Fairchild Camera and Instrument Corp., 464 Ellis Street, Mountain View, Calif.	Mexico, Australia, Hong Kong, South Korea, United Kingdom, West Germany, Netherlands, France, Brazil, Okinawa, Canada, Italy, Singapore.
General Instrument Corp., 65 Gouverneur Street, Newark, N.J.	Italy, Taiwan, Mexico, Scotland.
Intersil, Inc., 10900 North Tantau Avenue, Cupertino, Calif.	West Germany, Singapore.
Motorola, Inc., 9401 Grand Avenue, Franklin Park, Ill.	Japan, France, Scotland, West Germany, Mexico, South Korea, Taiwan, Hong Kong.
National Semiconductor Corp., 2900 Semiconductor Drive, Santa Clara, Calif.	Australia, Singapore, Hong Kong, Scotland, West Germany, Malaysia, France.
Signetics Corp. (subsidiary of Corning Glass Works), Sunnyvale, Calif.	South Korea, Portugal, West Germany, France, Mexico.
Sprague Electric Co., North Adams, Mass.	Belgium, France, Germany, Italy, Scotland, Canada, Taiwan, Mexico, Hong Kong.
Texas Instruments Inc., 13500 North Central Expressway, Dallas, Tex.	Brazil, United Kingdom, France, Holland, West Germany, Italy, Mexico, Argentina, Australia, Singapore, Japan, Taiwan, N. Antilles, Malaysia.
Transitron Electronic Corp., 168 Albion Street, Wakefield, Mass.	United Kingdom, France, Mexico.

STATEMENT OF GEORGE P. BYRNE, JR., REPRESENTING MANUFACTURERS OF SMALL TOOLS AND METAL FASTENERS

INTRODUCTION

I am George P. Byrne, Jr., 331 Madison Avenue, New York, N.Y. 10017. My position in making this statement is as Secretary and Legal Counsel of the following trade associations located at the above address: Cap Screw and Special Threaded Products Bureau, Hand Tools Institute, Socket Screw Products Bureau, Tapping Screw Service Bureau, Tubular and Split Rivet Council, United States Machine Screw Service Bureau, and United States Wood Screw Service Bureau.

These associations are composed of manufacturers of hand tools, metal fasteners and related fabricated metal products. Product sales of approximately one billion dollars and employment of over 20,000 people are involved. Both are adversely affected by the long-term increase in imports since the early 1950's when postwar trade negotiation results became effective. The general charts and import data attached speak for themselves and reflect a disastrous trend which will continue unchecked unless specific import restrictions are made available to provide reasonable protection for small metal fabricating industries. Ten years from now the figures on these charts will be enormously higher unless equitable curbs are instituted. Always remember that the physical volume of imports reported in dollar figures is about double the physical volume of USA products for a comparable dollar amount thus making the loss to domestic manufacturers much more severe than the dollar figures on the attached charts indicate.

The manufacturers represented herein urge inclusion in HR–6767 more specific remedies for domestic industries in the following manner:

1. More specific relief and protection where long-term rise in imports is causing continuing injury due to imports; (Example: mandatory tariff increase or quotas after 3 years of imports increasing more than 5% a year).
2. Specific and more effective anti-dumping rules which will make fair relief reasonably obtainable;
3. Workable countervailing duty provisions that will result in relief;
4. Specific mandates for relief by tougher negotiating rules which will insure relief where nontariff barriers exist;
5. Provisions for clear and adequate rules requiring marking of country of origin.

Our members are influenced in their request for more specific relief provisions in HR–6767 by their disastrous experience with rising low wage cost imports over a long period of time since the beginning of action in the 1950's to reduce tariffs. Details of these serious problems are as follows:

ALARMING RISE IN IMPORTS OF HAND TOOLS, SCREWS, BOLTS AND RIVETS

To reflect the extremely heavy long-term impact of imports of the above mentioned products upon domestic manufacturers, Exhibit A and Exhibit B are attached. Exhibit A shows that annual total imports of screws, nuts, bolts and rivets increased from $34,123,536. in 1964 to $136,730,394. in 1972, a 300.7% increase. The chart attached to Exhibit B reflects that monthly average imports of hand tools increased from $602,397. in 1960 to $3,878,319. in 1972, an increase of 543.8%. These extremely large increases have had a severe impact on the domestic industries and have caused loss of many domestic jobs.

"HEART OF THE LINE" ITEMS LOST TO IMPORTS

It should also be noted that a major part of imports of screws, nuts, bolts, rivets and hand tools entering the United States are "heart of the line items." When high volume items of fasteners are lost to imports low profit specialties, odd lengths, varieties of head styles, thread lengths, etc. are left for domestic producers.

In the case of hand tools the great bulk of imports into the United States are also "heart of the line" items consisting of wrenches of various types, pliers, nippers, screwdrivers and other standard stock items on which the average manufacturer depends to keep his people employed, machines running, enough work to keep his plant operating, and to make a reasonable profit to stay in business.

LARGE VOLUME OF IMPORTS COME FROM JAPAN AND UNITED KINGDOM

An examination of import records of the U. S. Bureau of Census discloses that substantial quantities of imports of screws, nuts, bolts, rivets and hand tools into the United States originate in Japan and the United Kingdom. As an example of wage cost differences it should be noted that both of those countries have a distinct trade advantage over the United States producers in that the average hourly earnings plus fringe benefits applicable to those countries are as follows:

	Per hour
Japan	[1] $1.94
United Kingdom	[1] 2.00

[1] Calculated at currency conversion rates of February 21, 1973.

Our annual industry rates for wages and fringe benefits as compiled for the domestic hand tools manufacturing industry and the screw, nut and rivet manufacturing industry would average $5.179 and $5.13 per hour respectively. The resulting developments flowing from these differences in wages and fringe benefits are reflected in trends shown on the charts appended hereto.

U.S. TARIFF ACT OF 1930—REGULATIONS FOR MARKING OF IMPORTS

The present regulations in Section 304 of the U.S. Tariff Act of 1930 relative to marking of imports entering the United States cause confusion and encourage misrepresentation and in some cases fraudulent practices. Accordingly, it is recommended and urged that clarifying wording to indicate more specifically requirements regarding the marking of imports be added to the President's Trade Bill H.R. 6767.

CONCLUSION

In conclusion, I respectfully request and urge that the Committee on Ways and Means of the United States House of Representatives take steps to enact more specific remedies for industries experiencing the kinds of increases in imports occurring in our industries. Recently drastic reductions in capacity have developed which have resulted in costly shortages in periods of high demands such as at present. The disastrous impact of imports on this economy will not lessen until Congress enacts protective rules that will permit imports in reasonable quantities but prevent the gradual strangulation of domestic businesses over a long period.

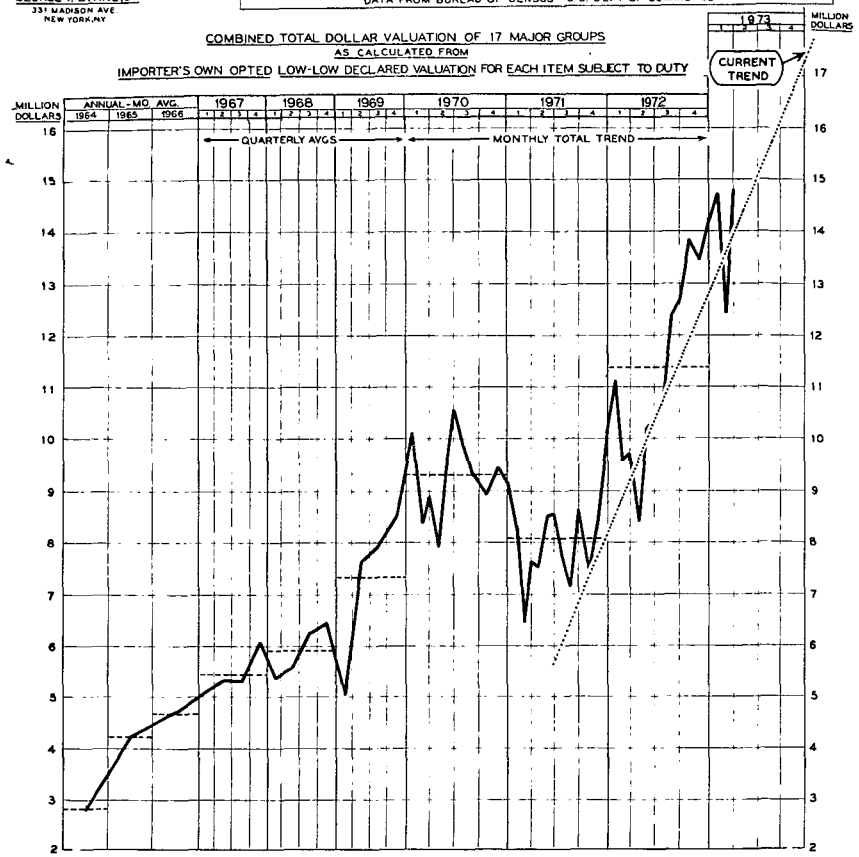
This request is presented on behalf of our member manufacturers whose names are listed in the attached booklets, marked Exhibits C and D.

FROM
GEORGE P BYRNE, JR
331 MADISON AVE
NEW YORK, NY

TOTAL IMPORTS OF SCREWS, NUTS, BOLTS & RIVETS INTO U.S.A.

DATA FROM BUREAU OF CENSUS – U.S. DEPT OF COMMERCE

COMBINED TOTAL DOLLAR VALUATION OF 17 MAJOR GROUPS
AS CALCULATED FROM
IMPORTER'S OWN OPTED LOW-LOW DECLARED VALUATION FOR EACH ITEM SUBJECT TO DUTY



- ANNUAL COMPARISONS -

PERIOD	ANNUAL TOTAL	MO. AVG. RATE
1964	$ 34,123,536	$ 2,843,628
1965	49,940,088	4,161,674
1966	56,141,580	4,678,465
1967	65,568,828	5,464,069
1968	70,979,256	5,914,938
1969	87,547,231	7,295,634
1970	111,333,367	9,277,781
1971	96,214,849	8,017,904
1972	136,730,394	11,394,200
1973		

- MONTH & QUARTERLY COMPARISONS -

	1967	1968	1969	1970	1971	1972	1973
JAN	$5,738,204	$6,469,584	$2,596,956	$10,196,344	$8,233,582	$11,226,189	$14,705,135
FEB	4,312,095	4,580,346	5,141,059	8,335,563	6,449,125	9,592,152	12,407,341
MAR	5,198,770	5,110,441	7,263,691	8,860,546	7,660,401	9,709,071	14,746,452
1st Qu.	5,083,023	5,386,790	5,000,569	9,130,810	7,447,703	10,175,804	13,952,976
APR	4,499,152	5,025,213	7,259,391	7,915,820	7,508,035	8,419,218	
MAY	6,029,872	5,704,985	8,309,160	9,469,299	8,508,801	10,196,415	
JUN	5,516,834	5,823,248	7,514,948	10,555,471	8,545,339	10,271,311	
2nd Qu.	5,348,619	5,517,815	7,694,500	9,313,530	8,187,392	9,628,981	
JUL	5,851,873	5,300,190	8,700,432	9,842,782	7,661,604	10,827,738	
AUG	5,535,470	7,237,629	7,074,744	9,333,331	7,114,572	12,322,812	
SEP	4,723,019	6,269,564	8,080,690	9,232,298	8,623,850	12,636,887	
3rd Qu.	5,370,787	6,269,128	7,951,955	9,469,470	7,800,009	11,929,146	
OCT	5,225,126	6,444,305	8,316,947	8,959,140	7,431,484	13,826,261	
NOV	7,181,785	5,895,370	8,164,459	9,447,587	8,339,677	13,492,328	
DEC	5,756,635	7,118,385	9,124,754	9,185,186	10,138,379	14,210,012	
4th Qu.	6,053,849	6,486,020	8,535,387	9,197,304	8,636,513	13,842,867	
YEAR	5,464,069	5,914,938	7,295,634	9,277,781	8,017,904	11,394,200	

FROM:
GEORGE P. BYRNE, JR.
331 MADISON AVENUE
NEW YORK, NY

IMPORT STATISTICS OF SCREWS, NUTS, BOLTS & RIVETS

NEW YORK CUSTOM HOUSE DATA - BUREAU OF CENSUS - U.S. DEPT. OF COMMERCE - WASHINGTON, D.C.

NEW STATISTICAL SERIES - COMMENCING SEPT. 1963

135020

DATA SHOWN INCLUDES TOTAL IMPORTS FROM ALL COUNTRIES

PROV.	1930 TARIFF PRODUCT DESCRIPTION	DUTY RATE APPLICABLE IN EACH PERIOD: PERIOD	% AD RATE	YEAR	ANNUAL TOTAL IMPORTS (MONTHLY AVERAGE RATES): GROSS	VALUATION	VALUE PER G	MO.	MONTHLY TOTAL IMPORTATIONS 1972: GROSS	VALUATION	VALUE PER G	1973: GROSS	VALUATION	VALUE PER G	1974: GROSS	VALUATION	VALUE PER G	MO.
A	WOOD SCREWS OF IRON OR STEEL - IN GROSS (6464940)	PRIOR RATES	12.5%	1964	1,358,874	$ 202,612	$.149	Jan	1,676,490	333,154	.199	2,014,605	465,029	.231				Jan
		" "	12.5	1965	1,522,733	236,066	.155	Feb	835,703	209,285	.250	1,433,827	319,465	.220				Feb
		" "	12.5	1966	1,622,240	241,179	.149	Mar	968,334	229,429	.237	1,356,910	408,394	.301				Mar
		" "	12.5	1967	1,162,627	182,797	.157	Apr	1,117,658	262,970	.235							Apr
		KENNEDY ROUND	12.5	1968	1,582,065	271,402	.172	May	1,539,411	366,957	.238							May
		" "	12.5	1969	1,848,075	347,320	.188	Jun	1,443,807	332,465	.230							Jun
		" "	12.5	1970	1,768,906	374,222	.212	Jul	1,101,151	267,999	.243							Jul
		" "	12.5	1971	1,276,454	253,393	.199	Aug	1,786,539	385,280	.216							Aug
		" "	12.5	1972	1,405,726	329,209	.234	Sep	1,155,271	304,290	.263							Sep
		" "	12.5	1973				Oct	1,951,898	472,979	.242							Oct
		" "	12.5	1974				Nov	1,641,835	406,341	.247							Nov
		" "	12.5	1975				Dec	1,650,627	379,362	.230							Dec
B	WOOD SCREWS OF OTHER BASE METAL - IN GROSS (having shanks or threads OVER 0.12 inch in diameter) (6465300)	PRIOR RATES	18.0%	1964	65,794	31,591	.480	Jan	54,190	28,295	.522	60,262	53,221	.883				Jan
		" "	18.0	1965	77,864	35,538	.456	Feb	81,496	64,164	.787	18,302	17,847	.975				Feb
		" "	18.0	1966	91,345	39,837	.436	Mar	54,690	41,827	.765	82,994	53,769	.648				Mar
		" "	18.0	1967	52,063	27,431	.521	Apr	2,151	3,574	1.662							Apr
		KENNEDY ROUND	16.0	1968	57,086	33,041	.579	May	92,323	38,615	.418							May
		" "	14.0	1969	66,918	35,527	.531	Jun	109,119	76,083	.697							Jun
		" "	12.5	1970	63,091	41,776	.662	Jul	47,811	49,411	1.033							Jul
		" "	10.5	1971	47,094	27,767	.590	Aug	97,863	59,425	.607							Aug
		" "	9.0	1972	61,680	41,685	.676	Sep	37,061	22,639	.611							Sep
		" "	9.0	1973				Oct	56,349	41,032	.728							Oct
		" "	9.0	1974				Nov	34,574	28,453	.823							Nov
		" "	9.0	1975				Dec	72,429	46,702	.644							Dec
C	LAG SCREWS OF IRON OR STEEL - IN GROSS (6464920)	PRIOR RATES	12.5%	1964	51,956	47,801	.920	Jan	118,521	138,015	1.164	322,697	339,037	1.051				Jan
		" "	12.5	1965	69,411	63,564	.916	Feb	88,061	102,970	1.169	287,504	200,625	.698				Feb
		" "	12.5	1966	62,986	46,527	.739	Mar	236,188	158,718	.672	249,576	269,885	1.081				Mar
		" "	12.5	1967	69,643	61,767	.989	Apr	66,772	74,797	1.120							Apr
		KENNEDY ROUND	12.5	1968	109,561	62,512	.571	May	129,504	103,451	.799							May
		" "	12.5	1969	141,495	95,967	.678	Jun	268,779	187,660	.698							Jun
		" "	12.5	1970	169,545	149,350	.881	Jul	165,728	139,859	.844							Jul
		" "	12.5	1971	105,733	87,508	.828	Aug	187,255	212,311	1.134							Aug
		" "	12.5	1972	191,594	171,790	.897	Sep	217,391	237,375	1.091							Sep
		" "	12.5	1973				Oct	333,296	244,293	.733							Oct
		" "	12.5	1974				Nov	200,364	239,115	1.192							Nov
		" "	12.5	1975				Dec	286,873	222,918	.777							Dec
D	MACHINE-TAPPING-SET & OTHER SCREWS SCREWS OF IRON OR STEEL - IN GROSS (having shanks or threads NOT OVER 0.24 inch in diameter) (6466040)	PRIOR RATES	22.5%	1964	351,983	69,062	.196	Jan	8,335,336	1,239,650	.149	7,877,685	1,707,337	.217				Jan
		" "	22.5	1965	868,637	118,453	.140	Feb	4,765,894	903,085	.190	7,189,296	1,492,398	.208				Feb
		" "	22.5	1966	1,437,268	215,649	.150	Mar	6,112,078	1,021,950	.167	7,228,945	1,663,326	.230				Mar
		" "	22.5	1967	2,070,222	286,836	.139	Apr	5,438,237	1,043,161	.192							Apr
		KENNEDY ROUND	20.0	1968	2,301,420	344,852	.150	May	5,492,797	1,096,329	.200							May
		" "	18.0	1969	3,469,541	518,144	.149	Jun	5,208,243	1,028,931	.198							Jun
		" "	15.5	1970	5,078,615	862,661	.170	Jul	5,669,141	1,105,373	.195							Jul
		" "	13.0	1971	3,850,064	639,832	.166	Aug	6,869,239	1,465,284	.213							Aug
		" "	11.0	1972	6,226,852	1,207,394	.194	Sep	6,815,983	1,381,862	.203							Sep
		" "	11.0	1973				Oct	6,959,606	1,425,035	.205							Oct
		" "	11.0	1974				Nov	6,097,118	1,306,616	.214							Nov
		" "	11.0	1975				Dec	6,960,607	1,471,432	.212							Dec
E	MACHINE-TAPPING-SET & OTHER SCREWS SCREWS OF IRON OR STEEL - IN GROSS (having shanks or threads OVER 0.24 inch in diameter) (6466340)	PRIOR RATES	19.0%	1964	108,425	83,911	.774	Jan	575,671	303,132	.527	680,261	551,610	.811				Jan
		" "	19.0	1965	146,290	89,406	.611	Feb	788,798	429,032	.544	638,426	388,869	.609				Feb
		" "	19.0	1966	230,571	137,056	.594	Mar	518,624	352,263	.679	534,299	629,997	1.179				Mar
		" "	19.0	1967	319,504	182,010	.570	Apr	516,299	277,369	.537							Apr
		KENNEDY ROUND	17.0	1968	317,946	233,158	.733	May	516,786	428,215	.829							May
		" "	15.0	1969	341,839	271,097	.793	Jun	450,002	442,432	.983							Jun
		" "	13.0	1970	429,581	285,124	.664	Jul	636,091	433,300	.681							Jul
		" "	11.0	1971	329,644	216,906	.658	Aug	872,686	595,902	.683							Aug
		" "	9.5	1972	608,573	456,995	.751	Sep	681,778	570,636	.837							Sep
		" "	9.5	1973				Oct	587,989	607,506	1.033							Oct
		" "	9.5	1974				Nov	509,869	444,068	.871							Nov
		" "	9.5	1975				Dec	648,479	600,086	.925							Dec
F	-STOVE BOLT SIZES- MACHINE SCREWS OF IRON OR STEEL - IN POUNDS (0.375 in or more in length and 0.125 or more in diameter. (Not incap screws) (6465800) (A) - POUNDS (B) - PER LB.	PRIOR RATES	0.5¢	1964	1,450,043	166,349	.1158	Jan	3,549,454	533,665	.150	4,187,487	822,480	.197				Jan
		" "	0.5	1965	2,455,152	281,171	.115	Feb	2,786,961	483,391	.173	3,203,454	666,800	.208				Feb
		" "	0.5	1966	2,373,674	272,068	.115	Mar	2,085,553	387,292	.186	3,566,368	756,320	.212				Mar
		" "	0.5	1967	1,982,754	252,563	.127	Apr	3,056,597	553,527	.181							Apr
		KENNEDY ROUND	0.5	1968	2,876,151	366,148	.127	May	2,410,350	425,262	.176							May
		" "	0.5	1969	3,364,989	478,407	.142	Jun	2,456,461	417,231	.170							Jun
		" "	0.5	1970	3,760,153	660,885	.176	Jul	3,053,909	523,766	.172							Jul
		" "	0.5	1971	2,765,913	464,778	.168	Aug	3,307,403	609,737	.184							Aug
		" "	0.5	1972	3,091,951	557,080	.180	Sep	2,827,374	598,486	.212							Sep
		" "	0.5	1973				Oct	3,606,826	640,962	.178							Oct
		" "	0.5	1974				Nov	4,102,206	775,021	.189							Nov
		" "	0.5	1975				Dec	3,857,636	735,625	.191							Dec

1857

FROM:
GEORGE P. BYRNE, Jr.
331 MADISON AVENUE
NEW YORK, NY

IMPORT STATISTICS OF SCREWS, NUTS, BOLTS & RIVETS

NEW YORK CUSTOM HOUSE DATA - BUREAU OF CENSUS - U.S. DEPT. OF COMMERCE - WASHINGTON, D.C.
NEW STATISTICAL SERIES - COMMENCING SEPT. 1963

DATA SHOWN INCLUDES TOTAL IMPORTS FROM ALL COUNTRIES

REF.	1930 TARIFF PRODUCT DESCRIPTION	DUTY RATE APPLICABLE IN EACH PERIOD: PERIOD	% RATE	ANNUAL TOTAL IMPORTS (MONTHLY AVERAGE RATES): YEAR	GROSS	VALUATION	VALUE PER G.
G	- STOVE BOLT SIZES -	PRIOR RATES	23.5%	1964	148,447	$ 33,420	$.225
		" "	23.5	1965	130,256	30,857	.237
		" "	23.5	1966	167,747	42,412	.253
	BOLTS, NUTS, SCREWS & WASHERS OF	" "	23.5	1967	190,865	52,302	.274
	OTHER BASE METAL - IN GROSS	KENNEDY ROUND	21.0	1968	174,745	51,407	.294
		" "	18.5	1969	215,128	64,603	.300
	(Including bolts & their nuts imported in the same shipment, having	" "	16.0	1970	224,262	79,985	.357
	shanks, threads or holes NOT OVER	" "	14.0	1971	188,811	65,090	.345
	0.24 inch in diameter)	" "	11.5	1972	283,109	96,433	.341
		" "	11.5	1973			
	(6467500)	" "	11.5	1974			
		" "	11.5	1975			
H	- BOLTS, NUTS, SCREWS, WASHERS OF OTHER BASE METAL	PRIOR RATES	18.0%	1964	32,018	24,060	.751
		" "	18.0	1965	25,607	21,226	.829
		" "	18.0	1966	38,121	26,046	.684
	IN GROSS	" "	18.0	1967	39,683	39,187	.988
		KENNEDY ROUND	16.0	1968	40,686	37,642	.925
	(Including bolts & their nuts im-	" "	14.0	1969	38,081	33,066	.868
	ported in the same shipment, having	" "	12.5	1970	42,519	31,026	.670
	shanks, threads or holes OVER 0.24	" "	10.5	1971	30,787	34,886	1.133
	inch in diameter)	" "	9.0	1972	57,716	61,531	1.066
		" "	9.0	1973			
	(6467600)	" "	9.0	1974			
		" "	9.0	1975			
I	CAP SCREWS	PRIOR RATES	22.5%	1964	13,061	18,264	1.011
		" "	22.5	1965	15,529	16,195	1.043
		" "	22.5	1966	24,619	17,258	.701
		" "	22.5	1967	24,714	30,372	1.229
	OF IRON OR STEEL - IN GROSS	KENNEDY ROUND	20.0	1968	66,662	53,344	.800
		" "	18.0	1969	112,903	70,504	.624
	(Having shanks or threads NOT OVER	" "	15.5	1970	127,085	55,487	.437
	0.24 inch in diameter)	" "	13.0	1971	83,766	36,963	.441
		" "	11.0	1972	123,379	58,742	.476
	(6466020)	" "	11.0	1973			
		" "	11.0	1974			
	*6467520 inc. in 6467500 after 1/1/66	" "	11.0	1975			
J	CAP SCREWS	PRIOR RATES	19.0%	1964	263,965	187,222	.709
		" "	19.0	1965	420,399	298,383	.710
		" "	19.0	1966	512,995	362,085	.706
		" "	19.0	1967	799,289	494,534	.619
	OF IRON OR STEEL - IN GROSS	KENNEDY ROUND	17.0	1968	757,022	640,239	.846
		" "	15.0	1969	1,099,505	922,011	.839
	(Having shanks or threads OVER 0.24	" "	13.0	1970	1,190,773	1,169,918	.982
	inch in diameter)	" "	11.0	1971	951,372	976,706	1.027
		" "	9.5	1972	1,357,793	1,504,299	1.108
	(6466320)	" "	9.5	1973			
		" "	9.5	1974			
	*6467620 inc. in 6467600 after 1/1/66	" "	9.5	1975			
K	BOLTS & THEIR NUTS	PRIOR RATES	0.5¢	1964	A 6,639,630	734,059	.111 B
		" "	0.5	1965	8,655,640	986,610	.117
		" "	0.5	1966	7,727,307	966,405	.125
		" "	0.5	1967	9,824,207	1,261,270	.128
	OF IRON OR STEEL - IN POUNDS	KENNEDY ROUND	0.4	1968	10,160,009	1,272,882	.125
		" "	0.4	1969	10,271,032	1,336,144	.130
	(when imported in the same shipment)	" "	0.3	1970	10,424,082	1,679,833	.161
		" "	0.3	1971	10,741,996	1,706,202	.159
	(6465400)	" "	0.2	1972	13,104,556	2,164,493	.165
		" "	0.2	1973			
	(A) - POUNDS (B) - PER LB.	" "	0.2	1974			
		" "	0.2	1975			
L	NUTS	PRIOR RATES	0.3¢	1964	A 5,211,369	1,019,740	.195 B
		" "	0.3	1965	8,962,042	1,727,042	.193
		" "	0.3	1966	9,597,974	1,936,143	.202
		" "	0.3	1967	10,572,111	2,195,274	.208
	OF IRON OR STEEL - IN POUNDS	KENNEDY ROUND	0.2	1968	10,529,498	2,150,702	.204
		" "	0.2	1969	13,805,112	2,682,734	.194
		" "	0.2	1970	14,671,847	3,331,657	.227
	(6465600)	" "	0.1	1971	13,617,955	2,987,194	.219
		" "	0.1	1972	16,234,345	3,976,865	.245
		" "	0.1	1973			
		" "	0.1	1974			
	(A) - POUNDS (B) - PER LB.	" "	0.1	1975			

MONTHLY TOTAL IMPORTATIONS

REF.	MO.	1972 GROSS	1972 VALUATION	1972 VALUE PER G.	1973 GROSS	1973 VALUATION	1973 VALUE PER G.	1974 GROSS	1974 VALUATION	1974 VALUE PER G.	MO.
G	Jan	281,672	98,981	.351	197,609	90,113	.456				Jan
	Feb	214,102	74,344	.347	439,991	105,814	.240				Feb
	Mar	244,535	77,528	.317	287,877	103,209	.359				Mar
	Apr	203,178	62,861	.309							Apr
	May	177,236	68,556	.387							May
	Jun	369,457	97,137	.263							Jun
	Jul	179,386	70,642	.394							Jul
	Aug	287,348	144,425	.503							Aug
	Sep	369,522	106,299	.288							Sep
	Oct	325,132	110,913	.341							Oct
	Nov	349,504	111,613	.319							Nov
	Dec	396,207	133,901	.338							Dec
H	Jan	65,154	88,288	1.355	56,906	74,581	1.311				Jan
	Feb	111,263	86,826	.780	67,893	84,420	1.243				Feb
	Mar	62,799	89,732	1.429	27,313	38,484	1.409				Mar
	Apr	42,770	48,260	1.128							Apr
	May	23,241	39,520	1.700							May
	Jun	41,298	68,304	1.654							Jun
	Jul	17,835	24,247	1.360							Jul
	Aug	86,753	70,334	.811							Aug
	Sep	61,482	53,314	.867							Sep
	Oct	68,568	56,844	.829							Oct
	Nov	83,748	54,295	.648							Nov
	Dec	27,680	58,408	2.110							Dec
I	Jan	302,517	75,985	.251	100,341	46,830	.467				Jan
	Feb	137,561	62,862	.457	48,134	41,291	.857				Feb
	Mar	65,792	43,913	.667	67,911	57,863	.852				Mar
	Apr	24,826	17,133	.690							Apr
	May	143,830	49,894	.347							May
	Jun	53,165	38,103	.717							Jun
	Jul	162,810	94,195	.579							Jul
	Aug	155,247	120,043	.773							Aug
	Sep	220,887	65,882	.298							Sep
	Oct	68,388	45,445	.665							Oct
	Nov	85,009	50,060	.589							Nov
	Dec	60,517	41,384	.684							Dec
J	Jan	1,225,687	1,511,382	1.233	1,423,168	2,107,289	1.481				Jan
	Feb	1,035,005	1,128,013	1.090	1,641,841	1,862,042	1.134				Feb
	Mar	917,577	1,264,870	1.378	1,319,456	2,118,464	1.606				Mar
	Apr	789,708	858,436	1.087							Apr
	May	754,346	1,059,623	1.405							May
	Jun	1,151,763	1,088,213	.945							Jun
	Jul	2,002,007	1,745,813	.872							Jul
	Aug	1,716,595	1,696,247	.988							Aug
	Sep	1,539,183	1,736,399	1.128							Sep
	Oct	1,514,137	1,672,658	1.105							Oct
	Nov	1,567,589	2,105,394	1.343							Nov
	Dec	2,077,928	2,184,549	1.051							Dec
K	Jan	13,649,115	2,025,236	.148	15,195,912	2,829,384	.186				Jan
	Feb	10,211,585	1,646,804	.161	14,250,777	2,654,299	.186				Feb
	Mar	12,380,398	1,949,516	.157	15,996,119	3,071,431	.192				Mar
	Apr	10,261,774	1,629,832	.159							Apr
	May	13,882,077	2,276,946	.170							May
	Jun	12,872,444	2,208,167	.172							Jun
	Jul	12,057,982	1,967,989	.163							Jul
	Aug	13,246,818	2,193,702	.166							Aug
	Sep	15,819,839	2,576,715	.163							Sep
	Oct	15,198,802	2,605,774	.171							Oct
	Nov	14,268,094	2,470,184	.173							Nov
	Dec	13,905,803	2,423,463	.174							Dec
L	Jan	16,544,903	4,064,719	.246	19,070,952	4,805,549	.252				Jan
	Feb	15,542,504	3,644,131	.235	15,779,297	3,977,390	.252				Feb
	Mar	13,501,893	3,285,977	.243	17,075,213	4,655,070	.273				Mar
	Apr	11,131,796	2,922,403	.263							Apr
	May	15,403,449	3,506,503	.228							May
	Jun	14,032,295	3,516,895	.251							Jun
	Jul	15,706,773	3,736,713	.238							Jul
	Aug	16,261,243	4,030,243	.248							Aug
	Sep	17,889,085	4,297,205	.246							Sep
	Oct	20,724,199	5,077,122	.245							Oct
	Nov	18,042,116	4,546,574	.252							Nov
	Dec	20,429,959	5,092,914	.249							Dec

FROM:
GEORGE P. BYRNE, JR.
331 MADISON AVENUE
NEW YORK, N.Y.

IMPORT STATISTICS OF SCREWS, NUTS, BOLTS & RIVETS

NEW YORK CUSTOM HOUSE DATA - BUREAU OF CENSUS - U.S. DEPT. OF COMMERCE - WASHINGTON, D.C.

NEW STATISTICAL SERIES - COMMENCING SEPT. 1963

DATA SHOWN INCLUDES TOTAL IMPORTS FROM ALL COUNTRIES

REF.	1930 TARIFF PRODUCT DESCRIPTION	DUTY RATE APPLICABLE IN EACH PERIOD: PERIOD	% RATE	ANNUAL TOTAL IMPORTS (MONTHLY AVERAGE RATES): YEAR		GROSS	VALUATION	VALUE PER G.	MO.	MONTHLY TOTAL IMPORTATIONS 1972: GROSS	VALUATION	VALUE PER G.	1973: GROSS	VALUATION	VALUE PER G.	1974: GROSS	VALUATION	VALUE PER G.	MO.
M	BOLTS, NUTS, SCREWS & WASHERS - OF MUNTZ OR YELLOW METAL BOLTS	PRIOR RATES	3.0¢	1964	A	56,324	$ 28,775	$.511 B	Jan	195,288	132,430	.678	130,569	95,440	.731				Jan
		" "	3.0	1965		52,044	28,018	.538	Feb	106,137	76,773	.723	68,089	49,520	.727				Feb
		" "	3.0	1966		112,622	66,836	.593	Mar	141,051	112,979	.801	131,324	91,515	.697				Mar
		" "	3.0	1967		101,536	62,296	.614	Apr	51,721	35,636	.689							Apr
		KENNEDY ROUND	2.5	1968		94,044	59,469	.632	May	97,890	65,678	.671							May
	IN POUNDS - (6467400)	" "	2.4	1969		85,597	56,877	.664	Jun	124,595	91,281	.733							Jun
		" "	2.0	1970		89,479	73,776	.873	Jul	104,044	76,445	.735							Jul
	(Including bolts & their nuts imported in the same shipment)	" "	1.8	1971		94,515	64,991	.688	Aug	161,257	110,305	.684							Aug
		" "	1.5	1972		132,523	95,930	.724	Sep	110,585	77,881	.704							Sep
		" "	1.5	1973					Oct	122,208	85,658	.701							Oct
	(A) = POUNDS (B) = PER LB.	" "	1.5	1974					Nov	137,779	126,540	.802							Nov
		" "	1.5	1975					Dec	217,617	159,550	.733							Dec
N	SPIRAL & OTHER LOCK WASHERS	PRIOR RATES	20.0%	1964	A	181,639	39,376	.217 B	Jan	557,441	137,761	.247	561,880	165,442	.294				Jan
		" "	20.0	1965		226,999	49,090	.219	Feb	558,788	154,703	.277	340,657	114,267	.335				Feb
		" "	20.0	1966		288,934	70,010	.242	Mar	537,302	135,518	.252	361,304	135,846	.376				Mar
		" "	20.0	1967		313,898	75,538	.240	Apr	282,093	86,186	.306							Apr
		KENNEDY ROUND	18.0	1968		373,034	81,342	.218	May	382,032	120,554	.316							May
	OF IRON OR STEEL - IN POUNDS	" "	16.0	1969		476,083	102,446	.215	Jun	620,736	155,674	.251							Jun
		" "	14.0	1970		501,605	111,453	.222	Jul	422,170	121,481	.288							Jul
	(6466500)	" "	12.0	1971		376,451	90,518	.240	Aug	410,505	142,636	.347							Aug
		" "	10.0	1972		479,312	138,477	.289	Sep	504,510	139,253	.276							Sep
		" "	10.0	1973					Oct	499,261	155,962	.312							Oct
	(A) = POUNDS (B) = PER LB.	" "	10.0	1974					Nov	557,125	164,065	.294							Nov
		" "	10.0	1975					Dec	419,582	147,954	.353							Dec
O	WASHERS; OTHER	PRIOR RATES	0.3¢	1964	A	369,892	56,352	.152 B	Jan	1,252,654	257,356	.205	860,704	254,466	.296				Jan
		" "	0.3	1965		371,551	60,615	.163	Feb	906,319	216,672	.239	970,267	225,664	.233				Feb
		" "	0.3	1966		389,632	79,497	.204	Mar	1,347,820	231,534	.187	1,108,946	298,026	.269				Mar
		" "	0.3	1967		472,753	99,476	.210	Apr	1,190,761	233,341	.203							Apr
		KENNEDY ROUND	0.2	1968		576,327	108,692	.189	May	1,368,001	307,296	.225							May
	OF IRON OR STEEL - IN POUNDS	" "	0.1	1969		720,081	133,837	.186	Jun	1,380,236	285,577	.207							Jun
		" "	0.1	1970		642,309	133,902	.208	Jul	736,614	205,137	.278							Jul
	(6467000)	" "	Free	1971		783,438	157,878	.202	Aug	1,128,055	243,871	.216							Aug
		" "	Free	1972		1,254,563	258,884	.206	Sep	1,211,352	267,242	.221							Sep
		" "	Free	1973					Oct	1,997,852	259,637	.130							Oct
	(A) = POUNDS (B) = PER LB.	" "	Free	1974					Nov	1,263,648	306,932	.243							Nov
		" "	Free	1975					Dec	1,311,451	272,013	.207							Dec
P	RIVETS	PRIOR RATES	0.5¢	1964	A	31,512	4,605	.146 B	Jan	165,792	74,283	.448	106,064	53,870	.508				Jan
		" "	0.5	1965		32,347	5,009	.155	Feb	120,902	104,392	.863	32,332	15,257	.472				Feb
		" "	0.5	1966		39,390	5,857	.149	Mar	107,813	75,335	.699	236,898	123,765	.522				Mar
		" "	0.5	1967		49,959	7,245	.145	Apr	186,203	129,278	.694							Apr
		KENNEDY ROUND	0.4	1968		56,016	10,059	.180	May	101,763	43,871	.431							May
	OF BASE METAL OR IRON OR STEEL (not brightened, not lathed, not machined)	" "	0.4	1969		85,162	24,982	.293	Jun	96,474	44,979	.466							Jun
		" "	0.3	1970		124,471	55,346	.445	Jul	52,095	49,081	.942							Jul
	IN POUNDS (6464000)	" "	0.3	1971		112,403	53,622	.477	Aug	52,045	14,794	.284							Aug
		" "	0.2	1972		118,688	70,517	.594	Sep	72,316	62,134	.859							Sep
		" "	0.2	1973					Oct	138,461	94,059	.679							Oct
	(A) = POUNDS (B) = PER LB.	" "	0.2	1974					Nov	180,900	76,770	.424							Nov
		" "	0.2	1975					Dec	149,491	77,222	.517							Dec
Q	RIVETS; OTHER	PRIOR RATES	14.0%	1964	A	196,725	96,428	.490 B	Jan	336,300	183,877	.547	318,173	243,457	.765				Jan
		" "	14.0	1965		219,542	113,831	.518	Feb	287,754	204,705	.711	322,685	191,393	.593				Feb
		" "	14.0	1966		287,713	153,559	.534	Mar	378,512	230,687	.613	342,182	269,088	.786				Mar
		" "	14.0	1967		251,575	153,271	.609	Apr	309,009	179,434	.581							Apr
		KENNEDY ROUND	12.5	1968		260,042	138,034	.531	May	267,952	199,542	.745							May
	OF BASE METAL - IN POUNDS	" "	11.0	1969		217,676	121,938	.560	Jun	322,057	197,137	.614							Jun
		" "	9.5	1970		269,034	141,381	.526	Jul	372,642	216,287	.580							Jul
	(6464100)	" "	8.0	1971		267,196	153,668	.575	Aug	613,028	227,273	.371							Aug
		" "	7.0	1972		354,685	203,871	.575	Sep	306,854	139,075	.453							Sep
	(A) = POUNDS (B) = PER POUND	" "	7.0	1973					Oct	398,225	230,582	.579							Oct
		" "	7.0	1974					Nov	443,093	280,307	.633							Nov
		" "	7.0	1975					Dec	231,816	162,529	.701							Dec
Z	GRAND TOTAL IMPORTS	PRIOR RATES	See duty rates for each item	1964			2,843,628		Jan		11,226,189			14,705,133					Jan
		" "		1965			4,161,674		Feb		9,592,152			12,407,341					Feb
		" "		1966			4,678,465		Mar		9,709,071			14,746,452					Mar
		" "		1967			5,464,069		Apr		8,419,218								Apr
	COMBINED DOLLAR VALUATION FOR ALL ITEMS -- A TO Q	KENNEDY ROUND		1968			5,914,938		May		10,196,615								May
		" "		1969			7,295,604		Jun		10,271,311								Jun
		" "		1970			9,277,781		Jul		10,827,758								Jul
		" "		1971			8,017,904		Aug		12,322,812								Aug
		" "		1972			11,394,300		Sep		12,636,887								Sep
		" "		1973					Oct		13,826,261								Oct
		" "		1974					Nov		13,492,328								Nov
		" "		1975					Dec		14,210,012								Dec

1859

U. S. WOOD SCREW SERVICE BUREAU
U. S. MACHINE SCREW SERVICE BUREAU
U. S. TAPPING SCREW SERVICE BUREAU
CAP SCREW & SPECIAL THREADED PRODUCTS BUREAU
Industry Service Bureaus, Inc.
(Administrative Staff)
George P. Byrne, Secretary
331 Madison Avenue
New York, N.Y. 10017

Issued

PART I

IMPORTS OF SCREWS, NUTS, BOLTS AND RIVETS INTO U.S.A. SHOW TREMENDOUS GROWTH PATTERN FROM 1960'S TO THE 1ST QUARTER OF 1973

To properly reflect the impact being made on the domestic industry the following tabulation uses TSUSA declared valuation figures for duty purposes, (Bureau of Census) plus an estimated markup of +50%, to include the importer's normal wholesale selling price. The importer's costs over and above the declared (foreign country values) include shipping, insurance, storage, etc., plus a profit dollar markup factor.

SCREWS, NUTS, BOLTS AND RIVET IMPORTS ANNUALLY PROJECTED THRU 1973 SHOW +390% GROWTH FACTOR OVER 1964 LEVELS
(All classes of Screws combined A-Q)

TOTAL IMPORTS YEAR 1973 ($251,153,000) is						
above	"	"	"	1972	(205,096,000)	by + 22.5%
"	"	"	"	1971	(144,322,000)	by + 74.0%
"	"	"	"	1970	(167,000,000)	by + 50.4%
"	"	"	"	1969	(131,321,000)	by + 91.3%
"	"	"	"	1968	(106,469,000)	by +135.9%
"	"	"	"	1967	(98,353,000)	by +155.4%
"	"	"	"	1966	(84,212,000)	by +198.2%
"	"	"	"	1965	(74,910,000)	by +235.3%
"	"	"	"	1964	(51,185,000)	by +390.7%

PART II

MONTHLY AVERAGE RATE OF IMPORTATIONS INTO U.S.A.

BY CLASSES OF SCREWS, NUTS, BOLTS & RIVETS

COMPARISON LEVELS PREVAILING IN 1967 (BEFORE GATT DUTY REDUCTIONS)
COMPARED WITH RATES
FOR YEAR 1972 AND 1ST QUARTER 1973

IMPORT CLASSES	MO. AVG. YEAR 1967	MO. AVG. YEAR 1972	% OVER 1967 LEVEL	MO. AVG. 1ST QUARTER 1973	% OVER 1967 LEVEL
(A) WOOD SCREWS, STEEL	$ 182,797	$ 329,209	+ 80.1	$ 397,623	+ 117.5
(B) WOOD SCREWS, BASE	27,431	41,685	+ 52.0	41,613	+ 51.7
(C) LAG SCREWS	61,767	171,790	+ 178.1	269,849	+ 336.9
(D) MACHINE, TAPPING SET & OTHER SCREWS-STEEL (Not Over .24 in Dia.)	286,836	1,207,394	+ 320.9	1,621,687	+ 465.4
(E) MACHINE, TAPPING SET & OTHER SCREWS-STEEL (Over .24 in Dia.)	182,010	456,995	+ 151.1	523,492	+ 187.6
(F) STOVE BOLT SIZES (STEEL)	252,563	557,080	+ 120.6	748,534	+ 196.4
(G) STOVE BOLT SIZES (BASE)	52,302	96,433	+ 84.4	99,712	+ 90.6
(H) BOLTS, NUTS SCREWS, WASHERS (base metal)	39,187	61,531	+ 57.0	65,828	+ 68.0
(I) CAP SCREWS-UNDER .24 In.	30,372	58,742	+ 93.4	48,661	+ 60.2
(J) CAP SCREWS-OVER .24 In.	494,534	1,504,299	+ 204.2	2,029,265	+ 310.3
(K) BOLTS & THEIR NUTS	1,261,270	2,164,493	+ 71.6	2,851,705	+ 126.1
(L) NUTS - STEEL	2,195,274	3,976,865	+ 81.2	4,479,336	+ 104.0
(M) BOLTS, NUTS, SCREWS, WASHERS (Muntz or base metal)	62,296	95,930	+ 54.0	78,825	+ 26.5
(N) SPIRAL & OTHER LOCK WASHERS	75,438	138,477	+ 83.6	138,518	+ 83.6
(O) WASHERS: OTHER	99,476	258,884	+ 160.2	259,385	+ 160.8
(P) RIVETS: (Steel & base metal)	7,245	70,517	+ 873.3	64,297	+ 787.5
(Q) RIVETS: OTHER (base metal)	153,271	203,871	+ 33.0	234,646	+ 53.1
GRAND TOTAL - all above A-Q.....	5,464,069	11,394,200	+ 108.5	13,952,976	+ 155.4

SERVICE TOOLS INSTITUTE
331 MADISON AVE.-NEW YORK, N.Y. 10017

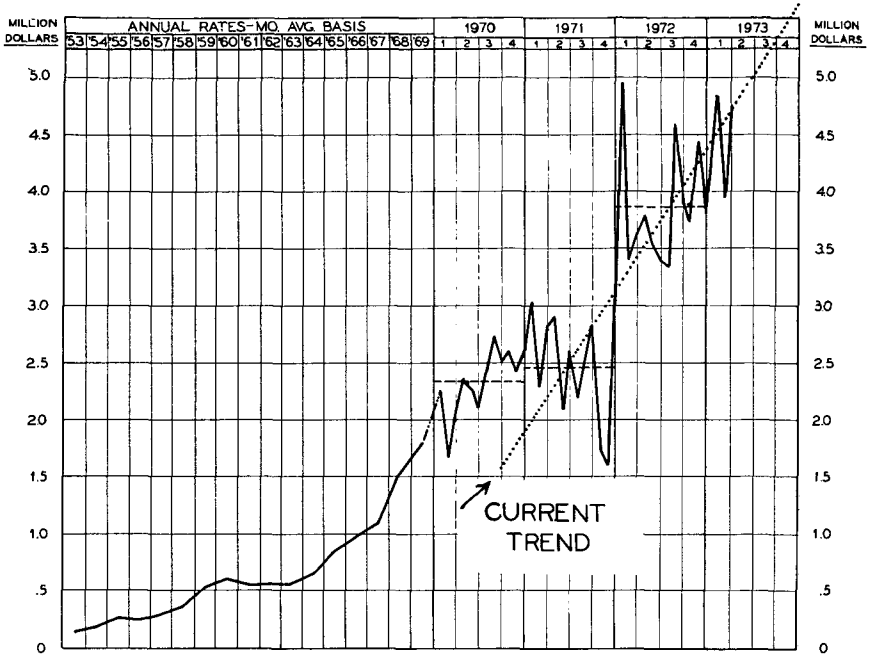
EXHIBIT-B

ISSUED

IMPORTS OF MECHANICS' HAND SERVICE TOOLS INTO U.S.A.

TOTAL - ALL TOOL PRODUCT CLASSES COMBINED- (A-L)

—DATA FROM U.S. DEPT. OF COMMERCE—



ANNUAL TREND	
YEAR	MO. AVGS.
1960	$ 602,397
1961	543,160
1962	566,767
1963	565,864
1964	654,518
1965	810,783
1966	998,978
1967	1,103,445
1968	1,531,422
1969	1,790,305
1970	2,336,560
1971	2,471,110
1972	3,878,319

MONTH & QUARTERLY COMPARISONS

MO.	1969	1970	1971	1972	1973
Jan	$ 892,705	$2,235,604	$3,044,574	$4,943,537	$4,841,090
Feb	1,486,097	1,669,425	2,299,515	3,398,969	3,931,861
Mar	1,977,532	2,098,561	2,815,243	3,622,451	4,766,890
1st Qu.	1,452,111	2,001,197	2,719,777	3,988,319	4,513,280
Apr	1,866,624	2,359,307	2,897,612	3,800,666	
May	1,956,079	2,263,689	2,092,003	3,536,789	
Jun	1,862,783	2,123,076	2,619,634	3,396,549	
2nd Qu.	1,895,162	2,248,691	2,536,416	3,578,001	
Jul	2,082,212	2,401,724	2,181,574	3,348,143	
Aug	1,870,836	2,729,895	2,500,704	4,610,372	
Sep	1,973,678	2,513,720	2,805,683	3,924,586	
3rd Qu.	1,975,576	2,548,446	2,495,987	3,961,034	
Oct	1,909,654	2,605,688	1,721,893	3,727,503	
Nov	1,713,950	2,413,308	1,590,108	4,426,062	
Dec	1,891,515	2,624,726	3,084,781	3,804,204	
4th Qu.	1,838,373	2,547,907	2,132,261	3,985,923	
Year	1,790,305	2,336,560	2,471,110	3,878,319	

FROM:
GEORGE P. BYRNE, Jr.
331 MADISON AVENUE
NEW YORK, NY

IMPORT STATISTICS OF MECHANICS' HAND SERVICE TOOLS

NEW YORK CUSTOM HOUSE DATA - BUREAU OF CENSUS - U.S. DEPT. OF COMMERCE - WASHINGTON D.C.

NEW STATISTICAL SERIES - COMMENCING SEPT. 1983

ISSUED

DATA SHOWN INCLUDES TOTAL IMPORTS FROM ALL COUNTRIES

REF.	1930 TARIFF PRODUCT DESCRIPTION	DUTY RATE APPLICABLE IN EACH PERIOD: PERIOD	% RATE	ANNUAL TOTAL IMPORTS (MONTHLY AVERAGE RATES): YEAR	DOZ/PCS	VALUATION	VALUE PER *	MO.	MONTHLY TOTAL IMPORTATIONS 1972: DOZ/PCS	VALUATION	VALUE PER *	1973: DOZ/PCS	VALUATION	VALUE PER	1974: DOZ/PCS	VALUATION	VALUE PER *	MO.
A	WRENCHES & PARTS (EXCEPT CUTTERS) (TSUS 6489740)	PRIOR RATES	21.5%	1964	NA	$ 228,590	$	Jan	NA	2,438,568		NA	2,622,021					Jan
		" "	21.5	1965	NA	285,365		Feb	NA	1,481,671		NA	2,106,365					Feb
		" "	21.5	1966	NA	350,189		Mar	NA	1,726,286		NA	2,669,399					Mar
		" "	21.5	1967	NA	426,326		Apr	NA	1,938,423								Apr
		KENNEDY ROUND	18.0	1968	NA	574,628		May	NA	1,737,334								May
		" "	17.0	1969	NA	723,946		Jun	NA	1,187,848								Jun
		" "	15.0	1970	NA	1,040,250		Jul	NA	1,583,976								Jul
		" "	13.0	1971	NA	1,192,841		Aug	NA	2,418,160								Aug
		" "	11.0	1972	NA	1,921,964		Sep	NA	2,191,353								Sep
		" "	11.0	1973				Oct	NA	1,751,677								Oct
		" "	11.0	1974				Nov	NA	2,255,486								Nov
		" "	11.0	1975				Dec	NA	1,954,787								Dec
B	PIPE WRENCHES & SPANNERS (TSUS 6489720) * = VALUE PER DOZEN	PRIOR RATES	21.5%	1964	8,526	$ 47,807	$ 5.61	Jan	37,486	287,960	7.68	36,133	262,562	7.27				Jan
		" "	21.5	1965	12,324	60,867	4.94	Feb	38,175	368,883	9.66	43,545	313,577	7.20				Feb
		" "	21.5	1966	17,421	93,803	5.38	Mar	35,177	290,193	8.25	42,642	346,187	8.10				Mar
		" "	21.5	1967	18,779	90,923	4.84	Apr	30,666	264,748	8.63							Apr
		KENNEDY ROUND	19.0	1968	49,177	166,724	3.39	May	60,037	381,018	6.35							May
		" "	17.0	1969	34,337	175,003	5.22	Jun	58,050	265,466	4.57							Jun
		" "	15.0	1970	37,158	199,265	5.11	Jul	48,546	381,678	7.86							Jul
		" "	13.0	1971	32,266	198,498	6.15	Aug	29,342	250,803	8.85							Aug
		" "	11.0	1972	42,154	310,243	7.36	Sep	37,126	327,689	8.83							Sep
		" "	11.0	1973				Oct	32,195	272,493	8.46							Oct
		" "	11.0	1974				Nov	66,645	379,118	5.69							Nov
		" "	11.0	1975				Dec	33,368	252,865	7.58							Dec
C	SLIP-JOINT PLIERS (TSUS 6488100) * = VALUE PER DOZEN	PRIOR RATES	20.0%	1964	24,842	$ 66,367	$ 2.68	Jan	96,884	400,152	4.13	78,601	346,388	4.41				Jan
		" "	20.0	1965	28,124	83,078	2.95	Feb	46,071	186,504	4.05	46,720	200,567	4.29				Feb
		" "	20.0	1966	39,9[illegible]	117,685	2.94	Mar	64,046	238,892	3.73	59,362	296,719	5.00				Mar
		" "	20.0	1967	32,962	98,761	3.00	Apr	55,695	232,280	4.17							Apr
		KENNEDY ROUND	20.0	1968	38,232	122,236	3.19	May	55,839	241,310	4.32							May
		" "	20.0	1969	47,058	158,997	3.38	Jun	62,441	253,932	4.07							Jun
		" "	20.0	1970	62,263	222,361	3.57	Jul	45,653	186,540	4.09							Jul
		" "	20.0	1971	47,803	187,676	3.92	Aug	70,436	328,136	4.66							Aug
		" "	20.0	1972	61,433	261,254	4.25	Sep	60,383	216,216	3.58							Sep
		" "	20.0	1973				Oct	69,754	314,216	4.50							Oct
		" "	20.0	1974				Nov	58,920	296,063	5.02							Nov
		" "	20.0	1975				Dec	50,069	235,147	4.70							Dec
D	PLIERS, NIPPERS, PINCERS ETC.-(SOLID JOINT) (TSUS 6488500) * = VALUE PER DOZEN	PRIOR RATES	20.0% 3.3¢	1964	31,135	$ 131,167	$ 4.21	Jan	134,350	769,700	5.73	115,307	626,243	5.43				Jan
		" "	20.0 3.3¢	1965	38,892	163,559	4.26	Feb	133,694	598,992	4.48	81,772	498,282	6.09				Feb
		" "	20.0 3.3¢	1966	43,499	202,616	4.66	Mar	116,918	625,900	5.45	103,375	652,252	6.31				Mar
		" "	20.0 3.3¢	1967	51,831	227,531	4.39	Apr	78,324	495,811	6.33							Apr
		KENNEDY ROUND	18.0 2.0¢	1968	56,815	261,249	4.60	May	64,430	494,237	7.68							May
		" "	16.0 2.5¢	1969	54,344	284,382	5.03	Jun	68,441	452,088	6.61							Jun
		" "	14.0 2.3¢	1970	71,732	370,247	5.16	Jul	68,486	476,514	6.96							Jul
		" "	12.0 2.0¢	1971	62,726	355,637	5.67	Aug	94,390	648,634	6.87							Aug
		" "	10.0 1.6¢	1972	89,460	544,219	6.08	Sep	71,560	449,936	6.29							Sep
		" "	10.0 1.6¢	1973				Oct	71,523	442,584	6.19							Oct
		" "	10.0 1.6¢	1974				Nov	100,606	579,312	5.76							Nov
		" "	10.0 1.6¢	1975				Dec	72,776	496,314	6.82							Dec
E	PLIERS-PARTS (TSUS 6488900)	PRIOR RATES	19.0%	1964	NA	$ 175	$	Jan	NA	---		NA	1,317					Jan
		" "	19.0	1965	NA	1,950		Feb	NA	2,854		NA	7,421					Feb
		" "	19.0	1966	NA	939		Mar	NA	---		NA	6,143					Mar
		" "	19.0	1967	NA	4,686		Apr	NA	---								Apr
		KENNEDY ROUND	17.0	1968	NA	1,443		May	NA	---								May
		" "	15.0	1969	NA	1,038		Jun	NA	7,668								Jun
		" "	13.0	1970	NA	2,373		Jul	NA	3,314								Jul
		" "	12.0	1971	NA	8,900		Aug	NA	---								Aug
		" "	9.5	1972	NA	2,479		Sep	NA	4,581								Sep
		" "	9.5	1973				Oct	NA	4,859								Oct
		" "	9.5	1974				Nov	NA	3,766								Nov
		" "	9.5	1975				Dec	NA	2,724								Dec
F	TIN SNIPS & PARTS THEREOF (TSUS 6489100) * = VALUE PER PIECE	PRIOR RATES	21.5% 10¢	1964	8,411	$ 2,215	$ .263	Jan	42,898	20,954	.488	58,236	42,474	.729				Jan
		" "	22.5 10¢	1965	12,205	4,248	.348	Feb	42,370	16,430	.388	75,828	45,280	.597				Feb
		" "	22.5 10¢	1966	7,399	3,214	.434	Mar	42,372	17,397	.411	45,130	28,835	.639				Mar
		" "	22.5 10¢	1967	7,896	4,057	.514	Apr	30,727	14,089	.459							Apr
		KENNEDY ROUND	20.0 9¢	1968	9,583	4,661	.486	May	21,170	9,894	.467							May
		" "	18.0 8¢	1969	15,492	7,489	.483	Jun	23,306	12,307	.528							Jun
		" "	15.5 7¢	1970	18,568	9,320	.502	Jul	18,122	10,633	.587							Jul
		" "	13.0 6¢	1971	23,288	12,249	.528	Aug	43,840	24,592	.561							Aug
		" "	11.0 5¢	1972	32,682	17,322	.530	Sep	31,782	17,409	.551							Sep
		" "	11.0 5¢	1973				Oct	24,328	16,043	.659							Oct
		" "	11.0 5¢	1974				Nov	47,090	30,224	.642							Nov
		" "	11.0 5¢	1975				Dec	33,738	17,795	.527							Dec

NA - not available

FROM:
GEORGE P. BYRNE, JR.
331 MADISON AVENUE
NEW YORK, NY

IMPORT STATISTICS OF MECHANICS' HAND SERVICE TOOLS

NEW YORK CUSTOM HOUSE DATA - BUREAU OF CENSUS - U.S. DEPT OF COMMERCE - WASHINGTON D.C.

NEW STATISTICAL SERIES - COMMENCING SEPT. 1983

DATA SHOWN INCLUDES TOTAL IMPORTS FROM ALL COUNTRIES

REF.	1930 TARIFF PRODUCT DESCRIPTION	DUTY RATE APPLICABLE IN EACH PERIOD: PERIOD	% RATE	YEAR	ANNUAL TOTAL IMPORTS (MONTHLY AVERAGE RATES): DOZ/PCS	VALUATION	VALUE PER *	MO.	MONTHLY TOTAL IMPORTATIONS 1972: DOZ/PCS	VALUATION	VALUE PER *	1973: DOZ/PCS	VALUATION	VALUE PER *	1974: DOZ/PCS	VALUATION	VALUE PER *	MO.
G	BOLT & CHAIN CLIPPERS & OTHER METAL CUTTING SHEARS (TSUS 6489500)	PRIOR RATES	21.0%	1964	NA	$ 9,500	$	Jan		166,226			73,672					Jan
		" "	21.0	1965	NA	12,359		Feb		69,916			50,874					Feb
		" "	21.0	1966	NA	15,056		Mar		32,376			71,873					Mar
		" "	21.0	1967	NA	19,141		Apr		74,087								Apr
		KENNEDY ROUND	18.5	1968	NA	16,507		May		50,494								May
		" "	16.5	1969	NA	29,345		Jun		43,334								Jun
		" "	14.5	1970	NA	26,907		Jul		41,795								Jul
		" "	12.5	1971	NA	35,047		Aug		30,235								Aug
		" "	10.5	1972	NA	64,018		Sep		40,517								Sep
			10.5	1973				Oct		44,961								Oct
			10.5	1974				Nov		59,816								Nov
			10.5	1975				Dec		74,279								Dec
H	BOLT & CHAIN CLIPPERS EXC. METAL CUTTING SHEARS INC. PIPE CUTTERS AND PARTS (TSUS 6489300)	PRIOR RATES	30.0%	1964	NA	$ 770	$	Jan		17,536			16,987					Jan
		" "	30.0	1965	NA	696		Feb		18,503			22,997					Feb
		" "	30.0	1966	NA	778		Mar		13,245			17,059					Mar
		" "	30.0	1967	NA	1,470		Apr		25,568								Apr
		KENNEDY ROUND	27.0	1968	NA	6,021		May		13,686								May
		" "	24.0	1969	NA	2,748		Jun		17,639								Jun
		" "	21.0	1970	NA	3,905		Jul		32,893								Jul
		" "	18.0	1971	NA	12,008		Aug		43,825								Aug
		" "	15.0	1972	NA	22,032		Sep		26,685								Sep
			15.0	1973				Oct		30,866								Oct
			15.0	1974				Nov		14,392								Nov
			15.0	1975				Dec		17,350								Dec
I	HAMMERS & SLEDGES WITH OR WITHOUT HANDLES,-NOT OVER 3.25 LB. EA. (TSUS 6512100) * - VALUE PER DOZEN	PRIOR RATES	22.5%	1964	14,118	$ 42,609	$ 3.02	Jan	55,206	279,018	5.05	47,698	262,893	5.51				Jan
		" "	22.5	1965	15,697	55,219	3.52	Feb	37,059	195,821	5.28	45,646	244,843	5.39				Feb
		" "	22.5	1966	18,977	68,156	3.59	Mar	39,027	173,113	4.44	40,242	234,237	5.82				Mar
		" "	22.5	1957	20,386	65,413	3.21	Apr	52,610	234,678	4.46							Apr
		KENNEDY ROUND	20.0	1968	29,832	102,837	3.45	May	34,863	151,727	4.36							May
		" "	18.0	1969	31,678	113,477	3.60	Jun	66,700	260,484	3.91							Jun
		" "	15.5	1970	35,738	134,485	3.76	Jul	50,492	215,941	4.28							Jul
		" "	13.0	1971	28,070	114,155	4.07	Aug	48,083	221,073	4.60							Aug
		" "	11.0	1972	50,696	223,339	4.41	Sep	70,635	207,703	2.94							Sep
			11.0	1973				Oct	53,534	221,463	4.14							Oct
			11.0	1974				Nov	50,500	238,363	4.72							Nov
			11.0	1975				Dec	49,660	280,646	5.65							Dec
J	CHISELS & OTHER METAL CUTTING TOOLS & PARTS (TSUS 6513100)	PRIOR RATES	22.5%	1964	NA	$ 40,499	$	Jan		165,222			155,565					Jan
		" "	22.5	1965	NA	37,232		Feb		125,730			155,890					Feb
		" "	22.5	1966	NA	39,071		Mar		143,534			128,190					Mar
		" "	22.5	1967	NA	43,909		Apr		173,914								Apr
		KENNEDY ROUND	20.0	1968	NA	86,121		May		132,224								May
		" "	18.0	1969	NA	91,414		Jun		155,219								Jun
		" "	15.5	1970	NA	99,340		Jul		112,455								Jul
		" "	13.0	1971	NA	113,409		Aug		214,468								Aug
		" "	11.0	1972	NA	154,597		Sep		160,602								Sep
			11.0	1973				Oct		146,014								Oct
			11.0	1974				Nov		186,348								Nov
			11.0	1975				Dec		138,823								Dec
K	SCREWDRIVERS (TSUS 6513700)	PRIOR RATES	21.5%	1964	NA	$ 57,627	$	Jan		294,830			320,135					Jan
		" "	21.5	1965	NA	73,995		Feb		259,854			197,247					Feb
		" "	21.5	1966	NA	77,736		Mar		278,347			259,360					Mar
		" "	21.5	1967	NA	77,988		Apr		252,048								Apr
		KENNEDY ROUND	19.0	1968	NA	144,877		May		309,499								May
		" "	17.0	1969	NA	144,280		Jun		235,599								Jun
		" "	15.0	1970	NA	180,556		Jul		239,981								Jul
		" "	13.0	1971	NA	180,553		Aug		303,195								Aug
		" "	11.0	1972	NA	247,798		Sep		194,532								Sep
			11.0	1973				Oct		310,362								Oct
			11.0	1974				Nov		228,373								Nov
			11.0	1975				Dec		188,570								Dec
L	INTERCHANGEABLE HAND TOOLS-NOT METAL CUTTING (TSUS 6494700)	PRIOR RATES	22.5%	1964	NA	$ 26,998	$	Jan		109,371			110,833					Jan
		" "	22.5	1965	NA	30,514		Feb		73,811			88,518					Feb
		" "	22.5	1966	NA	29,735		Mar		64,948			56,936					Mar
		" "	22.5	1967	NA	43,238		Apr		95,010								Apr
		KENNEDY ROUND	20.0	1968	NA	44,097		May		88,536								May
		" "	18.0	1969	NA	55,986		Jun		108,634								Jun
		" "	15.5	1970	NA	57,121		Jul		82,423								Jul
		" "	13.0	1971	NA	60,238		Aug		107,249								Aug
		" "	11.0	1972	NA	109,054		Sep		109,183								Sep
			11.0	1973				Oct		171,965								Oct
			11.0	1974				Nov		154,597								Nov
			11.0	1975				Dec		146,904								Dec

NA - not available

HAND TOOLS INSTITUTE
George P. Byrne, Secretary
331 Madison Avenue
New York, N. Y. 10017

Issued

PART I

IMPORTS OF MECHANICS' HAND TOOLS INTO U.S.A. SHOW TREMENDOUS GROWTH PATTERN FROM 1960'S TO THE 1ST QUARTER OF 1973

To properly reflect the impact being made on the domestic industry the following tabulation uses TSUSA declared valuation figures for duty purposes, (Bureau of Census) plus an estimated markup of +50%, to include the importer's normal wholesale selling price. The importer's costs over and above the declared (foreign country values) include shipping, insurance, storage, etc., plus a profit dollar markup factor.

TODAY'S IMPORTS OF ALL CLASSES OF HAND TOOLS NOW REPRESENT APPROXIMATELY 20-25% OF THE DOMESTIC MANUFACTURERS' SALES IN U.S.A. MARKET PLACE

HAND TOOL IMPORTS ANNUALLY PROJECTED THRU 1973
SHOW 700% GROWTH FACTOR OVER 1963 LEVELS
(All classes of Tools combined A-L)

TOTAL IMPORTS YEAR 1973 ($81,239,000) is

above	"	"	"	1972	(69,808,000)	by	+ 16.4%
"	"	"	"	1971	(44,480,000)	by	+ 82.6%
"	"	"	"	1970	(42,058,000)	by	+ 93.2%
"	"	"	"	1969	(32,225,000)	by	+152.1%
"	"	"	"	1968	(27,565,000)	by	+194.7%
"	"	"	"	1967	(19,862,000)	by	+309.0%
"	"	"	"	1966	(17,982,000)	by	+351.8%
"	"	"	"	1965	(14,594,000)	by	+456.7%
"	"	"	"	1964	(11,781,000)	by	+589.6%
"	"	"	"	1963	(10,186,000)	by	+697.6%

PART II

MONTHLY AVERAGE RATES OF IMPORTATIONS INTO U.S.A.

BY CLASSES OF TOOLS (ITEMS A-L)

COMPARISON LEVELS PREVAILING IN 1967 (BEFORE GATT DUTY REDUCTIONS)
COMPARED WITH RATES
FOR YEAR 1972 AND 1ST QUARTER 1973

TOOL IMPORT CLASSES	MO. AVG. YEAR 1967	MO. AVG. YEAR 1972	% OVER 1967 LEVEL	MO. AVG. 1ST QUARTER 1973	% OVER 1967 LEVEL
(A) WRENCHES & PARTS	$ 426,326	$1,921,964	+ 351	$ 2,465,929	+ 478
(B) PIPE WRENCHES & SPANNER	90,923	310,243	+ 241	307,442	+ 238
(C) SLIP-JOINT PLIERS	98,761	261,254	+ 165	281,225	+ 185
(D) PLIERS, NIPPERS, PINCERS	227,531	544,219	+ 139	592,259	+ 160
(E) PLIERS - PARTS	4,686	2,479	- 47	4,960	+ 6
(F) TIN SNIPS & PARTS	4,057	17,322	+ 327	38,796	+ 856
(G) BOLT & CHAIN CLIPPERS, ETC.	19,141	64,018	+ 235	65,473	+ 242
(H) PIPE CUTTERS & PARTS	1,470	22,032	+1399	19,014	+1194
(I) HAMMERS & SLEDGES	65,415	223,339	+ 241	247,291	+ 278
(J) CHISELS & OTHER METAL CUTTING TOOLS	43,909	154,597	+ 252	146,548	+ 234
(K) SCREWDRIVERS	77,988	247,798	+ 218	258,914	+ 232
(L) INTERCHANGEABLE HAND TOOLS-NOT METAL CUTTING	43,238	109,054	+ 152	85,429	+ 98
ALL CLASSES COMBINED	1,103,445	3,878,319	+ 252	4,513,280	+ 309

EXHIBIT-C

DIRECTORY OF MECHANICS HAND SERVICE TOOLS MANUFACTURERS

In the U.S.A.

Who are members of

THE HAND TOOLS INSTITUTE

1973 - 1974

HAND TOOLS INSTITUTE

HTI

CONSUMER • SAFETY • PROTECTION

Administrative Staff

Association Organization, Inc.

GEORGE P. BYRNE, JR.
Secretary & Legal Counsel

ROBERT M. BYRNE
Assistant Secretary & Technical Director

331 Madison Avenue
New York, New York 10017
212-661-2050

HAND TOOLS INSTITUTE
HTI

NOTE

This Directory includes the names, addresses and telephone numbers of the principal manufacturers of mechanics hand service tools and tool boxes such as:

- Body & Fender Tools
- Chisels
- Clamps
- Hammers
- Miscellaneous Tools
- Pliers
- Pullers
- Punches
- Screwdrivers
- Snips & Shears
- Tool Boxes, Chests, Roller Cabinets
- Mechanics' Tool Chests
- Mechanics' Roller Cabinets
- Portable Tool Boxes
- Valve Tools
- Vises
- Wrenches – Adjustable
- Wrenches – Box
- Wrenches – Combination
- Wrenches – Miscellaneous
- Wrenches – Open End
- Wrenches – Pipe
- Wrenches – Rim
- Wrenches – Socket
- Wrenches – Torque

Member companies may manufacture and sell other products in addition to those listed above.

The HAND TOOLS INSTITUTE (formerly the Service Tools Institute), which was founded in 1935, is the trade association of American manufacturers of MECHANICS HAND SERVICE TOOLS.

The objectives of HTI are to further the interests of its members by representing them in all matters that directly affect the MECHANICS HAND SERVICE TOOLS AND TOOL BOX industry. Of particular importance to government and industry is the coordination of revisions of federal and military specifications and standards which result in superior quality and dependability in hand tools both for government and industry. A further important objective of HTI is to educate the tool user on the proper care and safe use of Hand Tools. Cooperation with the American National Standards Institute in the creation of domestic engineering standards and development of appropriate international standards for wrenches and other tools through the International Standards Organization are other public services of HTI.

George P. Byrne, Jr.
Secretary & Legal Counsel

Robert M. Byrne
Assistant Secretary & Technical Director

HAND TOOLS INSTITUTE

SS 006 (R) 4003 4004

January 1973

HAND TOOLS INSTITUTE
1973-74 Directory

CONTENTS

	Page
HAND TOOLS INSTITUTE	
Officers and Staff	1
Executive Committee	1
Directory of Companies	2
INSTITUTE COMMITTEES	
Environmental Improvement & Occupational Safety & Health	18
Government Specifications	18
International Trade	18
Management Information Systems	19
Marketing and Merchandising	19
Membership	20
Nominating	20
Program Planning	20
Public Relations	21
Striking and Struck Tools Safety	21
Tool Box Standards	21
TECHNICAL COMMITTEES	
Adjustable Wrench	21
Plier	22
Screwdriver	22
Spin Type Socket Wrench	22
Torque Wrench	22
Wrench Engineers	22

OFFICERS AND STAFF

HAND TOOLS INSTITUTE
331 Madison Avenue
New York, New York 10017
Tel: (212) 661-2050

President ..... Herbert N. Maurer
J.H. Williams & Co.
United-Greenfield
Div. of TRW Inc.

Vice President ..... Henry K. Porter
H.K. Porter, Inc.

Secretary and Legal Counsel ..... George P. Byrne, Jr.

Assistant Secretary and Technical Director ..... Robert M. Byrne

Statistician ..... John W. Yost

EXECUTIVE COMMITTEE

1973

Richard C. Hastings, Jr.	Stanley Tools, Division of The Stanley Works
Richard M. Johnson	The New Britain Hand Tools Div. Litton Ind.
Roger K. Thompson, Jr.	Kennedy Manufacturing Co.
Arch Warden	Xcelite, Inc.

1974

Alan L. Freedman	Bergman Tool Mfg. Co., Inc.
David J. Giller	Thorsen Tool Co.
John L. Reynertson	S K Tools Tool Group Dresser Ind., Inc.
Richard P. Wright	Reed Mfg. Co.

1975

Mathias A. Klein, Jr.	Mathias Klein & Sons Inc.
John G. Lutz	Pendleton Tool Industries, Inc.
Ralph W. McIntyre	Warren Tool Corporation
Lee Schick	K-D Manufacturing Company

PAST PRESIDENTS – EX-OFFICIO MEMBERS

Rogers Palmer (Robert L. Grover, Alt.)	Snap-On Tools Corporation
Horace Armstrong (Paul Armstrong, Alt.)	Armstrong Bros. Tool Co.
Morris B. Pendleton (John O. Hovelsrud, Alt.)	Pendleton Tool Industries, Inc.
Martin M. Tveter (Les E. Hadley, Alt.)	Duro Metal Products Co.
Jack C. Malugen (Herbert N. Maurer, Alt.)	J.H. Williams & Co., United-Greenfield Div. of TRW Inc.
Hoyt C. Pease (Richard C. Hastings, Jr., Alt.)	Stanley Tools, Division of The Stanley Works
Thomas R. Hughes (H. Arthur Bellows, Jr., Alt.)	Utica Tool Co., Inc.
Marvin S. Bandoli (John O. Hovelsrud, Alt.)	Pendleton Tool Industries, Inc.
Ray D. Sulentic (James R. Sulentic, Alt.)	Waterloo Industries, Inc.
J. Allen Carmien	Nupla Corporation

DIRECTORY OF MECHANICS HAND SERVICE TOOLS AND TOOL BOX MANUFACTURERS IN THE U.S.A.

A & E MANUFACTURING COMPANY
1905 Kearney Ave.
Racine, Wis. 53403 **Tel: (414) 632-4468**

John W. Lang
John R. Lang
H. Pete Koldenborg
Aaron S. Jacobson

Products Sold: Ratcheting Box Wrenches, Socket Wrench Sets, Ignition Wrench Sets, Valve Spring Compressors, Hydraulic Valve Lifter Pullers, Thickness (feeler) Gauges.

PLUMB®
AMES Division of McDonough Co.
P.O. Box 1774
Parkersburg, W. Va. 26101 **Tel: (304) 422-6431**

Jim Campbell

Products Sold: Hammers, Hatchets, Axes, Sledges.

APEX MACHINE & TOOL COMPANY
1025 S. Patterson Blvd.
Dayton, Ohio 45401 **Tel: (513) 222-7871**

Julian G. Lange

Products Sold: Screwdriver, Power, Insert Bit, Holders for all types of recesses. Socket Wrenches, UJ Wrenches, Extensions, Magnetic and Non-Magnetic, Universal Joints (Industrial and Aircraft).

ARMSTRONG BROS. TOOL CO.
5200 W. Armstrong Ave.
Chicago, Ill. 60646 **Tel: (312) RO 3-3333**

John H. Armstrong
Paul Armstrong

Products Sold: Open End Wrenches, Combination Wrenches, Box Socket Wrenches, Spanner Wrenches, Construction Wrenches, Miscellaneous Carbon Steel Wrenches, Detachable Sockets & Drive Parts, Power Drive Sockets, Torque Wrenches, Pipe Wrenches, Punches, Chisels, Hammers, Screwdrivers, Pliers, "C" Clamps, Vises, Tool Boxes, Cabinets and Chests, etc.

BALTIMORE TOOL WORKS, INC.
1110 Race St.
Baltimore, Md. 21230 **Tel: (301) 752-5297**

H. Downman McCarty
Harry D. McCarty

Products Sold: Drills—Four Point Star, Hand, Electric, Pneumatic, Chisels, Punches, Bull Points, Caulking Irons, Wrecking Bars, Curb & Form Stakes, Miscellaneous Tools.

BERGMAN TOOL MANUFACTURING CO., INC.
1573 Niagara St.
Buffalo, N.Y. 14213 **Tel: (716) 885-5974**

Alan L. Freedman
Gregory Stillman
Arthur Nisbet

Products Sold: Snips, Battery Service Tools.

CHANNELLOCK, INC.
1306-16 S. Main St.
Meadville, Pa. 16335 **Tel: (814) 336-1175**

George S. DeArment
William A. DeArment, Sr.
William S. DeArment, Jr.

Products Sold: Hammers, Pliers, Screwdrivers, Adjustable Wrenches, Snips & Shears, Miscellaneous Tools.

CONSOLIDATED DEVICES, INC.
2120 Edwards Avenue **Tel: (213) 442-3644**
So. El Monte, Ca. 91733 **(213) 442-3657**

Bosco Grabovac
H. William Oetjen
Ivan Vuceta
Jan Van Oosten

Products Sold: Torque Wrenches — Dial — Beam — Micrometer Adjustable, Torque Screwdrivers, Torque Testers, Torque Devices, In. G R — In. Oz. — In. Lbs. — Ft. Lbs. — Mkp.

CORNWELL QUALITY TOOLS COMPANY
Mogadore, Ohio 44260 **Tel: (216) 628-2626**

Ray H. C. Moeller
Ray M. Moeller

Products Sold: Adaptors, Chisels and Punches, Drivers or Shanks, Extensions, Flex Handles, Flex Ratchets, Hammers, Impact Sockets, Screwdrivers, Pliers, Pullers, Ratchets, Sockets, Screw Extractors, Tool Boxes and Cabinets, Torque Wrenches, Universal Joints, Wrenches, Valve Tools, Body and Fender Tools.

DIAMOND TOOL & HORSESHOE CO.
4702 Grand Ave. W.
Duluth, Minn. 55807 **Tel: (218) 624-4858**

John Swanstrom

Products Sold: Electrician Solid Joint, Slip Joint, Electronics Pliers, Snips and Shears, Aviation Snips, Adjustable Wrenches, Chain Wrenches, Miscellaneous Tools, Pitching Horseshoes, Horseshoes.

DOWLEY MANUFACTURING, INC.
Spring Arbor, Mich. 49283 **Tel: (517) 750-1430**

William J. Dowley
Harold L. DeCan

Products Sold: Chisels, Pliers, Pullers, Punches, Screwdrivers, Body Fender Tools, Miscellaneous Tools.

DURO METAL PRODUCTS COMPANY
2649-59 N. Kildare Ave.
Chicago, Ill. 60639 **Tel: (312) 235-5000**

Martin M. Tveter
Les E. Hadley
William F. Hosford
Raymond E. Holt

Products Sold: Tool Boxes, Chisels, Hammers, Pliers, Pullers, Punches, Screwdrivers, Snips, Body Fender Tools, Valve Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Pipe Wrenches, Rim Wrenches, Socket Wrenches, Torque Wrenches, Pulleys, Set Screw Wrenches.

ESTWING MFG. CO.
2647 8th St.
Rockford Ill. 61101 **Tel: (815) 397-9521**

Norman Estwing

Products Sold: Hammers, Hatchets, Pry Bars.

FAIRMOUNT TOOL & FORGING DIVISION
HOUDAILLE INDUSTRIES INC.
10611 Quincy Ave.
Cleveland, Ohio 44106 **Tel: (216) 421-4312**

Anthony J. Fratianne

Products Sold: Tool Boxes, Hammers, Pliers, Pullers, Screwdrivers, Snips & Shears, Body Fender Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Pipe Wrenches, Socket Wrenches, Torque Wrenches, Miscellaneous Wrenches, Miscellaneous Tools.

HUBBARD TOOL DIVISION
Unit Rail Anchor Company
P.O. Box 4004
Pittsburgh, Penna. 15201 **Tel: (412) 781-4800**

J. H. Hines
V. A. Moyer
George Eichner

Products Sold: Picks, Sledges, Wedges, Hammers, Bars, Mattocks, Mauls and Blacksmith Tools.

HUNTER TOOLS
DIV. OF MARSHALL INDUSTRIES
9674 Telstar Ave.
El Monte, Calif. **Tel: (213) 686-0141**

Robert N. Hunter, Jr.
W. R. Olbrich
Jack Spiri
William L. Schick

Products Sold: Electronic Pliers, Tweezers, Soldering Accessories, Scissors, Screwdrivers, Nut Drivers, Work Positioners, Miscellaneous Tools.

JO-LINE TOOLS, INC.
4225 East La Palma Ave.
P. O. Box 3186
Anaheim, Calif. 92803 **Tel: (714) 524-3410**

William S. Woods
Henry A. Fredricks
John F. Robinson

Products Sold: Torque Wrenches, Torque Screwdrivers, Torque Testers, Torque Multipliers, Torque Calibrators and Special Torque Wrenches.

K-D MANUFACTURING COMPANY
Lancaster, Penna. 17604 **Tel: (717) 285-4581**

C. Paul Myers
Lee Schick
Robert Patterson
Glenn Wilde

Products Sold: Automotive Specialty Hand Tools for Batteries, Air Conditioning, Alternators, Valves, Engines, Fasteners, Foreign Cars, Tune Up & Electrical, Brake, Cooling System, Inspection Gauges, Body Tools, Wrenches, Screwdrivers, Pliers, Hex Keys, Snow Mobiles and Misc.

KENNEDY MANUFACTURING COMPANY
P. O. Box 151
Van Wert, Ohio 45891 **Tel: (419) 232-2442**

Roger K. Thompson, Jr.
Edward S. Kennedy
Delbert A. Auman

Products Sold: Tool Boxes, Tool Chests, Roller Tool Cabinets.

MATHIAS KLEIN & SONS, INC.
7200 McCormick Rd., Skokie
Chicago, Ill. 60645 **Tel: (312) 588-6820**

Mathias A. Klein, Jr.
Richard T. Klein
Charles F. Castino
Vincent Nugent

R. H. Buhrke Div.
P. O. Box 311
Ft. Smith, Ark. 72901

Paul Stiegler, Sr.

Products Sold: Hammers, Pliers, Screwdrivers, Adjustable Wrenches, Miscellaneous Wrenches, Miscellaneous Tools.

MIDWEST TOOL & CUTLERY COMPANY, INC.
Sturgis, Mich. 49091 **Tel: (616) 651-2476**

George Schmick
Peter K. Jackson
Daniel G. Schmick

Products Sold: Snips & Shears.

MILBAR CORPORATION
530 Washington St.
Chagrin Falls, Ohio 44022 **Tel: (216) 247-4600**

Jack A. Bares
Richard Cornelison
George G. Martin
A. E. R. Peterka

Products Sold: Retaining Ring Pliers, Ratcheting Box Wrenches, Torque Wrenches, Battery Tools, Wire Twisters, Oil Filter Removal Tools, Close Clearance Wrenches, Cushion Throat Diagonal Pliers, Special Automotive Tools.

MILLERS FALLS COMPANY
57 Wells Street
Greenfield, Mass. 01301 **Tel: (413) 773-5426**

R. F. (Pat) Garvey
Edward L. Daisey
William R. Bryan

Products Sold: Chisels, Hammers, Hatchets, Pliers, Punches, Screwdrivers, Snips & Shears, Tapes & Rules, Ripping & Wrecking Bars, Wrenches, Saws, Squares, Putty Knives, Hacksaw Frames.

MILWAUKEE TOOL & EQUIPMENT CO. INC.
2773 South 29th Street
Milwaukee, Wisconsin 53246 **Tel: (414) 645-0200**

Joseph B. Gutenkunst
John W. Thayer
Tom J. Gutenkunst
Richard L. Gutenkunst

Products Sold: Hardware Vises, Machinists Vises, Pipe Wrenches, C Clamps, Screw Jacks and Hydraulic Jacks, Anvils, Trench Braces.

MOORE DROP FORGING COMPANY, INC.
AN EASCO COMPANY
38 Walter Street
Springfield, Mass. 01107 **Tel: (413) 785-5381**

Raymond A. Mitchell

Products Sold: Box Wrenches, Combination Wrenches, Open End Wrenches, Socket Wrenches, Miscellaneous Wrenches.

THE NEW BRITAIN HAND TOOLS
DIV. LITTON IND.
P.O. Box 1320
New Britain, Conn. 06050 **Tel: (203) 229-1641**

Richard M. Johnson
Edmond P. Hooper
Thomas Monios
Robert A. Nelson

Products Sold: Sockets – ¼", ⅜", ½", ¾", and 1" Square Drives, Socket Sets, Open End Wrenches, Box Wrenches, Combination Wrenches, Body and Fender Tools, Brake Service Tools, Tool Chests, Chisels, Feeler Gauges, Files, Hammers, Ignition Tools, Piston Service Tools, Pliers, Pullers, Punches, Screwdrivers, Tire and Rim Tools, Valve Service Tools, Adjustable Wrenches, Pipe Wrenches, Tapper Wrenches, Torque Wrenches.

NUPLA CORPORATION
11912 Sheldon St.
Sun Valley, Calif. 91352 **Tel: (213) 875-2750**

J. Allen Carmien
Elbert Davis
John L. White
Steve Widmann

Products Sold: Surface Protective Hammers, Fiberglass (NUPLAGLAS) Replacement Handles for Hammers, Shovels, Picks, Sledges and Axes. Fiberglass (NUPLAGLAS) Handled Machinists Ball Peen Hammers, Fiberglass (NUPLAGLAS) Handled Carpenters Hammers, Fiberglass (NUPLAGLAS) Handled Sledges. Fiberglass (NUPLAGLAS) Handled Pike Poles. Miscellaneous – Special Handles of Fiberglass (NUPLAGLAS) for Hand Tools.

C. S. OSBORNE COMPANY
125 Jersey St.
Harrison, N.J. 07029 **Tel: (201) 483-3232**

Ralph D. Osborne
Foster S. Osborne
Ralph D. Osborne III

Products Sold: Mechanics' Hand Tools for Plumbers, Masons, Upholsterers and General Industrial Use.

OWATONNA TOOL COMPANY
Owatonna, Minn. 55060 **Tel: (507) 451-5310**

R. W. Kaplan
John A. Mullenmaster
Robert Allyn

Products Sold: Automotive Service Tools and Equipment for Cars, Trucks and Tractors, Mechanical and Hydraulic Gear and Bearing Pullers, Hydraulic Cylinders and Pumps. Special Automotive Tools and Equipment. Shop Presses, Engine Stands, Transmission Jacks, Mobile Floor Cranes, Tire Dolly.

PENDLETON TOOL INDUSTRIES, INC.
Box 3519 Terminal Annex **Tel: (213) 583-6815**
Los Angeles, California 90051 **(213) 589-3311**

John G. Lutz
John O. Hovelsrud
Richard H. Bushnell

Industrial—Hardware—Consumer
B. J. Messer

Automotive
R. T. Dorris

PLANTS:

Los Angeles, California 90051
Box 3519, Terminal Annex **Tel: (213) 589-3311**

Jamestown, New York 14701
Box 910 **Tel: (716) 484-7111**
H. S. Tulloch

Milwaukie, Oregon
Box 22066, Milwaukie P.O.
Portland, Oregon 97222 **Tel: (503) 654-5471**
B. H. McClain

Schiller Park, Illinois 60176
3900 Wesley Terrace **Tel: (312) 678-0500**
N. C. Fortman

Fort Smith, Arkansas 72901
Box 818 **Tel: (501) 785-1457**
C. E. Dawes

(continued on next page)

PENDLETON TOOL INDUSTRIES, INC. *(cont'd)*

Products Sold: Chisels, Hammers, Pliers, Punches, Screwdrivers, Snips & Shears, Adjustable Wrenches, Box Combination and Open End Wrenches, Pipe Wrenches, Rim Wrenches, Socket Wrenches, Tool Boxes, Metric Hand and Power Sockets, Automotive Tune-up Equipment, Scribes and Punches, Builders' Tools, Saws, Carpenters' Hammers, Planes, Bits and Accessories, Wood Working Chisels, Putty Knives, Hatchets, Drills and Drill Bits, Tool Boxes & Cabinets.

PETERSEN MANUFACTURING COMPANY, INC.
De Witt, Nebraska 68341 **Tel: (402) 683-2301**

Allen Petersen
Ralph Petersen
Christian Petersen
Richard Petersen

Products Sold: Toggle Locking Pliers, Wrenches and Clamps.

H. K. PORTER, INC.
74 Foley St.
Somerville, Mass. 02143 **Tel: (617) 776-8200**

Henry K. Porter
Harry M. Webster

Products Sold: Hand and Power Operated Tools, Special Purpose Tools, Body and Fender Tools, Pruning Tools, Miscellaneous Tools.

QUALITY TOOLS CORPORATION
Spring Arbor, Mich. 49283 **Tel: (517) 750-1840**

William J. Dowley
Harold L. DeCan

Factory: New Wilmington, Pa.

Products Sold: Chisels, Pliers, Pullers, Punches, Screwdrivers, Body Fender Tools, Miscellaneous Tools.

REED MANUFACTURING COMPANY
1425 W. 8th Street
Erie, Pa. 16512 **Tel: (814) 452-3691**

Allyn S. Wright
Richard P. Wright

Products Sold: Machinists' Bench Vises, Combination Vises, Pipe Vises, Utility Vises, Woodworkers' Vises, Sheetmetal Vises, Drill Press Vises, Pipe Wrenches, Chain Wrenches, Strap Wrenches.

REED & PRINCE MANUFACTURING COMPANY
1 Duncan Ave.
Worcester, Mass. 01601 **Tel: (617) 753-2931**

Daniel B. Richardson
James F. Convery
Bernard L. Beisecker

Products Sold: Bits and Screwdrivers for Reed & Prince Head Screws.

REM LINE DIVISION
ADVERTISING METAL DISPLAY COMPANY
4620 West 19th St.
Chicago, Ill. 60650 **Tel: (312) 242-1242**

L. C. Krueger
Gene McClenahan
George Winkley

Products Sold: Tool Chests, Cabinets, Boxes.

RIDGE TOOL COMPANY
400 Clark Street
Elyria, Ohio 44035 **Tel: (216) 323-5581**

Robert C. Baumgartner
Carl Mikovich
Harry Palmer
John Meese

Product Sold: Vises.

ROSENBERG BROTHERS & CO.
Smithtown, N.Y. 11787 **Tel: (516) 265-2200**

Joseph H. Rosenberg
Morris Rosenberg
Ross G. Rosenberg
Abraham F. Rosenberg

Products Sold: Screwdrivers, Mallets, Awls, Nut Drivers Pliers, Chisels

S K TOOLS
TOOL GROUP, DRESSER INDUSTRIES, INC.
Sales Office: 3201 N. Wolf Road
Franklin Park, Ill. 60131 **Tel: (312) 455-8210**

W. K. Downey
John L. Reynertson
Norman A. Velisek
George Baxter

PLANTS:

3535 W. 47th St.
Chicago, Ill. 60632 **Tel: (312) 523-1301**
Gene Lezaj

(continued on next page)

S K TOOLS *(cont'd)*

PLANTS *(cont'd)*

Addison, Ill. 60101 **Tel: (312) 834-7972**
Dick Fisher

Defiance, Ohio 43512 **Tel: (419) 784-1122**
Ron Shrum

Products Sold: Chisels, Pliers, Punches, Screwdrivers, Snips, Tool Boxes, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Rim Wrenches, Socket Wrenches, Miscellaneous Wrenches, Miscellaneous Tools. Torque Wrenches, Torque Testers.

SNAP-ON TOOLS CORPORATION
Kenosha, Wis. 53140 **Tel: (414) 654-8681**

Robert L. Grover
Gilbert H. McCreery

Products Sold: Tool Boxes, Chisels, Hammers, Pliers, Pullers, Punches, Screwdrivers, Snips & Shears, Body Fender Tools, Valve Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Pipe Wrenches, Rim Wrenches, Socket Wrenches, Torque Wrenches, Miscellaneous Wrenches, Miscellaneous Tools, Tune-Up Equipment, Wheel Alignment and Balancing Equipment.

STANLEY TOOLS, DIVISION OF
THE STANLEY WORKS
600 Myrtle Street
New Britain, Conn. 06050 **Tel: (203) 225-5111**

Richard C. Hastings, Jr.
Calvin L. Kaiser

Products Sold: Bit Braces, Hand Drills, Cold Chisels, Wood Chisels, Pruners, Grass Shears, Hammers, Sledges, Bars, Knives, Levels, Clamps, Mitre Boxes, Planes, Rules, Screwdrivers, Squares, "Surform" Tools, Vises.

THE L. S. STARRETT COMPANY
Athol, Mass. 01331 **Tel: (617) 249-3551**

Reginald E. Brackett

Products Sold: Mechanics' Hand Measuring Tools, Precision Instruments, Steel Tapes, Electronic Gauges, Dial Indicators, Gauge Blocks, Granite Surface Plates, Vises, Hacksaws, Hole Saws, Band Saws, Band Knives, Ground Flat Stock.

STEVENS WALDEN, INC.
475 Shrewsbury St.
Worcester, Mass. 01604 **Tel: (617) 799-4111**

John Deliso
Michael Deliso

Products Sold: Tool Boxes, Chisels, Pliers, Punches, Screwdrivers, Valve Tools, Box Wrenches, Combination Wrenches, Open End Wrenches, Rim Wrenches, Socket Wrenches, Miscellaneous Wrenches, Miscellaneous Tools.

STREAM LINE TOOLS, INC. **Tel: (704) 459-3411**
Conover, N. C. 28613 **(704) 459-3461**

Boyce Hollar

Products Sold: Automotive Fender and Body Repair Tools, Auto Creepers, Creeper Seats.

THORSEN TOOL COMPANY
1360 59th Street
P. O. Box 8092
Oakland, Calif. 94608 **Tel: (415) 658-8922**

Lawton L. Shurtleff
Jordan J. Bloom
Donald B. Shea

PLANTS:

6210 Denton Drive
P.O. Box 35669
Dallas, Texas 75235 **Tel: (214) 350-1368**

David J. Giller
Scott G. Arbuckle

CAMERON MFG. CO.
East Second Street
P. O. Box 391
Emporium, Pa. 15834 **Tel: (814) 483-3394**

George Moyer

Products Sold: Socket Wrenches, Box, Combination and Open End Wrenches, Adjustable Wrenches, Torque Wrenches, Pliers, Screwdrivers, Punches, Chisels, Pipe Wrenches, Hammers, Tool Boxes.

THE TRIANGLE CORPORATION
Cameron Road
Orangeburg, S. C. 29115 **Tel: (803) 534-7010**

H. Arthur Bellows, Jr.
Thomas R. Hughes
Jack Evans
Philip B. Bourgeois

(continued on next page)

THE TRIANGLE CORPORATION *(cont'd)*

PLANTS:

Century Tool Company, Inc.
Route One and Hulmelville Avenue
Penndel, Pa. 19047 **Tel: (215) 757-6737**

Frank Goodman
James Parker

Products Sold: Telephone Maintenance Tools and Special Tools.

Park Manufacturing Company
Main and Mosier Streets
Grant Park, Illinois 60940 **Tel: (815) 465-2111**

Anthony M. Davis

Products Sold: Tool Boxes, Machinists Chests, Mechanics Chests and Roller Cabinets.

Torque Controls Inc.
Cameron Road
Orangeburg, S. C. 29115 **Tel: (803) 534-7010**

Eugene E. Pofall
Fred Nordin

Products Sold: Torque Instruments, Torque Wrenches, Torque Screwdrivers, Torque Gauges, Torque Testers, Torque Calibrators, Special Torque Wrenches, both Torque Measuring and Torque Limiting.

Utica Tool Company, Inc.
Cameron Road
Orangeburg, S. C. 29115 **Tel: (803) 534-7010**

Thomas R. Hughes
Richard L. Carlson
Ira T. Wilkinson
Albert Talero

Products Sold: Tool Boxes, Chisels, Pliers, Pullers, Punches, Screwdrivers, Snips and Shears, Body Fender Tools, Valve Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Rim Wrenches, Socket Wrenches, Torque Wrenches, Miscellaneous Wrenches, Miscellaneous Tools.

TRUE TEMPER CORPORATION
A Member Company of
ALLEGHENY LUDLUM INDUSTRIES, INC.
1623 Euclid Ave.
Cleveland, Ohio 44115 **Tel: (216) 696-3366**

Richard C. Harris
Jack H. Howard
E. T. McGlynn
R. Z. Jambor

Products Sold: Hammers, Hatchets, Axes, Sledges, Picks, Mattocks, Wrecking and Pry Bars, Hedge, Grass, Pruning, Lopping Shears, Tree Trimmers, Garden, Lawn and Farm Tools, Shovels, Spades and Scoops, Snow Shovels, Snow Removal Equipment, Fishing Rods and Reels, Railway Track Appliances.

UNION MANUFACTURING INC.
54 Church Street
LeRoy, N.Y. 14482 **Tel: (716) 967-6252**

O. J. Mitchell
Gilman Perkins
Stephen Busch
Donald H. Jackson

Products Sold: General Purpose Utility Boxes, Cash and Bond Boxes, Plastic and Steel Drawer Cabinets, Machinists Chests, Mechanics Chests, Roller Cabinets, Steel and Plastic Fishing Tackle Boxes.

UPSON TOOLS, INC.
99 Ling Road
P. O. Box 4750
Rochester, N.Y. 14612 **Tel: (716) 663-5373**

Rudolph J. Velepec
Hubert H. Velepec
Douglas R. Velepec

Products Sold: Screwdrivers, Nutdrivers, Scratch Awls, Special Tools, Miscellaneous Tools, Hex Wrenches.

VACO PRODUCTS CO.
510 N. Dearborn St.
Chicago, Ill. 60610 **Tel: (312) 467-0123**

Harry Silverstein
Ramond Silverstein
Roy Vetzner
Sam D. Pollack

Products Sold: Screwdrivers, Nutdrivers, Pliers, Hex Wrenches, Crimping, Miscellaneous Tools, Attaching Tools.

VANADIUM TOOL CORPORATION
Athens, Ohio 45701 **Tel: (614) 593-5901**

Al T. Topping

Products Sold: Chisels, Punches, Screwdrivers, Open End, Box, Combination, Ignition, Angle Wrenches.

VAUGHAN & BUSHNELL MANUFACTURING CO.
P.O. Box 367
Hebron, Ill. 60034 **Tel: (815) 648-2446**

Howard A. Vaughan, Jr.
Edward C. Howe
G. Farlin Caufield
Robert W. Sherwood

Products Sold: Hammers, Hatchets, Axes, Pry & Wrecking Bars, Chisels, Punches, Sledges, Wedges and Hickory Striking Tool Handles.

WARREN TOOL CORPORATION
Warren, Ohio 44482 **Tel: (216) 392-1531**

Ralph W. McIntyre
Dennis M. Mosholder
Roderick L. Nimtz
John J. Rosen

Products Sold: Clamps, Chisels, Punches, Hammers, Vises.

WATERLOO INDUSTRIES INC.
Waterloo, Iowa 50704 **Tel: (319) 235-7131**

Ray D. Sulentic
James R. Sulentic
Richard T. Sulentic

Products Sold: Tool Boxes, Machinists Chests, Mechanics Chests and Roller Cabinets, Carrying Cases, Socket Trays, Socket Boxes.

WESTERN FORGE CORPORATION
4607 Forge Road
P. O. Box 3356
Colorado Springs, Colo. 80907 **Tel: (303) 636-5084**

C. William Schlosser
Rune Martin

Products Sold: Chain Wrenches, Pullers, Screwdrivers, Torque Wrenches. Punches, Chisels (Box, Combination, Open End Wrenches), Adjustable Wrenches, Pliers.

WILDE TOOL COMPANY, INC.
13th & Pottawatomie Sts. P.O. Box 30
Hiawatha, Kansas 66434 Tel: (913) 742-7171

Paul A. Froeschl, Jr.
Philip C. Froeschl

Products Sold: Chisels, Pliers, Punches, Screwdrivers, Locking Pliers, Midget Box Wrenches, Midget Open End Wrenches, Valve Tools, Awls, Piston and Ring Tools, Feeler Gauges, Wrenches, Miscellaneous Wrenches, Miscellaneous Tools.

J. H. WILLIAMS & CO.
UNITED-GREENFIELD DIVISION of TRW INC.
Buffalo, N.Y. 14207 Tel: (716) 875-3200

Herbert N. Maurer
William G. Woodbury
Peter Smolan

Products Sold: Tool Boxes, Chisels, Hammers, Pliers, Pullers, Punches, Screwdrivers, Body Fender Tools, Adjustable Wrenches, Box Wrenches, Combination Wrenches, Open End Wrenches, Rim Wrenches, Socket Wrenches, Torque Wrenches, Miscellaneous Wrenches, Miscellaneous Tools.

WILTON TOOL DIVISION OF
WILTON CORPORATION
Schiller Park, Ill. 60176 Tel: (312) 678-6600

Alexander J. Vogl
William J. Ferrick
Warren Neal

Products Sold: Clamps, Machinists Vises, Combination Pipe & Bench Vises, Woodworker Vises, Drill Press Vises, Utility Vises, Milling Machine Vises, Mechanics Vises, Jewelers Vises, Work Positioners, Air Hydraulic Machine Vises, Air Hydraulic Bench Vises.

J. WISS & SONS CO.
400 W. Market St.
Newark, N.J. 07107 Tel: (201) 622-4670

Richard R. Wiss
Kenneth B. Wiss
Richard G. Bailey
R. Garin Wiss

Products Sold: Shears and Scissors, Pinking and Scalloping Shears, Metal Cutting Snips, Hedge, Grass, Pruning and Lopping Shears, Sewing and Manicure Sets and Manicure Implements, Replacement Handles for Rakes, Forks, Shovels and Hoes, Pocket and Hunting Knives.

WOODINGS-VERONA TOOL WORKS
Verona, Penna. 15147 Tel: (412) 828-7000

Robert F. Davis
W. B. Perkins

Products Sold: Bars, Blacksmith Tools, Hammers, Mattocks, Mauls, Picks, Sledges, Wedges.

WRIGHT TOOL & FORGE COMPANY
42 E. State St.
Barberton, Ohio 44203 Tel: (216) 745-2136

Richard B. Wright
Al Bauer
Bob Bruce

Products Sold: Pullers, Combination Wrenches, Open End Wrenches, Socket Wrenches.

XCELITE, INC.
Orchard Park, N.Y. 14127 Tel: (716) 662-4461 -2-3-5

Arch Warden
Clarence F. Schwabel
Fred Davis
George Pfeiffer

Products Sold: Screwdrivers, Nutdrivers, Pliers, Wrenches, Special Tools, Miscellaneous Tools.

COMMITTEES

ENVIRONMENTAL IMPROVEMENT AND OCCUPATIONAL SAFETY & HEALTH COMMITTEE

John L. Reynertson, Chairman	S K Tools, Tool Group Dresser Industries, Inc.
Anthony J. Fratianne, Vice Chairman	Fairmount Tool & Forging Div., Houdaille Ind. Inc.
Edgar F. Howard	Pendleton Tool Industries, Inc.
Herbert N. Maurer	J. H. Williams & Co., United-Greenfield Div. of TRW Inc.
Lee Schick	K-D Mfg. Co.
Robert W. Sherwood	Vaughan & Bushnell Mfg. Co.
Richard R. Wiss	J. Wiss & Sons Co.
Richard B. Wright	Wright Tool & Forge Co.

GOVERNMENT SPECIFICATIONS COMMITTEE

David J. Giller, Chairman	Thorsen Tool Co.
Paul Armstrong	Armstrong Bros. Tool Co.
Jack A. Bares,	Milbar Corporation
Thomas R. Hughes	Utica Tool Company, Inc.
Gilbert H. McCreery	Snap-On Tools Corporation
Raymond A. Mitchell	Moore Drop Forging Company, Inc.
Morris B. Pendleton	Pendleton Tool Industries, Inc.
Ramond Silverstein	Vaco Products Co.
James R. Sulentic	Waterloo Industries, Inc.
Roger K. Thompson, Jr.	Kennedy Manufacturing Co.
Alexander J. Vogl	Wilton Tool Division of Wilton Corporation
William S. Woods	Jo-Line Tools, Inc.

INTERNATIONAL TRADE COMMITTEE

Roy Vetzner, Chairman	Vaco Products Company
Paul Armstrong	Armstrong Bros. Tool Co.
William J. Ferrick	Wilton Tool Division of Wilton Corporation
Richard Gutenkunst	Milwaukee Tool & Equipment Co., Inc.
Les E. Hadley	Duro Metal Products Co.
Richard C. Hastings, Jr.	Stanley Tools, Division of The Stanley Works
Edmond P. Hooper	The New Britain Hand Tools Div. Litton Ind.
Peter K. Jackson	Midwest Tool & Cutlery Co., Inc.
Mathias A. Klein, Jr.	Mathias Klein & Sons, Inc.
Raymond A. Mitchell	Moore Drop Forging Company
Robert Oscar	Petersen Manufacturing Co., Inc.
Allen Petersen	Petersen Manufacturing Co., Inc.
Henry K. Porter	H. K. Porter, Inc.
Louis A. Talero	Utica Tool Company, Inc.
Howard Vaughan, Jr.	Vaughan & Bushnell Mfg. Co.
Norman A. Velisek	S K Tools – Tool Group Dresser Industries, Inc.
Kenneth B. Wiss	J. Wiss & Sons Co.
William G. Woodbury	J. H. Williams & Co. United Greenfield Division of TRW Inc.
William S. Woods	Jo-Line Tools, Inc.

MANAGEMENT INFORMATION SYSTEMS COMMITTEE

Henry K. Porter, Chairman	H. K. Porter, Inc.
Clarence F. Schwabel, Vice Chairman	Xcelite, Inc.
G. Farlin Caufield	Vaughan & Bushnell Mfg. Co.
Richard Cornelison	Milbar Corporation
William J. Dowley	Dowley Manufacturing, Inc.
Paul A. Froeschl	Wilde Tool Company, Inc.
David J. Giller	Thorsen Tool Company
Richard C. Hastings, Jr.	Stanley Tools, Division of The Stanley Works
Edward C. Howe	Vaughan & Bushnell Mfg. Co.
Mathias A. Klein, Jr.	Mathias Klein & Sons, Inc.
Gilbert H. McCreery	Snap-On Tools Corporation
Ralph W. McIntyre	Warren Tool Company
Lee Schick	K-D Mfg. Co.
Ramond Silverstein	Vaco Products Co.
Richard B. Wright	Wright Tool & Forge Co.

MARKETING AND MERCHANDISING COMMITTEE

Paul Armstrong, Chairman	Armstrong Bros. Tool Co.
Robert Allyn	Owatonna Tool Company
J. Allen Carmien	Nupla Corporation
Richard Cornelison	Milbar Corporation
William A. DeArment	Channellock, Inc.
Anthony J. Fratianne	Fairmount Tool & Forging Division of Houdaille Industries Inc.
Alan L. Freedman	Bergman Tool Mfg. Co., Inc.
Les E. Hadley	Duro Metal Products Co.
Richard C. Hastings, Jr.	Stanley Tools, Division of The Stanley Works
John O. Hovelsrud	Pendleton Tool Industries, Inc.
Thomas R. Hughes	Utica Tool Company, Inc.
Peter K. Jackson	Midwest Tool & Cutlery Company, Inc.
Mathias A. Klein, Jr.	Mathias Klein & Sons, Inc.
John W. Lang	A & E Manufacturing Co.
John G. Lutz	Pendleton Tool Industries Inc.
Raymond A. Mitchell	Moore Drop Forging Company, Inc
John L. Reynerston	S K Tools – Tool Group Dresser Industries, Inc.
Robert W. Sherwood	Vaughan & Bushnell Mfg. Co.
Ray D. Sulentic	Waterloo Industries, Inc.
Howard Vaughan	Vaughan & Bushnell Mfg. Co.
Norman A. Velisek	S K Tools – Tool Group Dresser Industries, Inc.
Roy Vetzner	Vaco Products Co.
Alexander J. Vogl	Wilton Tool Division of Wilton Corporation
Arch Warden	Xcelite, Inc.
Kenneth B. Wiss	J. Wiss & Sons Co.
Richard R. Wiss	J. Wiss & Sons Co.
William G. Woodbury	J. H. Williams & Co. United-Greenfield Division of TRW Inc
Richard B. Wright	Wright Tool & Forge Company

HAND TOOLS INSTITUTE

MEMBERSHIP COMMITTEE

Morris B. Pendleton, Chairman	Pendleton Tool Industries Inc.
Thomas R. Hughes, Vice-Chairman	Utica Tool Company, Inc.
Robert Allyn	Owatonna Tool Company
J. Allen Carmien	Nupla Corporation
Les E. Hadley	Duro Metal Products Co.
Herbert N. Maurer	J. H. Williams & Co., United-Greenfield Division of TRW Inc.
John L. Reynertson	S K Tools — Tool Group Dresser Industries
Ray D. Sulentic	Waterloo Industries, Inc.
Roger K. Thompson, Jr.	Kennedy Manufacturing Co.

NOMINATING COMMITTEE

Herbert N. Maurer, Chairman	J. H. Williams & Co., United-Greenfield Div. TRW Inc.
J. Allen Carmien, Vice Chairman	Nupla Corporation
Ray D. Sulentic	Waterloo Industries, Inc.

PROGRAM PLANNING COMMITTEE

Paul Armstrong, Chairman	Armstrong Bros. Tool Co.
Automotive Section	
Les E. Hadley, Vice Chairman	Duro Metal Products Co.
Edmond P. Hooper	The New Britain Hand Tools Div. Litton Ind.
John O. Hovelsrud	Pendleton Tool Industries, Inc.
Gilbert H. McCreery	Snap-On Tools Corp.
Industrial Section	
William G. Woodbury, Vice Chairman	J. H. Williams & Co., United-Greenfield Div. of TRW Inc
Robert Allyn	Owatonna Tool Co.
Ralph W. McIntyre	Warren Tool Corporation
Alexander J. Vogl	Wilton Tool Div., Wilton Corp.
Hardware Section	
John L. Reynertson, Vice Chairman	S K Tools — Tool Group Dresser Industries
Richard C. Hastings, Jr.	Stanley Tools, Division of The Stanley Works
Thomas R. Hughes	Utica Tool Company, Inc.
Mass Merchandisers and Chains	
Raymond A. Mitchell, Vice Chairman	Moore Drop Forging Co., Inc.
David J. Giller	Thorsen Tool Company
Related Products	
Arch Warden, Vice Chairman	Xcelite Inc.
Alan L. Freedman	Bergman Tool Mfg. Co., Inc.
Roy Vetzner	Vaco Products Co.

HAND TOOLS INSTITUTE

PUBLIC RELATIONS COMMITTEE

William A. DeArment, Chairman	Channellock, Inc.
Peter K. Jackson, Vice Chairman	Midwest Tool & Cutlery Company, Inc.
G. Farlin Caufield	Vaughan & Bushnell Mfg. Co.
Robert F. Davis	Woodings-Verona Tool Works
Edward C. Howe	Vaughan & Bushnell Mfg. Co.
Calvin L. Kaiser	Stanley Tools, Division of The Stanley Works
Dennis M. Mosholder	Warren Tool Corp.
Arthur Nisbet	Bergman Tool Mfg. Co., Inc.
Ralph D. Osborne, Jr.	C. S. Osborne Co.
John Swanstrom	Diamond Tool & Horseshoe Co.
Hubert H. Velepec	Upson Tools, Inc.
William S. Woods	Jo-Line Tools, Inc.

STRIKING AND STRUCK TOOLS SAFETY COMMITTEE

Howard Vaughan, Chairman	Vaughan & Bushnell Mfg. Co.
Norman Estwing, Vice Chairman	Estwing Mfg. Co.
Robert Davis	Woodings-Verona Tool Works
Cal Kaiser	Stanley Tools, Division of The Stanley Works
Richard Langfitt	Ames — Plumb Division
Dennis Mosholder	Warren Tool Corporation
Jack Shelley	True Temper Corporation

TOOL BOX STANDARDS COMMITTEE

Gene McClenahan, Chairman	Rem Line Division, Advertising Metal Display Co.
James R. Sulentic, Vice Chairman	Waterloo Industries, Inc.
Jack Evans	Park Manufacturing Company
Edgar F. Howard	Pendleton Tool Industries Inc.
L. C. Krueger	Rem Line Division, Advertising Metal Display Co.
Gilbert H. McCreery	Snap-On Tool Corporation
O. J. Mitchell	Union Manufacturing, Inc.
Roger K. Thompson, Jr.	Kennedy Manufacturing Co.
Norman A. Velisek	S K Tools — Tool Group Dresser Industries, Inc.

TECHNICAL COMMITTEES

ADJUSTABLE WRENCH COMMITTEE

Robert F. Keppner	J. H. Williams & Co., United-Greenfield Division of TRW Inc.
Edgar F. Howard	Pendleton Tool Industries Inc.
Norman Klopping	S K Tools — Tool Group Dresser Industries, Inc.
Fred Nordin	Utica Tool Company, Inc.
Joseph Rosenberg	Rosenberg Brothers & Co.
Ramond Silverstein	Vaco Products Co.
Arch Warden	Xcelite, Inc.

96-006 (Pt. 6) O - 73 -- 15

HAND TOOLS INSTITUTE

PLIER COMMITTEE

George S. DeArment	Channellock, Inc.
David J. Giller	Thorsen Tool Company
Edgar F. Howard	Pendleton Tool Industries Inc.
Norman Klopping	S K Tools – Tool Group Dresser Industries, Inc.
Fred Nordin	Utica Tool Company, Inc.

SCREWDRIVER COMMITTEE

Alex Ciechanowski	Stanley Tools, Div. of Stanley Works
Joseph H. Rosenberg	Rosenberg Brothers & Co.
Ramond Silverstein	Vaco Products Co.
Arch Warden	Xcelite, Inc.

SPIN TYPE SOCKET WRENCH COMMITTEE

John Deliso	Stevens Walden, Inc.
Ramond Silverstein	Vaco Products Co.
Arch Warden	Xcelite, Inc.

TORQUE WRENCH COMMITTEE

Jack A. Bares	Milbar Corporation
Ray J. Blattner	S K Tools – Tool Group, Dresser Industries, Inc.
David J. Giller	Thorsen Tool Company
Raymond E. Holt	Duro Metal Products Co.
Edgar F. Howard	Pendleton Tool Industries Inc.
Peter Keane	Western Forge Corporation
Robert F. Keppner	J. H. Williams & Co., United-Greenfield Div. of TRW Inc.
Richard C. Langdon	The New Britain Hand Tools Div. Litton Ind.
H. William Oetjen	Consolidated Devices, Inc.
Floyd Preslan	Snap-On Tools Corporation
Jan S. Stasiek	Torque Controls, Inc.
William S. Woods	Jo-Line Tools, Inc.

COMMITTEE OF WRENCH ENGINEERS

David J. Giller	Thorsen Tool Company
Raymond E. Holt	Duro Metal Products Co.
Edgar F. Howard	Pendleton Tool Industries Inc.
Peter Keane	Western Forge Corporation
Robert D. Keppner	J. H. Williams & Co., United-Greenfield Div. of TRW Inc.
Norman Klopping	S K Tools – Tool Group Dresser Industries, Inc.
Ray G. Knudsen	Snap-On Tools Corp.
Richard C. Langdon	The New Britain Tools Div., Litton Ind.
Raymond A. Mitchell	Moore Drop Forging Co., Inc.
George A. Moyer	Thorsen Tool Company
Fred Nordin	Utica Tool Company, INc.
Floyd Preslan	Snap-On Tools Corporation
Norbert Schmit	S K Tools – Tool Group Dresser Industries, Inc.
Richard B. Wright	Wright Tool & Forge Co.

HAND TOOLS INSTITUTE

LIST OF

STANDING COMMITTEES

Executive

Environmental Improvement & Occupational Safety & Health

Government Specifications

International Trade

Management Information Systems

Marketing and Merchandising

Membership

Nominating

Program Planning

Public Relations

Striking and Struck Tools Safety

Tool Box Standards

Eleventh Edition
1971 - 1972

Directory of SCREW MANUFACTURERS in the U.S.A.

List of Producers of:

CAP SCREWS
MACHINE SCREWS
MACHINE SCREW NUTS
SET SCREWS
TAPPING SCREWS
WOOD SCREWS

ISSUED BY

U.S. MACHINE SCREW SERVICE BUREAU

TAPPING SCREW SERVICE BUREAU

U.S. WOOD SCREW SERVICE BUREAU

U.S. CAP SCREW AND SPECIAL THREADED PRODUCTS BUREAU

331 Madison Avenue,
New York, N. Y. 10017
212 661-2050

NOTE: *This directory has been prepared for the convenience of Government agencies and other purchasers of various types and kinds of screws.*

Revised editions of this booklet will be published and made available when necessary.

GEORGE P. BYRNE, JR.,
Secretary

ROBERT M. BYRNE,
Technical Director

U.S. Machine Screw Service Bureau
Tapping Screw Service Bureau
U.S. Wood Screw Service Bureau
U.S. Cap Screw and
Special Threaded Products Bureau

331 Madison Avenue
New York, N. Y. 10017
212 661-2050

January 1971

DIRECTORY OF SCREW MANUFACTURERS IN THE U.S.A.

CS — Cap Screws **SS — Set Screws**
MS — Machine Screws **TS — Tapping Screws**
MSN — Machine Screw Nuts **WS — Wood Screws**

Accurate Threaded Fasteners, Inc. **MS - TS**
3550 West Pratt Avenue Tel: 312-583-5300
Chicago, Ill. 60645

Harry Burg, President
Larry A. Pulley, Executive Vice President
Larry Howard, Sales Manager
Robert Haavind, Asst. Secretary
Lawrence Burg, Treasurer

American-Monarch Corp. **CS**
5900 Park Avenue Tel: 216-883-1550
Cleveland, Ohio 44105

David P. Bauer, President and Chairman of Board
V. J. Karliak, Vice President
L. V. Buescher, Secretary
E. Palascak, Treasurer

American Screw Co. **MS - MSN - TS - WS**
A Textron Division Tel: 703-228-3127
Wytheville, Va. 24382

Vern E. Lentz, General Manager
Howard F. Jacobson, Sales Manager, O.E.M.
Stanley C. Sorneson, Sales Manager, Distributor

American Screw Products Co. **SS - CS**
5185 Richmond Road Tel: 216-292-5900
Bedford Heights (Cleveland), Ohio 44146

Henry G. Dacey, Vice President & General Manager
Kenneth T. Deranek, Comptroller
John C. Tate, Plant Manager

Anchor Fasteners, **MS - TS**
Div of Buell Ind. Inc. Tel: 203-756-7001
Box 2029
Waterbury, Conn. 06720

John A. Largay, Chairman of Board
Vincent B. Largay, President
Alfred P. Kachergis, Sales Manager

Anchor Fasteners, **MS - TS**
Div of Buell Ind. Inc. Tel: 216-292-7161
26101 Fargo Avenue
Bedford Heights, Ohio 44014

John A. Largay, Chairman of Board
Vincent B. Largay, President
Alfred P. Kachergis, Sales Manager

Armco Steel Corporation **CS**
Steel Division Tel: 816-483-5100
7000 Roberts Street
Kansas City, Mo. 64125

W. H. Fancher, Manager—Sales Fastener Products

The Atlas Bolt & Screw Co. **CS - MS - SS - TS**
1130 Ivanhoe Road Tel: 216-451-7033
Cleveland, Ohio 44110

H. C. Weidner, Jr., President
D. H. Harrison, Vice President and Secretary-Treasurer

Bellford Metal Products **CS - SS**
25701 Richmond Road Tel: 216-292-2550
Cleveland, Ohio 44146

James G. Rayburn, President

Bethlehem Steel Corporation **CS**
Bethlehem, Pa. 18016 Tel: 215-694-6344

J. L. Humphrey, Mgr. of Industrial Fastener Sales
George H. Lee, Jr., Asst. Mgr. of Industrial Fastener Sales

The Blake & Johnson Co. **MS - TS - WS**
S.C. Highway #86 Tel: 803-846-8191
Beaufort, S. C. 29902

Ridgway M. Hall, Chairman of the Board
C. P. White, Sr., President & Treasurer
C. P. White, Jr., Vice President
Harold O. Danielson, Vice President—Sales
Fred L. Lawton, Vice President in Charge of Production
David McEwan, Vice President, Kentucky Mfg. Div.
Edwin B. Powell, Jr., Vice President, Connecticut Mfg. Div.
Ridgway M. Hall, Jr., Secretary
John McEwan, General Sales Mgr.

Butcher & Hart Mfg. Company **MS**
4601 Cortland Avenue Tel: 814-944-1641
Altoona, Pa. 16603

Robert Watchorn II, President
Robert Watchorn III, Director of Sales & Purchasing
M. R. Dodson, Sales Correspondent

CSM Screw Products Company **MS**
2105 Southport Avenue **Tel: 312-327-1200**
Chicago, Illinois 60614

J. S. Molan, President
L. A. Molan, Vice President
J. Resko, Treasurer
P. H. Johnson, Secretary

Camcar Screw & Mfg. **MS - TS**
A Textron Division **Tel: 815-965-9451**
600 18th Avenue
Rockford, Ill. 61101

Ray H. Carlson, President
James L. Holland, Executive Vice President
L. E. Dempsey, Vice President
R. E. Sellin, Vice President

Central Screw Company **MS - MSN - TS - WS**
2530 Crescent Drive **Tel: 312-344-7722**
Broadview, Ill. 60153

R. B. Warren, President & Treasurer
Robert E. Munson, Executive Vice President
R. E. Nelson, Vice President-Secretary
G. W. Neimy, Assistant Treasurer
Yolie Maxwell, Assistant Secretary

Clark Metal Products, Inc. **MS**
75 Kings Highway Cut-Off **Tel: 203-333-5171**
Fairfield, Conn. 06430

M. A. Tristine, President
D. R. Neary, Vice President
E. A. Tyler, Secretary
X. J. Galgota, Sales Manager

Continental Screw Company **MS-MSN-TS-WS**
459 Mt. Pleasant Street **Tel: 617-993-2621**
New Bedford, Mass. 02742

C. H. Wardwell, Chairman
P. J. Morgan, President
James W. Sherrington, Vice President, Manufacturing
Carl G. Gulbranson, Treasurer
Herman G. Muenchinger, Director, Product Engineering
James R. Bowers, General Sales Manager
Donald H. Sleeper, Manager of Advertising & Sales Promotion
Arthur D. Bancroft, Jr., Asst. to the President

Jos. Dyson & Sons Inc. **CS**
Corporate Offices: **Tel: 216-946-3500**
33300 Lakeland Blvd.
Eastlake, Ohio 44094

J. R. Crosby, Executive Vice President
J. A. Rossman, Vice President & General Manager

Fastener Division Offices: **CS**
53 Freedom Road **Tel: 216-357-7595**
Painesville, Ohio 44077

R. C. Nichols, General Manager
C. H. Rood, Sales Manager

Eaton Yale & Towne Inc. **MS - MSN - TS**
Reliance Division **Tel: 216-832-1511**
25 Charles Avenue, S.E.
Massillon, Ohio 44646

Robert L. Richards, General Manager, (Reliance Division)
John L. Knott, General Sales Manager, (Reliance Division)

Elco Industries, Inc. **CS - MS -**
1111 Samuelson Road **MSN - TS - WS**
Rockford, Ill. 61101 **Tel: 815-397-5151**

John P. Kasper, President & General Manager
Jack W. Packard, Executive Vice-President—Treasurer
John N. Rathke, Vice President—Sales
Bert A. Lindstrom, Vice President—Engineering
Donald Janssen, General Sales Manager
Frank Fiorenza, Secretary & Controller
Lloyd Ward, Works Manager

Everlock Chicago Inc. **MS**
Sub. of Microdot Inc. **Tel: 312-243-8808**
1640 West Hubbard Street
Chicago, Ill. 60622

Vincent Virruso, Vice President & General Manager
Gail Rutledge, Industrial Sales Manager

E. W. Ferry Screw Products Co., Inc. — **CS - MS - TS**
Tel: 216-251-4422
5240 Smith Road
Cleveland, Ohio 44142

T. J. Ferry, President
R. W. Ferry, Vice President—Treasurer
R. E. Ferry, Vice President—Manufacturing
C. G. Goldbach, Treasurer
Wm. C. Doody, Sales Manager—O.E.M.
W. J. Ferry, Vice President—Sales

The Ferry Cap & Set Screw Co. — **CS - SS**
2151 Scranton Road — **Tel: 216-771-2533**
Cleveland, Ohio 44113

Harold D. North, Jr., President
William H. North, Vice President, General Sales Manager
Dan J. Cantillon, Vice President, Industrial Sales
John R. Warner, Asst. Vice President
C. O. DeWoody, Secretary
J. E. O'Malley, Asst. Secretary

Fischer Special Mfg. Co. — **MSN**
446 Morgan Street — **Tel: 513-961-1280**
Cincinnati, Ohio 45206

Carl H. Fischer, President
Harry F. Fischer, Secretary & Treasurer

Great Lakes Screw Div. of U.S. Industries, Inc. — **MS - TS**
Tel: 312-468-9600
13631 South Halsted Street
Chicago, Ill. 60627

Robert A. Crawford, Chairman of the Board
Jennings A. Crawford, President
William O. Stockdale, Executive Vice President
Paul G. Wooster, Vice President, Controller
Girard J. Brenneman, Vice President, Sales
Lee Loudermilk, Senior Vice President of Manufacturing
Ray Thurston, Vice President, Engineering

H. M. Harper Co. — **CS - MSN - TS - WS - SS**
8200 Lehigh Avenue — **Tel: 312-966-6000**
Morton Grove, Ill. 60053

Scott Harrod, President
H. M. Harper, Jr., Vice President and Treasurer
John Mengel, Vice President—Marketing
John A. Stevenson, Vice President—Corporate Planning

Harvey Hubbell, Incorporated Wiring Devices Division — **MS - TS**
Tel: 203-333-1181
State & Bostwick
Bridgeport, Conn. 06602

G. R. Weppler, President and Chairman of the Board
W. H. Gatenby, Vice President—Manufacturing
Richard W. Anderson, Sales Manager—Fasteners

Illinois Tool Works, Inc. — **MS - TS**
8501 West Higgins Road — **Tel: 312-693-3040**
Chicago, Ill. 60631

Harold Byron Smith, Chairman
S. S. Cathcart, President
J. R. Russell, Senior Vice President & Secretary
Harold B. Smith, Jr., Executive Vice President—Operations
R. D. Tuttle, Group Vice President—Fastener Divisions
H. R. Crowther, Vice President, Shakeproof Division
S. A. Smith, Vice President—Licensee Division

Indiana Metal Products A Textron Division — **TS**
Tel: 219-223-3131
Rochester, Ind. 46975

R. H. Carlson, President
J. L. Holland, Executive Vice President

International Screw Co. Sub. of Microdot Inc. — **MS - TS - SS - MSN - CS - WS**
9444 Roselawn Avenue — **Tel: 313-933-4700**
Detroit, Mich. 48204

Harry Docks, Chairman of the Board and Treasurer
Arthur W. Zelda, President
Paul Stocky, Vice President and Secretary

Keeler Brass Company — **TS - WS**
955 Godfrey Avenue, S.W. — **Tel: 616-245-1144**
Grand Rapids, Mich. 49502

P. F. Steketee, Jr., Chairman
M. S. Keeler II, President
N. R. Campbell, Vice President
William S. Bennett, Secretary-Treasurer
R. C. Viestenz, Asst. Secretary
James Ball, Sales Manager

KLI, Inc. **CS - SS**
26841 Tungsten Road Tel: 216-261-2100
Cleveland, Ohio 44132

C. L. Kerr, Chairman of Board
R. W. Kerr, President
Irvan H. Elder, Vice President
L. M. D'Onle, Secretary
H. E. Harper, Manager of Sales, Fastener Division

Lake Erie Screw Corporation **CS**
13001 Athens Avenue Tel: 216-521-1800
Cleveland, Ohio 44107

John C. Wasmer, Sr., Chairman of Board
John C. Wasmer, Jr., President
James A. Dorenkott, Vice President
George F. Wasmer, Vice President—Operations
Wm. A. Rawlings, Jr., Vice President—Sales
Chester Czerski, Chief Engineer
George J. Durkin, Secretary
Donald P. Hoke, Manager—Customer Service
Milosh D. Milenkovich, Chief Metallurgist

The Lamson & Sessions Co. **CS**
5000 Tiedeman Road Tel: 216-267-5000
Cleveland, Ohio 44144

Harold F. Nunn, Chairman of the Board
George J. Graebner, President
Walter C. Loeman, Group Vice President

Lanman Bolt & Forge Co., Inc. **CS**
151 Street & McCook Avenue Tel:-219-398-0275
East Chicago, Ind. 46312

G. B. Lanman, Jr., President
Robert Lowery, III, Vice President—Sales
C. B. Lanman, Secretary

Midland Screw Corp. **TS - MS**
4045 S. Morgan St. Tel: 312-254-5500
Chicago, Ill. 02709

Marshall Brayman, President & General Sales Manager
George Kates, General Manager
William Thomas, Sales Manager

Milford Rivet & Machine Co. **MS**
857 Bridegport Ave. Tel: 203-878-4631
Milford, Conn. 06460

Robert M. Gordon, President
Fred D. Bauce, Executive Vice President
D. Wheeler Clark, Vice President—Marketing

Screw and Bolt Division **CS**
Modulus Corporation Tel: 412-547-2383
P.O. Box 2619
Pittsburgh, Pa. 15230

Thomas A. Fribley, President

Screw and Bolt Division **CS**
Modulus Corporation Tel: 312-427-7204
837 Peoples Gas Building
Chicago, Ill. 60603

Paul Schroeder, Western Regional Sales Manager
Claude Anderson, Asst. Western Regional Sales Manager
Wm. N. Hoelzel, Manager—Railroad Product Sales
A. G. Mandich, Plant Manager

Southington Hardware Division **MS - TS - WS**
Modulus Corporation Tel: 203-628-5531
Southington, Conn. 06489

George C. Jackson, General Manager
George King, Sales Manager

National Lock Company **CS - MS - SS - TS - WS**
Division of Keystone Tel: 815-226-1000
Consolidated Industries, Inc.
45 Kishwaukee Street
Rockford, Ill. 61101

John R. Sommer, President
James S. Erkert, Vice President & General Manager
Kenneth E. Flodin, Vice President, Sales & Marketing
Roger W. Erkert, Vice President—Manufacturing
Kurt E. Steiner, Controller
E. William Hucke, Director of Engineering
Elmer M. Kittlesen, Plant Manager
Rudolph C. Kozlik, Mgr., Manufacturing Engineering
J. Robert Evans, Traffic Manager

Delta Metal Forming Division
Greenville, Miss. 38701 Tel: 601-332-0966
Beatty Moore, Plant Manager
Albert W. Anderson, Sales Manager

Impex Division Tel: 317-362-0800
Crawfordsville, Ind. 47933
Vincent Adamski, Vice President & General Manager

The National Screw & Manufacturing Co. **CS - MS - MSN SS - TS - WS**
8100 Tyler Blvd. Tel: 216-255-4471
Mentor Ohio 44060

Mort Maurer, President
R. H. Akers, Vice President—Engineering
J. L. Lockard, Vice President, Finance and Administration
Stanley R. Westberg, Group Vice President and General Manager, Eastern Division
William R. Conover, Vice President of Sales—Fastener Divisions
Richard H. Leukart, Secretary

Cleveland Division Tel: 216-255-4471
8100 Tyler Blvd.
Mentor, Ohio 44060

Frank Tobin, Plant Manager
Joseph F. Morrow, Chief Engineer

California Division
3423 South Garfield Avenue Tel: 213-685-8760
Los Angeels, Calif. 90022

Melvin S. Mann, Vice President & General Manager

Chandler Products Corporation (Division of the National Screw & Manufacturing Co.) Tel: 216-481-4400
1491 Chardon Road
Cleveland, Ohio 44117

R. H. Akers, General Manager

Southern Division Tel: 205-734-8383
U.S. Highway #31, South
Cullman, Ala. 35055

Edward M. Oswald, General Manager

Olympic Screw & Rivet Corporation **CS - MS - TS**
Subsidiary of Armco Steel Corporation
11445 S. Dolan Street Tel: Downey: 213-861-7251
Downey, Calif. 90241 Chicago: 312-782-4082
Dayton: 513-298-4301

T. C. Rogers, General Manager
H. G. Freed, Sales Manager

Wm. H. Ottemiller Co. **CS - SS**
Pattison St. & M. & P.R.R. Tel: 803-968-2945
York, Pa. 17405

C. F. Ottemiller, President
W. H. Ottemiller, Jr., Vice President
Creston F. Ottemiller, Jr., Treasurer & Plant Manager
William T. Wolf, Secretary

Parker-Kalon Division **TS**
USM Corporation Tel: 201-471-1000
Clifton, N. J. 07014

Kenneth A. Perko, General Manager
Robert Hoffman, Market Manager
Jack C. Comiskey, Director of Marketing

Pawtucket Manufacturing Co. **CS**
327 Pine Street Tel: 401-725-3880
P.O. Box 879
Pawtucket, R. I. 02862

Edwin C. Harris, President
Kent W. Harris, Vice President and General Manager
Morris Carter, Secretary and Treasurer

Pawtucket Screw Company, Inc. **MS - TS**
143 Hughes Avenue Tel: 401-724-6800
Box 474
Pawtucket, R. I. 02861

William W. Stover, President
Thomas A. Moore, Sales Manager

Perfection Screw & Rivet Mfg. Co., Inc. **MS - TS**
Town Line Road Tel: 203-879-1461
Wolcott, Conn.
Mailing Address: P.O. Box 1857
Waterbury, Conn. 06720

Raymond L. Valerio, President
Michael Mendillo, Vice President
H. John Weisman, Secretary
V. Charles Valerio, Treasurer

Pheoll Mfg. Co. **CS - MS - MSN - SS - TS - WS**
Division of Allied Products Corp.
5700 Roosevelt Road Tel: 312-261-0300
Chicago, Ill. 60650

Stanley C. Adamek, President
Frank Mears, Vice President—Sales
Bruce Olsen, Chief Engineer
E. Thomas, Production Manager
E. Puchalski, Plant Manager

Pheoll of New England **MS - MSN - TS**
Division of Allied Products Corp.
52 Norwood Street Tel: 203-482-6571
Torrington, Conn.

E. Vestewig, General Manager

Pilgrim Screw Corporation **MS - TS**
P.O. Box 1452 Tel: 401-274-4090
Providence, R. I. 02901

Fred T. Sahakian, President
Gary E. Grove, Treasurer & General Manager

Pioneer Screw & Nut Co. **CS - MS - MSN - SS - TS - WS**
2700 York Road
Elk Grove Village, Ill. 60007 Tel: 312-766-9000

Howard D. Hirsch, Chairman of the Board
Robert A. Hirsch, President
Gerald A. Capizzi, Executive Vice President
Howard Unger, Vice President

Reed & Prince Mfg. Co. **CS - MS - MSN - TS - WS**
1 Duncan Avenue
Worcester, Mass. 01601 Tel: 617-753-2931

Edgar Reed, President
Daniel B. Richardson, Chief Executive Officer—General Manager
Laurence D. Ebersole, Vice President—Treasurer
Ronald J. Smith, Asst. Vice President—Sales
Walter T. Nelson, Vice-President—Secretary
Bernard L. Beisecker, Vice President—Manufacturing
Clifton P. Wilson, Advertising Manager

Republic Steel Corporation **MS**
Bolt & Nut Division Tel: 216-574-9745
1970 Carter Road
Cleveland, Ohio 44113

E. L. Bartsch, General Manager of Sales Bolt & Nut Division

Rockford Products Corporation **CS - MS - MSN - SS - TS - WS**
707 Harrison Avenue
Rockford, Ill. 61101 Tel: 815-397-6000

Ward P. Lidbetter, President
Edward L. Stonefield, Administrative Vice President
Merrill Anderson, Vice President—Manufacturing
G. S. Broski, Treasurer
A. R. Hillman, Assistant Treasurer
Howard J. Landstrom, Secretary
Richard A. Norberg, General Sales Manager

St. Louis Screw & Bolt Co. **CS**
6900 N. Broadway Tel: 314-381-0430
St. Louis, Mo. 63147

James E. Schiele, President

Southern Screw Company **MS - MSN - TS - WS**
Box 1360
Statesville, N. C. 28677 Tel: 704-873-7213

Richard K. Martin, President
John D. King, Vice President

Standard Pressed Steel Company
Corporate Offices Tel: 215-884-7300
P.O. Box 608, Benson-East
Jenkintown, Penna. 19046

H. T. Hallowell, Jr., President & Chairman of the Board
R. M. Braga, Executive Vice President
J. A. Graham, Vice Pres., Corporate Planning & Development
R. L. Sproat, Vice Pres., Engineering & Development

Industrial Fastener Division **CS**
Division Offices Tel: 313-731-5000
44225 Utica Road
Utica, Mich. 48075

Stanley Belsky, General Manager

Cleveland Cap Screw Plant
4444 Lee Road Tel: 216-581-3000
Cleveland, Ohio 44128

T. Palmer, Plant Mgr.

Stanadyne, Inc. **CS - SS**
Executive Offices Tel: 203-525-0821
P.O. Box 1440
Hartford, Conn. 06102

M. J. Perrin, President

Stanscrew Fasteners **CS - SS**
2701 Washington Blvd. Tel: 312-378-7400
Bellwood, Ill. 60104

R. E. Stuart, General Manager
T. R. Veech, General Sales Manager
J. E. Marek, Manager of Operations

Sterling Bolt Co. **MS**
Division Allied Products Corp. Tel: 312-656-6500
5401 W. Roosevelt Road
Chicago, Ill. 60650

J. Hirtenstein, Vice President & General Manager

Texas Bolt Company **CS**
3233 West 11th Street Tel: 713-869-7111
Houston, Texas 77008

W. M. Dickson, President
Dale L. Martin, Asst. to President

Time Screw & Mfg. Corp. **CS - MS - TS**
2801 Huffman Blvd. Tel: 815-965-9591
Rockford, Ill. 61101

Tom Lorentzen, General Manager

Towne Robinson Fastener Co. **CS**
Subsidiary of Tel: 313-581-3200
Key International, Inc.
4401 Wyoming Avenue
Dearborn, Mich. 48121

J. R. Hibler, President
L. M. Kaspers, General Manager
E. S. Myers, Administrative Vice President

Tru-Fit Screw Products Corporation **CS**
13000 Athens Avenue Tel: 216-226-8040
Cleveland, Ohio 44107

H. E. Workman, President
C. E. Workman, Vice President
M. J. Toth, Sales Manager, Tru-Weld Division
R. Law, Chief Engineer

United Screw and Bolt Corp. **CS - MS - SS - TS**
5800 Denison Avenue Tel: 216-651-1100
Cleveland, Ohio 44102

R. E. Kramer, Chairman of Board
F. L. Sonneman, President
R. H. Seitz, General Sales Manager
J. R. Tellson, Vice President, New Jersey Division

Universal Screw Co. **TS - MS**
MSL Industries Inc./Fastener Group
11000 Seymour Avenue Tel: 312-671-0200
Franklin Park, Ill. 60131

Richard E. Riker, President
Robert O. Kramer, Vice President—Sales
Ronald C. Kostrewa, Controller
George Bessette, Manager of Manufacturing

Wales-Beech Corporation **MS - TS - WS**
2240 15th Street Tel: 815-398-0444
Rockford, Ill. 61101

John War Williams, President & General Manager
Ronald E. Barr, Vice President—Sales
Helen (Mrs. T. R.) Williams, Secretary

Whitney Screw Corporation **WS - MS - TS**
Box 784 Tel: 603-883-7771
Nashua, N. H. 03060

Donald F. Jeffery, President
Alan G. Jeffery, Asst. to the President
Lovell P. Whitney, Treasurer
Richard G. Doyle, Asst. Treasurer

MEMBER COMPANIES—SOCKET SCREW PRODUCTS BUREAU

American Chain & Cable Co., Inc., Bristol Socket Screw Division, Post Office Box 1750, Waterbury, Conn.
Holo-Krome Co., Brook Street, West Hartford, Conn.
KLI, Inc., 26841 Tungsten Road, Euclid, Ohio.
Mac-it Co., A Division of Veeder Indus., Inc., 275 East Liberty Street, Lancaster, Pa.
George W. Moore, Inc., 100 Beaver Street, Waltham, Mass.
Safety Socket Screw Corp., 6501 North Avondale Avenue, Chicago, Ill.
Standard Pressed Steel Co., Post Office Box 608, Benson-East, Jenkintown, Pa.
Unbrako Division, SPS, Highland Avenue, Jenkintown, Pa.
Stanscrew Fasteners, 2701 Washington Boulevard, Bellwood, Ill.
Teale Machine Co., Post Office Box 936, Rochester, N.Y.

MEMBER COMPANIES—TUBULAR AND SPLIT RIVET COUNCIL

American Rivet Co., Inc., 11330 West Melrose Street, Franklin Park, Ill.
Chicago Rivet & Machine Co., 950 South 25th Avenue, Bellwood, Ill.
Miami Rivet Co., 500 West 84th Street, Hialeah, Fla.
Milford Rivet & Machine Co., 857 Bridgeport Avenue, Milford, Conn.
National Rivet & Manufacturing Co., 21 East Jefferson Street, Waupun, Wis.
Edwin B. Stimpson, 900 Sylvan Avenue, Bayport, Long Island, N.Y.
J. L. Thomson Fastener & Machine Co., A Subsidiary of IBEC, 200 Sawyer Road, Waltham, Mass.
Townsend/TRS Division, Box 71, Ellwood City, Pa.
Trojan Rivet Co., 1833 Dana Street, Glendale, Calif.

[The following letter was subsequently received:]

CAP SCREW & SPECIAL THREADED PRODUCTS BUREAU,
New York, N.Y., June 14, 1973.

Subject: Supplement to Statement of George P. Byrne, Jr. Before the Ways and Means Committee, United States House of Representatives on May 21, 1973

JOHN M. MARTIN, Jr., Esq.,
Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR MR. MARTIN: As representative of the Cap Screw and Special Threaded Products Bureau, the membership of which includes manufacturers of cap screws and special threaded products, located both in the United States and Canada, I respectfully request and urge that no changes in H.R. 6767 be recommended by the Ways and Means Committee of the House of Representatives which would in any way upset the Automotive Trade Agreement between the United States and Canada, or any trade relationship with our good friends who manufacture screws and special threaded products in Canada. We also respectfully request and urge that when H.R. 6767 is discussed by the Ways and Means Committee in its Executive Session that Canadian manufacturers of screws and special threaded products be considered as belonging to the special category of North American manufacturers who are not undermining the welfare of United States threaded fastener manufacturers.

In accordance with our conversation with your office today, please add this letter to my statement (title page attached), before the Ways and Means Committee on May 21, 1973.

Yours very truly,

GEORGE P. BYRNE, Jr.,
Secretary.

Mr. ROSTENTOWSKI. Thank you, Mr. Byrne.

Mr. Brotzman.

Mr. BROTZMAN. I want to thank you for your statement, Mr. Byrne. You are quite correct in your recital. As I studied this particular proposition, having had it called to my attention, it seemed to me that the current result or the effect was unintended. I don't believe this was the intent of the original law. I don't really understand why the Customs changed its ruling after it made the initial ruling that it would be

dutiable at 37 percent. I don't understand that change. I know there was a small change in the product itself because they merely added a little glaze to it, as far as the performance of the chip itself, I don't think it changed that in any respect. Did it?

Mr. BYRNE. Right. We can't conceive any satisfactory reason for that change.

Mr. BROTZMAN. But the net result now is that as it is currently construed it is dutiable at 6 percent, whereas after the Kennedy round it would have been dutiable at 15 percent?

Mr. BYRNE. That is correct. That is what we are asking for now if we could at least get back to the 15 percent.

Mr. BROTZMAN. And merely to enact this particular bill either solely or as a part of this act, to get the law back to what it was intended to be in the first place?

Mr. BYRNE. That is right. If we don't, in due time this little industry won't exist in this country. It won't be here if we don't get adequate protection for it.

Mr. BROTZMAN. I know we do have such a plant in Colorado. What other States are affected?

Mr. BYRNE. Tennessee, South Carolina, New Jersey and Wisconsin are the principal States where these are manufactured.

Mr. BROTZMAN. Nine in all.

Mr. BYRNE. Yes, nine States in all. Golden, Colo.; Riverside, Calif.; West LaFayette, Ind.; Frenchtown, N.J.; Shreve and Toledo, Ohio; Sarver, Pa.; Laurens, S.C., and Chattanooga, Tenn.

Mr. BROTZMAN. Thank you.

Mr. ROSTENKOWSKI. Mrs. Griffiths will inquire.

Mrs. GRIFFITHS. I would like to thank you for your statement.

One of America's largest tool makers lives in my district and he told me a few months ago the tool business in this country was in worse condition than it had been even at the depth of the 1930's; that they were really in serious condition.

Mr. BYRNE. I would have to reserve comment on that until I know which branch of the tool industry that is. There are branches of that industry which have been through a very serious recession, particularly cutting tools and machine tools, in the last 18 months or 2 years.

Mrs. GRIFFITHS. Thank you very much.

Mr. ROSTENKOWSKI. Any further questions?

Mr. Waggonner.

Mr. WAGGONNER. Mr. Chairman, I would just like to ask Mr. Byrne what the effects on the segment of the tool, screw, and nut business you represent here today would be if we do none of these protective things you are talking about, that you recommend, and the United States at the same time goes on the metric system.

Mr. BYRNE. Going on the metric system, so far as screws are concerned, and bolts and nuts, because of the threads, it is a very costly and important change and it means that we are probably going to make the change while the Europeans, Japan, and other nations already on the metric will not have to make this change. We are converting in a way that will make it more possible for them to export over here and we, instead of they, will have to carry two stocks. At the present time, if they want to supply over here, they have to carry a second stock to

do it. So I can't see anything but considerable unilateral cost to our domestic industry to make this change. Metric is coming and is going to be here, there is no question about that.

I believe that our industry tariff position or protection position is going to be less viable because of it. We will be in a more difficult position.

Mr. WAGGONNER. I want to point up, I think you have done that, you in particular with the people you represent are in double jeopardy at the present time. You are faced with not just the problem of trading under existing circumstances, but having to make some real changes in your manner of doing business when we do move to the metric system, as it appears that we are going to.

Mr. BYRNE. Exactly.

Mr. WAGGONNER. Thank you, Mr. Chairman.

Mr. ROSTENKOWSKI. Thank you, Mr. Byrne.

Mr. BYRNE. Thank you, Mr. Chairman.

Mr. ROSTENKOWSKI. Our next witness is Mr. William Hannon.

If you will identify yourself. You may summarize your statement, if you like, and it will appear in the record in its entirety.

STATEMENT OF WILLIAM M. HANNON, CHAIRMAN, BICYCLE MANUFACTURERS ASSOCIATION, ACCOMPANIED BY THOMAS F. SHANNON, GENERAL COUNSEL

Mr. HANNON. I prefer to read my statement, Mr. Chairman.

My name is William H. Hannon and I am president of the Murray Ohio Manufacturing Co. of Nashville, Tenn., and I appear today as chairman of the American Bicycle Manufacturers Association.

Mr. ROSTENKOWSKI. If you will suspend.

I didn't know you were from Tennessee. I know our colleague would like to greet you.

Mr. FULTON. I would like to extend a welcome to Mr. Hannon and apologize for the lateness of the hour. I know you manufacture high speed bicycles, a pedaling one. Even though you do, I know you don't have to pedal one back to Nashville tonight.

I do want to welcome you, and our colleague, John Duncan, joins me.

Mr. ROSTENKOWSKI. You may proceed.

Mr. HANNON. Thank you.

The American Bicycle Manufacturers Association is a nonprofit trade association with headquarters in New York City. A list of the members of the association is attached. These members produce 85 percent of all the bicycles manufactured in the United States. I have with me today Thomas F. Shannon, our general counsel.

I appreciate the opportunity to come before you today to express the position of the Bicycle Manufacturers Association with regard to the legislation currently pending before this committee.

We are here because we are deeply concerned about the future of the domestic bicycle industry and realize that the trade legislation which emerges from this committee will determine whether this industry and its workers can prosper and grow or whether we become a decadent part of the American industrial scene. The question is immediately raised: Why should an industry that has been described by many as one of the most "dynamic growth" industries of the 20th century be con-

cerned with imports? The American public has been buying bicycles at an expanded rate. The bicycle has been described by enthusiasts as a great nonpolluting means of transportation and exercise and offers unique opportunities to conserve energy. The American public has demanded better and more bikeways and Congress is responding by appropriating money for such bikeways. This is an industry where sales to the retailer have gone from approximately 5 million units in 1964 to 14 million units in 1972.

The following table illustrates quickly and succinctly why the U.S. bicycle manufacturers are deeply concerned about the import problem in the domestic market.

[The table referred to follows:]

Year	Domestic bicycle production	Bicycle imports	Total U.S. bicycle sales	Percent import to total sales
1964	4,083,000	1,010,000	5,093,000	19.8
1965	4,619,000	1,039,000	5,658,000	18.3
1966	4,829,000	927,000	5,756,000	16.1
1967	5,180,000	1,117,000	6,298,000	17.7
1968	5,988,000	1,534,000	7,500,000	20.4
1969	5,089,000	1,971,000	7,060,000	27.9
1970	4,951,000	1,947,000	6,898,000	28.2
1971	6,519,000	2,339,999	8,585,000	26.4
1972	8,751,000	5,156,000	13,907,000	37.1

Mr. HANNON. With the increasing development of a large bicycle market has come a deluge of imported bicycles into the United States which has increased imports from 1,000,000 units in 1964 or 19.8 percent of our market to 5,516,000 units in 1972 or 37.1 percent of our market. While domestic sales were more than doubling; imports were growing fivefold. In 1973 imports for the first three months totaled 1,581,000 units as compared to 827,000 units for the same period of 1972, this is an increase of 91 percent. Their share of the domestic market increased from 34 percent to 44 percent for this period. At that rate it is conceivable that foreign producers will have over 50 percent of the bicycle market in the United States by the end of this year.

Most of these bicycles come in at a low duty rate of approximately 5 percent and they come from over 40 countries including such diverse places as Japan, Korea, Taiwan, Poland, India, and the China mainland. Incidentally, in the first quarter of this year more imported bicycles came from Taiwan than any other country. Taiwan had a 500 percent increase over the first quarter 1972. Is it fair that these foreign producers should completely overrun a market that we have developed in the United States? It is difficult for an industry like this to prosper while a large part of our growth is being taken by imports.

Perhaps no other industry is affected by international trade in as many ways as bicycle manufacturing. Imports of bicycles from low-wage countries have created severe hardships for American producers; yet imported parts from some of these same countries are essential to our industry because many parts are simply unavailable from domestic sources.

At first glance, our position with regard to imports may appear inconsistent: restrain import of bicycles while allowing a free flow of

parts. This apparent inconsistency evaporates, however, upon close examination.

While American bicycle manufacturers prefer to buy domestically, unfortunately many components are simply not manufactured here; others are not available in the quantities demanded. Faced with stiff competition from imported bicycles, and lack of domestic supply for parts, American manufacturers have gone abroad for a source of supply. The Bicycle Manufacturers Association would support legislation permitting free importation of any product so long as such unrestricted importation did not cause dislocation in the market or substantially injure American manufacturers.

IMPORT RELIEF

It has become increasingly popular to brand individuals and organizations as either "protectionist" or "free trade". This is unfortunate. The issues involved in international commercial policy are much too complex for these simplistic labels. The Bicycle Manufacturers Association supports a program of open borders, tempered with an internationally recognized system of orderly marketing arrangements.

The current status of the American bicycle industry vividly demonstrates the basis of our position. American bicycle producers are faced with a vast array of escalating costs and decreasing freedom to make economic decisions.

In the past 10 years, our labor costs have gone up 75 percent; our average fixed overhead has increased 62 percent; our raw materials costs have escalated 37 percent. On the other hand, various levels of government have established increasingly restrictive regulations regarding such matters as workmen's compensation, minimum wage, in-plant safety, pollution control and a vast array of social legislation. All of this adding to the cost of doing business. This is not to say such legislation is undesirable; many of the social policies these laws are designed to foster are long overdue.

One of the effects of these regulations has been to further limit the ability of the American industry to compete effectively with imported products. Free from the regulatory power of your government, and free to pay wages no American worker would accept, many foreign manufacturers are able to produce bicycles at much less than the American producer. Further, the commercial policies of some countries allow—and even encourage—business practices long outlawed in the United States. Market division, price fixing, and predatory pricing are hallmarks of some overseas producers. Governments in some countries openly subsidize the operations of their own domestic products: the taxpayers of Japan, for example, help Japanese companies undersell American products on the U.S. market.

A senior executive of one of our major companies has just returned from a visit to the Far East. He can personally attest that wages and fringe benefits in Taiwan and Korea are one-tenth of those in his plant. These plants are well equipped. Some operate in the most modern free trade zones in the world. While productivity in our U.S. factories is perhaps the highest in the world, it is impossible to pay 10 times the wage and fringe cost, meet higher safety and pollution standards, pay higher taxes, and be competitive.

The bicycle industry is not an inefficient industry clamoring for "protection" from efficient foreign manufacturers. We only ask for a chance to compete fairly—on an equal basis—with imported products. The legislation you are considering here recognizes the fundamental problems I have been discussing. Unfortunately, this recognition has not resulted in effective mechanisms for dealing with these problems. The legislation would give the President unrestricted authority to act when he felt imports were becoming a serious problem. I suggest he already has much of the authority he is now requesting. Congress must reaffirm its constitutional obligation to provide guidance in our international trade policy. Standards must be established which would automatically impose restrictions on imports competing with American products when they accelerate precipitously; the antidumping and countervailing duty laws should be strengthened. "Escape clause" cases should be allowed even where the injury to a domestic industry cannot be traced to a change in our Tariff Schedules. Administrative guidelines for all these proceedings should be made more explicit—not blurred as H.R. 6767 suggests.

Also there should be provision in the new legislation which guarantees domestic producers a fair share of the domestic market. Our industry would be agreeable to allowing imported bicycles to attain up to 20 percent of the domestic market. The 9-year table in the early part of my report shows that imported bicycles averaged 23.5 percent of the domestic market over the past 9 years, including the 37.1 percent which they attained in 1972. We are now facing for 1973 the fact that they will possibly have about 50 percent of the domestic market. Our industry, aside from what is shipped to our overseas military bases, does not export a single bicycle. Because of our labor costs, we are not competitive in the world market; also foreign trade barriers add considerably to our prices.

In short, the trade bill you finally report should establish clear standards and methods by which American industry can be guaranteed an opportunity to compete in its own market and retain a fair share of this domestic market. This is not protectionism. In recognition that we are operating under different standards than in much of the world, we can't continue our present practice of giving foreign producers unlimited access to our markets without destroying jobs here. It is the major reason for our unfavorable balance of trade today.

SUPPORT OF H.R. 6642—DUTY PARTS SUSPENSION BILL

As I mentioned previously, our industry is dependent upon fair international trade as we are injured by the disruptive practices of foreign producers.

If we are to even begin to compete with imported bicycles, we must cut costs wherever possible. One of the ways we accomplish this is through importation of component parts from abroad, a number of such parts are either not made in this country or are made here in very limited quantities. A great help to domestic manufacturers in lowering their costs over the last 3 years has been "duty suspension" on these parts. A bill—H.R. 6642—is up for renewal this year to cover the next 3 years starting January 1, 1974. We sincerely hope that this bill will be passed. It is of utmost importance to us. The domestic Bicycle

Parts Manufacturing Association unanimously endorses this bill, as they recognize its importance for their survival also.

As I said in my earlier remarks, if it can be demonstrated that increased imports of any product—including bicycle parts—are substantially injuring a domestic industry, then decisive action must be taken. Absent such a finding, however, the consumer should be permitted to benefit from the lowest possible cost. Further, our industry should not be placed at a further competitive disadvantage as against imported bicycles by selective restrictions on foreign made parts.

In summary, the Bicycle Manufacturers Association favors trade legislation which would:

1. Recognize that foreign manufacturers do not have the same "ground rules" of fair business practices that American companies are required to observe, and set up ways to protect American industry.

2. Establish firm administrative guidelines for enforcement of this trade policy.

3. Incorporate a "trigger mechanism" for restrictions of imports when injury to an American industry appears imminent.

4. Allow free, unrestricted trade in any product when injury to an American industry appears remote, particularly when imposition of tariffs or other restrictions could significantly disrupt the American market. We, therefore, request extension of the suspension on duty pats as contained in HR 6642.

5. We request that bicycles be exempted by legislation from any attempt to reduce the already low duties on such products from the less developed countries. No significant product differentiation exists between imported and domestically produced bicycles. Developing countries, including those presently importing bicycles, devalue their currencies in line with dollar devaluations. They maintain currency parity and their competitive position in the U.S. market despite U.S. dollar devaluations. With bicycles coming from 40 different countries you can see that any further duty reductions could be disastrous.

In summation, we hope that this committee will enact meaningful trade legislation which will guarantee the orderly marketing of products into the United States together with adequate legislative safeguards to protect American industry from a flood of unrestricted imports.

Thank you for your consideration.

Mr. BURKE [presiding]. Are there any questions?

Mr. Fulton is recognized.

Mr. FULTON. I want to commend the witness for a well articulated statement and one I find myself in agreement with.

Mr. Hannon, you mentioned on page 3 how the American bicycle industry had created a demand for bicycles. I wonder if you could tell us approximately how much the budget of bicycle manufacturers group is for advertising bicycles.

Mr. HANNON. We contribute to the amount of around 8 cents a bicycle to the Bicycle Manufacturers Association and, roughly, 75 to 80 percent of that budget is used to promote bicycles in the country.

Mr. FULTON. That is, of course, aside from the percentage set aside by each of the manufacturers of bicycles.

96-006 (Pt. 6) O - 73 -- 16

Mr. HANNON. Yes, that is aside from what each company does on our own.

Mr. FULTON. Would the yearly amount used to promote bicycles be 5 million, 10 million? Could you give us an estimate?

Mr. HANNON. I don't have a handle on that but can get it for you. Very little is spent by the foreign manufacturers.

Mr. FULTON. That is what I was getting at.

Mr. HANNON. We developed this market ourselves through a great amount of promotion through the schools, high schools, and adult cycling.

Mr. FULTON. I don't believe I ever saw an advertisement for a bicycle manufactured in Japan, Taiwan, or Korea.

Mr. HANNON. Possibly there might be one in a trade magazine but that would be the extent.

Mr. FULTON. How many bicycle manufacturers are in the United States?

Mr. HANNON. There are a total of eight. There are seven in our association and Schwinn is not in our association.

Mr. FULTON. As I recall, when this committee recommended cessation of duty on bicycle parts, there was no opposition from the bicycle manufacturers.

Mr. HANNON. None from the manufacturers or the parts manufacturers, because these parts are in very short supply so the American parts manufacturers, to my knowledge, do not export any parts. Their survival is making parts for us. If we go down the drain, they do also.

Mr. FULTON. You are interested in having the duty suspended on parts in short supply, or no supply?

Mr. HANNON. Principally no supply. You are talking about chain 3-speed, 5-speed and 10-speed gears.

Mr. FULTON. When did we start importing bicycles from Mainland China?

Mr. HANNON. I don't know that. It is fairly recent.

Mr. SHANNON. They have been showing up for the last three months on the import statistics. Most are being purchased in Hong Kong.

Mr. FULTON. Do you have any figures on what percentage of this gargantuan increase in the first quarter of 1973 was result of the bicycles from China.

Mr. SHANNON. It was very slight.

Mr. HANNON. The biggest increases are from Japan through Taiwan and Korea. The manufacturers there are financing movement of the industry to those two countries.

Mr. FULTON. Do any of the members of your association happen to have plants in foreign countries?

Mr. HANNON. No, none of our group does, and neither does Schwinn. We are all domestically located.

Mr. FULTON. I thank you for your appearance.

Mr. BURKE. Mr. Duncan.

Mr. DUNCAN. I also want to welcome you to the committee and commend you for an excellent statement.

Let me ask, I notice the bicycle imports increased from 1971 from 2,339,999 to 5,156,000. To what do you account for that great increase?

Mr. HANNON. It is principally price.

Mr. DUNCAN. Have bicycles gone up generally?

Mr. HANNON. Yes, they have gone from 5 million to 14 million, but foreign sales have gone from 1 million to 5 million and our sales have gone from 4 million to 8½ million.

Mr. DUNCAN. Do you export bicycles?

Mr. HANNON. The only bicycles the industry exports are what we sell to the Army, Navy and Marine exchanges. We don't stand a chance to export a single bicycle.

Mr. DUNCAN. You couldn't compete with foreign countries?

Mr. HANNON. That is right.

Mr. DUNCAN. Almost all yours is domestic sales?

Mr. HANNON. Every one of them.

Mr. DUNCAN. What barriers would you have if you try to sell abroad, other than cheap labor?

Mr. HANNON. They vary from each country. In certain countries you have a certain tax when you enter the port and as you cross each country line your taxes go up from that.

Mr. DUNCAN. Would you be able to tell me what barriers you might have in Taiwan or Japan on the sale of bicycles?

Mr. HANNON. I don't know.

Mr. DUNCAN. You would have some non-tariff barriers, wouldn't you?

Mr. SHANNON. One of our companies wrote to the Japanese Ministry of Trade Industry and asked for permission to try to export bicycles to Japan. They got a letter back from MTI stating our bicycles were not compatible with their bicycle riders and that was the end of the conversation.

Mr. DUNCAN. Could you get a copy of that letter and enter it in the record?

Mr. SHANNON. Yes, I certainly will.

[The letter referred to follows:]

YAMAHA EXPORTING, INC.,
Buena Park, Calif., February 21, 1973.

Mr. ROBERT R. HUFFMAN,
President and General Manager,
The Huffman Manufacturing Co.,
Azusa, Calif.

DEAR BOB: Our Yamaha Motor Company, Ltd., of Japan, has completed the evaluation of the 16 samples of your bicycles which we exported to Japan. They have made a thorough and complete study of the bicycle market in Japan in comparing the Huffman Bicycle with the Japanese produced bicycles.

I am sorry to inform you that the evaluation of the parent company which (see attached) resulted in a negative interest on behalf of Yamaha Motor in importing Huffman Bicycles into Japan.

I would like to take this opportunity to thank you for your cooperation and interest in Yamaha Exporting, Inc.

Sincerely,

LEON J. STURMAN,
Director of Marketing.

Attachment.

YAMAHA MOTOR CO., LTD.,
Iwata-Shi Shizuoka-Ken, Japan, February 13, 1973.

Re: the Huffman bicycles.

Mr. PETER SUZUKI,
Liaison Manager, Yamaha Exporting, Inc., Buena Park, Calif., U.S.A.

DEAR MR. SUZUKI: We have made a thorough study of the sixteen (16) samples of the Huffman bicycles which you sent us previously and of the possibility of importing these bicycles to Japan. We regret very much to inform you that the result of our study has turned out to be negative and we are unable to comply with your request.

We have come to this conclusion based on the following reasons:

1. As compared with the Japanese made bicycles, the appearance of the Huffman bicycles is not very good. In other words, the finish detracts from the overall appearance. This is due to the welding of the frame, surface treatment after welding and coating. The customers here are very much concerned about appearance, demanding greater care in surface finish.

2. Prices for the Huffman bicycles will have to be higher than that of the Japanese made bicycles. Although we realize that the Huffman bicycles are good in quality, we are quite doubtful whether whatever difference in quality there may be would justify the difference in price.

3. Japanese made parts are used on the Huffman bicycles where one can easily notice, such as derailleur. This will be a disadvantage when we announce to the public that the Huffman bicycles are of extremely high grade and are different from the Japanese made bicycles.

As you are no doubt aware, the Japanese made bicycles are of very good quality. There is a wide selection of such bicycles available on the market here from sports bicycles to mini cycles. Their design and color are very attractive and finish excellent. Consequently, the competition among the bicycle manufacturers here is very severe.

To compete with them we will have to have bicycles either with outstanding features and quality or bicycles which are less expensive than the ones available now.

Due to the reasons stated above, we have judged that it would be very difficult for us to establish a market for the Huffman bicycles in Japan.

We are sorry that we have to decline your kind offer this time, but we sincerely hope that you will understand our decision.

Yours very truly,

M. HARA,
Import Department, International Division.

Mr. FULTON. Will the gentleman yield?

Mr. DUNCAN. Yes.

Mr. FULTON. I just wondered, the margin of profit for the distributor of an American manufactured bicycle, taking a figure from the possible retail it would receive with possibly a 20 or 25 percent markup, what percentage of markup would that retailer receive on a foreign imported bicycle?

Mr. HANNON. I don't know that. I can just relate it to what he can buy that bicycle for, say, landed in Chicago or Los Angeles or Detroit. It is cheaper than we can land the same bicycle in those same cities. So as far as overall industry profit, I can just speak for ourselves. We make from 3½ to 4 percent net.

Mr. BURKE. Mr. Waggonner.

Mr. WAGGONNER. Mr. Chairman, I can't help comment the association trying to do business with Japan sent literature on boys' bicycles rather than girls' or children's and they couldn't figure out how these girls could ride these boys' bicycles over there with their long kimonos.

You talk of creating a demand for bicycles in this country. Hasn't our system of credit and installment buying had about as much to do with buying bicycles through the years, especially back in those depression days, as anything else?

Mr. HANNON. No, that is not true. What has made the growth in the American industry in the last 10 years is the fact that now we have four markets for bicycles and formerly we had just one, we had only children and grade school. Once a child was in high school, it wasn't the "in thing" to do to ride bicycles. Now we have grade school children, high school children, college students and adults. We have worked hard to make those four markets.

Mr. WAGGONNER. Does your bicycle association manufacture these exercise cycles?

Mr. HANNON. Yes, we do.

Mr. WAGGONNER. You made a statement that I am not in any way in disagreement with. You made a statement in a manner that I think we have got to accept and face up to, but the only thing is I don't know what to do about it. I commend you for making it in the manner that you did but I am not aware in a prepared statement that any other witnesses in the course of these hearings has said what you said. I am not trying to provoke an argument, but what you said was that our cost of labor to produce in this country was excessive. I think you meant it in a relative way with foreign competition.

I think that is one of our big problems and we have to face up to it. The only thing is I am not interested in lowering our standard of living and I don't know how to bring theirs up to ours to increase their cost of production. I do have the real fear that we are going to aggravate the problem you speak of if we go too far toward allowing a special treatment for these so-called emerging nations where I think these foreign investors will flock to and send us more of what we already have too much of.

Mr. HANNON. That is what we are facing. Japan has become less competitive so they have taken their capital and put it in Korea and Taiwan. To add to that, that is why we feel the fair basis is a quota system. As I said in my statement, we are certainly agreeable if they have 20 percent of our market but we don't feel our business should go down the drain as we are going from 37 percent this year to 50 percent.

Mr. WAGGONNER. I want to thank you for a good statement and say you are well represented from Tennessee here on this committee today and in Congress. If you can't make money in Tennessee, you are going to have trouble making money everywhere, even in Louisiana.

Mr. HANNON. Thank you. We do believe in paying our employees well. We have a profit-sharing plan that includes every employee in our company. We believe our people should be well paid.

Mr. BURKE. I was looking over your list of firms here. There are a number on this committee from those States. There is a member from Illinois and an important one from Arkansas, Mr. Mills. From Pennsylvania we have the ranking minority member on this committee. A member from Massachusetts, and you may be interested to know from California you have two members on the committee.

You have Mr. Vanik from Ohio and Mr. Carey and Mr. Conable from New York. You have two firms in Ohio. You have two outstanding members from Tennessee and another firm in New York. You are pretty well represented on the committee as far as bicycle manufacturers are concerned.

I want to commend your two members here from Tennessee. I know they are concerned about your problem. We also are glad to see Tom Shannon.

You made an excellent statement and let's hope we can help you well.

Mr. HANNON. Thank you.

Mr. SHANNON. Thank you, Mr. Congressman.

Mr. BURKE. Our last witness is Carroll Warrell, vice-president of the Cycle Parts and Accessories Association.

We welcome you.

STATEMENT OF CARROL J. WARRELL, VICE PRESIDENT, CYCLE PARTS AND ACCESSORIES ASSOCIATION, ACCOMPANIED BY DAVE GOLDEN, COUNSEL

Mr. WARRELL. My name is Carrol J. Warrell, and I am president and general manager of the Carlisle Tire & Rubber Co., a division of the Carlisle Corp. located at Carlisle, Pa. I am also vice president of the Cycle Parts and Accessories Association. My appearance before you today is on behalf of the Cycle Parts and Accessories Association.

My associate is Dave Golden, counsel for the Cycle Parts and Accessories Association.

The Cycle Parts and Accessories Association consists of 46 member firms engaged in the manufacture and sale of component parts and accessories for bicycles. See appendix A.

This trade association was organized for the purpose of advancing the welfare of the domestic cycle parts and accessories industry and promoting the distribution of the products of this industry. This would include brakes, chains, bicycle tires and tubes, and so on. Unfortunately due to the ruinous amount of imports, the purpose of this association is now the protection of the very existence of the industry. Whereas there has been a tremendous boom in the manufacture, sale and use of bicycles over the past few years, this has only accentuated and increased the imports of bicycle parts and accessories, to the detriment of domestic manufacturers of such articles. A continuation of the upward trend of such imports will only serve to destroy the remaining segments of this industry.

I would like to submit my statement for the record.

Mr. BURKE. Your entire statement will be inserted.

Mr. WARRELL. I plan to summarize in oral testimony the previously prepared statement. I will give additional testimony on one of my industry's major concerns in the proposed bill on which the committee may receive little testimony from other sources.

In this bill the administration is asking for the broadest type of authority to enter into new trade agreements involving trade expansion and tariff reduction that was ever requested by the executive branch of Government. The provision for congressional review of the proposed negotiated treaties is wholly inadequate, and even more important, based on the recent dramatic failure of the Trade Expansion Act of 1962 to achieve its objective we question the giving of broad power to the executive branch.

Should the bill emerging from the committee give the President authority to negotiate new tariff provisions, the granting of the authority should be spelled out and the tightest possible congressional review be mandated before implementation. Our experience over the past 10 years has shown that trade legislation frequently permits wide discretion by the administrators of the bill or wide discretion is taken by the administrators of the legislation, to the disadvantage of domestic industries, including our own.

Our industry believes realistic quotas provide the most effective and appropriate relief possible to domestic industries suffering from indiscriminate imports.

Further, the administration bill provides for the elimination of the country-of-origin marking on imported articles. It is tremendously

difficult to visualize the advantage to U.S. industry in such a move. We are in a period of time when Congress is concerned, and rightly so, with the consumers' right to know a whole host of things about the products he purchases. These include the size of the product, its weight, its ingredients or chemical formula in the product, calorie content per serving, if applicable, truthful advertising claims, full explanation of financing charges, et cetera.

With this kind of concern it seems only proper that the country-of-origin marking be continued as it is presently for the full benefit of the consumer. If this deters the consumer from buying a foreign product, then so be it.

One of the most frightening provisions of this proposed trade bill is the suggested elimination of tariffs on products of so-called developing nations. Many portions of the cycle parts industry have long been subjected to foreign manufacturers taking more and more of the domestic market and at the same time standing by helplessly while a greater and greater proportion of bicycles flowing to this country from abroad. This latter market is wholly denied us.

Domestic companies dropping out of making bicycle parts has been steady for the last 20 years. Since the Kennedy round of tariff provisions went into effect, the Uni-Royal Tire Co. completely gave up manufacturing parts, then Bendix, a manufacturer of coaster brakes, lessened its domestic production and built a plant in Mexico to supply the U.S. market.

My company, Carlisle Tire & Rubber, has seen a relentless increase in the market penetration by the foreign bicycle tire manufacturers from a substantial 20 percent in 1961 to 70 percent in 1972 and now an increase to 75 percent penetration in the first quarter of 1973.

In the early 1960's the primary competition was from the European countries and they gave way to the Japanese in the late 1960's who still hold about half the bicycle tire import. Now it can be seen by statistics that the developing nations, particularly Taiwan and South Korea, are coming up fast.

In 1969 the developing nations only accounted for about 5 percent of the total imports of bicycle tires. By 1972 the developing nations accounted for 74 percent so we see the same pattern as Europe and then Japan starting all over again in Southeast Asia.

All of the developing nations have a plentiful supply of inexpensive labor and what is needed most to raise their standards is capital, technical asistance and marketing expertise. The one thing that is not needed in our judgment is tariff reduction.

Further, the administration bill provides for the protection of four industries: textile products, footwear, watches, and certain steel products, from the effects of lower or elimination of tariffs afforded developing nations on the basis of import sensitivity applied to these industries.

There is no criteria established for other industries or products to qualify as being import sensitive. This we believe to be grossly unfair. No industry should be given consideration over any other based on its size or SIC number exclusively.

The development of a reasonable import sensitivity criteria should be included in a rework of the proposed bill. If it is, I feel sure many

segments of American industry, including the cycle parts and accessories, would regroup and qualify for favored treatment.

Gentlemen, the cycle parts and accessories industry has been hard hit by imports over the years, and has seen a substantial volume as recently as 1964 grow fivefold by 1972, with every indication that 1973 will be more of the same. It is an industry made up of 46 companies, mostly small and medium-sized businesses, many of them family owned who are asking you to not worsen our competitive position still further by the type of trade bill proposed by the administration.

I thank you for your attention this afternoon to this testimony and would be pleased to respond to any questions you may have.

[Mr. Warrell's prepared statement follows:]

STATEMENT OF CARROL J. WARRELL, CYCLE PARTS AND ACCESSORIES ASSOCIATION

Mr. Chairman and Members of the Committee: My name is Carrol J. Warrell and I am President and General Manager of the Carlisle Tire & Rubber Company, a Division of the Carlisle Corporation located at Carlisle, Pennsylvania. I am also a Vice President of the Cycle Parts and Accessories Association. My appearance before you today is on behalf of the Cycle Parts and Accesories Association.

The Cycle Parts and Accessories Association consists of 46 member firms engaged in the manufacture and sale of component parts and accessories for bicycles (See Appendix A).

This trade association was organized for the purpose of advancing the welfare of the domestic cycle parts and accessories industry and promoting the distribution of the products of this industry. Unfortunately, due to the ruinous amount of imports, the purpose of this Association is now the protection of the very existence of the industry. Whereas there has been a tremendous boom in the manufacture, sale and use of bicycles over the past few years, this has only accentuated and increased the imports of bicycle parts and accessories, the detriment of domestic manufacturers of such articles. A continuation of the upward trend of such imports will only serve to destroy the remaining segments of this industry.

Listed below are the items produced by this industry grouped into parts and accessories.

PARTS

Frames, handlebars, tires, tubes, rims, hubs (front hubs, coaster brake hubs, variable speed hubs, and dyna-hubs), spokes, caliper brakes, bar stems, horns, chain guards, reflectors, pedals, fenders, forks, saddles, cranks, axels, sprockets, gears, lights, kickstands, and chains.

ACCESSORIES

Luggage racks, bags, baskets, handlegrips (streamers, bells, balancers, mudguards, tools, seat covers, mirrors, speedometers, cyclometers, pumps, and toe clips.

All of these items are dutiable at bicycle rates when imported on a complete bicycle; however, they are subject to varying duties when imported separately. Under the so-called Kennedy Round of tariff concessions, these articles were given maximum reductions. Included as Appendices B and C are the rates of duty for parts and accessories and the imports by TSUS designations.

In addition to the duty reductions which resulted from the Kennedy Round, the United States Customs Court has over the years held that certain imported components which are admittedly bicycle parts are not dutiable as such. The result of these Court decisions has been to subject certain bicycle parts to lower rates of duty under other provisions of the TSUS. The effect of these Court decisions further eroded what little protection this industry has. An example of the possible adverse effect of such Court decisions is revealed by an examination of the case of *United States* vs. *Andrew Fisher Co., Inc.* 57 CCPA 102. In that case a bicycle saddle (seat) classified as a"part" of a bicycle and assessed with duty at the rate of 30 percentum ad valorem under TSUS 732.36 was held by the United States Custom Court to be provided for under TSUS 790.30 as "harness, saddles, and saddlery" and dutiable at the rate of 12.5 percentum solely

because "saddles" are specifically provided for in that provision even though it clearly means horse "saddles" and not bicycle "saddles". Only after an appeal was taken to the United States Court of Customs and Patent Appeals was the lower Court reversed and the original classification sustained (*United States* vs. *Andrew Fisher Co., Inc.* 57 C.C.P.A. 102).

To further whittle away what little protection for survival this industry has by additional reductions in tariff rates, by the elimination of the requirement of marking imported articles with the country of origin, by the possible elimination of quality standards and by under-developed countries having unrestrained access to our markets can only cause this industry to cease operating. A domestic industry efficiently and economically operated cannot survive against runious imports. Especially when such imports come from countries that can very readily acquire the know-how to manufacture, have the machinery to manufacture and have the workers to manufacture, and where the labor costs in such countries are considerably lower than ours. Furthermore, it cannot be argued that the consumer would benefit if an imported article costs less to produce than a similar domestic-produced article. As above-stated, the increased use of bicycles in this country has not helped this industry as much as might be expected even though the domestic bicycle producer can get most of the parts he requires domestically. However, should the domestic parts manufacturer cease to manufacture, the bicycle manufacturer will then be subjected to the price demands of the foreign manufacturers. Furthermore, he will be subjected to delivery delays, will be subjected to maritime strikes, currency conversions and other conditions that exist in foreign countries, all of which add to the cost of delivery to the United States.

THE AUTHORITY GRANTED THE PRESIDENT UNDER THE PROVISIONS OF THE TRADE REFORM ACT IS TOO BROAD

Section 103(a) of the Trade Reform Act states that Congress recognizes that trade barriers and "other distortions" of international trade are reducing the growth of foreign markets, "diminishing the intended mutual benefits of reciprocal trade concessions, and preventing the development of open and nondiscriminatory trade among nations". The Congress then authorizes the President to take "all appropriate and feasible steps within his power to reduce, eliminate, or harmonize barriers and other distortions of international trade" in order to benefit the products of the United States. Section 103(b) of the proposed Act states that the "President is urged to negotiate trade agreements with other countries and instrumentalities providing on a basis of mutuality for the reduction, elimination, or harmonization of barriers or other distortions of international trade." Section 103(c) authorizes the President "to take any action required or appropriate to carry out any trade agreement negotiated pursuant to subsection (b), to the extent that such implementation is limited to a reduction of the burden on trade resulting from methods of customs valuation, from establishing the quantities on which assessments are made, and from requirements from marking of country of origin.

In the Section-by-Section Analysis incorporated in the Committee Print it is clear that the delegated authority to the President is both novel and wide. It states that the authorities set out in Section 101 will promote the purposes of the Act, "although it is assumed that this requirement is implicit and does not contemplate a formal, published finding by the President." In other words, it is assumed that the President will stay at least within the bounds of the intended purpose of the Act. As for one of the authorities, it states that the President may in connection with trade agreements continue or modify any "existing duty, continue existing duty-free of excise treatment, or impose additional duties as he determines to be required or appropriate. . . ." It then continues to say "unlike previous legislation, this section does not contain a limit on the amount of increase or decrease in tariffs which the President may negotiate and implement under a trade agreement" (Emphasis added).

The section then follows with "This authority may be used to raise any duty to any level or to eliminate duties on any or all products, provided such action is pursuant to an international trade agreement." The only requirement for this action is that it be pursuant to an "international trade agreement". It is obvious, therefore, that the authority will *only* be used to decrease or to completely eliminate duties because no country under a so-called "international trade agreement" will permit the duty on its exports to the United States to be increased. So we have an authority to decrease duties without limit or to eliminate them

entirely—an authority never granted to any President since the Trade Agreements Act of 1934.

Applying that authority to the industry under consideration, in addition to all its other problems (i.e. the erosion of the duties orginally accorded this industry as a result of prior trade agreements, judicial interpretations of the headnotes of the tariff schedules; Court decisions which were bound by legislative loopholes, etc.) it is now subject to the elimination of all remaining duties if the President so deems it advisable. Congress is delegating to the President, its legislative authority to impose duties and irrespective of the so-called safeguards provided for in the Act, a domestic industry as the one under consideration would be out of business before it could be helped.

It is very apparent that the Congress would, by this Act, express an intent that the President have almost free reign in dealing with international trade, international trade agreements, removal of so-called trade barriers, etc. Only in certain instances does the President have to return to the Congress for authority to implement a trade agreement or the elimination of trade barriers. Even in such instances, the President's negotiated agreement will become presumptively binding in the absence of a Congressional veto.

The Kennedy Round of duty reductions has materially injured this industry and any further reduction in duty can do nothing but eliminate it entirely. We can envision only a steady decline in employment and profits—in an industry that utilizes modern techniques and machinery and is economically operated. As previously stated, the bicycle boom in the United States would ordinarily be expected to increase the production of "bicycle parts." But, due to the steady imports from low wage countries which produce bicycle parts and accessories comparable to those manufactured in the United States, many domestic manufacturers have gone out of business. A partial list of domestic manufacturers who have ceased producing bicycle parts are:

Diamond Chain Company—bicycle chains.
Musselman Company—coaster brakes.
New Departure Division of General Motors—coaster brakes.
Lobdell Emory Company—saddles and rims.
Electra Manufacturing Company—lamps.
Delta Electric Company—lamps.
Torrington Company—pedals.
Uniroyal Tire Company—tires and tubes.

This Committee is well aware of, and its staff can readily secure comparable wage statistics between the United States and the major exporting countries of bicycle parts. It is, therefore, not necessary to submit charts, graphs, or even statistics on that subject. However, it is important to note that the machinery and even the advanced technology necessary to make the many articles known as "bicycle parts" is available in any part of the world. A modern, efficient factory can be established in any country, and if the products therefrom are permitted free entry into the United States to take advantage of the bicycle boom, then this industry must surely cease to operate. To argue that we produce a better article and, therefore, there will always be a market for our products, is fallacious as to manufacture, and economically unsound in relation to profits. The bicycle manufacturer or bicycle parts retailer is seeking to purchase the best article at the lowest possible price—which in this case could be a similar imported article. If there is no factor which can be used to equalize the costs of production of an imported bicycle tire and a domestic-produced bicycle tire, an imported bicycle saddle and a domestically produced bicycle saddle, etc. then the purchase will always be made of the imported article.

We are more than willing to permit foreign manufacturers to share in our market on a competitive basis. However, we are not willing to turn over the entire industry to foreign manufacturers—especially at a time when there is a fair demand for our products.

THE ELIMINATION OF THE MARKETING WITH THE COUNTRY OF ORIGIN ON IMPORTED BICYCLE PARTS CAN ONLY FURTHER INJURE THIS INDUSTRY

As previously stated, the President, whenever he finds that it will be of substantial benefit to the United States, is authorized to take any action necessary to carry out any negotiated trade agreement to the extent that such implementation is limited to, among other things, the elimination of the marketing of the country of origin. The authority granted the President for the elimina-

tion of the marking of the country of origin is an advance authority to implement trade agreements.

Whether or not the President eliminates the marking of the country of origin on imported bicycle parts by advance authority, or seeks the cooperation of Congress to implement such an agreement is of no importance. What is important is the fact that the country of origin can be eliminated by virtue of Section 103(c) with relatively little effort, within the unfettered discretion of the President. Lest there be any doubt as to the intent of the language of that section, the Section-by-Section Analysis incorporated in the Committee Print makes it clear that "Subsection (c) grants the President advance authority to implement agreements which substantially benefit the United States with respect to * * *, and requirements for marketing of country of origin".

We believe that it is important for a bicycle user to know the country of origin of the various parts and accessories of his bicycle. Whereas I have previously stated that the technical know-how to manufacture bicycle parts is available to all countries, nevertheless there are certain minimum standards which must be met. The domestic industry does more than merely meet such standards, and if a bicycle purchaser feels safer with a domestic produced part or accessory, he should not be denied that right. It would be one more step in the elimination of the domestic bicycle parts industry by fiat.

Nor would the Congressional veto power available under Section 103(c) be a suitable alternative, for, given the nature of the trade in bicycle parts and the danger to the continued survival of the domestic industry if there is a reduction or elimination of duty, the responsibility should be the Administration's to justify effectively the need for such action as well as the need for the elimination of the marking of country of origin applicable to bicycle parts and accessories. The Federal Trade Commission requires that a domestic produced bicycle having imported parts thereon cannot be designated as "Made in the United States". It would, therefore, be an anomaly to eliminate the marking of the country of origin on imported bicycle parts; yet if such parts are used in the manufacture of a bicycle, it cannot be designated as a United States produced bicycle.

In light of the history of this industry, of the thriving state of imports of bicycle parts despite the present rate of duty and the present marking with the country of origin, and of the difficult position of the domestic industry, the Administration's request for authority to eliminate the marking of the country of origin without specific Congressional approval is without warrant—at least so far as the products of this industry are concerned. There is here no such "distortion", or "burden" as to justify this grant of authority. The Congress should not be content with the mere privilege of vetoing a proposed agreement.

I appeared before Congressional Committees in 1966, 1968 and 1970 on behalf of this industry. Furthermore, in an appearance before the United States Tariff Commission in connection with Investigation 332–65, I made the statement that if the "rate of increase of imported bicycle tires and tubes continues as it has over the past several years, there will be no domestic production of these products in 1976". Since then, imports of tires and tubes as well as all bicycle parts and accessories have increased considerably and we are now three years closer to the end. Should duties on these products be reduced or eliminated, should the marking of the country of origin be eliminated, there is practically no chance for survival of this industry.

IF THIS INDUSTRY IS NOT EXCEPTED FROM TITLE VI OF THE PROPOSED ACT IT CANNOT SURVIVE

Title VI of the proposed Act (Generalized System of Preferences) provides authority to the President for a period of ten years to extend tariff preferences to imports from developing countries. As stated in the analysis, "The basic authority provides for duty-free treatment on articles determined eligible from beneficiary developing countries." The President has the authority to determine that the non-application of preferential treatment of particular articles would not be in the national interest, thereby excepting such articles.

I respectfully submit that imported bicycle parts and accessories should be excepted from the list of those articles which are to be accorded duty-free status when imported from developing countries. If duty-free treatment is to be accorded less developed countries for the manufacture of bicycle parts and bicycle accessories, there will no longer be such an industry in this country. As previously stated, the modern machinery and technical know-how applicable to this industry is readily available to the less developed countries—with the lowest labor costs.

Our products require relatively little sophistication to manufacture, and their labor content is relatively high. Under the present rate of duty we are being literally swamped with imports from so-called developing countries. (See Appendix D, for example.)

The President, in his message accompanying the introduction of this bill, stated that "It is our intention to exclude certain import-sensitive products such as * * * from such preferential treatment, along with products which are now subject to outstanding orders restricting imports". He recognizes that there are some "import-sensitive products which should not be accorded duty-free treatment when exported from less developed countries." I submit and strongly urge that bicycle parts and bicycle accessories be excluded from such treatment as being "import-sensitive" because in addition to all the other vagaries affecting this industry (such as the application of Section 10[ij] of the Tariff Schedules of the United States as it applies to "parts" of articles; the conflict of proper classification of imported bicycle parts and accessories due to the possibility of classification under two or more provisions of the Act; and the many provisions under which imported bicycle parts are classified when they are eo nomine provided for; etc.) permitting free entry of these articles when imported from under-developed countries would present this industry with an additional and perhaps unsurmountable burden.

This matter is of such critical importance to this industry that I strongly urge that the exception of this industry's products be written into the law prior to any negotiations or agreements.

The last remaining domestic coaster brake manufacturer has recently transferred its operations to Mexico. It now manufactures these articles and exports to the United States. Any further loss of our business will force other American manufacturers to set up their plants in such places as Taiwan, Korea, Singapore, Hong Kong, etc. and export to the United States. This will further upset our balance of payments.

The bicycle manufacturer is also an assembler of parts and, therefore, dependent on a healthy parts industry. It is obvious that the bicycle manufacturers would be placed in a very weak competitive position if they had to depend completely on foreign parts versus imported bicycles which have their foreign parts already attached. These imported bicycles have captured a large part of the American market. Therefore, further erosion of the domestic bicycle parts and accessories industry could in time cause the possible collapse of the domestic bicycle industry at a time when the bicycle is becoming an important factor in American life.

We are an industry which has been affected by imports. However, we are not here to seek further protection; we seek only to prevent a dilution of our present level of protection in order that we may have a fair chance to survive. Further inroads in our already precarious position will only mean the extinction of this industry.

APPENDIX A

1973 Membership List—Cycle Parts and Accessories Association, Inc.

Alco Cycle Products, Inc., Largo, Fla.
American Bicycle Corp., Colton, Calif.
Automatic Control Systems, Inc., South El Monte, Calif.
The Ashtabula Bow Socket Co., Ashtabula, Ohio.
The Bendix Corp., Elmira, N.Y.
Bornemann Products, Inc., Bremen, Ind.
Bright Star Industries, Inc., Clifton, N.J.
Cannondale Corp., Stamford, Conn.
Carlisle Tire & Rubber Co., Carlisle, Pa.
Crane Edmund Corp., Ashtabula, Ohio.
Custom Cycle Co., El Mirage, Ariz.
Dana Corp., Ottawa Lake, Mich.
Eaton Corp., Roxboro, N.C.
Elrae Pressed Metals, Inc., Buffalo, N.Y.
Excel, Inc., Franklin Park, Ill.
Faulhaber Co., Monroeville, Ohio.
Gobby Mfg. Co., Glendale, Ariz.
Goodyear Tire & Rubber Co., New Bedford, Mass.
D. P. Harris Hdw. & Mfg. Co., Inc., New York, N.Y.

Hartford Precision Products Co., Rocky Hill, Conn.
Hunt Wilde Corp., Dayton, Ohio.
J. C. I. City of Industry, Calif.
The Kelly-Springfield Tire Co., Cumberland, Md.
Little Bike Industries, Inc., Manchester, Conn.
Bill Matthews Co., Temple City, Calif.
McCauley Metal Products, Inc., Buffalo, N.Y.
Mesinger Mfg. Co., Inc., Bethel, Conn.
The Murray-Ohio Mfg. Co., Brentwood, Tenn.
National Bearings Co., Lancaster, Pa.
Oxford International Corp., Highland Park, Ill.
Persons-Majestic Mfg. Co., Worcester, Mass.
Puncture-Pruf, Inc., Oklahoma City, Okla.
Red Ant Products, Inc., Saginaw, Tex.
Ret-Bar Manufacturing Co., Inc., Peoria, Ariz.
Ryco, Los Altos, Calif.
Slaymaker Lock Co., Lancaster, Pa.
Steere Enterprises, Inc., Tallmadge, Ohio.
Stewart-Warner Corp., Chicago, Ill.
Surre Inc., Erie, Pa.
Textile Rubber Co., Inc., Akron, Ohio.
Todson, Inc., Farmingdale, N.Y.
Tokheim Corp., Ft. Wayne, Ind.
The Troxel Mfg. Co., Moscow, Tenn.
U.S. Premier Co. of New York, Inc., Huntington Station, N.Y.
Wald Mfg. Co., Inc., Maysville, Ky.
Yoder Manufacturing Co., Little Rock, Ark.
Mr. David A. Golden, Counsel, c/o Lamb & Lerch, New York, N.Y.
Peat, Marwick, Mitchell and Co., Hartford, Conn.

APPENDIX B

RATES OF DUTY FOR BICYCLE PARTS AND ACCESSORIES AS OF JAN. 1

[In percent; figures in parentheses in cents per pound]

TSUS item and article		Prior rate	1968	1969	1970	1971	1972
545.63	Reflecting lenses of glass	24	21.5	19	16.5	14	12
652.12	Bicycle chain under 40¢ per lb	25	22	20	17	15	12.5
652.15	Bicycle chain 40¢ or more per lb	12.5	11	10	8.5	7	6
652.55	Bicycle and velocipede bells	40	36	32	28	24	20
657.20	Articles of iron and steel NSPF	19	17	15	13	11	9.5
661.15	Pumps	10.5	9	8	7	6	5
680.30	Antifriction balls	(4)	(3.5)	(3)	(2.8)	(2.4)	(2)
		+12.5	+11	+10	+8.5	+7	+6
680.35	Ball bearings and parts	(3.4)	(3)	(2)	(2)	(2)	(1.7)
		+15	+13.5	+12	+10.5	+9	+7.5
680.54	Chain sprockets [1]	19	17	15	13	11	9.5
683.80	Bicycle lamps	13¾	13¾	13¾	13¾	13¾	13¾
685.70	Bicycle horns	8.5	7.5	6.5	5.5	5	4
706.05	Bags of leather	16	14	12.5	11	9.5	8
706.24	Bags of textile materials	40	36	32	28	24	20
706.30	Bags of plastics	(19)	(17)	(15.5)	(13.9)	(12.2)	(10.5)
		+15.5	+14	+12.5	11	+9.5	+8.5
711.93	Bicycle speedometers	55	49	44	38	33	27.5
732.36	Other parts of bicycles [2]	30	27	24	21	18	15
732.50	Chain-driven wheel goods	9	8	7	6	5	4.5
732.52	Other wheel goods	18	16	14	12.5	10.5	9
772.48	Bicycle tires	10	9	8	7	6	5
772.57	Bicycle tubes	30	27	24	21	18	15
772.80	Rubber or plastic grips	(21)	(18.5)	(16)	(14.5)	(12)	(10)
		+17	+15	+13.5	+11.5	+10	+8.5
774.25	Articles of natural rubber NSPF	10	9	8	7	6	5
774.40	Articles of vulcanized fiber NSPF	8.5	7.5	6.5	5.5	5	4
774.60	Articles of synthetic rubber or plastic	17	15	13.5	11.5	10	8.5

[1] Effective rates begin Jan. 1, 1966, end Jan. 1, 1970.
[2] Other parts of bicycles believed to include: handlebars, rims, spokes, bar stems, chain guards, mud guards, spokes and nipples, brakes and brake parts, saddles, fenders, forks, cranks, axles, kick stands, balancers, gear-changing mechanisms, and parts, cables and parts.

APPENDIX C

BICYCLE PARTS AND ACCESSORIES[1]

[Dollar value of imports]

TSUSA No.		1967	1968	16969	1970	1971	1972
545.6300	Reflecting lenses of glass	$81,633	$103,624	$123,727	$178,206	$187,637	$340,231
652.1220	Bicycle chain under 40¢ lb	600,214	589,339	1,122,999	1,292,595	1,423,260	759,618
652.1520	Bicycle chain 40¢ or more per lb	592,274	735,989	653,688	697,551	1,381,083	5,372,199
652.5500	Bicycle bells	116,972	147,409	128,607	114,469	138,880	322,903
661.1500	Air pumps and parts	3,552,139	5,311,030	6,478,201	8,015,480	6,848,061	12,485,456
680.5400	Chain sprockets and parts	1,073,985	1,370,319	1,413,792	1,800,087	2,193,047	2,739,730
683.8000	Portable electric lamps	1,431,779	1,346,310	1,537,296	1,504,327	1,434,752	2,497,276
685.7000	Electric horns	3,808,943	5,684,562	6,138,465	8,155,995	10,965,942	20,548,316
711.9300	Bicycle speedometers	78,515	425,893	848,915	935,783	1,316,635	2,754,225
732.3610	Bicycle hubs, coaster brake	2,650,630	3,181,950	2,476,296	2,310,250	2,711,296	1,748,569
732.3620	Bicycle hubs, variable speed	2,082,126	2,124,156	1,633,373	1,436,645	443,123	145,198
732.3630	Bicycle hubs, NES incl. dyna	1,014,257	1,654,674	1,702,575	1,477,440	2,165,464	4,321,560
732.3650	Bicycle saddles	442,405	806,855	558,037	1,329,518	2,757,595	5,602,462
732.3660	Bicycle pedals	646,712	829,242	897,638	873,876	1,216,664	1,858,496
732.3670	Bicycle parts, NSPF	6,688,682	9,271,737	9,189,146	8,742,770	12,273,703	23,832,636
772.4800	Bicycle tires	5,486,632	7,943,769	7,002,421	7,168,434	9,104,481	18,660,572
772.5700	Bicycle tubes	2,709,149	5,974,974	3,747,306	3,918,932	5,134,074	10,021,462
772.8000	Rubber or plastic grips	415,209	521,073	822,082	1,021,620	1,162,262	1,955,743
	Total	33,472,256	46,022,905	46,474,564	49,973,978	62,857,913	115,957,652

[1] All categories are not exclusively bicycle parts.

Source: U.S. Department of Commerce publications.

APPENDIX D

IMPORTED BICYCLE TIRES AND TUBES DEVELOPED COUNTRIES VERSUS UNDERDEVELOPED[1]

	Developed	Underdeveloped	Percent underdeveloped
1969	$10,228,249	$521,478	5
1970	9,846,296	1,241,070	13
1971	12,180,503	2,058,052	17
1972	21,342,048	7,330,986	34

[1] In 1972 imported bicycle tires and tubes represented 70 percent of the total U.S. market on a unit basis, and 43 percent of these came from Japan.

The strong growth of bicycle tire and tube imports from underdeveloped nations is coming in a major way from South Korea and Taiwan. The pattern followed by the Japanese in flooding the U.S. market with these products in the last five years is now moving to these two countries. Japanese money and technology is believed to be largely behind this change, and a similar pattern is also visible as emerging on bicycles in the last several years.

Clearly, help to developing countries such as Taiwan and South Korea is not needed in the form of lower tariffs.

Mr. BURKE. We appreciate your testimony.

Are there any questions?

Mr. DUNCAN. I have none.

Mr. BURKE. Mr. Gibbons?

Mr. GIBBONS. No questions.

Mr. BURKE. I want to commend you for your statement. You have outlined your problems in your industry and it is apparent some people feel, because some industry might be a smaller industry, they are expendable. That is not true, even our small industries need certain amounts of help and certainly the bicycle industry, from the way

things are happening, imports glutting our markets, and attention will have to be given to your industry.

With the administration's bill they have the cart before the horse. They want to give us the rather negligible power of vetoing what they do after they do it, but they only give us about 90 days to do it and, of course, one member of the U.S. Senate could hold up any action by Congress, even a group, five or six could get together and tie up legislation so the 90 days would expire and no action could be taken.

I think people should understand, I don't think the climate right now is ripe to give the President all the powers he is seeking. Sometimes an ill wind blows good for some people. Some of the things happening today may help the bicycle industry in an indirect way.

Mr. WARRELL. I hope so, we need all the help we can get.

Mr. BURKE. Thank you for your appearance.

This completes the hearing for today and the committee stands adjourned until 10 a.m. tomorrow.

[Whereupon, at 4:35 p.m., the committee was adjourned, to reconvene at 10 a.m., Tuesday, May 22, 1973.]

TRADE REFORM

TUESDAY, MAY 22, 1973

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. Al Ullman presiding.

Mr. ULLMAN. The committee will be in order.

Continuing with general testimony, our first witness this morning is Mr. E. Douglas Kenna. Mr. Kenna, if you would further identify yourself and your colleague for the record, we would be pleased to hear you.

STATEMENTS OF E. DOUGLAS KENNA, PRESIDENT, AND MATTHEW P. LANDERS, CHAIRMAN, INTERNATIONAL TAXATION SUBCOMMITTEE, NATIONAL ASSOCIATION OF MANUFACTURERS

SUMMARY

Title I.—Recognizing the importance of undertaking comprehensive, broad based multilateral trade and monetary negotiations, NAM supports the extension of most of the negotiating authority as sought by the President.

However, the Association seeks clarification and makes additional recommendations on certain points regarding tariffs, non-tariff barriers and industry-government consultation in pre-negotiation planning.

Title II.—NAM is sympathetic to the needs of import impacted industries and worker groups. NAM supports the relaxation of escape clause criteria but we believe the basic thrust of the title on adjustment assistance to be unsound—particularly regarding the abrupt termination of the firm program. The Association's recommendations for improved worker programs—as contained in a recently published study—will be submitted for the record in that form.

Title III.—NAM is in favor of the expanded flexibility sought for antidumping and countervailing duty action aimed at unfair trade competition. Certain recommendations are submitted to the Committee.

Title IV.—NAM supports new trade policy tools for the President with qualifications regarding selective application of import surcharges and Sections 402 and 410 on concession withdrawal.

Title V.—NAM supports the extension of MFN to non-market, centrally-planned economies.

Related proposals on taxation of foreign source income.—NAM has very serious reservations concerning the Administration proposals on foreign source income taxation, particularly with respect to the so-called "tax holiday" and "runaway plant" situations. Without substantial modifications, as detailed in this statement, these proposals would prove counterproductive. We believe that enlightened trade and adjustment assistance legislation—and not restrictive tax legislation—are the proper means of dealing with any dislocations of the domestic economy.

STATEMENT OF E. DOUGLAS KENNA

Mr. KENNA. Mr. Chairman and members of the committee, I am E. Douglas Kenna, president of the National Association of Manufac-

96-006 (Pt. 6) O - 73 -- 17

turers. With me this morning is Mr. Matthew P. Landers, treasurer of Pfizer, Incorporated, New York, who is chairman of NAM's International Taxation Subcommittee of our Taxation Committee. Mr. Landers will present our views on the Treasury proposals regarding taxation of foreign source income following my statement on H.R. 6767.

Mr. Chairman, in the interest of brevity, I will not read my entire testimony. I would ask that it be submitted for the record.

Mr. ULLMAN. Without objection, that will be done.

Mr. KENNA. We appreciate this opportunity to appear before your committee this morning. We recognize the extreme importance of the policy decisions we are facing in the trade area.

NAM member companies—large, medium, and small in size—account for almost three-fourths of the Nation's production of manufactured goods as well as the employment of approximately 15 million persons. As such we have an immediate, direct interest in the foreign trade bill.

I think it is not often recognized that the trade and investment of those companies produce income and jobs for this country. But this is indisputably the case.

Introduction to the Issues: Twenty-one months after President Nixon's actions of August 1971 and two interim dollar devaluations, the United States has recognized the magnitude of the international economic challenges it faces.

It is evident that we have a long and difficult road ahead of us in regaining international competitiveness for U.S. industry, and we are particularly concerned with the competitive aspects of international trade as we testify this morning. NAM's own interest has grown sharply in international trade in the past few years with the greater recognition among American manufacturers of the importance of international commercial relations and the direct and indirect effects trade development and monetary policy are having upon them.

NAM is currently engaged in mutually reinforcing projects on trade negotiation planning and nontariff barriers, multinational investment, and implications of taxing foreign source income, and monetary reform. In addition, we recently completed a study on industrial competitiveness and implications for domestic adjustment policy, which contains the results of an 8-month study on trade adjustment assistance.

With your permission, Mr. Chairman, we would like to submit a copy of this report on trade adjustment assistance for the record.

Mr. ULLMAN. Without objection, that will be done.

Mr. KENNA. We describe these activities merely to underscore NAM's active interest in developing positive approaches and recommendations for international economic affairs. We believe the most fundamental aspects of this international decisionmaking equation before us stem from the Smithsonian agreement of December 1971, where the major trading nations of the world pledged a commitment to undertake broad-based multilateral negotiations on trade and monetary reform. We have strongly supported this initiative for a needed round of negotiations because we recognized the vital role played by an open, nondiscriminatory trading system.

We have had some problems in the foreign trade area. Coupled with an overvalued currency and accelerating rate of inflation in the late sixties, this lack of fair trade reciprocity placed the United States

at a severe competitive disadvantage—the dimensions of which were reflected in last year's $6.4 billion trade deficit.

It is not surprising that such a climate would foster renewed pressure for broad trade restrictions, such as evidenced in the Burke-Hartke bill. We recognize some of the concerns motivating proponents of this legislation. There are serious problems, deserving careful public policy attention. However, we would urge the committee to reject this negative approach to our national responsibilities embodied in H.R. 62.

We do not believe that turning inward is an adequate response to either our foreign or domestic interests. Instead, NAM would recommend a broad series of policy initiatives aimed at the following objectives:

1. Continued restoration of U.S. international competitiveness through improved productivity, effective inflation control at home and multilateral fair trade practice in world markets.
2. Reducing and/or harmonizing the distortions to trade caused by nontariff barriers and export incentives through negotiation to gain greater access for U.S. exports in world markets.
3. Strengthening the ability of domestic industries to meet import competition through government-industry self-help programs, financial assistance, R. & D. support "early warning" information analysis, and selective use of temporary import safeguards.
4. Stimulating the job creation effects of U.S. trade and investment policies by dismantling obstacles and incentives in domestic policy which (a) impede the development of more competitive participation by U.S. industry in world trade and investment.

We believe the only policy appropriate to America's traditional leadership role in competitive free enterprise is to move forward toward a more responsible world economic order where fair trade begets freer trade.

I would like to comment briefly on some specific items in the trade bill. First, on negotiation authority, we recognize the need to enter into broad multilateral trade negotiations beginning this fall. NAM supports most of the basic negotiating authority sought by the President, subject to some clarification. We are concerned with the broad, discretionary authority sought to raise or lower tariffs. Granting such authority to the President, we believe, may cause other countries to have undue alarm and may trigger retaliatory action.

However, we recognize that these negotiations will be long and complex and that a high premium must be placed upon flexibility, particularly surrounding the conversion of nontariff barriers into their tariff equivalents and possible harmonization between various tariff classification systems. We stand ready to work with you to clarify these important issues.

SECTION 103, NONTARIFF BARRIERS

NAM supports the concept of reducing and/or harmonizing nontariff barriers—NTB's—to trade. In recent years, NTB's have become increasingly important as tariff levels have declined. For this reason, we believe the NTB segment of the negotiations takes on crucial significance for the overall success of the upcoming round of multilateral negotiations.

Currently the association is coordinating a comprehensive study on nontariff distortions—NTB's and export incentives—acting, in effect, as the project secretariat for nearly 30 major trade associations.

Data and case studies on how NTB's operate to discriminate against U.S. good in foreign trade is being developed by product line and country into industry sector chapters. We expect to complete a final report containing these chapters with overall negotiation recommendations later this summer.

We would make some additional recommendations concerning nontariff barriers:

Expanding the definition of nontariff barriers, specifically to include export subsidies. This would strengthen the meanings of sections 301 and 303, as well as title IV, and help clarify for negotiation purposes later the sectors which are particularly sensitive bargaining areas for tariff adjustment.

2. Clarifying consultation procedures to permit industry hearings on negotiated NTB packages coming before Congress—perhaps in coordination with the proposed House-Senate Trade Negotiation Committee or through the Tariff Commission. See point No. 4.

3. Clarifying the criteria for determining how the President will decide which negotiated NTB packages are submitted for congressional approval and which negotiated agreements are implemented immediately.

4. Possible role of Tariff Commission: The committee may wish to clarify the Tariff Commission role in the NTB negotiation process.

NAM is actively interested in working with appropriate governmental bodies to establish effective mechanisms for systematic and continuous consultation on trade negotiation planning and subsequent agreements. We feel that in the past the kind of consultative service that industry has offered has been inadequate.

We feel that overall we can do a better job in trying to help our negotiation team. Recognizing the complexity and potential duration of the upcoming negotiations, we think that a well-coordinated system of advisory groups would be essential if the United States is to be successful.

From industry's perspective, NAM advocates that consideration be given to a more structured trilateral advisory mechanism, involving industry, the Congress, and the executive branch. We are prepared to work with the committee in any way possible supporting this end.

In commenting on import relief, we support the substance of title II, recognizing that expanding international trade will inevitably create dislocation, disruption for individual manufacturing sectors, firms, and workers. We support the President's proposal to liberalize the escape clause by severing the causal link between past trade concessions. Our support is conditioned, however, in several important ways:

First, relative to market disruption, while we support this concept in principle, we believe such a condition may require a further clarification in order to avoid misuse. In addition, NAM believes this proposed safeguard system may be more productive if it is advanced as a model for multilateral consideration.

Secondly, we oppose the abrupt termination of adjustment assistance for firms as administered under the Department of Commerce Office of Trade Adjustment Assistance for several reasons:

(a) Such action reduces the President's options in dealing with import injury, subjecting him to additional pressures for import restrictions.

(b) Such action could weaken the U.S. negotiators' credibility on the international safeguard system. Other nations may not believe the U.S. orderly marketing of other import safeguard restraints will be temporary unless a well-organized, comprehensive plan for adjustment assistance to workers, industries, and, in select cases, individual firms is in place to back up the safeguard system. Our goal should be to phase out adjustment assistance to individual firm through a two-tiered adjustment program with workable early-warning system as proposed in February by NAM.

On Tariff Schedule Items 806:30–807, NAM opposes the selective suspension of these items of the tariff schedules on the grounds that such action would:

(1) Destroy the continuity of production processes for many border operations resulting in eventual job losses in the United States; (2) force inflationary pressures at home; (3) reduce U.S. exports of raw material and component parts; (4) render additional small- and medium-sized U.S. firms noncompetitive.

Without dwelling on the Trade Adjustment Assistant program, I would make several points regarding the program recommendations extended in H.R. 6767.

1. The expanded allowances and benefits to workers, while laudable in intent, appear to build on the mistakes of the past program. With the exception of some new emphasis on relocation and retraining—which NAM supports—the proposed changes under title II, chapter 2, appear to overemphasize "after the fact" compensation instead of more assurance that productive employment will be available to the dislocated worker.

2. The present proposals for worker benefits—sections 231–232 and 237–245—are designed to mesh with companion proposals calling for the imposition of Federal minimum benefit standards on State unemployment compensation benefits. While we commend the general idea of program consolidation underlying this proposal, we believe the proposal goes too far and would undermine the very strength of the State-administered programs, which is their flexibility in accommodating the need of the local area.

NAM supports the concept of adjustment assistance and has made lengthy recommendations for its proper, cost-effective improvment in a recently published report.

The core problem of domestic import dislocation will not be solved by expanding compensation efforts but rather with a balanced approach aimed at early industrial self-help and increased productivity to promote job creation and job retention.

We need a redefinition of the adjustment process and the role of competitive free enterprise in it so that the program emphasis can be properly placed on employment creation as opposed to after-the-fact compensation systems, which are otherwise known as "burial expenses."

TITLE III, RELIEF FROM UNFAIR TRADE PRACTICES

Section 301. Responses to unfair import restrictions

NAM strongly supports the need for a tough, fair trade policy conducted within the guideposts of international treaty obligations. To-

ward this aim, we believe the proposed changes for strengthening the antidumping and countervailing duty instruments of trade policy to be desirable.

In addition, NAM supports the expansion of section 252—Trade Expansion Act of 1962—to include industrial goods as well as the proposed authority sought to retaliate against foreign export subsidies in third-country markets.

We would urge the committee to include provision under this section—section 307—for hearings in advance of any presidential decision.

TITLE IV. INTERNATIONAL TRADE POLICY MANAGEMENT

NAM supports the basic tenets of this title, recognizing the need for additional legislative language to bolster trade policy management and accord the President more flexibility in its implementation. Our support is qualified in two areas:

1. Section 401, Subsection (C)

NAM does not support selective application of import surcharges since this action would go counter to the U.S. long-standing tradition of most-favored-nation treatment.

2. Section 402, withdrawal of concessions

NAM urges the committee to provide for public hearings before presidential actions are taken as opposed to the optional ex post facto hearing presently proposed having to do with the withdrawal of concessions.

TITLE V, TRADE RELATIONS WITH COUNTRIES NOT ENJOYING MOST-FAVORED-NATION TARIFF TREATMENT

NAM supports the six sections of this title which would permit the extension of most-favored-nation treatment to centrally planned, nonmarket economies which have not already received such treatment.

We think that relations with nonmarket, centrally planned economies must be aproached with firmness, minus the rosecolored glasses. We believe American manufacturers and workers can benefit from increased trade with such economies, providing these arrangements are conducted on a quid pro quo basis with attendant safeguard and national security considerations carefully weighted in the decisionmaking equation.

TITLE VI, GENERALIZED SYSTEM OF PREFERENCES

We have no specific comments on this title, but we would point out the apparent inconsistency between the expressed intentions of title VI and the Treasury's proposals for taxing foreign source income.

If the policy of the United States is to encourage exports from the developing countries through preferences designed to increase these nations' economic growth, the proposed intervention in those nations' tax systems and resultant discouragement of U.S. investment—which, in many cases, will result in increased exports from these countries to the United States—as recommended by the Treasury is both inconsist-

ent and potentially harmful. We would urge that this apparent oversight by the administration be clarified.

This concludes my general comments, and now Mr. Landers will discuss the taxation proposals of the Treasury. Thank you.

STATEMENT OF MATTHEW P. LANDERS

Mr. LANDERS. Mr. Chairman and members of the committee, in his message to Congress of April 10, 1973, President Nixon urged that no major changes be made in the taxation of income derived abroad by foreign subsidiaries of U.S. corporations. He stated that our existing system of taxation is fundamentally sound and that American business should not be placed at a disadvantage with respect to its foreign competitors. We heartily endorse these statements by the President and suggest that your committee recognize their appropriateness as you consider the trade bill.

The President did, however, enumerate three instances where legislative change should be considered. According to the accompanying Treasury Department statement, the thrust of the administration's recommendations for change is to "deter tax-motivated foreign investment" and it is not anticipated that these proposals "will have a substantial revenue impact."

Referring to your recent hearings on tax reform, considerable attention was devoted to the question of taxation of foreign source income. Thoughout those hearings, some advocates of tax reform continuously suggested curbing the so-called tax benefits to multinational companies. Their proposals were designed to increase the tax burden on foreign source income, assuming that this would restrict foreign investment and redirect such funds to U.S. investment and enhance domestic employment.

Contrary to such proposals, the great mass of evidence gathered from various statements, surveys, and studies, from both governmental and private sources, strongly indicates that such foreign investment brings significant positive benefits to both our balance of payments and domestic economy.

In this connection, we direct your attention to the testimony of Mr. E. A. Vaughn, chairman of NAM's Committee on Taxation, who appeared before this committee on March 6, and specifically to his comments on the comprehensive study of U.S. multinational firms' experience conducted by the NAM's International Economic Affairs Department in 1972. Results of that study, which has been distributed to your committee, show that hundreds of thousands of U.S. jobs have been maintained and created because of the foreign investments of these companies.

Placing new tax restrictions in the path of the U.S. businesses operating internationally would merely hand over the field to our foreign competitors and threaten the security of those U.S. jobs that are now supported by the foreign operations of U.S. companies.

Thus, we strongly suggest that the emphasis in any congressional review of this situation should be on the trade and adjustment assistance proposals and on improving the tax policy climate for domestic investment, as suggested in Mr. Vaughn's testimony.

Critical to our viewpoint and controlling is the following premise: U.S. foreign investment abroad is made primarily because of market opportunities and situations that cannot be served by export operations alone. This investment, however, is very important for U.S. exports, and a significant portion of our merchandise trade is "pulled through" to foreign markets by U.S. affiliates abroad. Overseas investment thus does not substitute for exports, and restricting such investment will discourage domestic employment and adversely affect our trade position.

In our view, enactment of the Treasury Department's proposals in their present form, particularly with respect to tax holidays and runaway plants, would be counterproductive.

TAX HOLIDAYS

The recommendation to tax currently the earnings of controlled foreign corporations where incentives exist is extremely complex. Not only would the proposed restrictions apply prospectively to new investments but, in many cases, ultimately would apply to prior investments. It would greatly complicate the management of overseas operations, and we question both the need and the approach of the proposed provision.

Why should U.S. affiliates operating in countries abroad, selling to third markets outside the United States, be penalized when no other countries impose such a penalty? Suppose an American manufacturer wants to establish a plant in Ireland, for instance, to compete on an equal basis with foreign-owned manufacturers for markets in the EEC market. Where the foreign-owned manufacturer receives an exemption from tax, such as that presently available in Ireland, denial of the same benefit to the subsidiary of a U.S. manufacturer means relinquishing the ability to compete for a share of the EEC market.

The question must be asked as to what U.S. objective would be served. Why should the benefits of tax incentives, fully available to our competitors in such countries, be denied to U.S.-controlled firms?

Recognizing the favorable impact which most American multinational companies have had on the balance of payments and recognizing the necessity to increase such favorable balance of payments flows in the future, competitive foreign operations should be encouraged rather than restricted by new tax burdens.

While the proposal is purported to apply to situations where special tax investment incentives are offered, the Treasury Department would be given absolute authority to determine what constitutes a foreign tax incentive and where they are practiced.

Many normal features of a tax system could be arbitrarily ruled to be incentives now or at some future time. Any country that allows accelerated depreciation or even any country having a province or locality that grants some investment incentive could be considered a tax holiday. A great many countries—perhaps all where U.S. firms have business operations—could be deemed tax holiday countries at any time under such discretionary authority. In fact, under this rationale, the United States itself could be construed as a tax holiday country.

Thus, while the stated intent is for the provision to apply only in special cases, its potential application could be across the board, ca-

pricious, and highly disruptive to business planning. This is particularly true as, under the proposal, once current taxation is triggered by a specific set of circumstances, it would apply for all future years and would sweep in all income of the corporation, including income derived from prior investment and new investment not subject to any tax inducement. The type of situation which could trigger such a thing could be a temporary tax inducement or one-shot investment, such as required for meeting local pollution control standards.

The 20 percent rule is also impractical, since a soft drink manufacturer, for instance, who merely builds a new production unit to manufacture a new type of safety cap for use in an existing plant would be swept into the rules regardless of the percentage of expenditure involved.

RUNAWAY PLANTS

Another Treasury recommendation would set criteria whereby earnings of a foreign subsidiary would be taxed currently to the U.S. shareholders if more than 25 percent of the subsidiary's receipts are derived from the export of goods into the American market.

Although the import of goods from American-owned facilities abroad to U.S. markets has never been a significant factor in total imports or total sales of U.S. affiliates abroad, we recognize the President's desire to prevent loss of any American jobs that might be associated with runaway plants. Nevertheless, it should be remembered that overall ability to compete is the prime issue here, too.

Specifically, question must be raised as to what economic factors create the so-called "runaway" situation. We suggest that sufficient study would indicate that U.S. firms engaging in such practices do so for economic reasons in which tax differentials play a very small role if any. Where a foreign competitor is exporting into U.S. markets, it serves little purpose merely to remove a U.S.-controlled producer from similar operations and leave the market solely to foreign-owned manufacturers.

SPECIFIC MODIFICATIONS

We do not believe the tax proposals are necessary or in the best interests of the United States. However, if it is the will of this committee to adopt legislation along the lines of the administration's proposals, we strongly urge the following modifications:

1. First and foremost, the legislation should be addressed to the specifics of potential job displacement and not generally to tax incentives. This could be accomplished quite simply by relating the test for current taxation treatment to sales to the U.S. market.

Current taxation of controlled foreign subsidiaries would not be applied either in the tax holiday or runaway plant situation if less than 25 percent of the controlled foreign corporation's gross receipts were derived from sales to the U.S. markets. Where applicable, a prorata rule should be adopted to tax only that portion of the profits derived from sales to the U.S. market.

This would be at least more pertinent to the problem and would avoid much of the capricious and unnecessary hardship that would otherwise result.

2. With respect to the runaway plant situation, the "80 percent of the U.S. rate" test should be on the basis of the statutory rate in

the country concerned rather than the effective rate paid by the controlled foreign corporation.

3. If a designation of "tax holiday" is required, Congress should not delegate absolute authority to the Treasury Department to define it but should establish explicit criteria defining this term as specific relief from taxation for a designated time period or low rates granted in respect to manufacturing where most of the product is destined for U.S. markets.

4. Appropriate transitional rules should be provided for companies otherwise subject to any new restrictions that are adopted where investment decisions already have been made under existing tax law.

In summary, it is the opinion of the NAM that enlightened trade and adjustment assistance legislation should be given an opportunity to eliminate the specific problems of job displacement without restrictive tax legislation that could curtail the favorable contribution of U.S. multinational companies to the balance of payments and our domestic economy. Thank you.

[Mr. Kenna's prepared statement follows:]

STATEMENT OF E. DOUGLAS KENNA, PRESIDENT, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. Chairman and members of the Committee: I am E. Douglas Kenna, President of the National Association of Manufacturers. Accompanying me is Matthew P. Landers, Treasurer of Pfizer, Incorporated (New York) who is Chairman of NAM's International Taxation Subcommittee of our Taxation Committee. Mr. Landers will present our views on the Treasury proposals regarding taxation of foreign source income following my statements on H.R. 6767.

Mr. Chairman, NAM appreciates this opportunity to appear before your Committee. We recognize the major policy decisions facing Congress on foreign trade and related economic issues and we commend the vigor which the Committee has displayed in initiating active consideration of H.R. 6767.

NAM member companies—large, medium and small in size—account for almost three-fourths of the nation's production of manufactured goods, as well as the employment of approximately 15 million persons. As concerned taxpayers and employers, NAM member companies have a direct and substantial interest in the deliberations of this Committee. A large number of NAM member companies are engaged in international trade and many have investments around the world. Often it is not recognized that the trade and investment of those companies produces income and jobs for this country. Yet, this is indisputably the case.

INTRODUCTION TO THE ISSUES

Twenty-one months after President Nixon's actions of August 1971 and two interim dollar devaluations, the United States has recognized the magnitude of the international economic challenges it faces. Clearly, economic circumstances have altered dramatically since August 1971—particularly for the United States. U.S. exports are now considerably more competitive and recent figures for March reflecting improvement in the trade account are encouraging.[1] The increasing competitiveness is also reflected in the fact that a growing number of U.S. industries are now running at nearly full capacity. Hopefully, if these trends continue to improve and take hold, trade-related employment trends will also improve.

At the same time it is evident that we have a long and difficult road ahead of us in regaining international competitiveness for U.S. industry. In the wake of the new economic policy there has emerged a new international economic community, characterized by the United States, Western Europe and Japan, as rough equals, with major non-market economies of the Soviet Union and

[1] According to the OECD, currencies of major trading nations have appreciated against the dollar by more than 15 percent on a trade-weighted basis. March figures released by the Department of Commerce showed a sharp reduction in the trade deficits down to $100 million from an average of nearly $500 million per month for January and February.

China moving in from the periphery to participate more openly in commercial relations. The world has been drawn into much closer economic interdependence. While these developments are generally praiseworthy, they have created additional pressures placing the international system under considerable stress.

NAM "SYSTEMS' APPROACH" TO INTERNATIONAL AFFAIRS

NAM's own interest in international economic affairs, as related to U.S. industry, has grown sharply in the past few years. This is due in part to a greater recognition among American manufacturers of the importance of international commercial relations and the direct and indirect effects trade, investment and monetary policy decisions were having on them. With the guidance of our International Economic Affairs Committee, composed of 28 senior corporate executives and chaired by Mr. J. Stanford Smith, Vice Chairman of International Paper Company, we have developed a "systems approach" to our activities. For example, NAM is currently engaged in mutually reinforcing projects on trade negotiation planning and non-tariff barriers, multinational investment and implications of taxing foreign source income, and monetary reform. In addition we recently completed a study on industrial competitiveness and implications for domestic adjustment policy, which contains the results of an eight month study on trade adjustment assistance. With your permission Mr. Chairman we would like to submit a copy of this report with our statement for the record.

RECOGNITION OF INTERNATIONAL ECONOMIC RELATIONSHIPS: TRADE AND MONETARY REFORM

We describe these activities to underscore NAM's active interest in developing positive approaches and recommendations for international economic affairs. We are confident that the Committee will approach its deliberations with a similar recognition of the important interrelationships implicit both in the general international economic arena and in the Trade Reform Act of 1973.

The most fundamental aspects of this international decision-making equation before us stem from the Smithsonian agreement of December 1971, where the major trading nations of the world pledged a commitment to undertake broad-based multilateral negotiations on trade and monetary reform. NAM strongly supported this initiative for a needed round of negotiations because we recognized the vital role played by an open, non discriminatory trading system. Unfortunately this objective is still far from realization and to make matters worse the United States has not received, in some of its key trading relationships, the same equitable market access abroad that it has granted foreign products here. Coupled with an over valued currency and accelerating rate of inflation in the late 60's [2] this lack of fair trade reciprocity placed the United States at a severe competitive disadvantage—the dimensions of which were reflected in last year's dismal —$6.4 trade deficit.

NEGATIVE APPROACH REJECTED

It is not surprising that such a climate would foster renewed pressure for broad trade restrictions, such as evidenced in the Burke-Hartke bill. We recognize some of the concerns motivating proponents of this legislation. There are serious problems, deserving careful public policy attention. However, we would urge the Committee to reject this negative approach to our national responsibilities embodied in H.R. 62.

We do not believe that turning inward is an adequate response to either our foreign or domestic interests. Instead NAM recommends broad series of policy initiatives aimed at the following objectives:

1. Continued restoration of U.S. international competitiveness through improved productivity and effective inflation control at home and multilateral fair trade practice in world markets.
2. Reducing and/or harmonizing the distortions to trade caused by non-tariff barriers and export incentives through negotiation to gain greater access for U.S. exports in world markets.

[2] See chart on export prices, Appendix A.

3. Strengthening the ability of domestic industries to meet import competition through government-industry self-help programs, financial assistance R&D support, "early-warning information analysis and selective use of temporary import safeguards.

4. Stimulating the job creation effects of U.S. trade and investment policies, by dismantling obstacles and incentives in domestic policy which (a) impede the development of more competitive participation by U.S. industry in world trade and investment or (b) result in artificial movement of U.S. capital abroad.

The only policy appropriate to America's traditional leadership role in competitive free enterprise is to move forward toward a more responsible world economic order where fair trade begets freer trade.

Mr. Chairman, it is in this spirit that we address ourselves to several specific provisions of H.R. 6767 and related taxation proposals.

TITLE I: NEGOTIATION AUTHORITY

SECTION 101: BASIC NEGOTIATION AUTHORITY

Recognizing the need to enter into broad multilateral trade negotiations beginning this fall, NAM supports most of the basic negotiating authority sought by the President, subject to some clarification. We are concerned with the broad, discretionary authority sought to raise or lower tariffs. Granting such authority to the President may cause other countries to have undue alarm and may trigger retaliatory action. However, we recognize that these negotiations will be long and complex, and that a high premium must be placed upon flexibility, particularly surrounding the conversion of non-tariff barriers into their tariff equivalents and possible harmonization between various tariff classification systems. We stand ready to work with you to clarify these important issues.

SECTION 103: NON-TARIFF BARRIERS

NAM supports the concept of reducing and/or harmonizing non-tariff barriers (NTB's) to trade. In recent years NTB's have become increasingly important as tariff levels have declined. For this reason we believe the NTB segment of the negotiations takes on crucial significance for the overall success of the upcoming multilateral round.

Currently the Association is coordinating a comprehensive study on non-tariff distortions (NTB's and export incentives) acting, in effect, as the project secretariat for nearly thirty major trade associations.

Data and case studies on how NTB's operate to discriminate against U.S. goods in foreign trade is being developed by product line and country into industry sector chapters. We expect to complete a final report containing these chapters with overall negotiation recommendations later this summer.

Additional recommendations regarding nontariff barriers

The Committee might consider:

1. Expanding the definition of non-tariff barriers, specifically to include export subsidies. This would strengthen the meanings of Sections 301 and 303, as well as Title IV and help clarify for negotiation purposes later the sectors which are particularly sensitive bargaining areas for tariff adjustment.

2. Clarifying consultation procedures to permit industry hearings on negotiated NTB packages coming before Congress. (Perhaps in coordination with the proposed House-Senate Trade Negotiation Committee or through the Tariff Commission. (See point number 4)

3. Clarifying the criteria for determining how the President will decide which negotiated NTB packages are submitted for Congressional approval and which negotiated agreements are implemented immediately.

4. Possible role of Tariff Commission. The Committee may wish to clarify the Tariff Commission role in NTB agreement considerations. In this respect the time-frame requested by the President may be overly tight. The Tariff Commission may be able to render valuable projections regarding the trade affects of certain NTB agreements.

SECTION 112–113 ADVICE AND PUBLIC HEARINGS

NAM is actively interested in working with appropriate governmental bodies to establish effective mechanisms for systematic and continuous consultation on trade negotiation planning and subsequent agreements. Government-industry ad-

visory mechanisms have been a standard feature of negotiation preparation periods before most of the major multilateral and bilateral trade rounds. They have served a valuable function in channelling information and data on specific industry problems into government. Unfortunately, such advisory units have not always worked well from the industry standpoint in the past. Among the problems cited the following appear most frequently:

1. Lack of two-way communication.—After information is solicited and gathered, industry has no effective channel for further input or discussion of strategy.

2. Cyclical time pressures on government negotiators.—Either negotiators have too much or too little time. During the periods between negotiations when officials have time, industry interest is difficult to arouse. As negotiations draw closer, government staffs do not have requisite time to meet with businessmen anxious to make inputs direct.

3. Public advisory groups.—Working groups and technical expert rosters below them were poorly coordinated. Clarification of relationships was vague.

4. The selection of technical experts was not handled effectively.—Industry and government selected people at random. The result was imbalanced committees at a working level and public advisory, "blue ribbon" groups that knew little about trade policy.

5. Lack of coordination and exchange between government agencies.—Working on trade negotiations. (During this upcoming negotiation, one may anticipate a higher degree of coordination among branches of the Executive. The establishment of the Council on International Economic Policy since the Kennedy Round and a well-balanced negotiating team under the Office of Special Trade Representative (STR) should assure this.

Recognizing the complexity and potential duration of the upcoming negotiations, we believe a well-coordinated system of advisory groups will be essential if the United States is to be successful. This seems particularly true when one realizes the limited timse remaining before the scheduled commencement of these negotiations and the great information gap on non-tariff barriers. At the same time, we are aware and concerned with the problems engendered by the Federal Advisory Committee Act in this regard.

Accordingly, NAM supports Sctions 112–113. However we would urge that the Committee work closely with the appropriate agencies to write in additional provisions for industry and public advisory groups. We believe that additional clarification and provision for consultation are needed if we are to avoid the pitfalls encountered in previous negotiations. From industry's perspective NAM advocates consideration be given to a more structured, trilateral advisory mechanism involving industry, the Executive Branch and the Congress. We are prepared to assist the Committee in working toward this end.

TITLE II: RELIEF FROM DISRUPTION CAUSED BY FAIR COMPETITION

IMPORT RELIEF

NAM supports the substance of this Title recognizing that expanding international trade will inevitably create dislocations and disruptions for individual manufacturing sectors, firms and workers. Under current law, Ameriacn manufacturers and their employees have suffered import injury and have had no effective recourse due to unrealistic and stringent "escape clause" criteria. Accordingly, NAM supports the President's proposals to liberalize the "escape clause" by severing the causal link between past trade concessions. However, our support for the remainder of Title II is qualified in several important ways:

1. Market disruption

While NAM supports this concept in principle. we believe such a condition may require further clarification in order to avoid misuse. In addition NAM believes this proposed safeguard system may be more productive if advanced as a model for multilateral consideration (recognizing that international trade safeguards will be a major agenda issue in the upcoming negotiations). This would necessitate holding action on the specifics of this provision in abeyance until other nations' proposals were on the bargaining table.

2. Termination of Adjustment Assistance for Firms

NAM opposes the abrupt termination of this component program as administered under the Department of Commerce Office of Trade Adjustment Assistance for several reasons:

a. Such action reduces the President's options in dealing with import injury—subjecting him to additional pressures for import restrictions.

b. Such action could weaken the U.S. negotiators' credibility on the international safeguard system—other nations may not believe the U.S. orderly marketing or other import safeguard restraints will be temporary unless a well organized, comprehensive plan for adjustment assistance to workers, industries and in select cases, individual firms is in place to back up the safeguard system. Our goal should be to phase out adjustment assistance to individual firms through a two-tiered adjustment program with workable early-warning system as proposed in February by NAM.

3. Tariff schedule items 806: 30–807

NAM opposes the selective suspension of these items of the tariff schedules on the grounds that such action would:

1. Destroy the continuity of production processes for many border operations resulting in eventual job losses in the United States;
2. force inflationary pressures by increasing the costs of production;
3. reduce U.S. exports of raw material and component parts;
4. render additional small and medium-sized U.S. firms non-competitive.

Recent surveys conducted with regard to the operations utilizing items 806: 30–807 along the Mexican border suggest that these tariff schedules are extremely important to their businesses. These were small to medium-sized firms, not large multinational corporations. Respondents to one survey indicated projected sales losses of from 5 percent to 15 percent (ranging from $50,000 to $150 million) if 806: 30 and 807 were suspended. More importantly, 75 percent of the respondents stated that their U.S. employment would be reached with the loss of 806: 30–807 by up to 50 percent to 100 percent of the U.S. work force. When asked what alternate course of action they would pursue if the suspension came, 42 percent of the companies indicated they would purchase all material from foreign sources and move larger portions of their operations overseas and/or discontinue product lines made uncompetitive from resultant higher costs.[3]

TRADE ADJUSTMENT ASSISTANCE

Without dwelling on the widely recognized arguments and rationale behind the trade adjustment assistance, we would make several points regarding the program recommendations extended in H.R. 6767:

1. The expanded allowances and benefits to workers, while laudable in intent, appear to build on the mistakes of the past program. With the exception of some new emphasis on relocation and retraining—which NAM supports—the proposed changes under Title II, Chapter 2, appear to overemphasize "after-the-fact" compensation instead of more assurance that productive employment will be available to the dislocated worker.

2. The present proposals for worker benefits (Sections 231–232 and 237–245) are designed to mesh with companion proposals calling for the imposition of Federal minimum benefit standards on state unemployment compensation benefits. While we commend the general idea of program consolidation underlying this proposal, we believe the proposal goes too far and would undermine the very strength of the state administered programs—which is their flexibility in accommodating the need of the local area.

3. Termination of the firm adjustment assistance program, coupled with increased programs for workers to be financed by employers through the state unemployment compensation system could create some serious anomalies. For example, a situation could easily be foreseen where import-injured firms in their last days of solvency would be forced to pay-out larger percentages of their working capital to state unemployment funds for soon-to-be dislocated workers instead of being given incentives and self-help consultation through a program designed to increase their competitiveness. In other words, given the contemplated method of financing, the new levels of unemployment compensation could contribute to additional, unnecessary plant shut-downs, creating still more unemployed workers.

NAM supports the concept of adjustment assistance and has made lengthy recommendations for its proper, cost-effective improvement in a recently published report. We urge the Committee to consider these recommendations carefully, recognizing that healthy companies and industries are the keys to successful industrial adjustment. The core problem of domestic import dislocation will

[3] *Committee for the Promotion of U.S.-Mexican Business*, survey conducted in April 1973.

not be solved by expanding compensation efforts, but rather with a balanced approach aimed at early industril self-help and increased productivity to promote job creation and job retention. We need a redefinition of the adjustment process and the role of competitive free enterprise in it, so that the program emphasis can be properly placed on employment creation as opposed to after-the-fact compensation systems—which are otherwise known as "burial expenses".

TITLE III: RELIEF FROM UNFAIR TRADE PRACTICES

SECTION 301: RESPONSES TO UNFAIR IMPORT RESTRICTIONS

NAM strongly supports the need for a tough, fair trade policy conducted within the guideposts of international treaty obligations. Toward this aim we believe the proposed changes for strengthening the antidumping and countervailing duty instruments of trade policy to be desirable. In addition, NAM supports the expansion of Section 252 (Trade Expansion Act of 1962) to include industrial goods as well as the proposed authority sought to retaliate against foreign export subsidies in third country markets.

We would urge the Committee to include provision under this section (Section 307) for hearings in advance of any Presidential decision. Similarly, with respect to Sections 310 and 330 we would recommend specified legislative language insuring judicial review in antidumping and countervailing duty case. (In the latter this is needed only to insure fairness for the complainant with final decisions remaining with the Secretary of the Treasury.)

TITLE IV: INTERNATIONAL TRADE POLICY MANAGEMENT

NAM supports the basic tenets of this title, recognizing the need for additional legislative language to bolster trade policy management and accord the President more flexibility in its implementation. Our support for these authorities is reserved with two qualifications:

1. Section 401, subsection (C)

NAM does not support *selective* application of import surcharges since this action would go counter to the United States' long-standing traditional of Most-Favored-Nation treatment.

2. Section 402: Withdrawal of concessions

NAM urges the Committee to provide for public hearings before Presidential actions are taken as opposed to the optional *ex post facto* hearing presently proposed.

TITLE V: TRADE RELATIONS WITH COUNTRIES NOT ENJOYING MOST-FAVORED-NATION TARIFF TREATMENT

NAM supports the six sections of this title which would permit the extension of Most-Favored-Nation treatment to centrally, planned, non-market economies, which have not already received such treatment.

NAM believes that relations with non-market, centrally planned economies must be approached with firmness, minus the "rose-coloured glasses". We believe American manufacturers and workers can benefit from increased trade with such economies providing these arrangements are conducted on a *quid pro quo* basis with attendent safeguard and national security considerations carefully weighted in the decision-making equation.

TITLE VI: GENERALIZED SYSTEM OF PREFERENCES

NAM has no specific comments on this title, although we recognize the importance of stimulating economic development in other nations—particularly those comprising the "developing world". We would point out the apparent inconsistency between the expressed intentions of Title VI and the Treasury's proposals for taxing foreign source income. If the policy of the United States is to encourage exports from the developing countries through preferences designed to increase these nations' economic growth, the proposed intervention in those nations' tax systems and resultant discouragement of U.S. investment (which in many cases will result in increased exports from these countries to the United States) as recommended by the Treasury is both inconsistent and

potentially harmful. We would urge that this apparent oversight by the Administration be clarified.

TAXATION OF CONTROLLED FOREIGN CORPORATIONS

In his message to Congress on April 10, 1973, President Nixon urged that no major changes be made in the taxation of income derived abroad by foreign subsidiaries of U.S. corporations. He stated that our existing system of taxation is fundamentally sound and that American business should not be placed at a disadvantage with respect to its foreign competitors. We heartily endorse these statements by the President and suggest that your Committee recognize their appropriateness as you consider the Trade Bill.

The President stated, however, that some artificial incentives presently exist that induce capital to be invested abroad and which could produce unnecessary hardships in the United States. He then enumerated three instances where legislative change should be considered. According to the accompanying Treasury Department statement, the thrust of the Administration's recommendations for change is to "deter tax-motivated foreign investment" and it is not anticipated that these proposals "will have a substantial revenue impact." The Administration appears to recognize that in most cases United States businesses invest abroad because of market opportunities and marketing requirements—not because of an attractive tax situation.

During your recent hearings on tax reform, considerable attention was devoted to the question of taxation of foreign source income. Throughout those hearings some advocates of tax "reform" continously suggested curbing the so-called tax benefits to multinational companies. There proposals were designed to increase the tax burden on foreign source income, assuming that this would restrict foreign investment and redirect such funds to U.S. investment and enhance domestic employment.

On the contrary, the great mass of evidence gathered from various statements, surveys and studies, from both governmental and private sources, strongly indicates that such foreign investment brings significant positive benefits to both our balance of payments and domestic economy. In this connection, we direct your attention to the testimony of Mr. E. A. Vaughn, Chairman of NAM's Committee on Taxation, who appeared before this Committee on March 6th, and specifically to his comments on the comprehensive study of U.S. multinational firms' experience, conducted by the NAM's International Economic Affairs Department in 1972. Results of that study, which has been distributed to your Committee, show that hundreds of thousands of U.S. jobs have been maintained and created because of the foreign investments of these companies.

Placing new tax restrictions in the path of the U.S. businesses operating internationally would merely hand over the field to our foreign competitors and threaten the security of those U.S. jobs that are now supported by the foreign operations of U.S. companies. Thus we strongly suggest the emphasis in any Congressional review of this situation should be on the trade and adjustment assistance proposals, as elaborated earlier in this statement, and on improving the tax policy climate for domestic investment, as suggested in Mr. Vaughn's testimony.

Critical to our viewpoint and controlling as to our own recommendations with respect to the Administration's proposals is the following premise: U.S. foreign investment abroad is made primarily because of market opportunities and situations that cannot be served by export operations alone. This investment, however, is very important for U.S. exports and a significant portion of our merchandise trade is "pulled through" to foreign markets by U.S. affiliates abroad. Overseas investment thus does not substitute for exports and restricting such investment will discourage domestic employment and adversely affect our trade position. This conclusion has been documented in many statements and studies already submitted to this Committee.

In our view, enactment of the Treasury Department's proposals in their present form, particularly with respect to "tax holidays" and "runaway plants," would be counterproductive.

TAX HOLIDAYS

The recommendation to tax currently the earnings of controlled foreign corporations where incentives such as "tax holidays" are said to exist, is extremely complex. Not only would the proposed restrictions apply prospectively to new investments, but in many cases would also apply to prior investments. It would

greatly complicate the management of overseas operations and we question both the need and the approach of the proposed provision.

Why should U.S. affiliates operating in countries abroad, selling to third markets outside the U.S., be penalized when no other countries impose such a penalty? Suppose an American manufacturer wants to establish a plant outside the U.S. to compete on an equal basis with foreign-owned manufacturers for markets such as the E.E.C. Where the foreign-owned manufacturer receives an exemption from tax, such as that presently available in Ireland, denial of the same benefit to the subsidiary of a U.S. manufacturer means relinquishing the ability to compete for a share of that E.E.C. market. The question must be asked as to what U.S. objective would be served. Why should the benefits of tax incentives, fully available to our competitors in such countries, be denied to U.S. controlled firms? Recognizing the favorable impact which most American multinational companies have had on the balance of payments, and recognizing the necessity to increase such favorable balance of payments flows in the future, competitive foreign operations should be encouraged, rather than restricted by new tax burdens.

While the proposal is purported to apply to situations where special tax investment incentives are offered, the Treasury Department would be given absolute authority to determine what constitutes a foreign tax incentive and where they are practiced. Many normal features of a tax system could be arbitrarily ruled to be "incentives" now or at some future time. Any country that allows accelerated depreciation, or even any country having a province or locality that grants some investment incentive, could be considered a "tax holiday". A great many industrialized and non-industrialized countries—perhaps all where U.S. firms have business operations—could be deemed "tax holiday" countries at any time under such discretionary authority. In fact, under this rationale, the U.S. itself could be construed as a "tax holiday" country.

Thus, while the stated intent is for the provision to apply only in special cases, its potential application could be across-the-board, capricious, and highly disruptive to business planning. This is particularly true as under the proposal, once current taxation is triggered by a specific set of circumstances, it would apply for all future years and would sweep in all income of the corporation, including income derived from prior investment and new investment not subject to any tax inducement or one-shot investment, such as required for meeting local pollution control standards.

Although the import of goods from American-owned facilities abroad to U.S. markets has never been a significant factor in total imports or total sales of U.S. affiliates abroad, we recognize the President's desire to prevent loss of any American jobs that might be associated with "runaway plants". Nevertheless, it should be remembered that overall ability to compete is the prime issue here, too. Specifically, question must be raised as to what economic factors create the so-called "runaway" situation. We suggest that sufficient study would indicate that U.S. firms engaging in such practices do so for economic reasons in which tax differentials play a very small role, if any. Where a foreign competitor is exporting into U.S. markets, it serves little purpose merely to remove a U.S.-controlled producer from similar operations and leave the market solely to foreign-owned manufacturers.

SPECIFIC MODIFICATIONS

We do not believe the tax proposals discussed above are necessary or in the best interests of the U.S. However, if it is the will of this Committee to adopt legislation along the lines of the Administration's proposals, we strongly urge the following modifications:

1. First and foremost, the legislation should be addressed to the specifics of potential job displacement and not generally to tax incentives. This could be accomplished quite simply by relating the test for current taxation treatment to sales to the U.S. market. Current taxation of conrolled foreign subsidiaries would not be applied in the "tax holiday" or "runaway plant" situation if less than 25 percent of the controlled foreign corporation's gross receipts were derived from sales to the U.S. market. Where applicable, a pro rata rule should be adopted to tax under this provision only that portion of the profits derived from sales to the U.S. market. This would be at least more pertinent to the problem and would avoid much of the capricious and unnecessary hardship that would result from enactment of the proposals in their present form.

2. With respect to the "runaway plant" situation, the "80 percent of the

U.S. rate" test should be on the basis of the statutory rate in the country concerned rather than the effective rate paid by the controlled foreign corporation. Effective rates of tax will vary greatly depending on timing differences, exchange revaluations, and other circumstances, which would tend to exaggerate the erratic nature of the proposal's application.

3. If a designation of "tax holiday" is required, Congress should not delegate absolute authority to the Treasury Department to define it, but should establish explicit criteria defining this term as specific relief from taxation for a designated time period, or low rates granted in respect to manufacturing where most of the product is destined for U.S. markets.

4. Appropriate transitional rules should be provided for companies, otherwise subject to any new restrictions that are adopted, where investment decisions already have been made under existing tax law.

In summary, it is the opinion of the NAM that enlightened trade and adjustment assistance legislation should be given an opportunity to eliminate the specific problems of job displacement without restrictive tax legislation that could curtail the favorable contribution of U.S. multinational companies to the balance of payments and our domestic economy.

APPENDIX A

COMPARATIVE AVERAGE CHANGES IN EXPORT PRICES 1961–70

[In percent]

Country	Average change (annual) 1961–65	Average change (annual) 1966–70
United States	0.7	3.8
West Germany	1.0	2.7
France	1.3	1.5
Japan	−1.7	2.9

Source: United Nations Monthly Bulletin of Statistics, September 1972.

PERCENTAGE CHANGE IN UNIT LABOR COSTS FOR MANUFACTURING EMPLOYEES, SELECTED COUNTRIES, 1965–70, 1971 (RELATIVE TO NATIONAL CURRENCIES)

Country	1965–70	1970–71
United States	4.4	2.7
West Germany	4.1	8.3
France	2.9	5.2
Japan	1.1	8.1

Trade Adjustment Assistance

United States International Competitiveness and Implications for Domestic Adjustment Policy

Prepared by the
National Association of Manufacturers
Washington, D.C.

Foreword

We live in an era of accelerating technological change. This fact, coupled with an ever increasing economic interdependence among nations, has opened new challenges for governments seeking balanced internal growth, price stability and full employment. For the United States, as the world's largest market, this recent expansion of international trade has led to serious repercussions on the domestic economy. However, it has also yielded outstanding benefits and increased national wealth. The problem which no one has yet effectively faced is this: How can the United States implement a tough, fair trade posture consistent with trade expansion and through timely adjustment and increased productivity, simultaneously develop a more dynamic industrial base capable of meeting import competition? What type of programs are needed to assist workers, firms and even complete industries which are suffering economic hardship due to increasing imports?

This comprehensive study was prepared by NAM in response to these questions and the growing problem of import dislocation. It represents one important component in the Association's "system's approach" to international economic affairs.

The report concentrates on trade adjustment assistance and offers a no-nonsense approach designed to restructure and revitalize the program and help U.S. industry—both firms and workers—to successfully meet challenges of import competition. The report reviews the history of trade adjustment assistance and analyzes the program's deficiencies and potential within a cost-benefit framework.

Study on trade adjustment assistance was initiated by the NAM International Economic Affairs Committee as a necessary element of the committees' approach to positive business problem-solving on international economic issues. Specific consideration was given to trade adjustment assistance in relation to the proposed Administration trade bill, Burke-Hartke type legislation and the general issues of future trade negotiations.

During the course of the study which was conducted by an NAM interdepartmental working group, it became apparent that the issue of import dislocation and international adjustment to trade competition had direct ties to general unemployment compensation and pension rights on the local level. These subjects are therefore discussed in the text and their relevance is specifically defined.

In this context, care should be taken to avoid the most serious mistakes of past adjustment policies —particularly the substitution of after-the-fact compensation programs for an active adjustment policy. The real interests of the American worker in job retention/job creation point directly at the private firm as the vehicle of employment and economic growth rather than to the expansion of government hand-outs for job loss. More encouragement must be given to *early* industrial adjustment where workers and management alike benefit from a healthy industrial climate within the framework of a fair trade policy.

Admittedly, trade adjustment assistance is no panacea for the complications of our present economic difficulties. However, if properly directed, it could be important as a model mechanism for spurring productivity, increasing employment for the American worker and reducing inflationary pressures. Trade adjustment assistance could also play a significant role in the present struggle over international trade and investment policies, by helping to defuse the negative platform of Burke-Hartke type legislation spawned in the myopia of the "adversary relationship".

This report is submitted with the hope that labor, management and government can unite behind its recommendations, resolving to strengthen trade adjustment assistance as a model program—and show that United States industry and labor can compete in international competition. This is a goal worthy of our best efforts and the National Association of Manufacturers is pleased to offer these recommendations as a step in this direction.

E. Douglas Kenna
President
National Association of
Manufacturers

Trade Adjustment Assistance Project
Reading Group

Herbert Jarvis — CHAIRMAN
President
U.S.M. Corporation

Orville V. Bergren
Executive Vice President
Illinois Manufacturers Association

Hugh M. Comer
Vice President, Administration
Bibb Manufacturing Company

James Fender
Governmental Affairs Manager
Caterpillar Tractor Co.

Dr. Charles Frank
Visiting Fellow
The Brookings Institution

Theodore R. Gates
Vice President & Director
of Economic Research
International Business &
Economic Research Corp.

K. Robert Hahn
Executive Vice President
Lear Siegler, Inc.

Francis M. Hernan
Executive Vice President
A.S.G. Industries, Inc.

Russell H. Hubbard, Jr.
Corporate Employee Relations
General Electric Co.

L. Howard Karelis
President
Allen Shoe Company

Eugene Larson
Consultant
Longyear Co.

H. C. Lumb
Consultant
Cleveland, Ohio

Robert F. Mitchell
Vice President & Counsel
Industrial Systems & Equipment Group
Litton Industries

J. R. Pobst
Executive Director, International
Libbey-Owens-Ford Company

Staff:

Nicholas E. Hollis*
Director, International Economic
Affairs
National Association of Manufacturers

*Research Support Provided by:

John M. Kline
Staff Associate

Karin Holmen
Research Assistant

Table of Contents

	Page
INTRODUCTION	vii
Section 1. SUMMARY OF FINDINGS	1
Section 2. TRADE ADJUSTMENT ASSISTANCE PROGRAM	
History	4
Present Program	6
Present Program Evaluation	8
Previously Suggested Changes	12
Section 3. ISSUE REFERENCE SECTION	
Conceptual Rationale for Trade Adjustment Assistance	15
Scope of An Adjustment Program	16
Present Program Administration	17
Determination Criteria	17
Investigation Procedure	18
Determination Process	21
Agency Structure	21
Worker Benefits	22
Trade Readjustment Allowance	22
Retraining	25
Relocation	27
Pension Rights	29
Fringe Benefits	29
Job Bank	30
Firm Benefits	30
Industry Benefits	32
Early Warning System	32
Research and Development	34
Anti-Trust Legislation	36
Orderly Marketing Arrangements	37
Community Assistance	38
Multinational Corporations	44
Organized Labor	45
Section 4. INTEGRATED COST-BENEFIT ANALYSIS	
Current Program	47
No Program Option	49
Program Expansion	50
Report Recommendations	52
Section 5. APPENDIX	
A. Foreign Programs of Adjustment Assistance	55
B. NAM Research Method	61

CHART INDEX

1. Current Trade Adjustment Assistance Program 9
2. Two-Tier Adjustment Approach 19
3. Eligibility Flow Chart—Revised Program 20
4. State Unemployment Compensation Increases 23
5. Decline in R & D Expenditures 35
6. Present Community Adjustment Coverage 43
7. NAM Research Plan on Adjustment Assistance 67

TABLE INDEX

1. Tariff Commission Rulings 5
2. Presidential Action on Industry Cases 5
3. Current Relevant Coverage of Unemployment Insurance Benefits 24
4. Potential Community Applicants 39

Introduction

Amid the emerging confrontation on international trade and investment, and its legislative implications, is a recognized need among all elements of national leadership for greater U.S. productivity and relative competitiveness in world markets. This central and irrefutable fact stands above the raft of widely-divergent arguments and analyses on how the nation got into its competitive predicament, and proposals on how it should get itself out. At the heart of this dilemma remains the question: How do we improve the national productivity, and what measures will work to effect this objective within the traditional framework of our free enterprise system? Clearly, in an era of rapid technological change characterized by "future shock", and coupled with increasing trade and the growing interdependence of national economies, any "solution" will place considerable premium on flexible adjustment processes.

As the current debate intensifies, there is a danger that this recognition, as it relates to America's competitive position and productivity itself, may be lost within a confluence of relatively less important issues. Politico-economic pressures on decision-makers will be enormous, underscored by the erosion of the United States' trade position, high unemployment (and a related sensitivity in certain sectors due to severe import dislocation), persistant inflation and a chronically weak international payments position. Proponents of the Burke-Hartke bill and similar types of legislation have benefitted from this current economic uncertainty. However, these are negative, superficial responses to deep-rooted problems; they should not be permitted to divert attention away from the core issues which the United States must face if it is to continue as a responsible member of the international commercial community.

Clearly, more can and must be done to strengthen the international economic standing of the United States. American workers, unions and industry (both multinational corporations and the small, family owned enterprise) have much to lose with a continued deterioration of our competitive position.

This Administration has expressed concern with respect to the unfavorable balance of trade, and has taken strong and needed steps in recent months (particularly evidenced with the actions of August 15, 1971, the subsequent Smithsonian Agreement in December 1971, and the second devaluation of February 1972) to correct certain inequities on the international front in an overall effort to restore a modicum of global economic equilibrium. On the domestic side, necessary efforts to dampen the inflationary spiral characterizing the last half of the sixties have been a qualified success, through a combination of monetary and fiscal policies and the wage-price controls. Yet, these actions, strong as they were, have not had the anticipated remedial effect on the United States' international competitive position because they have not tackled some of the core issues. In the year after devaluation of the dollar, and eighteen months after the imposition of wage-price guidelines, the trade balance skidded from –$2.1 billion in 1971 to approximately –$6.4 billion in 1972 forcing a second devaluation of the dollar on February 12, 1972. And, although some improvement may be expected, the prognosis for 1973 does not seem much brighter.

One missing component in the program has been improved productivity* and the lack of a national commitment and orchestrated policy toward it. The National Association of Manufacturers is vitally interested in improved U.S productivity in the interest of a healthy, competitive U.S. economy and a strengthened balance of payments. As one of the Association's major objectives, a series of studies on different aspects of national productivity improvement have been undertaken—with the aim of recommending ways to improve the overall United States economic climate.

Consistent with this objective and the search for positive solutions to the United States' international economic dilemma the following study has been developed on the issue of trade adjustment assistance—as a small, but important link between international and domestic economic policy. As such, this report constitutes an effort to analyze the major questions behind the trade adjustment assistance issue, both from an historical and a cost-benefit perspective. It also seeks to recommend workable industry and labor oriented recommendations consistent with the goals of strengthening the national employment base, and improving productivity and international competitiveness on a cost-effective basis.

The report is divided into five major sections: (1) *a summary of the report findings and recommendations,* (2) *a description of the Trade Adjustment Assistance program* including history, present program structure and evaluation, and recently proposed changes, (3) *an issue reference section* comprising descriptions and recommendations on important sub-issue questions, such as: program scope, rationale, administration, benefits (worker, firm and industry), plus several additional issues raised by proposed alternate approaches, (4) *a cost-benefit analysis* of present program and other options, including this report's recommendations, and (5) *appendices,* including a brief description of foreign adjustment programs, the project questionnaires and research method.

*Productivity can perhaps best be concisely defined as real output per hour of work or, more loosely, as the efficiency with which output is produced by the resources utilized. See *The Meaning and Measurement of Productivity*, Bulletin 1714, prepared for the National Commission on Productivity by the Bureau of Labor Statistics, 1971.

SECTION 1

Summary of Findings

General Overview

This report's findings and recommendations extend beyond an evaluation of the present trade adjustment assistance program and offer a positive, alternate course of action, aimed at a restructured and redirected response to trade-related adjustment problems. This approach is characterized by an effective early warning mechanism, programs geared toward facilitating adjustment (as opposed to retroactive compensation) and industrial self-adjustment with a minimum of government participation. In this approach, effective early *adjustment* efforts will replace the current system of compensatory "burial expenses" with a program formula aimed at job retention/job creation for workers within a healthy industrial climate.

Recognizing the necessity of improving overall national productivity, as well as this nation's ability to compete in world markets, this report proposes a series of changes which, if implemented, would revitalize the adjustment mechanism on a cost-effective, economical basis—an important consideration reflecting the need for fiscal responsibility and controlled federal spending. The report's recommendations are founded on cost-benefit analysis and are designed to encourage more leadership and self-adjustment by the private sector, utilizing the strengths of freer market forces.

Guidelines are offered in this report to help channel government participation toward the most beneficial programs, (tightened through cost-cutting and reduced processing time) with the least damaging potential for market interference. This procedure anticipates the time when the government role can be reduced, perhaps through transitional stages, as industrial productivity is stimulated and international competitiveness is placed upon free market principles in a fair trade equation.

Need for Structural Change

A major report emphasis and recommendation embodies structural change for trade adjustment assistance — a shift of emphasis from present injury compensation to pre-injury adjustment. Streamlining the present program can have only limited remedial effects and will prove generally ineffective by itself unless coupled with a reordering and restructuring of program priorities. Toward this objective the report recommends a two-tier system for adjustment supported by an effective early warning system. (See page 19 for a graphic outline of the two-tier approach.) The two-tier system would provide for different benefits on a selective basis at each separate stage. First would be broad industrial programs to improve the competitive climate for an entire qualifying industry. The "assistance" at this stage would encourage industry self-adjustment to increase productivity and competitiveness, allowing job retention for workers in that industry and spurring the dynamics of industrial job creation. The second stage would constitute a reordered version of the present program where individual firms and worker groups suffering severe import injury could petition for specific assistance designed to help them complete the adjustment process they presumably began in the first stage. This approach could achieve the desired objectives of worker reemployment, competitive adjustment, cost-effectiveness and minimal government impact upon the market place. While developed and administered as a separate and distinct program, trade adjustment assistance, if more responsive, could become the cutting edge for related national efforts needed in productivity/investment policy and manpower development. Consequently, the report's recommendations were made to facilitate a consolidation of federal programs in which trade adjustment assistance could be subsumed.

A listing of the major findings and specific recommendations begins below with the early warning system and the proposed benefit structure under the two-tier approach. Following these areas are various issue reference recommendations paralleling the body of the report. Additional findings related to these recommendations are found in report chapters on program history, cost-benefit analysis, and foreign programs (in the appendix). In addition, minor recommendations and ideas for consideration are located throughout the text.

Early-Warning System

A central improvement, necessary for a successful, restructured trade adjustment assistance program, is the development of an effective early warning system. This mechanism, designed to forecast potential import dislocation, could also provide an excellent foundation for the proposed industrial approach to trade adjustment assistance. This report calls for the implementation of an early warning system using the presently available public statistic base with careful recognition given to the necessity of business confidentiality. Specifically, the report recommends that:

1. Presently available data pertaining to international commercial competition, both foreign source and domestic, be integrated more effectively and published in industry sector analyses.

2. Increased responsibilities be given to U.S. commercial attaches overseas in the collection of data and monitoring relevant commercial intelligence. Greater government agency coordination on competitive assessment.

3. Active dissemination of forecast analyses to target industries, subject to confidentiality precautions, in order to facilitate early operation of an industrial adjustment response to increasing competition.

Benefits and Provisions

Findings: Although the issue of program benefits has received much attention, few benefits have actually been provided under trade adjustment assistance. The benefits that have been granted to workers and firms have proven ineffectual for the most part. Instead of facilitating timely adjustment, benefits have become retroactive compensation. Assistance to workers has concentrated on compensation rather than active reemployment programs and there has been no concern with job retention/job creation through effective early industrial adjustment.

Recommendations:

1. Worker benefits could be improved by:

(a) The redefinition of trade readjustment allowances for workers to parallel state unemployment compensation benefit levels, thus reducing duplication and facilitating processing.

(b) Increased program emphasis on job placement techniques, closely coordinated with the computerized *national job bank* system (which could serve general unemployment problems along with trade adjustment cases), thus adding to worker mobility — horizontal and vertical.

(c) Improved relocation assistance for those seeking new jobs in other locales.

(d) Emphasis directed at *on-the-job retraining programs* contracted with willing private firms.

(e) Acceptable standardization of minimum vesting requirements under private pension plans for workers.

2. Industry benefits and overall program effectiveness could be improved with:

(a) The establishment of a modified industrial approach stage of trade adjustment assistance where industry certification would permit the following benefit considerations:

(1) *Research and Development Assistance*—Federal consultation, technical assistance, and possibly a system of additional measures—(i.e. partial matching of private R&D funding and tax credits as a part of a broader national campaign to expand R&D investment and encourage productivity and innovation).

(2) *Antitrust*–A special Justice Department section would be established to provide advice, issue guidelines and review industrial adjustment plans involving mergers and/or joint ventures (i.e. joint R&D efforts) by industries seeking to meet international competition.

(3). *Orderly Marketing Arrangements*–The formation of an inter-agency standing group (Departments of Treasury, Commerce, Labor and State, Tariff Commission, Office of the Special Trade Representative, Council on International Economic Policy) to make recommendations to the President for negotiating bilateral and multilateral orderly marketing arrangements on a conditional and temporary basis for particular industries experiencing severe import dislocations. These arrangements would be installed for a specified time period in conjunction with a definite industrial adjustment plan to provide temporary import relief for an industry in which successful adjustment could not otherwise occur. The orderly marketing arrangement would contain specifications for a graduated, "phase-out" timetable.

Eligibility Criteria for Trade Adjustment Assistance

The report rejects a number of proposals which would lead to a massive and unwarranted program expansion and instead recommends measured relaxation of present program eligibility criteria as follows:

1. Elimination of the causative link requirement between increasing imports and a past trade concession.

2. Industry petition criteria relaxed to require only that an increase in imports was the *primary* cause (more than any other single factor) of injury rather than the *major* cause (more than all others factors combined) as presently required in order to receive industrial trade adjustment assistance benefits.*

In order to regulate government participation in specific assistance to workers and firms, and to insure adequate proof of injury for any program applicant, we recommend:

3. Retention of all other congressionally established eligibility criteria wherever applicable.**

Submission of Petitions

Findings: Due to the complexity of the petitioning process and a lack of knowledge regarding the program — its existence, standards to measure eligibility and the basic application procedures — the chances for early adjustment to import competition have been negated by the present structure.

Recommendations:

In order to disseminate information, coordinate procedures and simplify the submission process itself, it is recommended that:

1. Industry and firm petitions be submitted directly to the Commerce Department and worker group petitions to the Department of Labor.

2. Commerce and Labor Departments begin petition review immediately upon receipt to insure its proper completion.

3. Further improvements in communication between the Departments of Commerce and Labor to effect immediate inter-agency notification when petitions are received.

*These recommendations do not apply to escape clause action, but only to a trade adjustment assistance program.

**In instances where application is changed to parallel subsequent report recommendations (i.e. trade readjustment allowance) the congressional criteria would be modified accordingly.

4. The Commerce and Labor Departments undertake to immediately notify all worker groups and firms in industries relevant to any petititon submitted, informing them of the trade adjustment assistance program, their application potential and the petitioning procedure.

5. Labor unions and trade associations be urged to inform themselves and their memberships on the trade adjustment assistance program and their potential relationship to it, encouraging early petitions wherever applicable.

Petition Investigation and Eligibility Determination

Findings: Investigation procedure for trade adjustment petitions is characterized by arduous delays, agency overlap and general operational inefficiency which negates the chances for early benefit delivery and adjustment to import competition. Similarly, the determination of eligibility needs streamlining to be effective.

Recommendations:

In order to expedite the investigatory and eligibility determination processes, it is recommended that a legislated timetable be enacted to require:

1. Completed petitions received either in Commerce or Labor Department be transmitted to the Tariff Commission *within one week* of submission date.

2. Tariff Commission initiate an investigation immediately upon receipt of the petition and submit a completed report to the relevant department not more than ninety days after receipt of an industry petition or thirty days for a worker group or firm petition.

3. Commerce and Labor Departments' rulings on eligibility determination will be final and required within seven days of receipt of Tariff Commission Investigation Report — (a fifteen day grace extension period could be authorized by either department's secretary, if necessary, in order to seek further information from the Tariff Commission).

Administration of Benefits

Findings: Even after firms and worker groups have been certified eligible to receive adjustment assistance, inordinate delays occur in the administration of benefits. Although timetables are impossible in this stage of the process, certain needed improvements are possible.

Recommendations:

It is recommended that:

1. Technical assistance in drafting firm adjustment proposals be given to certified firms by the Department of Commerce. This proposal must be submitted within ninety days after the firm's eligibility certification.

2. Labor Department training teams be temporarily utilized to reinforce local employment security offices in handling additional individual worker petitions.

3. The eligibility criteria of individual workers be simplified so that the only additional investigation necessary beyond that required by state unemployment procedure is to determine that the worker's job was adversely affected by his firm suffering import injury.

Community Adjustment Assistance

This report rejects the concept of adding supplemental community assistance programs to the present trade adjustment assistance structure. Such an amalgamation would lead to confusions, administrative delays and results harmful to the interests of workers and firms. Recognizing the importance of encouraging community and regional response to economic dislocations caused by imports and other economic factors, the report recommends:

1. Better utilization and coordination of existing federal programs designed to alleviate economically impacted areas on a regional basis.

2. Additional efforts to coordinate local industrial development groups and recruit voluntary leadership from successful neighborhood industries.

3. Better dissemination of information on the trade adjustment assistance program to voluntary business and civic groups in communities and areas where import dislocation is threatened or actual.

SECTION 2

Trade Adjustment Assistance Program

History

The Trade Adjustment Assistance program is a relatively recent development in the history of United States trade policy. Evolving from legislative proposals in the 1950's, the concept of trade adjustment assistance achieved policy significance in the United States with its inclusion as Title III of the Trade Expansion Act of 1962. Since then, despite the controversy and organizational/operational problems which have characterized its short history, trade adjustment assistance occupies an increasingly important role in United States trade policy. The early origins of this program have already been documented extensively elsewhere; consequently, this chapter will only highlight a few key ideas and program "milestones" characterizing its inception--with emphasis on the implications for current program/policy evaluation.[1]

Even as a comparatively small part of the larger legislative package aiming at trade negotiations, the adjustment assistance provisions received considerable attention. This is not surprising; all sides recognized adjustment assistance provided supportive philosophic underpinnings which recognized that a national economy benefiting from expanding commerce also had the obligation to help buffer those in particular sectors who were injured by the prospect of that policy. Thus, if an economic dislocation in terms of plant shutdowns and unemployment, for example, resulted from the reduction or removal of a tariff, the government was obligated to provide some form of assistance to those firms and workers unable to make satisfactory adjustments on their own to the new conditions.

On the other side, those fearing greater import competition (particularly certain labor groups and small businesses) saw adjustment assistance as an additional trade policy tool in the arsenal to protect jobs and investments. Escape clause provisions which had been heavily relied upon earlier to buffer competition, no longer afforded an adequate safeguard.

The compromise element between these two groups, while important to the beginnings of trade adjustment assistance, diverted attention from the program's substance and such questions as: Can this program stand on its own merits? How will such a program "fit" into U.S. trade policy considerations? Will the program be cost-effective?

The "founding fathers" of adjustment assistance were not entirely unmindful of these questions. They expressed particular concern regarding the determination of eligibility for trade adjustment assistance in recognition of the many factors causing industrial dislocation and the difficulty of separating them. They also worried about the costs of an evolving, untried program. Their response to these concerns was the adoption of program qualification criteria which had the unintended effect of locking the program into an "eligibility straightjacket."

Under the criteria firms and businesses found it impossible to qualify for the program. The Act authorized assistance for those elements of the economy either experiencing, or threatened with, serious injury *caused in major part* by increased imports — *providing* that such increase was also *in major part the result* of a trade concession.

The combination of the causative link to prior trade concessions and the definition of "major part" (more than all other factors combined) to describe the impact of increased imports, resulted in frustration for petitioning workers and firms. However, the general prospects of the mid-60's economic boom with rising employment somewhat muted the cries of the import affected. Meanwhile, disquieting signals, reflected in a shaky erosion of the nation's international payments position and declining trade surplus, also went largely unnoticed.

Despite steadily building pressures on the trade policy front, the program remained dormant throughout the sixties without a single affirmative ruling to test the operational aspects. Even before the end of the Kennedy Round, these pressures were manifesting themselves in a strong surge for toughened, restrictive trade policies. Led by several U.S. industries which had become alarmed at the precipitous increase in competitive imports and the lack of foreign market access for their products, this sentiment now won the backing of organized labor. By 1969, coupled with accelerated unemployment and

[1]Trade Adjustment Assistance originated in the European Coal and Steel Community programs designed to alleviate workers' dislocations in the coal industry. It was first proposed in the United States by David McDonald, then President of the United Steel Workers, to the Randall Commission on Foreign Economic Policy in 1954. For additional historical perspectives see the papers submitted to the Commission on International Trade and Investment Policy (Williams Commission) and the Trade Adjustment Assistance Hearings before the Subcommittee on Foreign Economic Policy of the House Committee on Foreign Affairs, April and May, 1972.

business recession, this formidable drive for trade restriction had pervaded Congress.

The ensuing conflict was highlighted by a pitched legislative battle on the Mills Bill and overshadowed important interpretational changes made by the Tariff Commission in the adjustment assistance criteria. Actually, these changes were probably stimulated as a direct result of this conflict, and the recognition that the adjustment program had not functioned as a needed "safety pressure valve."[2]

In this context it might be interesting to speculate on the role an operating adjustment program might have had in defusing the growing trade tensions of the sixties. However, any working program would probably have gone unnoticed next to the enormous and complex forces which triggered the nation toward trade expansion.

The interpretative innovation formulated by several Tariff Commission members and unveiled in November, 1969, resulted in a relaxation of the "causal link" between increased imports of competitive products and a specific United States trade concession. Rather than require that the trade concession be the major causative factor for the increase in imports, the new ruling advanced a "but for" principle. Essentially, this translated, "but for the trade concession, the increase in imports probably would not have occurred."

Following these new criteria interpretations the Tariff Commission made a flurry of affirmative findings. The first involved a worker group producing steel pipes and and was followed in December, 1969, by an affirmative industry ruling on pianos. The first certified firm petition came from an affirmative Presidential decision on a tie vote of the Tariff Commission in early 1970, while the first affirmative Tariff Commission ruling on a firm petition did not occur until November, 1970. The overall performance record of the Tariff Commission, reflecting in a large part action resulting from the interpretative change, is shown below up to November 30, 1972.

With Tariff Commission affirmative findings based largely on interpretive rather than substantive

Table 1

TARIFF COMMISSION RULINGS*

	Denials	Affirmative	Tie Vote	In Process	Total
Worker Cases	98	25	30	3	156
Firm Cases	18	9	8	0	35
Industry Cases	17	2	5	1	25
Total	133	36	43	4	216

*As of November 30, 1972

[2]See hearings in Joint Economic Committee (Fall of 1969) and House Ways and Means Committee (May 1970) for congressional views on adjustment programs.

Table 2

PRESIDENTIAL ACTION ON INDUSTRY CASES

	Trade Adjustment Assistance	T.A.A. and Escape Clause
Affirmative Votes	0	2
Tie Votes*	2	1

*No action was taken by the President on two of the tie votes.

changes in the law, application of the "but for" principle has been sporadic. Vacillating as Commission members change or are absent from particular votes, the liberalizing interpretation has a cloudy future. Some of these unnecessary ambiguities and uncertainties could probably be alleviated with the adoption of more definitive legislative criteria so that the criteria's legal basis is established by Congress rather than by an administrative body.

Certain difficulties in the criteria area trace back to adjustment assistance's close relationship to the escape clause. As noted earlier, adjustment assistance won support as an additional advantage coupled with possible escape clause action. However, the two concepts had very different emphases and theoretical foundations.

Nonetheless, under the 1962 statute legislators established procedures and criteria for adjustment assistance petitions identical to those already operative for escape clause relief. For example, an affirmative ruling on a tie vote in the Tariff Commission sends the petition to the President, who may then take one of the following actions: (1) deny the petition; (2) grant escape clause relief to the industry by temporarily increasing the tariff or applying quantitative restrictions on competitive imports; (3) certify the industry's firms and worker groups eligible to apply for trade adjustment assistance benefits; or (4) a combination of numbers two and three. Table Two shows the actions which have been taken on affirmative or tie vote rulings up to November 30, 1972.

This report does not purport to analyze the escape clause component of present legislation. While conceding this as a subject worthy of careful study, NAM does not take a position on tariff matters. Differing perspectives on tariffs of NAM's many members and their employees make it impractical for the association to generalize in matters of this nature. On the other hand, we believe trade adjustment assistance, as a separate issue, must be addressed. Present analysis and findings relate only to the trade adjustment assistance program within the context of international economic policy. Thus, no existing positions or policies of the association on international economic matters shall be construed to be a position on tariffs. The recommendations contained in this report relate only to the trade adjustment assistance

component of present legislation and should not be construed as a position on the escape clause mechanism.

Present Program

The discussion and controversy surrounding trade adjustment assistance since its inception have obscured basic facts of the program as it currently exists. A number of important interrelationships underlying the issue and their historical antecedents have also been shrouded. Clearly some misinterpretations could be expected, given the interaction of different historical perspectives, goal perceptions and ideologies about a program whose complex operating procedure was itself often misunderstood. In fact, it is difficult to tell whether the program's operational complexity merely reflects the blurred interrelationships within the larger issue, or whether the operational process is in some way partly responsible for the present confusion about the adjustment concept. The truth probably lies somewhere in between these alternatives. However, a clearer understanding of both the program structure and the underlying conceptual problems related to it are necessary before engaging in any systematic problem-solving analysis.

Similarly, the construction of an accurate historical evaluation — important on any problem-solving exercise — will be enhanced by an appreciation of program structure and operation. Thus, the purpose of this subsection is to clarify the provisions and procedure of the present trade adjustment assistance program. This summary will provide the reader with a reference source on the present program to be used for later comparisons made in this report concerning program evaluation, proposed changes, and overall cost-benefit analysis of alternative options.

Trade adjustment assistance, as created in 1962, aimed at two specific objectives: (1) to alleviate injury stemming from increased import competition, and (2) to expedite the process of domestic adjustment by effecting a better utilization of national manpower and capital resources.

Workers were to be assisted in their transition to new jobs through allowances extending over a limited period of time for retraining and relocation. Import-injured firms were to be aided in modernizing their plants and production methods and in shifting lines of production with the help of technical, financial and tax assistance.

[3]Mainly provisions of the Manpower Development and Training Act of 1962.

[4]A number of these programs were previously operated out of the Economic Development Administration and the Small Business Administration. Beginning in fiscal year 1971, the Office of Trade Adjustment Assistance in the Commerce Department has handled them directly.

Provisions for Workers

Once fully certified as eligible for trade adjustment assistance an individual worker may receive:

a. Trade readjustment allowance
b. Training, testing and counseling services
c. Relocation allowances

Trade Readjustment Allowances (TRA)

The TRA is a weekly cash allowance amounting to either 65 percent of the worker's average weekly wage or 65 percent of the average national manufacturing wage — whichever is less. While it is being received, TRA *replaces* general unemployment compensation for which the worker may have been eligible. TRA allowances are normally payable for a maximum of fifty-two weeks from the determined impact date of dislocation. Older workers, sixty years and up at the time of separation, may receive payments for thirteen additional weeks while a worker participating in approved training may receive up to twenty-six additional weeks of allowance to complete such training.

Training, Testing and Counseling Services

Programs of this nature provided under any federal law are available to certified workers.[3] Transportation and subsistence payments are authorized when the training is not within normal commuting distance of the worker's residence.

Relocation Allowances

These benefits are made available to workers who cannot find suitable employment in their normal place of residence. Eligibility for this allowance is limited to the head of a household who has a *bonafide* job offer in another location which affords reasonable expectation for long-term employment. A relocation allowance includes payment of a lump sum equivalent to two and one-half times the average weekly manufacturing wage, plus reasonable expenses incurred in transporting the worker, his family and household belongings to the new location.

Provisions for Firms

While the main emphasis of trade adjustment assistance is on alleviating worker dislocations, three forms of assistance are available to certified firms:

a. Technical assistance
b. Financial assistance
c. Tax assistance

Technical Assistance

This type of assistance may be given to firms both in preparing an adjustment proposal and as a part of an approved adjustment proposal. It may include managerial consulting, research and development assistance, market research, and other assistance necessary to reestablish the profitable operation of the firm.[4]

Financial Assistance

Financial assistance comprises loans and loan guarantees, either direct or in cooperation with private lending institutions through agreements for government participation on an immediate or deferred basis. Firms may use loans granted for purchase of land, buildings, equipment, or in exceptional cases as determined by the Secretary of Commerce, for working capital. The Commerce Department determines the terms of any loan or loan guarantee with the Treasury Department setting the applicable interest rate.

Tax Assistance

Certified firms may carry back net operating losses five years, two years beyond the normal allowance permitted firms by the Internal Revenue Service.

The Petitioning Process (Procedure)

The Trade Expansion Act of 1962 (Title III) established four principal eligibility criteria which must be met in order to qualify for trade adjustment assistance:

1. Imports of like or directly competitive products must be increasing.
2. The increased imports must have resulted in major part from concessions granted under trade agreements.
3. The industry, firm or worker group must be suffering or threatened with serious injury measured in terms of idling of facilities, inability to operate at a level of reasonable profit and unemployment or underemployment.
4. Increased imports must be the major factor causing injury to an industry, firm or group of workers.

The Act also spelled out two procedures by which workers and firms could qualify for assistance:

1. Workers and firms may apply to the Labor and Commerce Departments, respectively, for trade adjustment assistance following an affirmative Tariff Commission finding of injury and a Presidential approval *with respect to an industry petition.*[5]
2. A group of workers or a firm can petition the Tariff Commission directly for an injury determination of their individual case and upon an affirmative ruling apply to the Secretaries of Labor or Commerce, respectively, for certification.

Tie vote deadlocks in the Tariff Commission are submitted to the President for final determination.

These procedures can involve considerable time periods in going through the various steps. The result has been a postponing of aid to workers and firms until long after the date on which actual layoffs have occurred and on which the process of relocation or retraining should have begun.

After industry petitions are submitted to the Tariff Commission, the normal investigation period extends for six months. Upon an affirmative finding of injury, the President, in addition to other possible actions, may authorize the workers and firms of a particular industry to apply to the Secretaries of Labor and Commerce, respectively, for certification under the program. The President usually acts on industry cases within a sixty-day limit after receiving the Tariff Commission report. However, he may request further information from the Tariff Commission which would then involve a more extended period of time.[6]

Following the President's authorization, the Departments of Labor and Commerce will accept petitions for certification of eligibility to apply for adjustment assistance. There is no established time limit in the original Act for this phase of the process, but Commerce and Labor reportedly require around sixty days to investigate the petition and an additional thirty days to issue their determinations.

Worker petitions and firm petitions can be submitted directly to the Tariff Commission without a previous determination of industry injury. The Tariff Commission is permitted sixty days to complete an investigation and issue its findings. Once an affirmative decision is handed down, the petitioner may apply to the President for adjustment assistance. Under existing Executive orders designed to alleviate burdens on the White House, the workers and firms actually apply directly to the Secretaries of Labor and Commerce, respectively.

A further departmental investigation is then conducted. Agency regulations allow twenty days for this exercise, but there is no statutory time limit concerning either this investigation period or the final decision on the petitioner's eligibility to receive assistance and delays do occur.

Individual Worker Certifications

The individual worker seeking adjustment assistance benefits must overcome an additional hurdle following the Labor Department certification of eligibility for his worker group petition. This stage involves his individual application for benefits which is submitted to his state employment agency. In addition to the eligibility criteria previously outlined for

[5]*Industry* petitions can be forwarded by a trade association, firm, certified or recognized union, or other representative of the industry with the objective of gaining industry-wide status recognition of import injury and governmental acceptance of that condition. The escape clause presently remains the most important industrial avenue for obtaining relief from imports. No industry adjustment benefits as such are presently available on an industrial level to a qualifying industry. The president may grant the industry escape clause relief or allow its individual firms to apply for adjustment assistance, or a combination of these actions.

[6]On tie votes of the Tariff Commission, there is no time limit on the President's decision. If the time limit for affirmative rulings is not met, the President must make a report to Congress which can then take certain actions as outlined in the Trade Expansion *Act of 1962.*

worker groups, the individual worker must further meet the following requirements:

1. He must be a member of the certified group.

2. He must have become unemployed or underemployed due to lack of work in the affected establishment.

3. He must have been gainfully employed for at least half of the three years prior to the unemployment or underemployment.

4. He must have been employed in an adversely affected firm for at least half of the fifty-two weeks prior to his layoff.

5. He must have become unemployed or underemployed during the relevant timeframe determined in the Labor Department's investigation to correspond to eligible import dislocation.

Firm Adjustment Proposals

At the end of the bureaucratic labyrinth for the import injured firm seeking assistance lies the formulation of an adjustment proposal. Each firm certified as eligible must describe in detail its plan for regaining a competitive position, including the type of adjustment assistance needed to carry out the proposal. The proposal must be submitted to the Commerce Department within two years after the firm has been issued a certification of eligibility to apply for adjustment assistance. With the exception of minor technical assistance designed to guide the firm in preparing its proposal submission, no other assistance is granted until the Secretary of Commerce has certified that the proposal:

1. is reasonably structured to contribute materially to the economic adjustment of the firm.

2. pays adequate consideration to the interests of the workers of the firm.

3. demonstrates that the firm will make all reasonable efforts to use its own resources for its adjustment. (Any request for financial assistance also requires assurance that such assistance is not otherwise available on reasonable terms from private sources and that there is reasonable assurance of the firm's ability to repay the loan.)

Present Program Evaluation

Objective evaluation of the trade adjustment assistance program is hampered by: (1) the program's historical relationship to U.S. trade policy and (2) the short duration of its functional existence (since 1969). Unfortunately this unique program experience has fostered many rather inaccurate methods of evaluating and recommending changes in the program. Analyses usually divide deficiencies in the program into three general categories (1) program administrative procedures, (2) operational provisions, and (3) structural formulation. Clearly, each problem area has a certain validity and has influenced the program's effectiveness. However, the priority ranking order used in effectively evaluating the program should be precisely the opposite from the contemporary order cited above. In effect, we need to revisit the fundamentals.

The purpose of this subsection is to develop an evaluative "line-up" for the trade adjustment assistance program based on these three problem areas. Analyzed in the context of the earlier historical background and using this problem ranking method, the program's real deficiencies become clearer in both their scope and their relative importance to one another.

Trade Adjustment Assistance (as noted earlier) was legislated as a peripheral inclusion in the Trade Expansion Act of 1962 whose primary purpose aimed at gaining broad tariff-cutting authority for multilateral negotiations in the General Agreement on Tariffs and Trade (GATT). The attention directed at the trade adjustment assistance program during the legislative campaign was mainly generated by the "compromise" nature of its provisions. This attitude diverted study from the program's structural foundation. Subsequently, the program's foundation has become largely legitimized by the passage of time.

The general inactivity of the trade adjustment assistance program probably aided the legitimation process by failing to test the program's underlying concepts. Only after 1969 were implementation problems first recognized, and by this time, the pillars of the program's structure were in cement, having inherited an assumed acceptance. Most analyses and recommendations commissioned to improve the present program have ignored the structural approach and concentrated on the obvious administrative and sometimes less evident operational problems. Since many of these deficiencies are generally recognized, if not completely documented, we will examine them first — while recognizing that they are superimposed upon and therefore strongly influenced by the more important structural direction of the program.

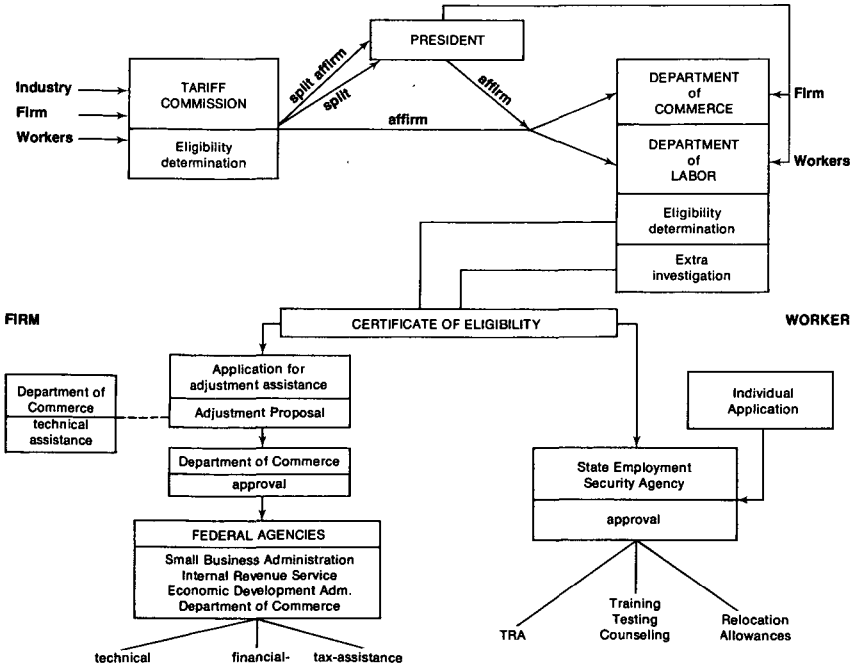
Administration

Administrative problems in the trade adjustment assistance program translate largely into two words: "excessive delay". A glance at the procedural chart on the next page which traces the petitioning procedure, reveals an arduous process — with many potential bottlenecks — that almost assures frustrating delays. For example, after the applicant group has developed its petition and submitted it to the Tariff Commission, an investigation is undertaken which may include a formal hearing. This process can, by law, take up to six months on industry petitions and sixty days on firm or worker petitions. After a ruling by the Tariff Commission there are no more time limits imposed by the original law on the administrative procedure.[7] Under even the best of conditions, it will likely take at least three months for

[7]Except that firms finally certified for assistance must submit an adjustment proposal within two years of their certification in order to receive assistance.

Chart 1

CURRENT TRADE ADJUSTMENT ASSISTANCE PROGRAM OPERATIONAL FLOW CHART



final determinations to be made on direct firm or worker petitions and eight to eleven months if an industry petition is involved. Requests from the departmental agencies for additional information anywhere along the line often delay the process even longer.

As shown previously the determination of eligibility only opens further processing steps to those in pursuit of trade adjustment benefits. After a protracted process individual workers are eventually certified eligible by state unemployment agencies and firms file detailed adjustment proposals for approval by the Commerce Department. Certainly most of these steps are necessary and attempts to short-cut them should be carefully studied lest a critical safeguard phase be sacrificed for expediency. On the other hand, new efforts are clearly needed to help speed up the procedural systems.[8] For example, a more definitive time schedule could help break down some of the obstacles. Other changes should eventually come through new legislation, but recommendations and evaluations in this area of procedure could also take recognition of some administrative improvements which have been made by appropriate agencies since the program's inception.

The Tariff Commission issued new rules in December 1972, designed to simplify the petitioning process for worker groups by requiring only types of information that should be readily available to the workers. The Labor Department is furnishing more

[8]See p. 18 for details of recommendations.

96-006 (Pt. 6) O - 73 -- 19

help now to local employment security offices to process applications and to counsel dislocated workers. The Commerce Department has decreased to more realistic levels the amount of time for which an adjustment proposal must attempt to forecast a firm's successful readjustment. However, while recognizing some administrative improvements such as these, present deficiencies cannot be ignored.

The NAM questionnaires on adjustment assistance circulated in September 1972, led to investigation which revealed several striking examples of administrative delay:

1. A southeastern textile firm petition was investigated by the Tariff Commission beginning on September 15, 1970. Over eighteen months later, on April 4, 1972, the firm finally received its initial assistance. By comparison this firm is well off compared with —

2. A piano company which applied for certification in March 1971, after the industry had been found import-injured. This firm has still received no determination on its eligibility and presently faces several capital shortage problems. Even with certification, the piano company would face additional procedural stages including proposal preparation and approval before it could actually receive any benefits. Ironically, the company, with numerous backlogged orders, cannot even secure loans in its present condition which could be used to purchase supplies needed in piano construction.

3. Investigation on a worker group petition initiated by the Tariff Commission in December 1970, was not culminated with an eligibility certification by the Labor Department until June 14, 1971. Following that finding individual workers were still faced with the necessary application procedure at their respective state employment agencies. In this specific case it was determined that the workers had begun suffering injury due to import competition on October 2, 1969, thus waiting over twenty-one months before even their group certification was issued. Still later, a revised certification issued for this group in January 1972, determined that the impact on employment had actually begun on September 28, 1969.

Much of the administrative/procedural time problem reflects a deep-seated difficulty: what agency or department possesses the decision-making power? Clearly, any procedure engaging separate decisions by three or four distinct bureaucratic entities increases the chances for protracted delays. This is particularly true if duplication and artificial procedural distinctions are involved (as they are in the application process). Unfortunately this problem does not lend itself to an easy solution since it implicitly requires governmental reorganization and congressional approval. Furthermore, any change in organizational lines should strive to keep those agencies most knowledgeable on the problem closely involved with the process.[9]

[9]For additional discussion and recommendations on this point see p. 21.

Operation

Operational problems of trade adjustment assistance — involving program implementation and benefit delivery as opposed to administrative processing and procedure — emanate from the objectives which the program benefits were designed to meet. Undeniably, the operational side of the program is affected by any delay in administering the benefits. However, it is a separate question altogether to ask whether or not the benefits themselves will accomplish their mission — even assuming that they reach the recipient in time to be useful.

Marginal improvements have been made in the delivery of benefits since the program's early days, including some corrections of early mistakes resulting from lack of program experience. One incident, involving a small Midwestern piano firm, can serve as an example of early problems. After an initial certification of injury and eligibility for assistance, the company submitted its adjustment proposal, which was approved by the Commerce Department. At that juncture the company's creditors received assurances from the Office of Trade Adjustment Assistance in the Commerce Department that government loans and guarantees would be available to help the firm meet its financial obligations. A change in Commerce personnel, accompanied by a shift in the program's use of loans for adjustment purposes, interceded. Action on two loans for the company was deferred and despite earlier certifications and assurances, the firm was forced to shut down its plant and lay off its 100 workers.

Unfortunately, the cumulative practical experience needed in operating a program such as trade adjustment assistance has been slow in coming. As of November 29, 1972, the Office of Trade Adjustment Assistance had recorded only ten firms which had reached the final proposal approval stage where benefit delivery becomes relevant. One case, involving a small barber chair company in Chicago, provided a costly lesson — not likely to be forgotten soon.

This firm was certified for the program and applied for assistance loans. The Small Business Administration, operating in conjunction with the Office of Trade Adjustment Assistance, provided almost $3.8 million in financial assistance. After an initial series of favorable progress reports, the company went out of business, forcing the government to try to auction off the firm's remaining assets in order to partially recover its commitment.

While lack of experience remains a major obstacle in solving the program's operational problems, greater utilization of technical assistance (particularly management consultants) in the preparation of adjustment proposals and long-range strategies for competitiveness, is revealing encouraging potential. This is doubly important since technical assistance allows firms to adjust themselves. In effect, this type of guidance helps firms use their own diversities and

uniqueness to the fullest advantage, rather than attempting to force their adherence to some inflexible standard.

The relative success or failure of adjustment efforts thus far varies with each case and within the maturation time frame of the overall program. Few general conclusions can be advanced since not enough time has passed to adequately test any hypotheses. In the above cases regarding pianos and barber chairs, the program was an undeniable failure. At least two firms which have been certified, a northeastern shoe firm and a southeastern textile company, are carefully applying their adjustment benefits and seem to be making progressive steps toward achieving competitiveness.

Recognizing that only ten firms have been authorized any assistance beyond that provided for pre-proposal drafting, it is difficult to generalize. However, adjustment efforts seem to hold out more promise if they are carefully and periodically reviewed on an individual basis with the emphasis on uniqueness and improved management techniques. We believe that this type of effort can succeed only within the context of a revised approach involving early, industry-wide adjustment — a subject which will be discussed in detail later.[10]

Operational problems on the worker's side of adjustment assistance have drawn great criticism from nearly all quarters. Since the program's inception until November 30, 1972, some 30,361 workers were estimated to have been certified by the Labor Department. Only about 75 percent of these workers are estimated to be eligible on the basis of local, individual worker requirements and only about 66 percent ever apply to the local employment security office to receive the benefits. Approximately $45 million had been paid out as of the above date to these workers. On the average these payments constitute compensation reaching the worker over a year or more after the date of his unemployment. As such this assistance has been aptly described as "burial expenses". By the time the worker actually receives the benefits, his fifty-two week eligibility for retraining and other assistance has usually expired. The result is a lump sum allowance paid to the worker without any other benefits designed to facilitate reemployment or job relocation.

Unfortunately, as the program is now structured it is virtually impossible for the worker to receive adequate retraining and relocation assistance provided for in the law. Even if he retained some eligibility, few local employment agencies, through which such programs must be channeled, presently seem equipped to handle the extra problems implicit in administering current programs. As of November 1972, the Labor Department was unable to determine exactly how much of the expended benefit money was actually being spent for retraining or relocation. The only figures available come from the states where local unemployment offices seldom break down the expenditures into categories.

However, the dominant expenditure is undoubtedly the simple payment of the trade readjustment allowance. The best unofficial estimates available suggest that less than 10 percent of worker benefit disbursements go for retraining or relocation. In effect, the benefits actually received by workers are limited at present to a compensatory payment for a job loss suffered many months in the past. Priority should be given to reordering this current system to emphasize active job placement, retraining and relocation programs which seem to offer the best prospects for the worker.[11]

Structure

The greatest deficiency of the current trade adjustment assistance program is structural. Clearly, improvements in the program's administrative procedure, its benefits and the delivery system, will be important. However, unless structural approach changes are effected, particularly regarding the objectives of adjustment assistance, these other improvements will be ineffectual.

New approaches to adjustment assistance will require an emphasis on adjustment and enlightened self-help, rather than compensation. The current program's slant toward compensation is historically understandable recognizing the political focus at work during the 1962 trade bill struggle. However, the nation's present stake in international economic competitiveness, improved employment and overall national productivity requires a response that works.

Admittedly this provides a difficult course of action, recognizing that a relief check is more visible and politically saleable than a worker training program or an early warning assistance plan to firms designed to facilitate production shifts. However, when placed in the context of short term versus longer term, it is easier to see which approach has the best chance to save jobs, produce higher skilled workers and more yield on investment. Early forecasting of problem areas — utilizing better assembled, computerized government data — coupled with an industry-wide action approach discussed later,[12] could permit a more effective adjustment process, minimizing the need for individual adjustment cases (and indeed, dislocations themselves) at later stages. Similarly, greater government efforts to encourage industrial research and development on a broad basis could facilitate smoother adjustments and strengthen the international competitiveness of U.S. industry. By focusing action on early industrial adjustment

[10]See p. 32 for discussion of relevant industrial approach.

[11]See p. 22 for details and recommendation.

[12]See p. 32 for discussion on relevant industrial approach.

through productivity stimulation, the pressure for compensation programs will be decreased. Given an opportunity for early adjustment in the international economic marketplace, U.S. industry can become more competitive. This will result in greater job retention for workers (rather than compensation for job loss) and the dismantling of government programs which mix in a private industry's competitive structure.

Previously Suggested Changes

A general overview/evaluation of the trade adjustment assistance program, its historical evaluation and present problems, would be incomplete without some indication of the proposed changes various groups have recommended over the last several years. The trade adjustment assistance issue has moved steadily toward the center stage on U.S. trade policy questions. As mentioned in the historical section of this chapter, the program has become more noticeable since 1969 as a sort of barometer reviewing the increased sensitivity to import penetration. Paradoxically, this has occurred while the original coalition of business and labor, which made adjustment assistance possible in 1962, has disintegrated. Big labor now rejects the freer trade position in favor of new trade restrictions and bitterly derides adjustment assistance. On the other side, U.S. industry has become greatly internationalized in the last decade. This is particularly illustrated with the establishment of manufacturing facilities overseas. While these investments have yielded considerable employment and financial benefits, both to the United States and to the host countries receiving the investment, this trend toward "corporate multinationalism" has shifted some corporate interests. Companies' principles remain the same, but they are relatively less concerned about traditional international trade balances, exports and imports than they used to be.

In this context, the present interest in improving adjustment assistance may seem surprising. However, both labor and management recognize the formidable challenges inherent in the growing economic interrelationships and interdependence among nations which characterize our global marketplace. Although responses to these challenges may be radically divergent and distressing, the opportunity for compromise still remains. Based on a common recognition that international competition will place a premium on those who can adjust rapidly, it is likely that the "middle ground" — if indeed a middle ground exists in the present U.S. controversy on international economic policy — will be solidly based on a more responsive adjustment assistance concept.

Concern over the trade adjustment assistance question has led to a number of proposals in recent years. Unfortunately, most of these recommendations, either in legislative or report analysis form, have leaned toward simplistic expansion of program benefits and relaxed eligibility criteria. This approach probably began with the Roth Report, *Future United States Foreign Trade Policy* (1969), submitted to President Johnson by Ambassador William M. Roth (Special Representative for Trade Negotiations).[13] This report went beyond criteria liberalization and added recommendations such as "community assistance" (import-impacted communities could petition as groups for assistance in a manner resembling firm and worker group procedures). A year later adjustment assistance changes appeared as a part of the Trade Act of 1970 (H.R. 18970) proposed by House Ways and Means Chairman Wilbur D. Mills. The main feature of this legislative package was a provision for broad quota relief for import-impacted industries. However, the Act also contained five provisions pertaining to adjustment assistance that:

1. Abolished the causal link between trade concessions and increased imports.
2. Modified the second causal link between increased imports and import injury from "major cause" (more than all other factors combined) to "contribute substantially" (one of several factors).
3. Increased worker benefits.
4. Speeded up petition processing. The Tariff Commission limited to an investigatory role, submitting a report to the President within sixty days.
5. A restriction would be placed upon Presidential discretion to use adjustment assistance as an alternative to tariff adjustment action.

Interest in adjustment assistance intensified after the Mills Bill died in the closing flurry of the Ninety-first Congress. The Commission on International Trade and Investment, appointed by President Nixon and chaired by Albert L. Williams of IBM, emphasized the subject in its lengthy study.[14] Recommendations contained in the Williams' Commission Report stressed expansion of the program with specific emphasis on workers' benefits (i.e., preservation of pension and welfare rights during job transfers, subsidized early retirement, and a system to guarantee family health care for eligible workers). Unquestionably, the Williams Commission Study, the Mills Bill hearings, and the Roth Report stimulated renewed attention on adjustment assistance. However, all three contributed to an implicit acceptance and legitimation of the basic program as structured in 1962. For example, the concept of community adjustment assistance developed as an offshoot from the original program structure and

[13]See p. 14 for summary of general recommendations of Roth Report.

[14]This Commission was appointed in May 1970, and submitted its report in August 1971. See p. 14 for a general summary of the recommendations.

became commonly accepted as a given objective.[15] Similarly, the usual question now asked about the trade readjustment allowance (TRA) is "How much should it be increased?" (as a percentage of the worker's previous average wage) — not "Should there be such a separate payment?" Whether or not the authors of the reports and the legislators assumed from the start that there should be a trade adjustment assistance program, their recommendations have greatly influenced most proposals made on the issue since. In effect, the program has too often been cast in cement — its existence an unalterable and justified fact.

A basic premise of this NAM study is that the adjustment assistance program requires a complete reexamination. We believe that practical directions to achieve proper goals cannot be effectively charted until the program's basic presuppositions have been reexamined and either accepted or rejected. This type of analysis becomes particularly important considering the increasing legislative interest in "improving" the original program.

Recent Legislative Interest in Adjustment Assistance

One of the most useful congressional inquiries on trade adjustment assistance in this context of U.S. foreign economic policy took place before the House Foreign Affairs Committee — Subcommittee on Foreign Economic Policy, chaired by Representative John C. Culver (D.-Iowa) in April and May 1972. Seeking to assess the program's potential for achieving its objectives, the subcommittee sought representative testimony from a broad spectrum of the business, labor and academic communities as well as government. The subcommittee had no legislative prerogative in the area (retained by Ways and Means Committee) but the hearings were exploratory in nature and proved useful in an educational sense. For the first time in hearings, adjustment assistance was the primary focus and the issue's linkage features to other international economic and domestic problems gained some recognition.

The Culver hearings have scored some congressional impact, probably traceable to the looming threat of Hartke-Burke legislation and the search by concerned legislators for a viable alternative. Several bills featuring adjustment assistance were subsequently introduced in both houses. Unfortunately, the hearing's positive exposure value may have been offset by new confusions which it unintentionally fostered. Testifying before the subcommittee, representatives of organized labor skirted the issue of adjustment assistance, concentrating their attack on the foreign trade and investment operations of major U.S. multinational corporations and supporting Hartke-Burke proposals. The reaction was almost predictable; adjustment assistance proposals became entwined with international investment as well as trade dislocations and were acclaimed as "an alternative to Hartke-Burke type solutions."

In the broadest sense adjustment assistance represents positive problem-solving — if administered on a cost-effective basis. In this regard the program sharply contrasts to the "solutions" supported by organized labor. Similarly, trade adjustment assistance is the lynchpin of a number of related international economic issues with distinct overlap in areas addressed by the Hartke-Burke proposals. However, adjustment assistance cannot be regarded as a true alternative to Hartke-Burke proposals in the sense that if fully and successfully implemented, the former would face all the issues raised by the latter. Hartke-Burke provisions on foreign direct investment, taxation of foreign source income, technology transfer, border assembly operations and others go well beyond the immediate scope of adjustment assistance. Furthermore, underlying Hartke-Burke measures remains a strong political objective aiming at greater labor leverage on international corporations which effective adjustment assistance would hardly enhance.[16]

Thus, while adjustment assistance clearly sets a different direction compared to Hartke-Burke, it is imprecise to project adjustment improvements as an "alternative." In fact, it is likely that the injection of international investment questions into the issue of adjustment assistance will jeopardize the program's chances for improvement in the area of its primary focus — relieving international trade dislocations.

As forces mobilize for the next major legislative confrontation on international economic issues, there is a pressing need for clarification on trade adjustment assistance. Unfortunately, this has not been accomplished.[17] Having outlined the program's historical evolution, procedure problems and proposed changes, the remainder of this report will attempt to offer a positive approach.

[15] It is important here to differentiate between the laudable goal of bringing greater community and regional efforts together to overcome economic dislocation and effect a successful adjustment, and the imprecise methods prescribed in various approaches toward community adjustment assistance tied to a trade adjustment assistance program. See the relevant issue reference section for a full discussion of the issue.

[16] See issue reference section "Position of Organized Labor," for more detail on unions' opposition to trade adjustment assistance.

[17] The Administration's Council on International Economic Policy tackled the problem in 1971 in a special inter-agency task force chaired by Undersecretary of Labor Laurence H. Silberman. However, this group's internal report became sidetracked by more pressing priorities. On the private side a study by the National Planning Association in 1971 also placed some emphasis on adjustment assistance. However, the report, *U.S. Foreign Economic Policy for the 1970's*, did not have widespread impact.

ROTH REPORT
Future United States Foreign Trade Policy
Summary of General Recommendations*

1. Eliminate the link between increased imports and tariff concessions on worker and firm petitions.
2. Require increased imports to be a substantial rather than a major cause of injury to workers and firms.
3. Create an interagency board to replace the Tariff Commission as the determining body for worker petitions.
4. Allow individual establishments to apply separately for adjustment assistance.
5. Implement early-warning provisions of the Manpower Development Act of 1962 with emphasis on potential import-impact.
6. Reexamine manpower policies with both short-run adjustment and long-run flexibility goals.
7. Examine and coordinate the need for assistance to injured communities.
8. Review the impact of exports and imports on labor with the goal of making U.S. exports more competitive and shifting resources into more efficient industries.

WILLIAMS COMMISSION REPORT
Commission on International Trade and Investment Policy
Summary of General Recommendations*

1. Construction of an industrial and manpower policy to anticipate and assist adjustments to economic change caused by international trade and investment.
2. Eliminate the link between increased imports and trade concessions; reduce the link between increased imports and injury to require a showing of only substantial cause (as opposed to major cause).
3. Creation of an Executive Agency to replace the Tariff Commission as the determining body for eligibility decisions on worker and firm petitions; attention given to establishing time limits for the determination procedure.
4. Increase workers' benefits: speed delivery, provide incentives to train or relocate, extend the TRA to cover training periods, allow all types of educational training, relax eligibility requirements, provide family health coverage, subsidize early retirement, protect pension-health-welfare rights of workers changing jobs.
5. Firm benefits normally restricted to small businesses; centralized operations should provide more attractive financial and tax benefits plus interim financing.
6. Antitrust legislation altered or administered so as to permit mergers of firms experiencing serious problems due to import competition.
7. Creation of a new government agency — The Office of Trade Adjustment Assistance — to administer the program, with additional duties involving an early-warning system, community assistance, and joint proposal submissions.
8. Negotiation of orderly marketing agreements under specified conditions and restrictions.

*Includes only recommendations directly pertaining to the trade adjustment assistance program.

SECTION 3

Issue Reference Section

Introduction

Many of the composite issues woven into the overall concept of trade adjustment merit special attention, either (1) due to their importance to the central concept or (2) due to their interlocking relationship with other current programs. In some ways the presence of this section testifies to the important linkage features of trade adjustment assistance between domestic and international economic issues.

The purpose of this section is to (1) explain and analyze these key issues from an evaluative, cost-effective standpoint, (2) develop the specific summary findings and recommendations of this study, and (3) provide a handy reference guide to key issues likely to surface in proposed legislation on trade adjustment assistance.

Conceptual Rationale for Trade Adjustment Assistance

The logical rationale and basic presuppositions behind the trade adjustment assistance program constitute an important aspect of this study. Much of this program foundation is often taken for granted or lost amid the turmoil of interest surrounding the program and international economic policy in general. Yet, important questions remain to be reconsidered — in the context of new realities — by any serious analysis of the subject. Such questions as the following were considered by the NAM internal working group and a task force of outside experts in the preparation of this report: Is there a need for the trade adjustment assistance program? What is the role of adjustment assistance in the context of overall foreign economic policy? How can government assist workers and firms which suffer economic dislocations due to alleged import competition while denying similar assistance for injuries brought on by other economic vagaries? Does adjustment assistance imply that there is something wrong with the operation of the free market? Can dislocations caused by import competition be distinguished amid other contributing economic factors? The conclusions, which constitute the rationale for NAM's qualified acceptance of the trade adjustment assistance concept, are set out in this section.

Recognizing that most adjustment within the American economy is made without need for direct government involvement or assistance, this report initially challenged the idea of trade adjustment assistance on the grounds that:

1. the program was not needed and could not be justified on an economic basis.
2. the program would encourage unwarranted government intervention and could not be applied equitably.

However, this unfavorable reaction was countered by the following realities:

1. The precipitous decline in America's trade position (1972 trade deficit was approximately $6.4 billion) and surging imports required action on a number of policy fronts, including rigorous application of a balanced, fair trade policy, and more effective efforts to stimulate U.S. productivity and competitiveness, where a premium would be placed on adjustment.
2. Recognition that a continuing competitive stance in international trade, even with equitable negotiations to achieve trade expansion, may entail additional market dislocations.
3. Dangers inherent in the "no policy" alternative of noncompetition and its potential costs embodied in trade restrictions and reduced standard of living (as proposed in the Hartke-Burke legislation).*

The study group noted that the incidence of a unique type of governmental influence or participation in the conditions governing international trade might provide an exception to strict reliance on market forces, justifying special governmental measures to facilitate the domestic adjustment process induced by international competition. Clearly, the competitive relationships between foreign and domestic goods are heavily affected, and sometimes severely distorted, by differences or shifts in U.S. or foreign government domestic policies and regulations (e.g., regional development policies, production process standards, fiscal and monetary measures). Similarly, the large degree of government involvement in international trade through export subsidies, tax rebates, exchange rate actions, tariff and non-tariff barriers, creates numerous additional distortions. For an economy such as the United States, characterized by its commitment to balancing the forces of free market adjustment, competition in the international marketplace presents pronounced difficulties. These difficulties have been magnified by the increasing degree of global economic interdependence. In response to these pressures, special adjustment

*See previous NAM studies on the potential costs of this legislation to the American economy. See also the section on "cost-benefit analysis," in this report.

measures may sometimes be justified to facilitate economic change insofar as government policies alter the international competitive equation. Thus, adjustment assistance does not imply that there is anything wrong with the concept of the free market *per se*. Rather it accepts the reality of international competition which dictates that free market directives, which we support, probably will not operate everywhere.

In this context, a basic tenet of U.S. policy should encourage the development of private enterprise and free market systems around the world. However, components of the market mechanism vary from country to country, and while we believe that free private competition is the best economic system, the United States must respect the right of other peoples to develop standards and principles upon which to base their own system.

The United States Government should negotiate trade agreements which are based on free competitive market determinations to the greatest extent possible. At the same time we must recognize that the differences in national systems may preclude total achievement of this objective and that the resulting agreements could adversely affect sectors in the market systems in the involved nations. When such dislocations occur in the United States due to conscious public policy, the government incurs the responsibility to minimize any resulting market distortions and facilitate the early return of free market operations. Thus, when governments move to enhance economic efficiency by negotiating the lowering of trade barriers, new competitive pressures are unleashed with attendant distortions. In some cases the appropriate response to this new competition involves investing to improve efficiency in the areas where the increased pressures are felt. At other times, a shift of resources to more rewarding employment is required. But Government action would be best applied in assisting the private sector to respond to the necessary changes. This assistance should be directed toward increasing the productivity and competitiveness of U.S. industry.

In conclusion, the logic for trade adjustment assistance rests in the realities of international competition and the obligation of government to ease economic dislocation and facilitate adjustment brought on by public policy in response to these international pressures. Admittedly, this process will have imperfections due to the nature of interrelated economic problems. For example, there may be some distortions caused by the inability to determine precisely the relationship between import penetration and other factors causing economic dislocation. However, it is equally clear that some assessments and correlations can be made with available statistics regarding effects of import competition. Recognizing the severity of import competition in certain sectors, the problem of precise measurement becomes absurd if permitted to stymie needed adjustment programs. Clearly, safeguards are needed to prevent the program from unwarranted expansion. However, this might be accomplished best through a re-ordering of program priorities away from present compensation to *adjustment* through early remedial action which would itself minimize or offset the pressure for compensatory action.

The key to any workable program in this area is a cost-effective approach emphasizing early industrial adjustment with a minimum of government involvement.

Scope of an Adjustment Program

Many of the proposals being advanced for improved adjustment assistance programs recommend expansion into much larger, more general adjustment approaches. For example: (1) a government program of export-loss assistance to aid firms suffering dislocations in the form of reduced export sales, (2) assistance to workers, firms and communities experiencing economic dislocation resulting from any shift in government policy, (3) governmental review and geographical direction of business investment decisions, both foreign and domestic, (4) development of a broad national manpower and industrial policy on the federal level. Consideration of these and other ideas aimed at program expansion raises an issue of primary importance to this study — what should be the scope of a trade adjustment assistance program?

This report finds no justification for a major program expansion on trade adjustment assistance. Indeed, rather than an expansion of the present system, it would seem that a reordered consolidation of the present effort is warranted. The theoretical and political attractiveness of the broad, "macro" approach should not be allowed to blur the (1) impracticalities such a program could bring on in view of national budgetary considerations, and (2) new distortions it would likely create within numerous "micro" economic relationships on the local level.

Recognizing the relatively small role foreign trade plays in total United States' GNP (under 4%), it is important to remember that import dislocations presently account for only a fraction of the overall economic adjustment problems on the national scale. Of course, the severity of import dislocations may vary widely on a local level and rapidly increasing imports may be a relatively greater factor in economic dislocations than in previous years.

However, we believe that wholesale expansion of the current trade adjustment assistance program would amount to a reckless expenditure of funds. Present administrative and operational problems would certainly become more aggravated. Expanded program responsibilities and scope could also open the door to greater federal market intervention without any real economic gains.

We believe that a program targetted to meet the specific objectives of the current trade adjustment assistance program is workable and could provide valuable experience applicable to programs in other areas. In this context trade adjustment assistance might be structured as a supplemental program or a catalyst designed to bolster other federal adjustment programs which themselves might be better tuned to recognize international trade competition. Clearly a longer range objective would be the closer coordination of these related adjustment programs. However, if trade adjustment assistance is prematurely lumped into a broad approach to all adjustment problems — irregardless of their cause — chances for program success in meeting the legitimate needs of those facing import injuries will be substantially reduced. Linking other objectives to the trade adjustment issue can only result in new and unnecessary complications, further delays and an expanded government role where objectives become confused and responsibilities cannot be pinpointed.

Present Program Administration

Much criticism surrounding the present trade adjustment assistance program centers on its administrative and operational aspects. While much of the criticism may be warranted, the solutions being suggested are often grossly disproportionate to the problem and unjustified in a cost-effective approach. Preoccupation with past errors can distort the actual requirement of an effective adjustment system and trigger an overreaction characterized by excessive and even harmful alterations.

This section is designed to clarify the issues surrounding the present program's determination criteria, investigation procedures and the implementation process, as well as the agency structure established to carry it out. Emphasis centers on recommendations needed to formulate an effective operational adjustment mechanism.

Determination Criteria

Determination criteria, as noted earlier in the program evaluation section, will require revision and redirection if trade adjustment assistance is to operate effectively. The present rigidity characterizing the criteria is often blamed for the relatively few certified cases, particularly during the program's dormant period from 1962 to 1969. It has also contributed to time-consuming investigation delays — which postpone assistance and positive steps toward adjustment — often forcing the dislocated applicant to absorb irreparable damage. However, careful consideration of the criteria issue and recommended revisions must include the recognition that certain changes would open "Pandora's Box" on the side of unwarranted relaxation.

The absence of affirmative Tariff Commission rulings on adjustment assistance until 1969 is often cited as proof of the program criteria's excessive restrictiveness and a *prima facie* case for expanding the permissable coverage. However, the intent of the original law and its application during the sixties is subject to varying interpretations. The most prevalent view regards the adjustment assistance provisions of Title III as a mechanism designed to mitigate any import injury arising from the tariff-cutting authority granted to the President in the overall Trade Expansion Act. This authority was exercised in the Kennedy Round of trade negotiations which concluded with signed agreements in 1967. In many cases the agreements called for gradual tariff cuts staged over a five year period. This staging postponed the full impact of tariff concessions on the domestic economy. Consequently, most adjustment assistance applicants during the period prior to the Kennedy Round's conclusion were forced to cite much earlier tariff concessions — in some cases going back all the way to the nineteen thirties — as the cause of their present injury. Setting aside judgments on the validity of these petitions, it is clear that a heavy burden of proof rested on the applicants. Later, after the conclusion of the Kennedy Round, this burden of proof was made considerably lighter as more recent tariff concessions could be cited. As drafted, the law seemed to look toward future negotiations rather than backward to authorize compensation for past injuries.

With this program background, the NAM study focused heavily on the trade adjustment assistance program since the end of the Kennedy Round, and came to the following conclusions:

1. The determination criteria *are* in need of revision--but not in a drastic manner.

2. Revisions of criteria where necessary should be linked to early warning, stressing self-adjustment through private market forces.

3. No basic change is required in the eligibility criteria requiring increasing imports of like or directly competitive products. [indeed, without the "similar products" definition, no criteria would provide workable evidence of import increases which is a fundamental requirement for demonstrating a changed market picture.] *We would recommend that both the actual number of imported units and the ratio of imports to domestic consumption be considered in order to achieve a more complete picture of any reported import penetration.*

4. *We recommend that the requirement that increased imports be linked to a specific trade agreement (i.e. in major part the result of such concessions) be abolished.* Suggestions have been made that the presence of increasing imports could serve as a presumption that the cause was a trade concession — the type of system used in the adjustment program established in the Automotive Products Trade Act of 1965 (designed to help implement the United States-Canada Automobile Agreement). However, this type of program justification could not be applied to a larger area of products. Contemporary government policies are far too diverse and complex to lend themselves to easy categorization in written agree-

ments. The acknowledged existence of numerous non-tariff distortions, including export subsidies and industrial promotion programs, prohibits easy identification and measurement of the extent of government involvement in a changing trade picture. Therefore, the simple elimination of the required linkage would be both justified and much easier than rephrasing a legislated presumption of cause.

5. While present measurements of import injury are adequate, the amount of proof required to substantiate injury is excessive. Consistant with our emphasis on early adjustment, *we recommend that increased recognition be given to threat of injury, rather than requiring evidence of the accomplished fact,* (See issue reference section on Early Warning System.)

6. With respect to the link between increased imports and the applicant's injury we recommend the development of a two-tier system designed to increase the overall program effectiveness while avoiding the vagaries of exploding costs and counter-productive government tampering in the marketplace. The first tier would provide a relaxed requirement from the current criteria: that increased imports are the *major* factor (i.e. more than all other factors combined) in causing injury to the applicant, to *primary factor* (more than any other single factor). This relaxation would apply only to industry petitions. The second tier comprised of individual firm applicants and worker group petitions, which deal with the efficiency and competitive position of the individual enterprise, should maintain the presently defined level of criteria restrictiveness.

Basics of a Two-Tier Adjustment Assistance Approach

The fundamental concept behind the two-tier system is that (1) government should do more earlier on an industrial basis to help industries facing projected import competition *help themselves* to become more productive and competitive and (2) in specific cases where government actions result in definite import-injury, government should more selectively help workers and firms shift their skills and resources into more efficient production. As discussed in a later section on foreign programs, this idea has certain similarities to the industrial approach used in nearly every other industrialized nation — with the major difference that they usually do not have a "second tier" to assist specific enterprises separate from the industrial restructuring effort. Drawing upon this type of approach, the United States' "two-tier" system to adjustment would actually embody three major stages as outlined on the following page. The first action would involve an early warning system (perhaps coordinated through the new Bureau of Competitive Assessment in the Department of Commerce). Through this system government would provide pertinent data to private industry with emphasis on pinpointing emerging import challenges. Business would assume responsibility for acting upon this information, utilizing its own resources to improve productivity and competitive standing — and thus effectively meet the foreign challenge. Should the warning system fail or should business lack sufficient time or resources to complete its own adjustment efforts prior to the beginning impact of the import penetration, the second stage unfolds. Here the affected *industries* could petition for governmental assistance to help them complete the adjustment process they presumably began in the initial stage. Such a petition would be considered under the relaxed determination criteria — imports shown as a *primary* factor in causing injury would qualify the petitioning industry for certain types of limited assistance. As explained in later sections, this industry-wide approach might lend itself well to assistance in research and development, antitrust, accelerated depreciation, longer tax loss carrybacks, and other areas.

The third stage, involving selective government assistance to particular firms, becomes the adjustment assistance of "last resort". Under the recommended "two-tier" approach, this program assistance would be available only when present tight criteria were met. Firms would have to prove that increased imports were the *major* cause of injury (more than all other factors combined). In this manner the program would avoid creating new distortions. The potential adverse impact of such individual assistance — possibly aiding or "subsidizing" inefficiency to the disadvantage of efficient domestic competition — is often overlooked in the rush to aid those injured by import penetration. Thus, an analysis focusing only on the needs of applicant firms, with suggested means to assist them, ignores the larger issue: government assistance to any firm in an industry necessarily concerns all firms actively or potentially in competition with the assisted enterprise. Therefore, government assistance to individual enterprises should take place only under limited, carefully controlled conditions where imports have been the major cause of injury.

Investigation Procedure

Closely related to the determination criteria issue is the actual method of investigation. The complicated, often overlapping maze which characterizes the present program method lacks clear directives and definite timetables with the resultant delays and their effects on worker and firm applicants as outlined earlier in the report. The purpose of this section is to recommend specific structural and operational improvements for investigation procedures, including a realistic time schedule.

Perhaps the clearest method of illustrating the *suggested* operational pattern is with the flow chart shown below which traces a petition's course with specific time limits for each stage. Comparison should be made between this suggested procedure and the current maze which is outlined on p. 9.

In the past considerable dissatisfaction has been voiced regarding the unpredictable nature of the Tariff Commission's role and method of making eligibility determinations on petitions. Rulings have

Chart 2
TWO-TIER ADJUSTMENT APPROACH

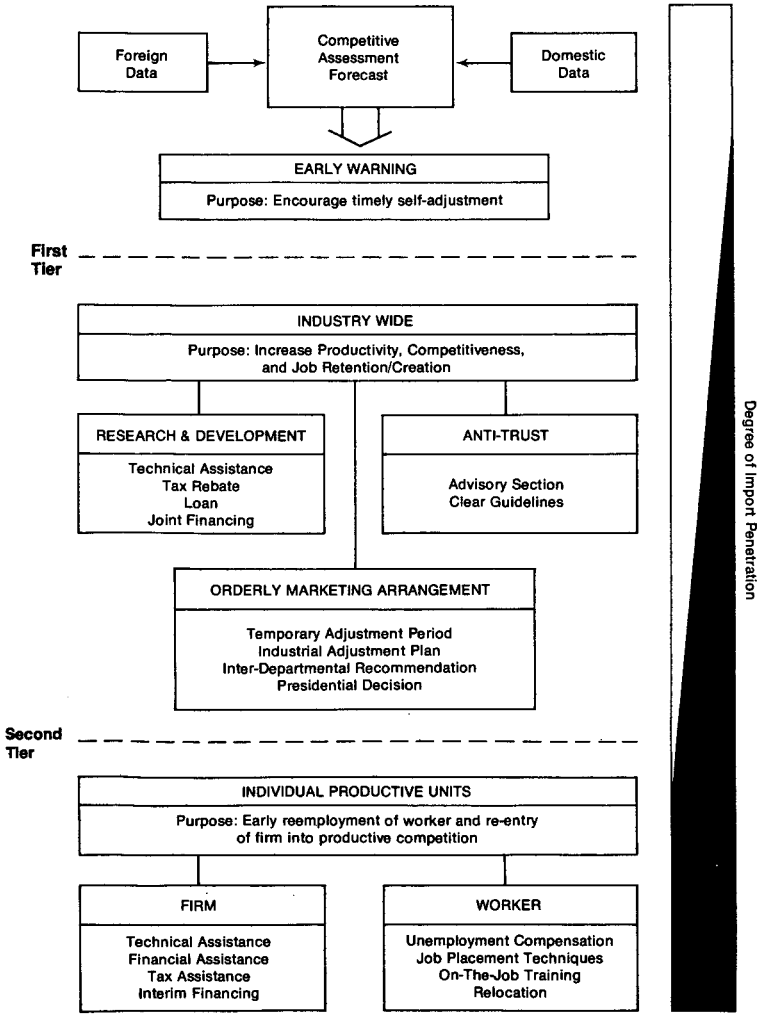
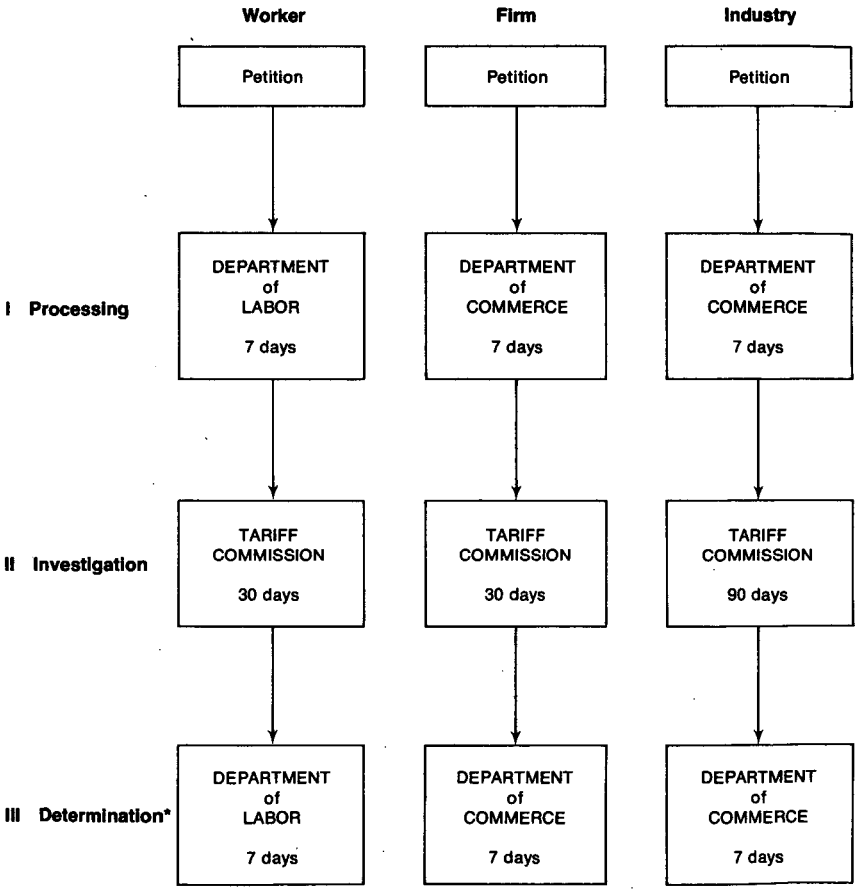


Chart 3
ELIGIBILITY FLOW CHART
REVISED PROGRAM



*An additional 15 days can be authorized if additional information is necessary.

sometimes depended upon the composition of the Commission or the attendees at meetings — rather than on an established procedural review of the case facts. This report's findings support those persons urging that the Commission function only as an investigative body, providing the information needed for a determination by the proper executive agencies.

As more practical experience is gained on investigating adjustment assistance petitions, a shorter timetable for investigation seems attainable. Some informed estimates hold that petition processing, investigation and determination issuance could all be compressed into a thirty-day time fram if handled by an executive agency.[1] Our findings indicate that a thirty-day time period for the investigation phase would be a sufficient improvement, with a ninety--day period allotted for an industry petition investigation. These recommendations are made with full recognition of the need to balance processing speed day period allotted for an industry petition investigation time to determine the facts in each applicant's case.

Determination Process

Stage III in the flow chart comprises the determination step which is limited to seven days for review and decision, with an allowance for a fifteen-day extension to obtain supplementary information if necessary. There is currently no statutory limitation on the determination period for an applicant's eligibility certification for trade adjustment assistance. Determination decisions should be made by the executive agencies most knowledgeable about the petitioner's problems — namely, the Labor Department for worker group applicants and the Commerce Department for firm and industry petitions. All determinations should be made in strict accordance with statutory criteria. The results and reasons for each decision should be published immediately following the action, subject only to the need to maintain business confidentiality where information may affect a firm's competitive position. Such a public record of the decisions and the rationale behind them will provide a better index for allowing potential applicants to measure their own eligibility.

These suggested procedures for the operation of a trade adjustment assistance program would offer a fairer, more effective system of processing petitions. The changes could easily build upon improvements already made in the relevant agencies and as such would add little to present costs. The proposed improvements would require legislated timetables; however, this should result at the very least, in a more directed, speedier program.

Agency Structure

In the context of government reorganization and numerous reports calling for a consolidation of decision-making particularly on the international economic policy front, it has become almost fashionable to recommend centralization for trade adjustment assistance. For example, the Williams Commission proposed the creation of a new government department, perhaps run by an inter-agency board, which would carry a case from the first petitioning stage through the final administration of benefits. Presumably this new office would clarify the lines of operation, speed processing and increase the technical competency of the administrators.

The issue involved: whether a complex, multifaceted set of overlapping programs, requiring many different kinds of expertise and partially administered by several agencies, could be more effectively run by a centralized agency. There is little argument on the need to effect a closer coordination of overall U.S. foreign economic policy,[2] and some argue that adjustment assistance, as a part of overall foreign economic policy, should follow the trend toward closer coordination which now characterizes the high-level decision-making in the field. However, the specific questions which should be asked in the case of trade adjustment assistance are: (1) how much coordination is reasonably necessary, (2) how much centralization is needed to achieve it, and (3) are the real program problems going to be effectively addressed through reorganization or only delayed?

Admittedly, the idea of one administrative chief directing adjustment assistance programs has considerable appeal in the abstract. However, we believe that such a complete bureaucratic overhaul may: (1) not necessarily improve the program's practical application, (2) not justify with requisite operating improvements the considerable costs involved in creating a new government agency, (3) breed new and potentially destructive confusion between the agencies which would necessarily continue to play a role in the adjustment process.

Most of the defects of the present system originate not in bureaucratic mismanagement or administrative procedure, but rather from an improperly formulated program which is concentrated on compensation rather than adjustment. There are two specific exceptions to this general conclusion: (1) The difficulty in using the Tariff Commission as a determining body when its role should be limited to investigation — as discussed in the previous section. (2) Start-up problems which occur during the initial phases of a new program due to inexperience. The first of these exceptions can be corrected by a minor change in responsibilities (as previously outlined) and the sec-

[1]See Williams Commission Report, Compendium of Papers, Volume I, p. 353.

[2]It has been estimated that over forty government agencies, bureaus and independent commissions actively engage in aspects of international economic policy.

ond is largely correcting itself through accumulated practical experience. In this context, it appears doubtful that creating a new, separate agency to handle this program would noticeably improve its efficiency.

Worker Benefits

One of the most sensitive issues in the trade adjustment assistance area relates to worker benefits. This is easily understandable. Under all the programs, statistics, and bureaucracy is the individual worker who is facing the trauma of job-loss and the unknowns of unemployment. Program performance on this level at the end of the pipe-line is essential in achieving a primary policy objective: the alleviation of individual and family economic discomfort due to actual or threatened job-loss and speedy reemployment into an equal or higher-skilled vocation.

Clearly this issue area has drawn considerable attention. Many of the Trade Expansion Act's Title III provisions — some designed as compromise features to attract labor support — lined up behind worker benefits. Today, with interest waxing anew in trade adjustment assistance, a similar tendency has surfaced — evidenced by the large number of recent proposals to alter the current program and expand various compensatory benefits for workers.

This issue reference section will concentrate on the worker benefit aspects of trade adjustment assistance, including the Trade Readjustment Allowance (TRA), relocation assistance, and retraining efforts. Other related areas such as job placement, health insurance, seniority rights and pension portability will also be considered, although in less depth. The purpose of the section aims at evaluating the major worker benefits presently available within the proper scope of federal involvement.

Trade Readjustment Allowance

The Trade Readjustment Allowance (TRA), representing over 90% of present trade adjustment assistance expenditures for workers, is the most visible part of the workers' benefits. Since the program's inception, the TRA payment has consistently drawn the greatest attention, whether in terms of original formulation, subsequent administration or recommended improvements. This heavy emphasis on the relative level of TRA payments has led to the neglect of other aspects of adjustment assistance which, if improved upon, might enhance the workers' chances to quickly regain satisfactory employment with good job retention.

Originally conceived as a temporary crutch to sustain an unemployed worker and his family while other programs placed him in a new job the TRA has become a welfare payment unsupported by effective job placement programs. A rearrangement of program priorities is required with emphasis on retraining, relocation, and other job placement techniques.

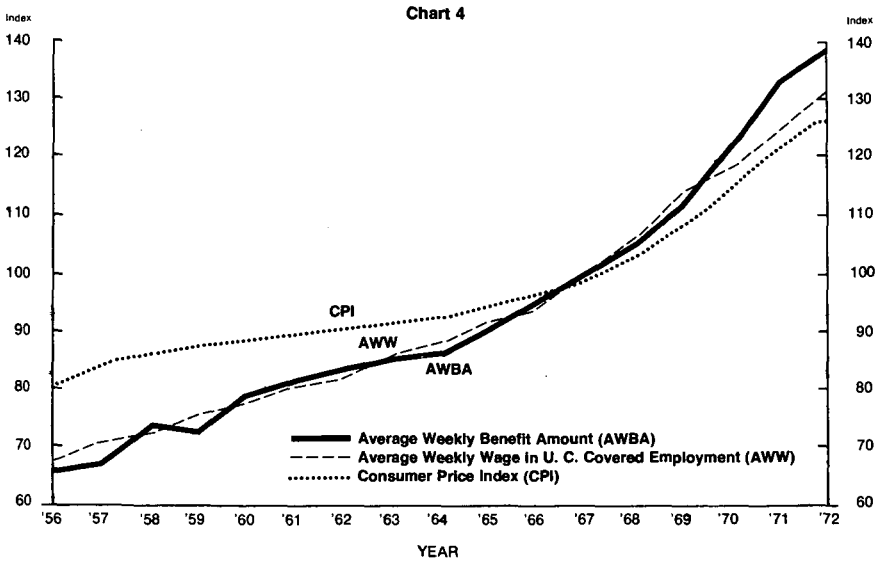
NAM report findings indicate that the most effective way to accomplish these objectives, as well as speeding the processing of maintenance payments, would be to eliminate a separate level of trade readjustment allowance payments and rely upon present mechanisms for state unemployment compensation. Such an approach would have numerous advantages, including substantial savings on time, administrative costs and avoidance of duplicated efforts. The average worker would experience less financial uncertainty and burdensome paper work. He would be eligible for the same maintenance allowance available to any temporarily unemployed person. Retaining the underlying philosophy of trade adjustment assistance — that the nation as a whole should share the burden of pursuing an international trade policy — the federal government would reimburse the state agencies for funds expended in providing the maintenance payments as is done under the present structure. However, there seems to be no valid reason why those persons displaced by imports need higher compensation payments than those dispensed to other unemployed persons suffering dislocations for different economic reasons.

When the trade adjustment assistance program was adopted in 1962, unemployment compensation benefits were felt to be too low and a higher benefit level for the federal program was more politically attractive to potential labor support. However, state unemployment compensation benefits have greatly increased since 1962, to the point where today they offer adequate support levels for any temporarily unemployed person. This trend is illustrated in the chart below showing the relative rise in average weekly benefit amounts under state unemployment compensation programs as compared to the consumer price index.

This trend can also be illustrated by comparing the maximum weekly benefit levels avilable in 1962 with present benefit levels. The average maximum weekly benefit[3] in all fifty states plus the District of Columbia was $42.70 in 1962. A decade later this figure stands at $72.78 — an increase of over 70%. However, the objection is still being raised that the benefit levels are too low (given increases in the cost of living index and general inflation) and that higher TRA allowances are needed.

Over the last decade the TRA has increased since it is computed as a percentage (65% of the worker's previous weekly wage or of the average national manufacturing wage, whichever is less). The maximum possible benefit under the TRA is presently $93.00 a week. Obviously, there is a difference between the current maximum TRA figure and the $72.78

[3]Includes dependent allowances where applicable.



Prepared by Employment Security Research & Education Division
UNEMPLOYMENT BENEFIT ADVISORS, INC.

national average for state unemployment compensation. However, this cursory comparison conceals more than it reveals.

One of the basic advantages of state unemployment compensation is that the levels are set by the state rather than the federal government and thus can better reflect the conditions prevalent in that particular area. Local costs of living, unemployment conditions and employment opportunities, the availability of other benefit programs, and other factors can be better recognized and weighed by state authorities in setting benefit levels than by an overall national figure. State levels in some states may also take into consideration the number of family dependents.

Taking account of these differences in state laws which reflect local conditions, a careful examination reveals little actual difference between TRA and state unemployment compensation levels in areas where eligible dislocation occurs. As of July 7, 1972, some 24,165 workers were included in groups certified eligible for TRA benefits covering twenty-four states. Under these state programs the average maximum available benefit was $76.96. In ten states which had more than a single worker group certified eligible for TRA, the figure jumps to $86.70 and then to $89.71 in the seven states which have more than two certified worker groups — only a shade below the $93.00 available under TRA. In fact, in three of the states with two or more worker groups and a fourth state where only one worker group has been certified, dislocated workers can actually draw *more* under the state programs than under the TRA. Thus, almost half of impacted worker groups are located in states whose laws already provide as high or higher benefit levels than under the TRA.

As the chart on the next page illustrates, there is little measurable difference between support levels available through state unemployment compensation programs and that offered through trade adjustment assistance in the states where increased imports have contributed to unemployment. In effect, the states' programs already reflect the need. Rather than attempt a federal approach to this problem — which can hardly respond to many local and regional differences — this report recommends greater emphasis on those state programs which are already intact.

There are powerful common sense advantages which this approach can provide. The needs of

individual workers and the prevailing economic conditions in that particular region would be properly recognized. Reduced administrative costs, simplified paper work and speeded-up application processing would result in faster assistance delivery. Relaxed eligibility criteria for the individual worker could also be helpful.

Table 3

CURRENT RELEVANT COVERAGE OF UNEMPLOYMENT INSURANCE BENEFITS

State	Number of Certified Groups*	Maximum Weekly Benefit Average (MBA)**	Maximum Duration** (Weeks)
Alabama	1	$60	26
California	2	$75	26
Connecticut	2	$129	26
Florida	1	$64	26
Georgia	2	$55	26
Illinois	7	$97	26
Indiana	4	$65	26
Iowa	1	$68	26
Louisiana	1	$60	28
Maine	1	$63	26
Maryland	1	$78	26
Massachusetts	14	$111	30
Michigan	3	$92	26
New Hampshire	4	$75	26
New Jersey	1	$76	26
New York	4	$75	26
North Carolina	1	$56	26
Ohio	1	$87	26
Oklahoma	1	$60	26
Pennsylvania	5	$93	30
Rhode Island	1	$99	26
Tennessee	1	$57	26
Vermont	1	$77	26
West Virginia	1	$75	26

*As of July 7, 1972
**As of July 2, 1972

Source: U.S. Department of Labor

At present there is a more restrictive eligibility criteria for TRA applicants due to the original higher benefit levels, than for persons applying for regular unemployment compensation. This separate criteria necessitates additional investigation by local unemployment office personnel to determine if the stricter eligibility criteria are satisfied. Such a deviation from established procedures involves a training process for office investigators to acquaint them with the new program, extra research into the applicant's background, and the juggling of figures to handle the TRA payments different from the regular assistance.

It was estimated by the head of one state unemployment office who handles several hundred such applications that it takes 1½ extra man-hours *per individual applicant* to handle the separate programs. There is really little need for such additional burdens on local personnel, or the extra administrative expenditures involved in the process. If the TRA were abolished and state criteria and procedures adopted, only one additional question would have to be asked (to establish that the worker was laid off due to imports[4]) and one separate account kept in the local office (to secure later reimbursement from federal funds). Different payment level computations, determination criteria, and extended investigation would be eliminated.

The duration of eligibility under TRA and state programs also deserves consideration. The base time period under the present trade adjustment assistance program is fifty-two weeks[5] while state programs range from twenty-six to thirty-six weeks. Clearly the federal program offers a longer period of potential eligibility. However, the average TRA recipient is presently only drawing benefits for twenty-four weeks, less than the eligibility period in every state.[6] Furthermore, in areas with acute economic dislocation the federal-state extended benefits program has operated to provide up to an additional thirteen weeks of benefits under the regular unemployment compensation system.

With simplified application and administrative procedures shifting the priority to job placement programs, a shorter eligibility period should be sufficient. The suggested timetables in this report for the group petitioning process involve no more than thirteen weeks to reach the stage where an individual worker has been certified eligible and can enter a supplemented job placement program. Of course, he would be eligible to draw regular unemployment compensation maintenance payments from the time of his unemployment, with certification requiring only that his record be switched to a different section in the state office for purposes of later federal reimbursement. For its part the federal government could require copies of completed records to assure delivery and double check on the program's longer run efficiency. Such material could also be utilized for special studies on import-related unemployment.

[4]Necessary to qualify for federal job placement programs.

[5]An additional 13 weeks is added for older workers and 26 extra weeks are allowed for completion of training programs.

[6]See section on Cost-Benefit Analysis, program expansion proposals, for a corollary explanation of this point.

The operation of the suggested program would emphasize closer coordination with federal job placement programs. Anyone certified eligible could draw benefits while seeking to rejoin the work force until the maximum period allowed by each state. Federal job placement programs would bolster regular efforts to regain employment for at least the last three months of the benefit period. Since state law usually best reflects the local conditions for reemployment and the added assistance of federal programs is available during much of this period, any unemployment extending beyond the allowable state time frame would not be eligible for temporary income maintenance. At this point the trade adjustment assistance approach might defer to some other mechanism better designed to handle problems of long-term unemployment.

Most recent proposals regarding trade adjustment assistance call for substantial increases in the TRA allowance, from 65% up to even 100% of the worker's previous wage. While such an alternative has obvious appeal to the short-sighted, it should be staunchly resisted by management and labor alike. Unemployed workers need jobs and new skills, not handouts. Larger TRA payments would only exacerbate the current program's problem of emphasizing compensation rather than adjustment; the laudable objective of timely readjustment for displaced workers into other jobs would still continue to be sacrificed for the short-term visibility of a relief check.

Retraining

The issue of worker retraining provisions in trade adjustment assistance has been characterized by unfulfilled promises and frustrated expectations. A certified worker is to receive full access to all federal training, testing and counselling programs, including travel expenses, if necessary. However, few benefits have ever been realized from these legislated provisions.

This important facet of trade adjustment assistance had two strikes against it practically from the outset: First, it was untested and costly with no proven track record; and second, it was overshadowed by the comprehensive Manpower Development and Training Act which also became law in 1962. This Act created a number of federal programs designed to eradicate unemployment, which were also to be available to certified import-injured workers. Unfortunately while the goals of this massive program were laudable, it was not carefully or realistically planned and concentrated primarily upon various forms of initial training. Despite millions of dollars spent, the program has yielded few results.

It is not possible to analyze the multitude of problems surrounding the Manpower Development and Training Act, or even its retraining provisions, in the space of this report. However, we believe that a cost-effective, prototype retraining program—drawing strength and lessons from proven programs in the private sector—might be established in connection with adjustment assistance. Even if successful on a modest scale, this program could produce significant guidelines for improvement in broader program areas while facilitating a stronger United States trade policy through the shift of human resources into areas of greater productivity and competitive advantage.

A balanced evaluation of the retraining failure as it relates to trade adjustment assistance does not fault the original program conception, but rather its implementation. Again, this operational failure traces back to the delays which still characterize the program. The time lapse between the impact date of the workers' unemployment and the date of final certification under the program often extends beyond the benefit eligibility timetable (measured from the initial impact date of job loss). The resultant retroactive benefits allowance provides the certified worker with a large, lump-sum TRA payment, but allows him no current eligibility to receive retraining benefits.

An example of this ironic and all-too-common experience is the group of certified workers in Indiana. Nearly one thousand workers were declared eligible to receive trade adjustment assistance and over $3 million was paid out in TRA benefits. However, the impact date of their unemployment was in 1968, while certification was not finalized until 1970. Result: Many workers received the lump-sum TRA payment, but no one was ever offered a retraining opportunity emanating from the program.

Is such a failure to be blamed on the retraining concept? Probably not, for the concept has shown itself to be workable—given favorable circumstances and some retained eligibility by the affected workers. A classic example is a Rhode Island shoe factory which laid off several hundred workers, 287 of which entered into training programs made available by their certification. Latest available figures showed that two hundred and seven workers had completed their training course, with one hundred and seventy-two now reemployed as a direct result of the training (83% of the workers completing the course). Thirty-five workers from the original 287 were still enrolled.

Even in this case the delay factor probably denied some workers their full potential benefit. Indications as early as 1967 showed that the plant was ailing economically and the workers might be threatened with unemployment. An announcement was made by the management on August 18, 1969, that the plant was to be closed the following year, but it was not until February 19, 1970, that the workers' group filed a petition for trade adjustment assistance relief. Action on the petition was not completed until May 13, 1970. Prompt filing of petitions and more rapid investigation and determination procedures would

96-006 (Pt. 6) O - 73 -- 20

enable the dislocated workers to more fully realize the potential retraining benefits which should be available to them.

However, certain aspects of present retraining benefits do warrant a closer examination from the standpoint of cost-effectiveness. If retraining programs can offer potential benefits to displaced workers, when should they be undertaken and what types of programs will offer the maximum potential gain at the least governmental cost? The present emphasis in most governmental retraining efforts is directed toward initial training of the disadvantaged or the hard-core unemployed. Most programs center around financing institutional education or establishing job corps centers with some on-the-job training opportunities for former "unemployables". Some seventy-six job corps centers are either planned or in operation and will be able to handle around 25,000 enrollees in their programs. Vocational education efforts account for nearly $2.3 billion of federal, state, and local expenditures, but only about 20% of the participants are adults. The simple extension of these types of efforts as the primary solution for the import-impacted worker would be ineffectual, since it would fail to get at the root of their problems or utilize their full potential.

Most workers unemployed due to import dislocation have already gained valuable work experience and possess good work habits. Armed with a skill and a good work record, a wider range of opportunities can be opened for these workers. Primary emphasis should fall upon job placement efforts aided by (1) labor union and trade association exchanges of information regarding job openings in skilled positions within the worker's industry, (2) improved governmental services such as an effective Job Bank system, and (3) provision of relocation benefits, if necessary.

It has been common to dismiss the skills of displaced workers as "non-negotiable" since import-affected firms are viewed as part of a "dying" industry whose skills will die with it. Fortunately there is considerable slack in this cynical platitude. Even in a "declining" industry there are prospering sectors—lines where competitive advantage holds on. Often this is illustrated in certain specialty areas of an industry (i.e. decorative Christmas candles and incense can-l2000dles). An NAM exploratory trip to import/impacted regions of Massachusetts' shoe industry revealed much activity in certain specialty shoe firms. Going against the general trend, these firms were advertising and pleading with the local unemployment office to direct skilled shoe workers, who had become unemployed due to nearby plant closings, to them. While employment in the industry was on the general decline, these firms were hiring. Another example was provided in Pennsylvania where workers laid off at a glass plant were assisted by their union and active recruitment efforts by local and out-of-state employers aimed at job placement within the same industry. Both these examples underscore the importance of utilizing presently-possessed skills as a top priority in the reemployment process, wherever possible.

Should immediate reemployment prove unavailable through expanded job placement efforts, on-the-job retraining programs in private industry should be the next option chosen. The experience and work habits of the import-dislocated worker are valuable assets and should increase the success ratio of present training efforts. Government-assisted programs along the lines established for the more hard-core unemployed could be set up with willing businesses under which government off-sets the training costs and the worker is paid at the regular wage scale by the business. The average federal obligation per enrollment opportunity in present on-the-job training during the 1963-1968 period was $657.00; the total expense per employed person was $1,450.00 A somewhat smaller training expense could probably be expected in programs with import-dislocated workers due to the individual's previous work background.

A third option, utilizing the institutional approach, would involve considerably greater expense with little potential real gain in benefits. Here the worker would be starting over again, training for a job that may not even exist after he finishes the courses. As pointed out by former Representative Thomas B. Curtis before a Congressional hearing on trade adjustment assistance, even the present Job Dictionary used by the U.S. Government contains numerous obsolete job descriptions. Obviously, there is no benefit for a worker undergoing institutional training for a job which no longer exists or is over-supplied in the marketplace. On-the-job training offers the experienced worker a better prospect of success measured in terms of reemployment and the possession of a negotiable skill.

The cost factor also greatly favors an on-the-job approach to retraining. One study showed that $10,000 spent by on-the-job training programs help reemploy almost six times more workers as when spent for institutional training. The costs of educational hardware and software for training purposes and salaries of trained personnel able to use the equipment are two major prohibitive expenses. In most cases both these elements are already available within industry and could be utilized more inexpensively through on-the-job training. Added benefits would accrue to the individual learning in an actual job environment with the psychological satisfaction of producing while learning. Higher skills could also strengthen the will to work by increasing personal self-esteem and the chances for job satisfaction.[7] The

[7]See Department of Labor Task Force Report on Blue Collar Workers, December, 1972.

economy as a whole would benefit from this additional output of production.

Under a redirected trade adjustment assistance program, retraining opportunities could offer tangible benefits to displaced workers and prospective employers. These "worker renewal" programs could also play a functional role in national manpower policy. However, retraining should act as a program supplement where immediate reemployment through modern job placement techniques is impractical and/or presently possessed skills cannot be used. Where retraining is appropriate, on-the-job programs with business-government cooperation provide the best approach to getting import-dislocated workers back on their feet.

Relocation

Under the Trade Adjustment Assistance Program one of the least recognized benefits to eligible workers is government relocation aid. This issue section will explore the potentials of this relatively unused program in the context of a revamped adjustment effort. It will also focus on the reasons behind the apparent lack of interest in current relocation benefits.

Early proponents of Trade Adjustment Assistance realized the importance of labor mobility to their program's success. They knew that even a dynamic economy — where job creation offsets job displacement — did not guarantee continuous employment in the same geographic environment. Recognizing the realities of human inertia and resistance to moving, particularly evidenced among older workers, a relocation program was developed to facilitate the readjustment process. This program allowed assistance in specific instances for eligible workers unable to find an appropriate job in the local area, but who had secured a *bona fide* employment offer elsewhere with the prospect of long term job retention. Available only to "heads of households", the relocation allowance would pay the moving costs for the worker, his family and their household items, plus a lump sum payment of two and one-half times the national average weekly manufacturing wage as a type of "starting up" help.

Although this adjustment assistance option seemed potentially costly, it did offer prospects for substantive help to workers seeking quick reemployment, particularly in areas of high unemployment. As such, it stands in sharp contrast to the TRA/retraining option with its long time frame.

Unfortunately almost no use has been made of this type of assistance. Out of nearly 30,000 workers certified eligible for trade adjustment assistance benefits as of November 30, 1972, it is estimated that less than a dozen have received relocation assistance. Thus, on the surface doubts regarding this benefit's value seem warranted. However, further examination yields two conclusions: (1) current non-use of relocation assistance is mainly due to operational delays in the present program, and (2) the relocation idea has functioned quite successfully in other feasibility tests.

Various delays characterizing the present trade adjustment assistance program were described earlier in this report. In the case of workers these delays have resulted in lump-sum, retroactive TRA payments. Since eligibility for all benefits is measured from the impact date of the worker's unemployment, lengthy delays in the processing stages can consume eligibility. Relocation assistance cannot be provided unless some eligibility is retained under the program. Consequently, there is usually no chance for the worker to opt for this type of assistance even if he wants to. For this reason, the present program has not really provided an adequate opportunity to judge the applicability or value of the relocation program.

A second parallel finding on relocation, stemming from investigations of similar program, suggests the concept can be workable if properly formulated and implemented. Relocation has some singular successes in foreign countries. For example, in Sweden alone in 1971, over 23,500 individuals received government relocation assistance as part of an overall plan to shift a greater percentage of the work force to provide greater occupational and geographical mobility. The Swedish program has been successfully operating since the 1950's. In the United States a number of experimental labor mobility projects have been conducted by the Department of Labor and indicate that ". . .money spent on relocation projects, especially if it is combined with a good interarea information network, could have very high returns."[8]

The Manpower Development and Training Act of 1962 authorized a series of labor mobility demonstration projects which operated in twenty-eight states from March, 1965 to June, 1969, relocating over 14,000 workers. Measured against the yardstick of cost-benefit analysis, the experience of these programs affords valuable insights into the general issue of relocation.

Program benefits can be evaluated in three basic categories: (1) gains in individual workers' earnings, (2) reduction of unemployment compensation costs, and (3) productivity gains. The first benefit was discussed in a summary of the Labor Department's study covering sixty-one projects which found that "Unemployed workers relocated by the projects were placed in jobs, and the majority appear to have experienced gains in employment, earnings and incomes." This gain involves the interaction of two factors—increases in the amount of time on the job (particularly for formerly underemployed workers) and/or increases in the actual wage rate paid on the new job.

[8]See "Worker Relocation: A Review of U.S. Department of Labor Mobility Projects," by Charles K. Fairchild, for the U.S. Department of Labor, Contract Number 87-34-69-01.

This increase in earnings is felt not only by the worker relative to the amount he was earning before, but also by the economy as a whole which benefits from the income added by a reemployed person. This situation is illustrated in a California relocation project which dealt with the effects of mass lay-offs. The estimated annual wage of its relocatees was over $2.8 million (compared with a "paid out" cost in relocation allowances of less than half this amount). Additional and perhaps equal benefits would, of course, also accrue to the employers.

The second benefit derived from relocation is the reduction in governmental expenditures on unemployment compensation payments. The reemployed person will leave the relief rolls. In addition, this revitalized wage-earner will contribute to government revenue through taxes paid on his earnings. Again using the California study, an estimated $177,195.00 was saved on unemployment insurance benefits, while taxes were payable on the $2.8 million earned as income.

The third benefit is reflected in rising productivity brought about through the effective utilization of unemployed or underemployed persons. The fact that such productivity gains actually do occur in the relocation process can be measured by the earnings gains relocated workers experience. Reemployment allows the potential input of unemployed workers to be realized and the earnings gains reflect their better utilization.

Measured against these three primary benefits of relocation are the basic costs of relocation payments plus program administration. The average relocation assistance payment made during these projects was $294.00 while administrative costs averaged $573.00 per relocated worker. Since not all cases can be termed successful relocations, the total cost of the program per successful relocatee was $1,150. including both assistance payments and administrative costs. (Approximately 75% of the cases were successful as measured by the worker remaining in the new area during the standard two-month follow-up.) Since these cases were administratively designed as study projects, experimenting with different techniques of operation, it could be expected that the relatively high administrative costs would decrease as more established and proven procedures are adopted.

Two other "costs" must be factored in. The first is the psychological cost of moving. Unquestionably, the severance of community ties and leaving close friends and relationships exacts a "psychic fee." Yet this type of cost is not readily quantifiable. Often the dormancy of relocation benefits under trade adjustment assistance is explained away with the argument that "people do not like to move." However, as noted, few are even afforded the option of relocation. Partially offsetting the psychological expense of moving stands another "non-quantifiable"—a renewed sense of self-confidence and identity stemming from the new job, a steady income and being off the relief rolls.

A key psychological handicap in successful readjustment through relocation is lack of familarity with the new surroundings. Tests have shown this paramount problem could be somewhat mitigated through pre-employment visits and interviews. *Consideration might be given to broadening available benefits to include a stipend for such interviews which would allow the worker a trip to his new job location in order to meet his employer, take a first-hand look at the town and–if all looked good–to initiate measures to smooth the physical move itself.* The cost of this type of aid—utilized with considerable success in a number of federal relocation studies—averaged between $30 and $80 per relocated worker. The additional expense seems minor measured against the improved chances of "relocation compatibility."

Although some proposals have recommended much greater financial assistance in the relocation process, including fringe benefits such as federal guarantees on housing equity and the availability of low interest rate loans, this report suggests different emphases. Our findings, supported by summaries from Department of Labor projects, point to the importance of non-financial assistance in facilitating relocation. *Accordingly, we recommend that new efforts be made in areas of job placement services, pre-employment interview trips, orientation meetings and other supportive services.* In the field of job placement particularly, great break-throughs may now be possible with computerization. The development of a viable "job bank" (discussed in a later section) could probably offer considerably more relocation effectiveness dollar-for-dollar than simple increases in financial assistance.

In conclusion, relocation rates highly in comparison with other methods of worker assistance. While these systems should be considered as complementary—working as alternate aids to the displaced worker—greater emphasis could be productively placed on relocation. In many cases relocation will be more efficient than retraining and may have a better cost-effectiveness ratio, where employment is the measure of effectiveness. For example, some estimates on the average cost per employed person completing assisted programs are:

1. $3,300 (Institutional training, vocational education, etc.)
2. $1,450 (In-plant, on-the-job training)
3. $1,150 (Relocation)[9]

Whereas training programs prepare workers for jobs that are assumed will exist, relocation by definition places the worker in an immediate job opening, thereby increasing the chances for successful reem-

[9]See "Worker Relocation," previously cited, page 125.

ployment. Relocation also minimizes time lost between jobs and reduces the burden of unemployment on the general public. For these reasons, improved relocation assistance must be an important part of a redirected trade adjustment assistance program.

Pension Rights

The issue of pension rights is often forwarded by critics of the trade adjustment assistance program as an example of inadequate coverage for displaced workers. These criticisms usually lead to recommendations for establishing new federal programs designed to protect pension coverage. Clearly, lost jobs mean much more than reduced current income. However, the construction of a new program or set of government guarantees in the area of pensions requires careful consideration—particularly when measured against the potential complications such changes might require in the administrative structure of trade adjustment assistance. This section explores the pension rights issue—and seeks to offer some workable recommendations.

Unfortunately the pension issue has often been clouded by differing notions of "pension portability." This concept, while central to the debate on pension rights, has evoked some confusion by conveying the image of a worker carrying his "pension luggage" with him from job to job. This picture is erroneous and the misunderstandings it perpetuates could be harmful to the worker's interests.

The transfer of an individual's pension funds and benefits from company to company would obviously be an administrative nightmare. Since a portion of those funds must necessarily remain in liquid assets, this requirement would effectively prevent pension fund assets from being most profitably invested. All workers contributing to the fund would be deprived of the full earning potential of the fund's investments.

The concept of "pension portability" is more accurately characterized by the idea of a worker retaining his earned share of pension coverage, even if he changes jobs, but without the damaging effects of having to change the place and method of his pension fund investment. Commonly referred to as "vesting," this idea has considerable potential—if properly formulated—to offer sufficient pension coverage for the unemployed person regardless of the economic cause involved. Rather than adopting some structure which would require considerable administrative burdens and costs (possibly also detrimental to the investment interests of all pension-holders), *we believe that an approach could be fashioned on vesting, similar to several recent legislative proposals,*[10] *which would constitute a highly preferable alternative.*

Under this "vesting" approach workers could be offered several different approaches where pension rights would be assured in accordance with their time on the job. Relative ages of the workers would also be taken into account. For example, one plan might permit an individual to be 100% vested (fully covered by its pension plan's coverage) after ten years of covered service at any age. Another example, the "Rule of Fifty" approach aimed at older employees, would guarantee 50% vested rights in retirement benefits at any point when the worker's age plus years in covered employment totalled fifty.

These standardization schemes for pension rights would provide a type of "portability," but without heavy administrative and investment costs and without involving the federal government deeply in the area of private pension plans. The worker's basic retirement security could be guaranteed after a set time under such a plan, whether he is working at the same job, decides to switch jobs, or becomes unemployed—regardless of the cause. This type of reliance upon the use of private pension plans, built upon acceptable vesting rights, would not involve increased federal spending and would prevent the creation of yet another federal program superimposed over present programs in the private sector.

Fringe Benefits

A variety of miscellaneous worker benefits other than the major issues already discussed are sometimes associated with recommendations to change the trade adjustment assistance program. The common assumption seems to be that an elaborate offering of fringe benefits is necessary to attract labor support for the concept. However, labor's deep disenchantment with the present program will probably not be mollified by expanding the number of hand-outs available to an unemployed worker—nor will the country benefit from such action. The average working man wants to keep his job or, when that is not possible, to move quickly into another—and better—position. This core objective should constitute the central focus for governmental efforts in this area with marginal distractions brushed aside.

The primary motivation behind numerous fringe benefit proposals on adjustment assistance seems aimed at erasing all traces of worker dislocation caused by imports. Even if this were possible—which it is not—the created situation would be an unhealthy one, characterized by extensive new government involvement in the private sector. Proponents of federally backed early retirement subsidies, health insurance coverage, seniority right extensions and even guaranteed housing equity for displaced workers (example proposed additions) could jeopardize the chances of achieving a workable adjustment

[10] For example, the "Retirement Income Security for Employees Act" (S.3598) could be adopted with a few qualified changes as recommended in NAM testimony on July 27, 1972 given by H. C. Lumb before the Subcommittee on Labor, Committee on Labor and Public Welfare, United States Senate.

assistance program by adding complications on at least two fronts: (1) creating additional legislative confusion regarding which committees in Congress should handle the requisite "omnibus" bill, and (2) exploding realistic budgetary constraints that must accompany any new program.

We do not believe that such additional fringe programs are within the proper scope of governmental action; federal efforts should instead be concentrated elsewhere. Except where broad measures (such as acceptable pension vesting rights) can be profitably and justifiably applied on a national scale to complement private programs, the government should avoid involvement in the private sector. Governmental efforts must be directed toward facilitating an early adjustment away from dislocation instead of the creation of special compensation programs after the injury has occurred. Through the action of early preventative steps, most injurious dislocation could be voided. Private plans, coupled with present federal programs such as the Social Security system, are the best and most effective method of handling any cases where dislocation might still occur.

Job Bank

The development of a national job bank system, while outside the scope of trade adjustment assistance, has large potential benefits for the program. Designed for computerized employment placement, the job bank approach seeks to match up skilled unemployed workers with job openings. An example of innovative computer technology utilization, the job bank may solve the frustrating problem of unfilled job vacancies in areas of high employment. This is a problem which is receiving increased attention as labor experts struggle to improve the nation's crude and inefficient system of informing the unemployed of suitable job openings.

From its local beginnings in Baltimore in May, 1968, the job bank experiment yielded rewarding results (increasing jobs for disadvantaged workers) and has since grown to over one hundred banks operating in more than half of the states. Plans call for continued expansion with overall sights aimed at a national job bank network later this decade.

The basic idea behind a computerized job bank is to turn out daily listings of job openings in metropolitan or larger areas for wide distribution, thereby bringing up-to-date information to job-seekers. The system would provide the information quickly enough to enable the applicant to follow-up on the opening. The prospective employee is assisted in selecting the job which best fits his background, aptitudes, and interests, while the prospective employer minimizes time loss by filling his vacancy quickly with appropriately qualified personnel. In short, the system promises a mechanism for the timely exchange of complete and accurate job information.

Present plans call for the linking of regional job banks into a rudimentary nationwide system by early in 1973. Further staged consolidation and development within this network will follow as improved applicant and job assessment aids are constructed and different computer selection and matching techniques are implemented. January, 1976, is the present goal for a completed rational network of the various state matching systems. The Department of Labor has recently been devoting a great deal of effort and resources to the effort of the job banks "as an institutional device to expedite the matching of the supply and the demand side of the labor market. . ." Coupled with a computer hook-up to the department's Employment Service Offices in the field, this effort could produce significant results.

Currently, developmental costs of the job bank system are running at approximately $25 million annually—a figure which will decline as the network is completed and operational efficiency increases. While it is impossible to measure the program's potential effectiveness on a broad national basis, studies have shown a marked employment increase in areas where the job bank system has been most fully developed. For example, data from the job bank effort in Maine, compiled two years after the introduction of the job matching system, shows an increase of over 5% in new job placements over the period before the start of the program.

While the national computerized job bank system should have a beneficial effect on the broad manpower picture, it also has special meaning from the standpoint of a redirected trade adjustment assistance program. Increased emphasis on early warning and adjustment will put a premium on job placement techniques. The addition of an operational job bank system will increase the effectiveness of the other placement methods available to the dislocated worker. For example, information on similar job openings within the local area will be vastly improved. Complemented by relocation assistance when necessary and more detailed updated job descriptions, the job bank could measurably help import-dislocated workers with marketable skills return to work. Effective matching would, in turn, complement the success ratio of relocation assistance, improving the efficiency and usefulness of this aid. Similarly, the need for costly and perhaps unnecessary retraining will be decreased as the worker is allowed to make maximum use of his presently possessed skills. A national job bank system could both increase the effectiveness and decrease the cost of a program of trade adjustment assistance—while at the same time fulfilling its broader manpower objectives.

Firm Benefits

Trade adjustment benefits to firms under the present program and under proposed changes merit careful

consideration. Recognizing the implications surrounding this subject and the central importance of the individual firm as the engine of successful adjustment, this section will concentrate on approaches and issues involved in firm benefits—as well as offering several recommendations.

When compared to the worker side of trade adjustment assistance, firm benefit provisions reflect a few similarities overshadowed by major underlying differences. Both firm and worker benefits presumably intend to facilitate resource shifts toward areas of greater relative competitiveness or higher skills. And both seek to buffer to varying degrees the impact of import dislocation on the injured. However, these similarities are colored somewhat with the recognition of different emphasis: individual workers may be protected, but not so with particular jobs. On the other hand, firms may be accorded assistance to help self-adjustment to new competition, but specific, long-term protection—masking inefficiency at the taxpayer's expense—cannot be tolerated.

These are healthy differences. Few enterprising businessmen or firms would alter this situation, arguing that the "right of a business to fail" is one of the inalienable rights. Consistent with this view, the national bankruptcy rate is sometimes regarded as a barometer of economic stability and prosperity.

In the context of a solid private enterprise—free market framework, trade adjustment benefits to firms can only be supported as a necessary expediency, tied closely in with needed improvement in the strength of the United States manufacturing base and the nation's international economic position—and ultimately, a positive foreign trade policy. Even then firm benefits should (1) emphasize cost-cutting and non-financial assistance, (2) be designed to reduce market disruption due to other government incursions in the marketplace, and (3) aim to engender constructive self-adjustment for firms in the program.

The efficacy of the present firm benefits, like much of the rest of the program, is difficult to gauge given the limited number of eligible firms. However, as a first step, the delays involved in applying for and receiving assistance must be reduced before any type of aid can be truly effective. Suggestions made in this report could help effect such a change, in conjunction with efforts already underway within the Commerce Department.

Limited experience has shown that present firm benefits providing for technical, financial, and tax assistance should be retained. However two alterations in the system could promote their optimal use. First, *interim financing should be made available to an eligible firm*, where deemed appropriate, to cover the time between certification of eligibility and the receipt of benefits under an approved adjustment proposal. No one is benefitted if a certified firm is forced to close while formulating or waiting for the implementation of its adjustment proposal. An example of this situation occurred recently in Massachusetts where a certified firm producing hi-fi equipment had to shut down, laying off over three hundred workers because the details of a trade adjustment assistance loan were not yet worked out. As the President of the company put it in an interview, "We're like the car that was in a bad accident, gets repaired and is all set to roll again . . . and then runs out of gas.

The most important improvements to prevent these types of collapse are speeded-up processing and program delivery. However, the option of interim financing could add additional flexibility for use in unforeseen circumstances. Some assurance of a time limitation would be placed on the interim financing to assure its temporary nature. *Accordingly, we recommend that a 90 day time limit be placed upon the submission of an adjustment proposal (as compared to the present two year period) during which time the Commerce Department could approve/reject plans for firm adjustment and/or develop additional timetables and guideposts.* Drawing upon its growing experience, Commerce would seem in excellent position to make the required adjustments to speed up this process. As stated by James T. Lynn, former Undersecretary of Commerce, in May, 1972, "We are now at the point where each case no longer involves entirely new policy considerations, and I expect the time lapse between receipt of an application for certification of eligibility to apply and the granting of assistance to be even further reduced, as we gain more experience."[11]

Additional assistance might also be developed around new government guidance programs designed to aid firms in preparing their adjustment proposals. Many smaller firms particularly could benefit from improvements on this end of the program, which would involve only minimal government expenditures. Guidance would emphasize methods of achieving new market specializations, exploiting service advantages, and improving market techniques. Major alterations, shifting firms in and out of industries, would probably be best left to an industrial level approach (discussed in the next section). Encouraging efficiencies is the proper objective of efforts to help individual import-injured firms.

Governmental efforts aimed at altering the specific problems of non-competitive firms within a given industry are dangerous. When government injects itself into the marketplace—even if to neutralize another distortion—it risks upsetting the competitive equation within an industry by assisting particular firms to the disadvantage of others. It is for this reason that this report stresses initial reliance on industrial self-adjustment, followed by industry-wide adjustment aid, and finally specific firm assistance in moderate forms as "a last resort." Only if an

[11]See Trade Adjustment Assistance Hearings, House Subcommittee on Foreign Economic Policy, April and May, 1972.

individual firm can meet the present strict eligibility criteria should it qualify for special assistance—and then the aid should be limited to present program benefits with emphasis on improving the specialization and service aspects of the firm's business. By participating in a functional first tier of early industry-wide adjustment, most businesses should be able to avoid the severe dislocation and job loss problems which would necessitate a second tier of individual adjustment benefits. A detailed explanation of this emphasis on early first tier adjustment is given in the following section on industry benefits.

Industry Benefits

The broad industry approach to economic adjustment comprises a unique feature of this report, particularly in relation to the issue of assistance to industries with an emphasis on productivity increase, job retention and job creation. Loosely defined, the concept of an "industry-wide approach" can include nearly any governmental program designed with objectives for an entire industry or group of industries in mind. Programs following from such an approach must necessarily be flexible enough to span great divergencies within industries. Recognizing industry's lack of homogeneity, these programs would also have to be fairly conceived and administered to provide equal opportunity for all to achieve benefits.

Implicit in the industry approach concept and its relationship to trade adjustment assistance is the growing recognition of international competitive challenges. In the past these challenges usually touched only a relatively few companies within the total economy. Today entire industries find themselves under pressure and are seeking coordinated, effective responses. This situation has opened a new *esprit de corps* in certain industries and fashioned an increased awareness of mutually compatible interests even among firms with marked differences regarding specific stakes in international trade and preferred policy responses.

The original industry approach idea relating to economic adjustment springs from the experience of Western Europe. It is also deeply rooted in the traditions of the American free enterprise system. Clearly, the degree of government-industry involvement which occurs abroad is largely incompatible with the United States economic system. On the other hand, extensive government involvement with individual firms—a potential danger in the present U.S. trade adjustment assistance program—is equally unacceptable. Between these two options, a middle ground must be established, maximizing private self-adjustment and the lessons of successful experience contained in business responses to similar problems on a corporate scale. In this framework, government action would be limited, moving to offset non-market distortions for which it was principally responsible, wherever private industry both wants and needs such assistance.

In the context of trade adjustment assistance (TAA), a broad-based industry approach, almost by definition, would focus on improving the particular industry's competitive position in international trade. Since there are presently no provisions for generalized industry benefits under the TAA program, this issue reference section will target in on four main approaches which have considerable potential—particularly if implemented and coordinated together—for achieving the overall objectives of improved American competitiveness. The four approaches are: (1) an effective governmental early warning system, (2) industry research and development assistance, (3) fairly administered anti-trust legislation, and (4) temporary and conditional orderly marketing arrangements. These various responses to import penetration and dislocation form the core of an industry approach to trade adjustment assistance and comprise the sections of this chapter. They also constitute the first stages of action in the two-tier approach, outlined graphically on page 19.

Early Warning System

The development of an effective early warning system for import competition will be a vital component of any reordered trade adjustment assistance program. This issue reference section evaluates the early warning concept and recommends economical steps toward achieving such a program in the context of an industry approach to increased international trade pressures.

The idea of an early warning system is a straightforward one: that government has the obligation to utilize its data collection and analysis capability to forecast several years in advance intense, perhaps injurious, import competition as pertains to particular industrial sectors. Such forecasting, if accurate, could facilitate remedial action before the potential injury occurs and accentuate private self-adjustment. Clearly, the government has a responsibility to inform its public more effectively of changes likely to occur due to its own action. This warning procedure should be improved and expanded to encompass an information system regarding other national economies.

Recognizing the pressing need to reverse America's weak productivity and lagging industrial investment, the government has already undertaken work on improved methods of competitive assessment.[12] These efforts could provide an excellent foundation for an early warning system.

One of the appealing features of an early warning mechanism is its consistency with the idea of private

[12]See Commerce Today, December 25, 1972 article describing functions of Bureau of Competitive Assessment, p. 4-6.

enterprise self-adjustment and the minimization of government participation in this process. Admittedly, with the increased government activity in regulation and intervention in the marketplace—which is extremely visible in international trade policies through tax rebates, subsidized export financing, guarantees, tariffs, quotas and other non-tariff barriers—some government participation in adjustment processes may be unavoidable and necessary. However, early warning could offer opportunities to reduce the instances and extent of government involvement by providing businessmen with information and analysis on forecasted competitive challenges which are beyond the individual businessman's resources or ability to investigate.

The NAM questionnaire to import-impacted firms (both involved in the adjustment assistance program and those which had decided not to apply) revealed some interesting results on the issue of advance warning of and preparation for international trade competition. The question was stated as follows:

1. Have you been able to forecast the severity of import penetration?

(a) If yes, what procedure was used to make this forecast possible? How many months/years in advance can the problem be foreseen before it becomes acute? What actions are being taken to meet this perceived problem?

(b) If "no," what data do you feel might make a more accurate forecast possible?

In some affected industries, notably textiles and pianos, business respondees indicated that they had been able to accurately forecast the increased competition themselves. A lesser number had been able to undertake measures to meet the competition while other firms, facing overwhelming competition and lacking the internal resources to make a rapid shift into alternate lines of production, were forced to close down their operations. Returns from firms reporting an inability to foresee the approaching economic dislocation indicated a strong correlation between company size and forecasting ability. The same finding was underscored in the House Subcommittee on Foreign Economic Policy hearings (May, 1972) by Deputy Special Representative for Trade Negotiations, William R. Pearce who stated regarding trade adjustment assistance: "We are usually dealing with industries with a lot of small firms which lack the resources that government and big industry possess for anticipating economic developments likely to influence their success."

Clearly, government should not attempt to guarantee smaller firms the advantages of scale which accrue to larger companies. However, all businessmen, particularly the smaller entrepreneurs, have a legitimate need to obtain clarified data and analysis on international competitive assessments pertaining to their industry. Faced with rapidly changing world market conditions, which are characterized by increasing government involvement in trade practices, the small businessman can be wiped out quickly. Otherwise competitive entrepreneurs, who are powerless to influence these government interventions and have no resources to investigate shifting market conditions, have few choices. This group is beginning to perceive the early warning potential as a key to their future economic survival.

As stated by Undersecretary Lynn: "My feeling is that if industry and Government cooperate to look down the pike further, and see what is happening by way of competitive advantage and who is going to be producing what three, five, ten years from now, then good management, at the very least, will respond a lot more effectively than perhaps they have responded in the past. They can then adjust their own production and their own businesses to the realities that they are going to face three to five years down the pike."

Most proposals on early warning start with the assumption that a greatly expanded base of statistical data is necessary before any effective system can be developed. Admittedly certain types of additional data may be useful; however, any incremental benefits gained from it should be measured carefully against two costs: (l) financial, (2) business confidentiality. In testimony before the House Subcommittee on Foreign Economic Policy during its hearings on trade adjustment assistance, Undersecretary of Commerce James T. Lynn already drew parallels between some "appreciable increases" in the Department's budget request and the effort to obtain better commercial information. However, even more important than cost benefit analysis on this point is the potential danger of greater government encroachment into the private sector under the name of data collection supposedly necessary for early warning purposes. This report makes the following recommendations in this connection:

1. *We recommend that prior to seeking new information, presently available data and public statistics should be fully tested and exploited. This data could be more effectively aggregated and categorized by specific sectors than is now the case.*

Some initial limited approaches have been made by the Department of Commerce toward this goal. These efforts have found that certain statistical indicators may be useful in determining the relative competitive strengths or weakness of a particular industry. These results, if further developed and analyzed, could be interfaced with statistical indicators of possible foreign competition in that industry, yielding a more integrated and accurate forecast of the emerging competitive forces.

(2) This recognition leads to a second recommendation regarding the development of an early warning system: *The United States Government should continue*

to improve its information gathering services abroad related to foreign business conditions and practices which may adversely affect an American industry in the near future (i.e. export subsidization schemes, major rationalization of foreign industries, or government sponsored R&D aimed at capturing specific markets). More effective utilization of the foreign commercial service in United States Embassies around the world should be an important feature of this undertaking. What seems needed is a coordinated system which would centralize and analyze estimates on potential foreign export increases matched with U.S. domestic figures for industries exhibiting "competitive lag." The resulting analyses could be utilized on an industry "macro" scale or in a sectoral approach to early adjustment. In essence, this could constitute an initial phase of industry adjustment since the data would be available to all elements within the industry equally. With added responsibilities given to the commercial attaches, and greater coordination between the Department of State and the Department of Commerce, and other government agencies, this improvement could probably be achieved without much additional expense.

Since it is virtually impossible to delineate the influence of foreign governmental policy on these national economies — especially under conditions of close business-government cooperation, international monopolies and cartels[13] — *research efforts are needed beyond direct government participatory programs. Foreign economies should be examined regarding the potential impact of indirect factors – such as rising standards of living and changing consumer tastes* - on the United States. This might be initiated on an experimental basis, using a few "target countries" (i.e. Japan, Germany, Italy, etc.) since this is where the United States faces the major competitive challenge. Trade associations and other business groups might also channel in active support by establishing a network of industry and regional advisory groups which would have the responsibility of monitoring and reporting on competitive changes as perceived by the business community. The trade associations could play an important role in disseminating relevant information on foreign competitive challenges to the domestic manufacturers. Such action would serve to encourage the industry, particularly the small businessman to whom such data might not otherwise be available, to take early self-adjustment steps to meet the changing market forces.

In conclusion, the development of an effective early warning system could be an important "industry benefit" integral to any redirected trade adjustment assistance program. As such, it would also benefit the entire United States economy by strengthening our competitive position and improving industrial productivity. Consistent with the recognized responsibility of government to make known any actions which could injure specific sectors of the national economy, the early warning system could help pinpoint useful information reflecting changing competitive detriments.

Early warning could also be economical. Emphasis on using presently available data, with certain aspects of the program on an experimental basis, could effect considerable savings — not to mention the potential savings for the United States economy implicit in accurate forecasting and successful "preventative" adjustment.

Recognizing the financial and psychological implications of an effective early warning system, a key to its success would be the presence of backup support programs designed to assist the industries designated with competitive problems.[14] In fact, the early warning system is only feasible within the context of an overall program designed to meet competition. Flanked by other broad-gauged approaches to industrial adjustment described in the following sections on research and development, anti-trust and orderly marketing, the early warning system comes alive as the harbinger of needed industrial approaches to adjustment.

Research and Development

The rapid technological change which characterizes our times places a premium on innovative adjustment, productivity and growth. Simultaneously, these elements of "future shock" have accelerated the international exchange of technology among nations and reduced dramatically the advantages a product enjoys as first on the market. Keeping the "lead" with better made, more advanced products or efficient processes has become a crucial aspect of international competition—and it has become increasingly difficult. This section focuses on one important aspect of this technological foot race — research and development as part of an industrial approach to adjustment.

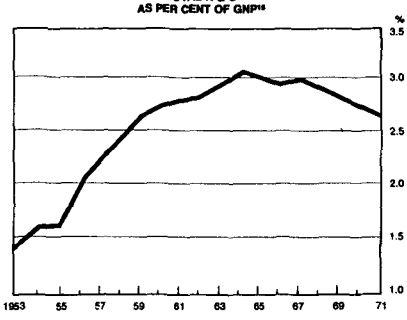
Clearly, research and development (R&D) expenditures through greater capital investments, can be a key component to improved industrial productivity. Cross-sectional studies have demonstrated that there is a significant relationship between industrial expenditures on R&D, high rates of productivity growth and international competitiveness. This relationship has led economics Professor John Kendrick

[13]For example, the National Association of Manufacturers and nearly thirty major trade associations are actively working with government on a project researching indirect or non-tariff distortions in international trade, including export subsidies. This project is aimed at providing industry data for upcoming trade negotiations.

[14]For example, if early warning had no support programs behind it, announcement forecasts of industry problems could become stock market shockers leading to rapid collapse of firms who would find themselves unable to raise capital.

of the George Washington University to describe R&D as "the fountainhead of technological growth." Significantly, R&D expenditures in the United States have recently declined as a percentage ratio of gross national product (GNP) as shown in the following chart.

Chart 5
TOTAL R & D
AS PER CENT OF GNP[15]



Source: Conference Board

This phenomenon parallels the lower productivity growth rate experienced by the U. S. economy and a declining trade surplus in high technology-intensive manufactured goods (exports over imports), which went from a registered +$9.1 billion in 1965 down to a +$5.9 billion (est.) last year.

While R&D relationships are obviously important to the domestic economy as a whole, their relation to major industrial sectors facing severe import competition is particularly significant.[16] Often these industries are already struggling with the problems of low productivity growth. Growing import penetration compounds their problems by constricting the resources available to undertake measures stimulating productivity.

Consistent with the proposed industrial approach to early adjustment, one of the most valuable benefits could be the encouragement of additional R&D. Accompanied by some form of readily available, broad-based government support, R&D encouragement for import-impacted industries could become an important policy tool. It could both bolster the desire of an affected industry to compete (offsetting the notion that trade negotiation concessions "had sold it down the river") and/or facilitate private resource shifts into more competitive lines of production for successful adjustment.

This conclusion was largely supported by the NAM questionnaire of firms certified for the current trade adjustment assistance program. Most respondees indicated a desire to participate in an industry-wide, government aided R&D program. Many firms cited increased R&D as a factor which could significantly help them meet the import challenge. They also pointed out that problems of under-capitalization, relatively high debt/equity ratios and profit downturns (in part resultant from import penetration) had effectively prevented such efforts. This opinion was also echoed by a number of firms in certified industries which for various reasons had not applied for the present program.

Programs to stimulate R&D should be focused on a joint, industry-wide approach with the sponsored projects open to all firms within the certified import-injured industry. Benefits arising from the program would be equally available to all participating members. Government and industry cooperation should direct the efforts toward the goals of (1) increasing productivity and competitiveness within the industry, and/or (2) shifting productive resources into alternative product lines. The relative priority of these goals should be established on a cooperative basis, perhaps through the formation of an industry productivity council (comprised of leadership elements from all aspects of the industry) with liaison to the National Commission on Productivity. This group would need to exercise proper care, avoiding unfair movement into product lines which might adversely affect an already existing industry. *Special consideration could also be directed at resource shifts toward product lines with unfulfilled export potential.*

A primary tenet of the joint R&D effort would be maximum use of private sector resources. The proper form of government participation in such a program could be determined on a case-by-case basis with emphasis on non-financial federal assistance. Government should provide technical advice and cooperation in both initial industry studies designed to determine what is needed and in the following implementational stages. Where appropriate and necessary, a tax rebate in addition to existing write-offs of R&D expenses might be considered along with possible low-interest R&D project loans. Joint industry-government financing efforts along the lines of the Interior Department's mineral exploration program could round out the lower end of the program priority scale.

In addition, consideration should be given to new federal incentives for capital investment in modern high technology plant and equipment through some type of "productivity" incentive plan (i.e. increased

[15]Since the mid sixties government's share of participation in industrial R&D (as measured by source of funding) has declined steadily from 55% to less than 40%. Failure to provide additional incentive to private industry (which must provide an increasing percentage of R&D funds) has resulted in a general decline in overall R&D as noted above.

[16]R&D efforts in the textile/apparel and shoe industries — with laser beam and shoe molding processes, respectively — offer significant examples of new innovative techniques potentially important in the competition with imports.

output would yield relatively greater depreciation providing prices remained steady for some predefined period).[17]

Most foreign programs, backed by a heritage of close business-government cooperation, offer broad-scoped, industry wide adjustment schemes which usually include R&D project assistance. However, we believe such an approach could be appropriately formulated to fit within the U.S. economic framework. There would actually be fewer problems raised by the aspect of government assistance than by the cooperation among firms in a joint R&D project. Such an approach could raise anti-trust conflicts under some circumstances, but would be very unlikely to do so in the type of proposal suggested above. This consideration is analyzed in more detail in the following section on anti-trust policies as they relate to trade adjustment assistance.

In conclusion, the proposal for industry wide R&D assistance becomes an important part of the early industrial approach. Benefits from such a model policy could be made available equitably on a broad basis with a good potential for encouraging "preventive" adjustment to import competition. As noted by Professor Kendrick: "Differences among nations, in levels and rates of change in productivity, are fundamental measures of comparative economic performance, and play a crucial role in the competition among nations and groups of nations."[18] Competing in the high technology, sophisticated international markets of the 1970's (against the expanding EEC — its industrial rationalization policy with concentrated pooling of R&D efforts, and Japan — with its strong incentives for generating capital investment efforts and its plethora of export promotion programs), the United States would do well to target more attention on R&D. An initial R&D effort with emphasis on trade adjustment assistance could be a needed step in this direction.

Anti-Trust Legislation

A confusing and often inhibiting factor to private domestic adjustment efforts is the potential conflict with United States anti-trust legislation. An analysis of foreign approaches to the concept of adjustment assistance reveals systems usually based upon a much different conception of government-business relations. Many of the foreign industrial rationalization processes (discussed fully in Appendix "A") would conflict with present anti-trust laws if applied in this country. In many nations, mergers can produce a dominant market position which is legal as long as such market power is not abused. Such a structural advantage can easily be translated into a competitive advantage on the international scene, especially if the definition of what constitutes abuse varies depending upon whether the product is being exported or whether it is sold domestically.

However, since we recognize the right of every nation to determine the standards and principles of its own economic structure, the question which must concern us most is whether it is necessary for the U.S. to alter its structure in order to remain competitive. Specifically, the Williams Commission on International Trade and Investment Policy has recommended that changes be considered in U.S. anti-trust laws (or their administration) in order to permit mergers where import competition results in "serious difficulty."

Present antitrust laws constitute one of the most complex and pervasive bodies of American commercial statutes. While there may be some inequities in these regulations, any attempt to alter them should be approached with the utmost caution and based upon solid reasoning. Two categories in the anti-trust area need to be considered: (1) mergers and acquisitions, and (2) joint or cooperative efforts. The first is the most relevant to the foreign programs and is not entirely precluded under U.S. law. The test under the Clayton Act is whether a merger or acquisition would cause a substantial reduction of competition to occur within the given market. Under the circumstances of increasing imports, such a reduction could occur if the merger did *not* take place, since without it the firms may simply be forced out of business, thus cutting down the competition in the most permanent manner. The competitive effect of imports is, therefore, a proper matter for consideration in any anti-trust determination under Section 7 of the Clayton Act since if the imports were large enough to seriously injure a domestic industry, they should be considered as claiming an important share of the market.

The second category of joint or cooperative efforts involves the recommendation of this report dealing with the concept of an industry-wide program of research and development. Such an effort should not violate present statutes. As noted by Donald Baker, Director of Policy Planning, Anti-trust Division, Department of Justice, on April 18, 1972, "...private activities such as joint research, cooperative research efforts, and scientific information . . . exchanges have never been held to constitute *per se* violations of the anti-trust laws." He goes on to say that the action must have "resulted in an *unreasonable* restraint of trade. In large part, whether joint activities will constitute unreasonable restraints to trade will turn upon the purpose for and the manner in which the parties

[17]See "Capital Investment, Growth, Productivity — Basic Issues" K. Robert Hahn. Executive Vice President, Lear-Siegler, Before the Third Annual Symposium on Automation and Society, March 20-31, 1971.

[18]See John W. Kendrick, "Solving Problems of Productivity in a Free Society" (Madison, The Center for Productivity Motivation, 1962).

engage in such activities."[19] The joint research efforts covered in this report's findings will only take place *after* an industry has been certified as being injured or threatened with serious injury from increased imports. Thus, joint or cooperative research efforts should actually serve to increase competition by encouraging the domestic industry to compete with the imports. Without such aid many of the firms would likely be forced to shut down operations, thereby reducing the ability of domestic producers to compete with imports as well as eliminating jobs.

One of the major problems remains the uncertainty businessmen face when seeking to establish joint or cooperative ventures. *The Business Review Procedure of the Department of Justice should be expanded by the establishment of a special section to issue administrative guidelines for joint or cooperative research efforts under trade adjustment assistance programs, and to review each individual proposal with the concerned industry and the Commerce Department as it is being formulated.* This administrative change is the only one in the anti-trust area which seems warranted in the context of trade adjustment assistance. If successfully implemented these steps could lead to a greater flexibility in U.S. anti-trust as it applies to international competition — particularly those beleaguered firms under extreme import pressures at home.

Orderly Marketing Arrangements

The relationship between trade adjustment assistance and orderly marketing arrangements involves an important part of the proposed industrial approach. Based on early adjustment, this industrial approach would aim either at strengthening industries to meet foreign competition or facilitating their shift into other productive lines with a minimum of government intervention. Despite these early remedial efforts, there will undoubtedly be cases where injurious import penetration occurs on an industry scale and threatens to fatally injure the industry before the adjustment process can successfully function. In such instances additional time will be required for adjustment. Meanwhile, excessive import pressures should not be permitted to unduly disrupt the adjustment process. Otherwise, the promise of assistance, early warning programs, R&D, and additional measures could be wiped out. In effect, orderly marketing arrangements would complement ongoing adjustment, constituting a benefit of "last resort" in the industry approach (beyond which specific assistance would require individual firm petitions roughly as presently organized).

Clearly, additional import restrictions should not be undertaken lightly, recognizing the inherent dangers of government participation in the marketplace and possible retaliation by foreign governments. Willis C. Armstrong, Assistant Secretary of State for Economic Affairs, underscored this point in testimony on the adjustment assistance-trade restriction relationship before a House subcommittee (May, 1972) noting:

"In general, restrictions on competition, foreign or domestic, are apt to have a weakening effect on the American economy. If it is decided to limit the importation of an item during an adjustment process, the most important feature of such restraint should be its role in facilitating adjustment. It should not serve to delay adjustment. Such trade restrictions should be limited: To instances where they are absolutely essential to a successful program of adjustment; to the minimum restraint necessary to allow the adjustment process to proceed; to as short a time period as possible; and to cases where there is a definite plan for adjustment."[20]

The most appropriate way to insure that these safeguard criteria are met is to tie the orderly marketing mechanism and its operational timeframe directly to the adjustment procedures available to an impacted industry. Following the approval of a certified industry petition for trade adjustment assistance, the Commerce Department could authorize a study by an interagency standing group in order to: (1) investigate the industry's adjustment plans and (2) determine whether imports require temporary restraints to facilitate smooth operation of the adjustment process. Recognizing the importance of such restrictions and the complications which can arise from curbs imposed on international trade, the interagency group should include participation by the Departments of Treasury, Commerce, State and Labor, as well as CIEP (Council on International Economic Policy) and the Office of Special Trade Representative (STR).

This group could recommend orderly marketing action to the President and arrange a temporary relief plan for the industry. The President's decision would be final. Presidential concurrence in an affirmative recommendation would initiate efforts to negotiate temporary orderly marketing arrangements for the relevant product with the exporting country/ies.

This type of an industrial approach to adjustment and orderly marketing was also outlined before the Culver hearings by Laurence H. Silberman, then Under-Secretary of Labor.

"There are problems which develop with respect to certain industries (regarding import competition) and in our judgment (these problems) may require a type of response which goes beyond adjustment assistance and includes the development of an orderly marketing mechanism. The marketing mechanism and the adjustment assistance process have to be integrated in some fashion . . . with the coordinating mechanism designed so that, for a certain

[19] See the statement by Donald Baker before the House Committee on Science and Astronautics, Subcommittee on Science, Research and Development, April 18, 1972.

[20] See Subcommittee on Foreign Economic Policy, House Foreign Affairs Committee hearings (May, 1972) p. 293.

limited time, both the orderly marketing arrangement and the adjustment assistance are operating concurrently. Both systems are linked together and would end once their joint contribution has eliminated the problem."[21]

Similar qualified endorsement of voluntary import limitations during a temporary adjustment period are also evidenced in recent publications from the National Planning Association and the Committee for Economic Development.[22]

The two major objections frequently voiced on temporary import restrictive devices are that: (1) they could tend to become permanent, and (2) they may provoke retaliation. Both objections could be largely met by tying the device's use to a definite adjustment process with an agreed-upon time limit, after which the restriction would expire. The best estimates presently available suggest that a five year adjustment period should be sufficient. Thus, a schedule could be written into each arrangement with exact expiration dates determined on a case-by-case basis. The use of such negotiated orderly marketing arrangements might even improve cooperation from other countries as compared with their potential reaction to unilaterally imposed quantitative restrictions.[23] The approach would also seem in step with greater multilateral recognition of the adjustment problem and an understanding that restrictions will be removed following the adjustment period. This dismantling of such restrictions might be effected best through a graduated "phase-out" with specific scheduled guideposts.

In conclusion, the modified industrial approach to trade adjustment assistance proposed in this report hinges on the existence of an adequate safeguard system. An industry should be given an adequate chance to respond to an import challenge, either by restoring its competitive position or shifting economic resources into alternate lines of production. This opportunity should be protected, yet not permitted to become a subsidized economic inefficiency. Available as a moderate cushion to restrain import penetration for the adjusting industry, orderly marketing could provide an integral component to the industrial approach without favoring particular firms within the industry. In the longer run perspective, the interests of the nation's consumers and other competitive industries must also be balanced in this equation (i.e. deviations from an agreed-upon adjustment schedule would end the government's obligation to continue the program) with the legitimate needs of adversely impacted industries.

Community Assistance

One recommendation which has emerged in recent literature and proposals surrounding trade adjustment assistance is the community approach concept. The idea basically entails extending adjustment assistance coverage beyond injured workers and firms to communities. Communities would be authorized to file petitions for assistance on their own, in conjunction with a firm or worker petition or as an all-inclusive community-firm-worker application package. Proponents for the approach argue that it would facilitate planning and implementation of assistance, enabling the program to deal more effectively with overriding core problems of adjustment. Clearly this is an important concept. It is appealing, both politically and theoretically—on the drawing boards. Consequently this report section will aim at evaluating the community approach in the context of a restructured trade adjustment assistance program.

The community approach theme has its origins in the mill town tradition of the northeastern United States, and probably traces its conceptual roots back to the village council idea of frontier democracy. Underlying this was a firm belief in group decision-making and cooperation embodied in the village council, which had ultimate responsibility for running the community's affairs. The community's economic development and livelihood often revolved around one central industry—in the earliest days the mill, which later became the spinning looms followed by a textile factory or some other single industry production. This was true to a certain extent before the centralization brought on by the factory. Later, with the emergence of local factories, the community reliance on single industries probably increased. With the community's economic base—measured in numbers of jobs, tax revenues, industrial and secondary purchases or most other standards—tied into one dominant industry, a failure of that industry could spell disaster for the small town. Thus, any threats to the economic viability of the industry usually precipitated strong counter-measures by the concerned village councils. It is the strength of this tradition and the united community response to problem-solving which provides the rationale for the community approach in the context of trade adjustment assistance.

As a first step in examining the community approach idea, this report analyzes several basic assumptions behind the concept:

1. *The Mill-town tradition* — Does the mill-town, single industry community exist in the present day? And is this image relevant to trade adjustment assistance?

[21] See Subcommittee on Foreign Economic Policy, House Foreign Affairs Committee hearings, (May, 1972) p. 266.

[22] See *U.S. Foreign Economic Policy for the 1970's: A New Approach to New Realities*, (November, 1971), National Planning Association, and *U.S. Foreign Economic Policy and the Domestic Economy*, (July, 1972) Committee for Economic Development.

[23] See statement of Deputy Special Representative for Trade Negotiations, William R. Pearce, before the Subcommittee on Foreign Economic Policy, House Foreign Affairs Committee (May, 1972).

2. *Similarity of import-related injuries* - Are the types of import-injury suffered by workers, firms and communities and the problems arising from this injury similar enough to enable effective joint administration?

3. *Community trade adjustment program – as a supplement to existing regional economic adjustment programs.* Would the community approach on trade problems facilitate action to meet overall economic problems of communities and regions — or merely add new and confusing "program layering" with little projected benefit?

The Mill-Town, Single Industry Tradition

The traditional and intellectual attractiveness of this concept in the context of trade adjustment assistance, (1) blurs the present day reality of the American economy and (2) obscures problems which would undoubtedly hamper the functioning of a community adjustment assistance program.

Although little mill towns characteristic of the eighteenth and nineteenth centuries continue to exist, their numbers are exaggerated. Instead of the single industry community we now find, even in small towns, marked economic diversification and commuter mobility which is increasing. However, in order to more carefully analyze the small town single industry concept in relation to trade adjustment assistance application, a study was made of all the communities with known involvement in the current program through worker or firms petitions—since presumably these communities would be logical targets for the proposed community assistance approach. The chart below lists all of the towns in which there were worker groups certified eligible for trade adjustment assistance benefits from the beginning of the program until July 7, 1972. This listing offers about the most representative group of certified import-impacted areas readily available.

For an accurate measurement of the "mill-town" image and adjustment assistance, cities like Los Angeles, Miami, Brooklyn and others would obviously be excluded. These metropolitan areas would distort the average community size figure and thus should not be used in evaluating the overall group. The median town size of 42,500 is a more accurate figure.

One method of relating the "mill's" problem and its importance to the median town was achieved through a comparison of workers injured by import dislocation to the total population of the community

Table 4

POTENTIAL COMMUNITY APPLICANTS

Case Petition Number	Community	State	Size of Worker Group	Total Community Population*
TEA-W-116	Birmingham	Alabama	350	300,559
TEA-W-10	Los Angeles	California	170	2,815,998
TEA-W-12	Pinole Point	California	150	15,840
TEA-W-29	Meriden	Connecticut	510	55,959
TEA-W-30	Wallingford	Connecticut	1,200	35,715
TEA-W-32	Miami	Florida	350	335,062
TEA-W-103	Atlanta	Georgia	540	496,973
TEA-W-112	Macon	Georgia	1,300	122,423
TEA-I-14.7	DeKalb	Illinois	120	32,885
TEA-W-132	Joilet	Illinois	200	78,527
TEA-W-40	Mattoon	Illinois	300	19,446
TEA-I-14.8	Oregon	Illinois	80	3,539
TEA-W-22	Rockford	Illinois	200	147,248
TEA-W-26	Rock Island	Illinois	430	50,298
TEA-W-65	Vandalia	Illinois	270	5,160
TEA-I-14.2	Bluffton	Indiana	70	8,216
TEA-W-31	Columbus	Indiana	240	27,325
TEA-W-133	Elkhart	Indiana	500	43,564
TEA-W-23(24)	Mishawaka	Indiana	900	35,515
TEA-W-80	Washington	Iowa	440	6,181
TEA-I-15.5	Shreveport	Louisiana	410	182,179
TEA-W-38	Brunswick	Maine	280	16,195
TEA-W-90	Hagerstown	Maryland	100	35,862

*1970 census figures

Case Petition Number	Community	State	Size of Worker Group	Total Community Population*
TEA-W-16	Brockton	Massachusetts	260	89,040
TEA-W-21	Chicopee	Massachusetts	600	66,676
TEA-W-19	Everett	Massachusetts	230	42,500
TEA-W-17	Haverhill	Massachusetts	200	46,144
TEA-W-18	Haverhill	Massachusetts	280	46,144
TEA-W-41	Haverhill	Massachusetts	200	46,144
TEA-W-71	Haverhill	Massachusetts	246	46,144
TEA-W-75	Haverhill	Massachusetts	73	46,144
TEA-W-49	Haverhill	Massachusetts	220	46,144
TEA-W-15	Lynn	Massachusetts	70	90,294
TEA-W-44	Medford	Massachusetts	260	64,389
TEA-W-72	North Brookfield	Massachusetts	460	3,967
TEA-W-139	Salem	Massachusetts	450	40,543
TEA-W-25	Watertown	Massachusetts	2,650	39,295
TEA-I-14.1	Grand Haven	Michigan	310	11,965
TEA-I-14.6	South Haven	Michigan	400	6,471
TEA-W-27	Wyoming	Michigan	150	56,550
TEA-W-37	Derry	New Hampshire	220	11,712
TEA-W-39	Manchester	New Hampshire	406	87,754
TEA-W-54	Manchester	New Hampshire	380	87,754
TEA-W-47	Raymond	New Hampshire	250	2,830
TEA-W-77	Jersey City	New Jersey	800	260,549
TEA-W-59	Brooklyn	New York	80	7,894,798
TEA-W-33	Buffalo	New York	150	462,781
TEA-I-14.3	East Rochester	New York	300	8,205
TEA-W-120	Utica	New York	100	91,611
TEA-W-57	Winston-Salem	North Carolina	300	132,815
TEA-I-14.5	Cincinnati	Ohio	100	452,376
TEA-I-15.3	Henryetta	Oklahoma	300	6,290
TEA-W-8	Armbridge	Pennsylvania	500	11,335
TEA-I-15.1	Arnold	Pennsylvania	410	8,074
TEA-I-15.2	Jeanette	Pennsylvania	200	15,209
TEA-W-9	Pittsburgh	Pennsylvania	90	520,146
TEA-W-141	Shamokin	Pennsylvania	400	11,719
TEA-W-14(15)	Woonsocket	Rhode Island	840	46,820
TEA-W-70	Memphis	Tennessee	2,700	623,753
TEA-I-20.1	Proctor	Vermont	300	2,095
TEA-I-15.4	Clarksburg	West Virginia	380	24,704

or to its total work force. Taking all cases, the average displaced worker group number is 416 while the median group size is 300. Using either figure the injured group would comprise only 1-3 percent of the median community's work force and, of course, even less of the total community population. These findings tend to relegate the importance of the mill town's existence in the context of trade adjustment assistance to a romantic vestige of America's economic past.

Despite these cumulative figures, there are individual cases on the chart which reflect situations of serious community injury (i.e. large injured worker groups in comparison to town population such as North Brookfield, Massachusetts or Proctor, Vermont). Thus, while the assumed high proportion of serious community injury may be exaggerated, there are cases which might support the need for a workable community approach to import dislocation.

*1970 census figures

Similarity of Import-Related Injuries

This conclusion channels into the second assumption which is often accepted at face value by proponents of community assistance: that the types of injury suffered by firms, workers, and communities,

and the problems emerging from these injuries are similar enough to be administered effectively together in a common solution. This is a central tenet in the community approach to trade adjustment assistance.

The basic question embodied in this assumption is: Will an overall joint petition and adjustment proposal from communities, firms and workers result in more effective program planning and implementation? Clearly, an integrated petition will almost necessarily require more time to assemble and investigate than single firm, worker, or industry petitions. Also the potential for delays would probably be increased. This development would be in sharp conflict with generally accepted goals of reducing the investigation and determination time absorbed by the present program. Admittedly, from the viewpoint of the investigating body the total time involved in a composite investigation might be shorter than that required for separate petitions. However, for the firm or individual worker who must wait for completion of a community investigation before certification of eligibility, the separate petitioning process would certainly seem preferable.

There is some logic to a joint petition between firm and worker group. The worker's certification depends upon the reasons for his separation from the firm and the firm can show injury by the underemployment or unemployment of its workers. However, the type of investigation into community economic dislocations needed to determine eligibility for a community might go well beyond the data required for worker or firm determinations.

Delay considerations involving the petitioning process are vastly compounded when the procedure then moves on to the formulation of an adjustment proposal. Complications raised by local community politics, added to the usual labor-management differences in the drafting of a joint adjustment proposal, could further confuse the situation. The formulation and implementation of an assistance proposal agreeable to all sides, including the federal government's administering body, would inevitably complicate and delay the receipt of assistance by any individual group.

The delay potential is compounded by a further problem inherent in the community adjustment approach—recognition that the needs of the various groups involved may not readily coincide. For example, the kinds of assistance aimed at development and diversification of a community industrial base may do little to help a particular firm increase its ability to meet foreign competition. If both are legitimate needs they should be handled separately by appropriate agencies and programs geared to meet that problem, not lumped into a common proposal which will likely involve additional delays and confusion emanating from different objectives.

Community-Trade Adjustment: A Case Study

In preparing this report several exploratory trips were made to obtain an accurate picture of import-impacted communities. One of the visited areas was northeastern Massachusetts—a region where segments of the shoe industry have historically been concentrated. The well known sensitivity of this industry to import competition is dramatically illustrated in Table 4 by the town of Haverhill. During the period 1969-1971, nine Haverhill shoe factories employing 1,559 persons closed their doors. The total number of the town's workers certified eligible for trade adjustment assistance benefits as of November 1972 was 1,219—well above the 300 worker mean figure or the 416 average figure for worker groups. Haverhill's population in the 1970 census places it near the center of the reference group and, with the higher number of displaced workers, it can be used as an example where combined closings could seriously damage the community's economic base. While Haverhill cannot be classified as a mill town in the traditional sense (other industries such as electronics are important employers) the shoe industry has provided the town's main economic support. Consequently Haverhill's shoe industry problems and related import competition can provide an example of how a community approach might operate.

An additional aspect of the Haverhill case makes it an especially interesting area to examine. Due to some defense cutbacks in nearby plants, the Haverhill area is currently included in the program of the Inter-Agency Economic Adjustment Committee (IAEAC). This group was created in March, 1970, and works closely with the Office of Economic Adjustment (OEA) in the Department of Defense to help alleviate regional economic difficulties caused by cutbacks or shifts in defense contracts or installations. The efforts of the Defense Department are often cited as a model for the community approach to trade adjustment assistance. In fact, in its adjustment assessment the OEA focuses on the overall economic adjustment needs of the community and thus considers problems beyond defense-related causes.

Several significant findings came from discussions with OEA personnel and from the NAM exploratory trip to the Haverhill area. A series of meetings were held with community and business leaders concerned with both the overall economic adjustment of the community and, more specifically, the adjustment needs of the local shoe industry. (See Appendix "B" for list of meetings).

Among the first findings of the Haverhill study was that a community approach to adjustment would likely include much of the surrounding area since local employment conditions are heavily influenced by the availability or lack of jobs in the cities and towns in the immediate vicinity within easy commuting distance. The geographical boundaries of this

Haverhill region, as defined by the OEA, also includes the towns of Lawrence, Andover, Georgetown, Groveland, Merrimac, Methuen, North Andover and West Newbury.[24]

Clearly, one of the central problems of the community approach is the definition of "community". If the community's adjustment solution is based on a regional economic unit as described above, this would add new complications to the program manifested by extra investigation, delays in proposal formulation and conflicting local politics. Indeed, the OEA report cites several larger economic areas, even crossing state boundaries, upon which general adjustment measures could profitably be based. Unfortunately, within the smaller groups of communities there is often more conflict than harmony of interests due to differences in the individual communities' economic pictures and simple, old fashioned interregional rivalry.[25]

In addition, there seems little correlation between the adjustment measures needed by the community and those needed by the injured firms. Haverhill's principal industrial development needs involve supplying three promising industrial sites with adequate water and sewage utilities. Provision of assistance to satisfy this need would do nothing to solve the shoe firms' import problems. Vacant shoe plants now stand idle with shutdowns so new facilities at an industrial site are meaningless to the shoe people. Had a joint community proposal been submitted in a trade adjustment program, the shoe firms would probably have had to wait for the community investigation and the drafting of a common adjustment strategy before receiving any aid.

Analysis of the Haverhill case provides a concrete example of how a concept of community trade adjustment assistance could cover-up underlying operational difficulties. Although a community-firm petition might make sense in some selective cases, the combination with a firms' adjustment problems would seem unwarranted and often harmful to the firms' interests. Even a community-worker approach may be questionable. For example, many workers in Haverhill shoe plants come from the surrounding economic areas,[26] a fact supporting the OEA reports' assessment that the adjustment process should be based upon a regional approach. While the end results may benefit the individual worker, it is doubtful that all assistance benefits to him should be held up until an overall community or regional approach can be drafted.

Existing Economic Adjustment Programs

It is important to differentiate in this study between the generally laudable goal of encouraging community and regional economic adjustment efforts and the specific proposals to tie this type of effort into a trade adjustment assistance program. Beyond the recognition that the effect of import dislocation on a community's total economic picture is usually exaggerated, lies the fact that the vast majority of import-affected communities are already involved in various economic adjustment programs. There are nearly 1,300 domestic action programs and thousands of additional services on the federal level alone which can be mobilized to assist community development under varying conditions. The map below takes the same potential community applicants listed in Table # 4 and distinguishes those already covered in some manner by an economic adjustment program of only three of the federal agencies: Economic Development Administation (EDA), Department of Housing and Urban Development (HUD) and the Inter-Agency Economic Adjustment Committee (IAEAC).

There are certainly ample federal programs now to handle most community economic adjustment needs and do so on a wider regional basis if necessary. Community adjustment should be handled in an integrated fashion, not concentrating on only one specific segment such as import dislocation needs. Clearly another duplicative and overlapping federal program is not needed in this area. The likely result of a community application procedure would be an unnecessary burdening of a trade adjustment assistance program with resultant complications and delays harmful to the interests of the program's individual worker and firm participants.

In conclusion, the need for community assistance based upon import dislocation is exaggerated. Beyond this consideration the lack of coincidence between the adjustment needs of workers, firms and communities does not augur well for proposed joint approaches. If regions and communities experience serious economic dislocation, programs already available should be emphasized (and even now are often operative in the affected areas) rather than adding on supplemental programs for trade adjustment assistance at the risk of confusion and great delays. Important community adjustments to general economic dislocation should continue to be handled through agencies such as the Department of Defense (OEA), EDA, and/or the Department of Housing and Urban Development. These channels afford the best

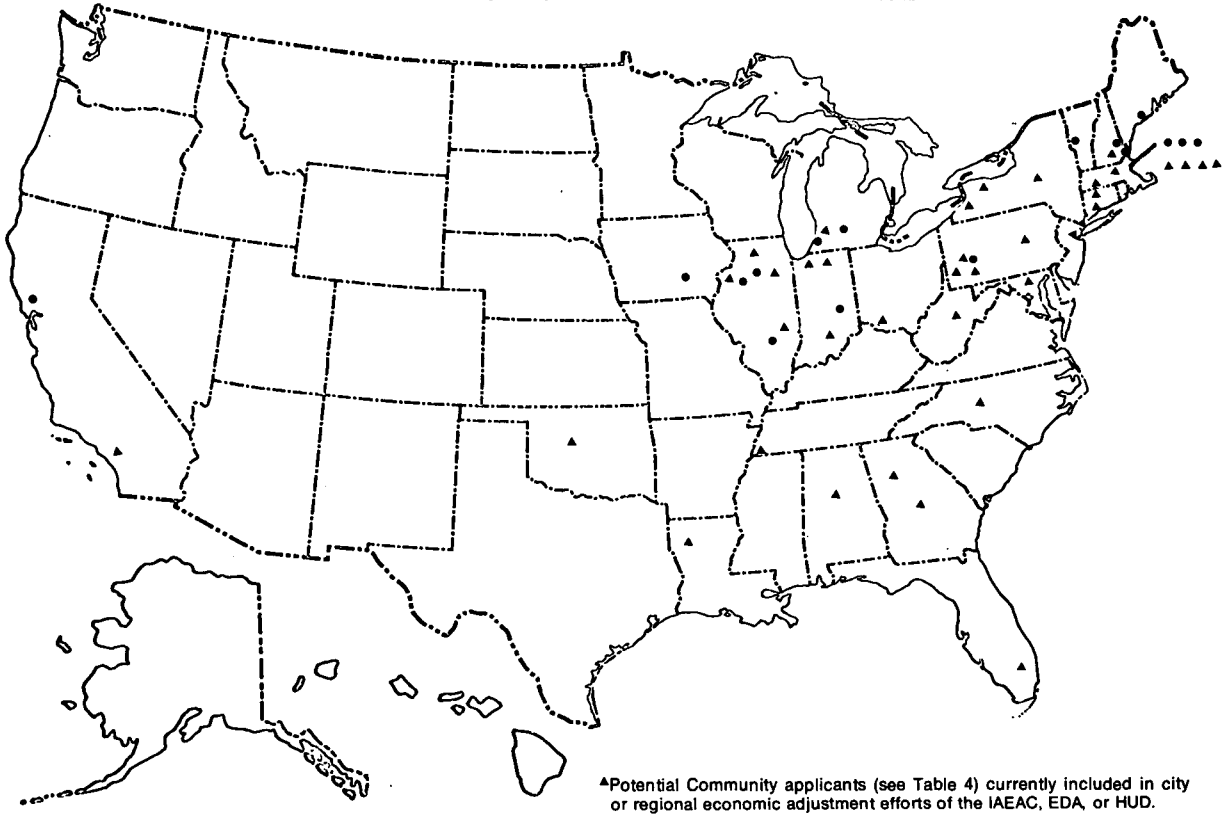
[24]See OEA report on Haverhill-Lawrence area resulting from IAEAC Task Force fact-finding trips.

[25]This rivalry can reach debilitating proportions between towns, best illustrated by competing industrial development groups and chambers of commerce which fail to coordinate efforts and pool limited resources to promote industrial growth on a regional, mutually beneficial basis.

[26]Worker-commuter mobility has been greatly increased with new freeway systems rendering a strong argument for single community adjustment obsolete. Modern workers are less dependent on jobs in their immediate towns. Thus reemployment requires relocation — and the attendant severance of community ties — much less often.

Chart 6

PRESENT COMMUNITY ADJUSTMENT COVERAGE



▲Potential Community applicants (see Table 4) currently included in city or regional economic adjustment efforts of the IAEAC, EDA, or HUD.

●Potential Community applicants not currently participating in IAEAC, EDA or HUD programs.

avenues for voluntary business leadership and input on local levels of problem-solving.

For its part the National Association of Manufacturers will increase its efforts to encourage (1) more involvement and leadership in community problem-solving by healthy industries and (2) greater coordination at local, state and regional levels to meet the problems of generalized economic dislocation through its affiliated National Industrial Council.

Multinational Corporations

A number of recently proposed changes in the trade adjustment assistance program attempt to construct a special category for United States' based multinational corporations (MNC's). Much discussion and some proposed legislation has aimed at tying MNC's and the impact of direct foreign investment directly into the trade adjustment assistance issue. This reasoning attempts to "mix apples and oranges", ignoring the basic concept of adjustment assistance which responds to governmental action (i.e. tariff concessions or other prevalent forms of governmental action in the international marketplace) which is beyond the control of both workers and management alike.

The impetus for these moves arises not from hard-headed economic reasoning, but can be traced back to political motivations behind the Burke-Hartke legislation introduced onto the international trade scene in late 1971. The MNC's are unjustly castigated for causing the import problems, supposedly through alleged importation of products produced by their subsidiaries overseas. This theoretical "job loss" argument assumes that every stage of a product's manufacture can be conducted competitively within the United States. However, for some lines of production, partial assembly outside the U.S. may be the only way a company can continue to produce competitively. Denied this alternative, corporations would probably be forced to shutdown operations *of not only the uncompetitive line,* but also related lines which may depend on the overseas component to complete an efficient production process. This action would mean cumulative *real* job loss at home for not only the originally affected workers, but many others who would discover too late their dependence on the firm's overseas operations.

The questionable nature of the Burke-Hartke reasoning might be illustrated with a proposal for rewarding companies, which through efficient management and growth, have created jobs domestically by means of foreign investment. If the present debate over MNC's were based upon a factual, economic concern with job creation, such a proposal would provide a "balanced" approach to the issue. However, the underlying motivation for investment and trade restrictions seems directed more at establishing a type of political and economic control over management decision-making through the use of government intervention. For instance, some of the "adjustment-related" proposals would penalize MNC's financially for investing overseas by forcing them to absorb government retraining costs for any workers displaced by management decisions to shift production. Such logic ignores the fact that the overwhelming majority of overseas investments by MNC's actually *create* jobs within the U.S., and an attempt to inhibit such moves will mean a job loss at home plus a reduced international competitive position.[27] This type of proposal also illustrates the kind of government controls which could be increasingly utilized to influence management decisions to shift various aspects of production. Such a system of controls would be entirely inimicable to the free enterprise system.

There is a danger that opponents of the Burke-Hartke legislation will be tempted to overcompensate and offer counterproductive compromises which are unwarranted and potentially harmful. Some compromises, already reflected in legislative proposals involving MNC's and trade adjustment assistance, would make displaced workers eligible for present program benefits, requiring only that firms advise potentially-impacted workers through early notification procedures of business investment decisions. This type of provision does not constitute a justified inclusion in a trade adjustment assistance program. Besides expanding the coverage far beyond the program's legitimate purpose, it ignores the fact that management has recognized the responsibility to forewarn workers as soon as possible of decisions resulting in job cutbacks. In fact, many companies even offer on-the-job retraining to such employees in order to assure them of higher-skilled jobs within the company after the old jobs are phased out.[28]

The proper measure of eligibility for a trade adjustment assistance program should not be based upon the type of firm involved. During recent Congressional hearings, the question of an MNC's responsibility and role in assisting adjustment was put to Professor Stanley D. Metzger of the Georgetown University Law Center and former member of the Tariff Commission. His reply summarizes the objective facts: "If plant A of corporation B is shut down because of alleged import competition, it does not make any difference whether corporation B is a so-called multinational corporation or owned by a family going back 150 years in a particular locale. The fact that it is a plant, and that it gives employment is the common denominator, all other factors being irrelevant."[29] *In conclusion, this report finds no grounds*

[27]See previous NAM studies on MNC's and foreign investment.

[28]The most widely recognized instance of such action was the retraining of local telephone operators for other positions. Many other examples occur throughout industry.

[29]See hearings of the Subcommittee on Foreign Economic Policy, House Foreign Affairs Committee, (May 1972) p. 29.

for mixing the private investment decisions of a U.S. corporation into the debate over formulating a needed mechanism for facilitating domestic adjustment to the problem of import competition.

Organized Labor

This report calls for a new commitment from all elements of national leadership to work for a revitalized and redirected trade adjustment assistance program based on resource adjustment, job retention/creation and productivity growth, rather than on late compensation. Obviously, organized labor has a major role to play in this effort.

Over the last decade organized labor has moved steadily away from its earlier tradition of freer trade and investment, toward a more inward looking posture favoring the adoption of massive trade restrictions and restriction of United States companies with overseas investments. The reasons behind this shift are deep-seated and complex. Union arguments often appear simple and uncontestable individually; however, in the interrelationships that make up international economics, they become blurred and in cases somewhat inconsistent. This turnabout is well illustrated by the position of organized labor on trade adjustment assistance.

Clearly, there is some justification for organized labor's disenchantment with the present program of trade adjustment assistance. Indeed, neither the government administrators nor the program's recipients are salutory in their evaluation of its performance and results. However, this dissatisfaction should not cause the complete rejection of the concept's potential, if properly formulated. The program as originally established emphasized compensation rather than adjustment and tied the whole process into a maze of delays. A redirected effort concentrating on the needs of the average working man—early adjustment measures to enable him to retain his present job or early job placement enabling either lateral or upward mobility into more productive lines of work —could go a long way toward correcting the concept's original deficiencies.

It is sometimes suggested that organized labor must necessarily oppose the adjustment concept because it might involve job changes. Indeed the change might involve either (1) a worker moving into a higher-level, better-paying job which might be less unionized, or (2) friction between the different unions involved if workers shift from one union to another, or one location to another. There may be some truth in these cynical arguments, recognizing the source of local and national union strength rests in organization and member dues. However, this notion, if carried to its extreme, would place organized labor in a position *opposing* the development of a more mobile, higher-skilled labor force with an attendant higher real income and standard of living.

An effective early warning and industrial adjustment mechanism, as proposed in this report, would render the union's organizational problems illusory by strengthening job retention ratios in import-sensitive industries. However, even if some membership loss occurs in the ranks of organized labor through vocational shifts, this would be more than offset by the real gain to the average working man, who would be provided with early job placement adjustment should his employer be forced out of business by factors beyond his control.

There is considerable strength in the argument that American workers and management should unite behind a tough, fair trade policy, which would demand more equitable access to foreign markets commensurate with the access their goods are granted here. At the same time, management and labor should look beyond the problem symptoms to the root causes of our declining national competitiveness. Recognition of these causes will give greater emphasis and support to proposals aimed at (1) improving productivity, through new investment in human resources and capital equipment (2) strengthening the manufacturing base of the nation and encouraging export expansion (3) facilitating economic adjustment (4) promoting research and development.

Organized labor, management and government are beginning to recognize the imperative of closer cooperation—particularly regarding national problems in productivity and international competitiveness. Efforts aimed at "productivity bargaining" and strengthening the domestic manufacturing base are badly needed. Similarly, new joint initiatives are necessary in the areas of economic adjustment, manpower development through continuing education and the exercise of full employment policies. In this broad sweep of issues where major differences abound, trade adjustment assistance may be the "dark horse" of compromise potential. Alarmed by the challenge of foreign competition, unions are recognizing the need for job creation and job retention as opposed to higher compensation for lost jobs. This report's proposal for a restructured trade adjustment assistance program is certainly preferable to the "booby prize" compensation emphasis written into the present program back in 1962 in order to woo labor support. Such a new program emphasizing early adjustment could yield a much more positive approach to the problems of import competition which, in the longer run, will be of greater benefit to both the individual worker-consumer and to the country as a whole, than the costly and restrictive trade measures presently being offered in its place.

SECTION 4

Integrated Cost-Benefit Analysis

The cost and the effectiveness of any program of trade adjustment assistance will be greatly influenced by the health of the general national economy. A redirected and effective program could have beneficial effects upon the economy in terms of increasing productivity and facilitating the quick reemployment of both workers and capital. However, the flow also goes in the other direction; in a strong, healthy economy the adjustment process will be easier and will cost less — in conditions of rising unemployment, program cost may mushroom with little noticeable improvement. This relationship of trade adjustment assistance to overall economic conditions was described by Mrs. Norman Hinerfeld of the League of Women Voters of the United States in Congressional testimony in April, 1972. "This is the dilemma of trade adjustment assistance. We know that it both contributes to and benefits from the strength of our national economy. But we know, too, that by itself it cannot transform a stagnant economy into a vigorous one. Any trade adjustment assistance program, no matter how ingeniously devised or generously endowed, ultimately will depend for its success on prevailing economic conditions."[1]

An adjustment mechanism can cushion the severity of economic import dislocation and mitigate its attendant effects. However, it cannot substitute for measures to promote the general health and growth of the U.S. economy. The government must maintain sound monetary and fiscal policy and promote the operation of the American free enterprise system. While programs should produce gains commensurate with expenditures, such specific effectiveness should be measured in light of the prevailing economic environment in which that program operates. A trade adjustment assistance program involves both the national and international economic policy. As such, it will influence and be influenced by elements in each sector, making an accurate evaluation on its own merits more difficult.

Recognizing there are no precise measuring standards for adjustment assistance cost-effectiveness, we turn to the program's general objective: offsetting non-market influences introduced by government into the private economy (through governments' pursuit of international economic policy) and facilitating the speedy adjustment of resources. (While the costs of achieving this goal should diminish as the United States economy increases its strength, the basic objective remains the same.)

Recognizing these broader overriding considerations, this report section spells out an integrated cost-benefit construct for trade adjustment assistance. Elements of past operation, present alterations and suggested changes are drawn together in an effort to outline the most cost-effective approach to adjustment assistance and import dislocation. Wherever possible, specific cost estimates are indicated; where a cost comparison is speculative or rests on a theoretical application base, the underlying justifications for its adoption are examined. Both general approaches and specific program elements are discussed and evaluated with conclusions drawn whenever possible. Many considerations and program variables are not subject to statistical measurement. However, this effort seeks to integrate the major relevant features into an overall concept evaluation.

The purpose of this section is to present an integrated cost benefit analysis of the trade adjustment assistance issue. Stress is placed on achieving optimal cost-effective procedures for dealing with the import-dislocation problem, comparing where possible the specific cost estimates of general approaches and program options and their anticipated benefits (or lack thereof).

This analysis will cover four option areas relating to trade adjustment assistance: (1) the current program, (2) no program, (3) an expanded program, and (4) the recommended alternative of this study. It is most logical to begin with the first of these areas—the current program—which has its basis in present reality and can therefore provide some statistical groundwork from which comparative estimates can be drawn.

Current Program

Although the current program was authorized in 1962, cost-estimates are only applicable for the relatively short operative period from the first approved petition in late 1969 to the present. Contrary to many initial expectations, the rash of increased program usage after the first petition approval already seems to be leveling off, as shown in the chart below.

The following cost estimates will therefore be based upon anticipated program use at approximately present levels.

[1]See hearings before the Subcommittee on Foreign Economic Policy, House Committee on Foreign Affairs, (May, 1972), p. 4.

CERTIFIED CASE LOADS
YEAR OF ORIGINAL CASE CERTIFICATION

	1969	1970	1971	1972*
Firms	0	7	9	5
Worker Groups	3	28	30	16

*Indicates only the period up through November, 1972

Up until November 30, 1972, around $45 million had been paid out in benefits to certified workers. It is estimated that one-third of the potentially eligible workers (estimated by the Labor Department at 30,361 through November, 1972) will never apply for benefits. Using a rounded figure of 30,000 workers, this calculation decreases the number of actual benefit recipients to 20,000. With total worker benefit expenditures of $45 million, the average payment per worker would then be approximately $2,250.

In order to estimate the number of potential benefit recipients each year, the high number of cases thus far (30) is taken and multiplied with the 450 average number of workers per case (30,361 total workers divided by the 67 total cases). The result is an estimated 13,500 potentially eligible workers annually. Making the adjustment listed above for those who do not apply, an estimated 9,000 workers will actually draw benefits each year. At an estimated $2,250 per workers, the average annual benefit expenditure would be $20,250,000.

Two further considerations should be noted which are likely to act as built-in escalators of workers costs under the current program. First, the trade readjustment allowance (TRA) is figured as a wage percentage and will therefore probably increase the weekly payment amount over time as wages increase. Second, present benefit expenditures have consisted almost entirely (around 90%) of TRA payments and present plans call for trying to increase the expenditures for retraining and perhaps relocation. These two probable additions to the cost of worker benefits are at present incalculable, but should be taken into consideration in a program evaluation.

The firm side of the current trade adjustment assistance program has yielded the following approximate amounts of assistance given to ten firms (some receiving more than one form of aid) up through November, 1972:

$14,269,394. (7 firms) financial assistance
3,754,856. (4 firms) tax assistance
547,250. (6 firms) technical assistance

This assistance averages out to $1,857,150 per firm. In addition to this aid given as part of a final adjustment plan, a form of pre-proposal technical assistance, usually amounting to $2,500., is often provided to assist firms in drafting their adjustment plans. Adding in this extra expense, a normal firm case might be expected to involve roughly $1.86 million in expenditures.

This cost figure is somewhat deceptive, since not all forms of firm assistance constitute an actual outflow of government expenditures. Loans and loan guarantees (contained in the largest category of financial assistance) could not ordinarily be classified as a complete loss of government money — unless, of course, the firm collapsed and not all the money could be recovered. Loan guarantees, for example, would mean no net outflow of funds under ordinary circumstances. However, it is not possible from available statistics to accurately judge this consideration and the $1.86 million figure will be relied upon.

It should also be noted in regard to the relative number of firm cases that a figure of ten new cases per year seems sufficient to estimate costs. This case load would mean a total annual expenditure of $18.6 million for firm benefits under the current trade adjustment assistance program.

The administrative costs of the present program are nearly impossible to determine accurately. With the present maze of overlapping action and responsibilities, a myriad of separate agencies play a role in administering the program. For example, the Tariff Commission conducts lengthy and involved investigations of most petitions, in part for purposes of adjustment assistance and also in relation to escape clause action. Local employment security offices must make a separate investigation of each individual worker application and invest many man-hours of labor in administering the benefits — all of which is difficult to accurately separate-out from the office's other operations. Solely for purposes of an initial attempt at a manageable cost estimation, a figure of $1.5 million for total program administrative costs has been arrived at through a cumulative process of unofficial cost estimations.

These three areas of worker and firm benefits and administrative costs constitute the major measureable expenditures for the current trade adjustment assistance program. These figures yield the following annual program cost estimate:

$20,250,000	worker benefits
$18,600,000	firm benefits
$ 1,500,000	administrative costs
$40,350,000	total annual cost (estimated)

One further intangible cost must be mentioned, although it cannot be charged off wholly to the trade adjustment assistance program. This additional factor is the non-quantifiable frustration and dissatisfaction which the present program has caused, adding to the recent pressure for the adoption of trade restrictive legislation. Originally conceived to help facilitate adjustments to import dislocation, the program has largely failed in this objective. Channelled into a confluence of other factors, this has led to the bitterness and resentment now directed at the total

U.S. trade policy. The reflection of this sentiment is clearly portrayed by organized labor's switch from supporting liberal trade policies to advancing extreme trade restrictive measures — such as the Burke-Hartke proposals. Thus, the declining constituency for freer trade policies, added to the increased support for measures as Burke-Hartke, must be measured as a large cost-failure of the present program.

The benefit side of the current program reflects the causes for the widespread dissatisfaction with the present effort. Only about 20,000 dislocated workers have received any direct assistance from the program and these benefits have come almost exclusively in the form of a late retroactive compensation payment of the trade readjustment allowance. Little retraining benefits have been experienced, few additional job placement services are offered and virtually no relocation assistance has been given. The displaced worker is in largely the same position as he would be without the program.

Firm applicants have not fared much better. Out of ten assistance recipients, one has gone bankrupt and two others were forced to shut down operations due to aid delays. Two aid recipients appear to be on the road to recovery; the other five are still in the early stages of adjustment actions, most of their adjustment proposals having been approved only recently, during 1972. Clearly, the success of present firm benefits is doubtful, although a conclusive judgment on the issue cannot yet be given.

Recognizing the general failure of these two areas of direct benefits, few instances of favorable side-effects can be cited. For example, little measurable productivity gain has accrued from firm assistance, nor are workers being taken quickly off the relief rolls and placed in productive jobs. No active encouragement is given to early industrial self-adjustment which might help workers retain their present jobs. The economy as a whole does not seem to receive any particular benefits from the current program which has not yet acted to facilitate successful adjustment of productive resources into more competitive lines.

Overall, current program costs — although not excessive in themselves — are clearly disproportionately high relative to the void of benefits produced. The program has not made a positive contribution to active adjustment, but rather passively compensates productive factors for injury which has been suffered. Whether or not the program provides proper funeral expenses, it has failed to meet its positive objective of facilitating the proper adjustment of resources in the national economy.

No Program Option

The most obvious and usually least considered alternative to the present program of trade adjustment assistance is the simple elimination of the program. Once established, most government programs tend to automatically acquire a legitimacy which often inhibits evaluative efforts from addressing the idea of elimination. However, a balanced cost-benefit analysis must also consider this a very real, if sometimes overlooked, option for action.

The costs of abandoning trade adjustment assistance are largely intangible estimations based upon projected future action. In order to analyze this subject, it is necessary to first separate two different options which could be subsumed under the general idea: (1) elimination of the present program (2) abandonment of the entire trade adjustment assistance approach. The first of these options would probably not involve large costs recognizing the widespread dissatisfaction with the program's achievements. As was evident in the preceding analysis section, the actual benefits realized from the current program have been largely non-existent. Therefore, the program's elimination would not constitute a major "cost" in terms of lost results.

However, the complete abandonment of the trade adjustment assistance concept, eliminating the current program and not replacing it with any alternative variations or modifications, is another issue. It is under this option that a number of cost factors must be taken into consideration. Were such actions taken, two possible occurrences might develop, either alternatively or in some combination: (1) a forward-looking international economic policy could be pursued, letting the chips fall where they may and leaving the injured to care for themselves (2) import-injured sectors could force the abandonment of a progressive international trade policy and substitute costly protective measures in its place--as epitomized in the Burke-Hartke proposals.

The first potential occurrence involves the abandonment of a previously accepted principle: that particular economic sectors, firms and individual workers should not be made to bear the full burden of pursuing the country's international economic policy. Since such a policy is pursued in the interests and for the benefit of the nation as a whole, the principle has held that any resultant injury should also be shared across the board by the national economy.

Foresaking this burden-spreading principle involves two primary costs: (1) Under or improper utilization of economic resources. For example, if an industry is injured due to the impact of government intervention in the marketplace — where it might have remained competitive had not the intervention taken place — the real loss of domestic production (capital output, profits, paychecks and tax revenues) will result in a misallocation of resources compared to a freely competitive marketplace. (2) Some individual businesses and workers (and through them related businesses and other workers) may experience loss of revenue, jobs, security and overall

prosperity--all sacrificed for the national well-being of which they will not be a part.

While inefficiency cannot be subsidized, neither should the nation turn its back on those injured due to a broad consciously-adopted public policy of which the injured are only a small part. Workers and firms, harmed by the non-market distortions characterizing the international arena, should be given the opportunity to regain their economic feet and rejoin the national prosperity. To do any less would be to abandon basic tenets of both a freely competitive market system and traditional American concern for the individual.

The second possible occurrence under a no-program option involves numerous potential costs —all of which must be judged in relation to the potential for steadily increasing pressure for trade restrictive legislation. The most obvious and current example of how economic sectors may act when they feel injured and abandoned by national policy is the Burke-Hartke solution. Without even considering the dangerous and costly tax and investment issues in these measures, the trade proposals alone would exact an enormous cost from the American worker-consumer-taxpayer. Some estimates singling out the trade costs of Burke-Hartke head upwards of $20-30 billion annually.[2] An NAM study on the taxation provisions projected a loss to the U.S. economy of over $10 billion if Burke-Hartke provisions on taxing foreign source income were implemented.

Sweeping proposals for quantitative restrictions could trigger political and economic effects which would likely be catastrophic, particularly in the context of upcoming multilateral trade and monetary negotiations. The pursuit of a profitable international allocation of resources and division of labor would be discarded, as indeed would proper domestic resource allocation. Inefficient U.S. industries would be lumped in with those seeking legitimate import moderation due to unfair foreign practices—and efficient export sectors would languish against retaliatory foreign trade walls.

The American consumer would undoubtedly pay a high cost for the Burke-Hartke trade package. Furthermore, the American worker would suffer on the whole since job retention in the protected sector would probably be more than offset by job-loss in the export sector with its recognized multipliers. The U.S. taxpayer would also have to pay the large administrative bill for operating such an all-inclusive and bureaucratically burdensome system of trade restrictions—without any offsetting tariff revenues.

A workable system to trade adjustment assistance will not by itself be a full counter to the current build-up of trade restriction sentiment. However, a new operative system could relieve some of the immediate pressure for restrictive trade legislation and, with proper development, take a progressively larger role in meeting legitimate needs of the import-injured. A choice of the no-program option would clearly forfeit these sectors to the trade restriction side in the coming debate and will neglect the real injury which they have suffered. The apocalyptic result of such a policy can only be estimated—in the billions of dollars, the thousands of jobs lost, and the cancerous growth of international discord and retaliation.

The benefit side of the no-program option is short and succinct—a savings of government expenditures now running at around $40 million a year. While this benefit might outweigh the cost of eliminating the present unsuccessful program, it would not off-set the dangers inherent in abandoning the entire trade adjustment concept. There is one argument which sees an additional benefit to program elimination — that of government reorganization wherein an overlapping program is set aside. However, if the need of the import-injured were in fact being taken care of by other programs — or indeed by the current TAA program — this group would not now be clamoring for harmful quota restrictions. Clearly some form of workable program is needed - which moves us to the next section on program modifications.

Program Expansion

The program modification usually offered is an expanded version of the present approach. This tendency is unfortunately all-too-common in government programs—if it doesn't work, pour in more money until it does. Several of the common expansion ideas were discussed in the previous report section on proposed changes. This analysis will attempt to put a price tag on a number of those additions and detail just what benefits they may offer.

The most common proposed change is to increase the percentage payment of the trade readjustment allowance (TRA). The current rate is 65% of the workers previous weekly wage or of the national average manufacturing weekly wage, whichever is less — presently constituting a maximum payment of $93 a week. Although some legislation introduced in 1972 proposed a 100% rate under certain circumstances, the most common suggestion is for an increase in TRA to 80%. This change would increase the weekly payment to approximately $114 a week per worker. Using the estimated 9,000 workers who would draw such payments each year, this increase would mean an additional expenditure of $189,000 per week if all workers drew benefits at the same time. The average worker presently receives $2,250 per year in total benefits, about 90% of which is in the form of TRA payments—meaning that he draws his $93 TRA payment for about twenty-four weeks. Using this same

[2]See C. Fred Bergsten, Brookings Institution, Testimony before Subcommittee on Foreign Economic Policy, House Foreign Affairs Committee, May 1972.

96-006 (Pt. 6) O - 73 -- 21

average length of twenty-four weeks of payments, the total cost of the TRA increase per year would be $4,536,000.

Measured against this cost increase, what benefits might be achieved? The import-injured worker would receive more money—but it might still come a year or more after his unemployment, unless a further substantial overhaul were effected in the program's petitioning, determination and delivery process. This payment is for maintenance alone and as such perpetuates the compensation emphasis of the present program, rather than facilitating speedier adjustment back into the active labor force.

The import-injured worker would be receiving a larger amount of financial compensation than workers unemployed for other causes. However, this objective is not necessarily desirable or justified. The issue is discussed at length in the issue reference section on TRA benefits which comes to the conclusion that a separate payment system is burdensome and should not have been superimposed upon existing state unemployment compensation programs. In short, an increase in TRA payments constitutes a blind attempt to buy labor support which neither contributes to individual worker adjustment nor provides a fair income maintenance system for unemployed workers.

Recognizing the growing emphasis workers are placing on job retention and upward mobility opportunities—it seems doubtful that they will be persuaded to accept the old compensatory adjustment assistance program—even if it is sugarcoated with higher TRA payments and benefits. Workers do not want to lose their jobs—due to imports or any other reason. Trade adjustment assistance stressing compensation implies an acceptance of job-loss and does not really address itself to ways of preventing this from happening.

A second proposed change in the present system is the loosening of eligibility criteria so that more workers may receive benefits. Beyond the evident need to eliminate the link between increasing imports and prior trade concessions, further modifications are suggested. Many proposals suggest liberalizing the present requirement of showing imports to be a major cause of injury (more than all other factors combined) to the criteria of demonstrating a primary (more than any other single factor) of substantial (one among many) cause of injury. While there would be no way of estimating in advance the number of extra cases these modifications would allow, they would likely be substantial, especially where the injury requirement is decreased. Such a modification could double or triple the number of eligible workers (and firms), sending benefit expenditures and administrative burdens spiraling. Nor would these liberalizations necessarily result in legitimate benefits, for while the first modification might be warranted, the second has not been proven necessary and could result in windfall benefits to workers and firms injured for reasons other than import dislocation.

Another example of a costly expansive idea was advanced in legislative form during 1972 and would vastly broaden program coverage. Under its provisions all injury incurred due to any shift in government procurement or support policy (for example, defense and space contracting) or to the relocation of U.S. firms outside the country, would be eligible to receive adjustment assistance. Such a concept clearly moves the program out of the trade realm and introduces government assistance throughout the economic spectrum.

The financial cost of this type of program expansion is not subject to any remotely accurate estimation. However, other intangible cost factors would probably prove equally detrimental. In addition to the obvious governmental expansion into private business areas, the approach would hopelessly complicate and burden a program which has not yet proven that it can effectively administer a small benefit area. The expansion would likely lead to frustration when the situation proved unworkable, thereby eliciting pressure for even greater government control over private investment decisions in the domestic as well as the international area.

The major benefit of such an approach would be the integration of most adjustment schemes into one gigantic program. The corollary in this benefit is, of course, that past experience has not yet shown what proper and workable master scheme could be adopted. Conversely, the benefit of smaller programs is that they can, if properly oriented, still complement each other at this stage, serving as pilot projects whose lessons can be adapted elsewhere. Furthermore, smaller "micro" efforts can zero-in on the problem, directing their resources at specifics, rather than trying to cover a broad area with a cure-all approach.

Numerous smaller changes have also been proposed which are somewhat more susceptible to quantification, but only on a very loose estimate basis. Most of these other proposals point toward expanding the fringe area of workers' benefits—still emphasizing its compensatory features.

For example, some system of pre-retirement benefits for older workers has been proposed which would provide maintenance payments until the Social Security retirement age was reached. Assuming one-half pay as a benefit, which today would average around a maximum of $71 a week, this cost would run at $3,692 per worker per year. Figuring about 10% of eligible workers might draw such a benefit each year, perhaps for an average of 5 years before regular retirement age is reached, this addition would cost over $3.3 million per year for one group ($3,692 x 900 (10% of workers)). Since successive groups would be added each year, five groups would be drawing benefits simultaneously after five years, thus

yielding an annual cost five times this amount, or $16.5 million per year.

To this financial expenditure must be added several other cost factors: (1) the cost to the economy of the loss of the workers' potential output—by no means inconsequential simply because he is older, (2) the cost to a worker if he must live on 1/2 salary rather than a full working income, (3) the extra administrative cost of a mini-Social Security payment with consequent investigations to determine employment status, outside income, etc.

The benefits of such an early retirement program are based upon dubious assmmptions: (1) that the older worker is no longer capable of working in a productive capacity, (2) that he cannot find a job, or (3) that he does not want to work. The first of these assumptions denies the benefits of age and experience, seeking to discard a person who is not yet even sixty. This view should be regarded as costing the nation a productive and experienced worker and also as a cost of the self-esteem and worthiness of the individual.

The second assumption is often passed along as a self-truth, but has been qualified in an NAM field trip to Massachusetts, and plant shut-down cases in Rhode Island and Pennsylvania. While the older worker may experience longer periods of unemployment after a job loss, in most cases reemployment remains a viable option. As reported in the Rhode Island experience, "Many of the myths about the difficulty of placing older workers proved unfounded . . . Employers reported they could count on the reliability and responsibility of older workers who had a long history on the job when hiring them for new jobs, even in another new field."[3]

The third assumption again presumes to speak for the older worker in terms which the workers themselves do not seem to echo. Few workers with a good job history are willing to put themselves out to pasture before at least the minimum Social Security age—due largely to self-esteem and pride in their abilities. It would be to their disadvantage and to the nation's loss to try and lure them into early retirement as an easy way out of a potential unemployment problem.

Clearly, it is not the worker nor the society who would benefit from a rather costly early retirement addition to trade adjustment assistance. And yet this expansion proposal is typical of most suggested changes which concentrate on expanding compensation offers rather than tackling the root problem of early adjustment. It is an emphasis upon the early adjustment aspect to import-dislocation which characterizes the recommendations for changes contained in this study. However, these changes too should be subject to some form of an overall cost-benefit analysis.

[3]See *Industrial Gerontology*, Spring, 1972, p. 46.

Report Recommendations

The various component parts of this report's recommendations are outlined in the summary of findings and detailed in the relevant issue reference sections. This present discussion will seek only to draw these separate parts together into an overall analysis of such a redirected program's costs and benefits.

Dealing first with the issue of worker benefits, the separate level for TRA payments would be eliminated and the various state unemployment compensation levels would be used. As explained on page 23 of this report, the average compensation allowance in the states where the largest number of import dislocations do occur is nearly $90 a week, about $3 less than present maximum TRA levels. The benefit duration period under all state programs is at least twenty-six weeks, slightly more than the twenty-four week average that is presently used by TRA beneficiaries. Therefore, approximately the same maintenance benefits would be expended as at present, but with a savings in eliminating the duplication and added burdens of operating two overlapping systems.

Some increases in other worker benefit categories could be expected, particularly in relocation (at about $1,150 per successful relocatee) and on-the-job training (at about $1,450 per successful case). However, even figuring that all of the 9,000 workers estimated to draw maintenance benefits annually were to use these opportunities (one-half on each), the cost would be around $11 million. Part of this increase could be off-set by the administrative savings listed above and by the productivity gain involved in worker-improvement programs. Clearly, not a great amount of expenditure increase would be needed to provide relocation and retraining opportunities to all who would seek them. Furthermore, these options would be made realistic alternatives by the petition speed-up procedures recommended by this report, leaving the worker with eligibility time to use such positive adjustment benefits.

Further active adjustment would take place through the change in program emphasis to allow optimal use of the new national job bank system which will speed and enhance job placement techniques. This program is already nearing its initial completion stage and no direct cost would be placed upon the trade adjustment assistance program. The only step which needs to be taken is a directional realignment of objectives to allow the program to draw upon the job banks' potential for fostering early worker reemployment.

The benefits for both the worker and the country of a real adjustment program are enormous. The worker moves quickly back into the work force, often at a better position, and regains his stable income and self-esteem. The country can remove the unemployed worker from the relief rolls and add him to

the producing side of the ledger, thus gaining in both decreased compensatory payments and in increased production and tax revenues.

One further consideration should be mentioned which applies to both the worker and firm analysis in this section. The assumption is being made that the number of certified worker and firm applicants will remain quite constant with present levels—approximately 9,000 workers and 10 firms actually drawing benefits each year. This report does not recommend a loosening of the eligibility criteria for workers and firms; however, the one criterion requiring a demonstrated link between increased imports and a trade concession would be removed. While this action could increase the number of certified petitions, an off-setting decrease should also occur due to the added early adjustment action at the industrial level. This feature of the report's recommendation should decrease the number of workers and firms needing individual assistance at later stages by fostering early adjustment throughout the industry to the changing economic picture.

The firm benefits side of the redirected program should yield costs essentially equivalent to present expenditures, but with increased results—due in part to the natural gain in administrative experience and in part to the redirected emphasis on promoting the advantages of individual enterprises. It should be noted that the addition of interim financing would have prevented the closing of two of the three "failures" experienced thus far—giving the firms a chance to implement their adjustment proposals.

The area of additional benefits under this study's recommendation is the industry approach to adjustment. However, the extra cost involved in these benefits would not be great. The largest expenditures would probably go for the early-warning system—which will likely be developed anyway on a scale going beyond import forecasts. If the system is constructed in its relation to imports along the lines suggested in this report, then costs should be minimal, as explained in the issue reference section.[4] The use of presently available statistics seems to hold the promise of sufficient data, especially if interfaced with foreign data gathered by the commercial attaches overseas. Expenditures would be essentially the personnel to interpret the data, probably totaling far more in the early, formative stages than in ensuing years.

The benefits to be gained from successful early-warning would be enormous, especially for the small firms who cannot afford their own forecasts, but who are usually the hardest hit by import dislocations when they come. Knowledge is gold to the businessman, and advance knowledge of future competitive challenges can provide the time necessary to either meet the competition or shift into alternate lines of production. Under either option, the businessman, his employees and the country as a whole, would experience more stable and efficient production as a result of early adjustment measures.

The research and development part of the industry approach would not involve any government expenditures unless the participating firms were unable to completely finance the venture on their own. These types of cases should be extremely limited, with a yearly average of perhaps $5-10 million of government participation.

One of the major reasons that there are not more such joint R&D ventures now is the uncertainty of anti-trust conflicts. However, with the special Justice Department section reviewing and guiding industry adjustment plans, this uncertainty can be dispelled and an increased effort could be expected.

The benefit of joint R&D ventures, instituted early with the aid of proper forecasts, could prove invaluable. The NAM survey questionnaire established that firms in many of the industries presently affected by imports could have been substantially aided in their competitive struggle by more R&D measures.

The last industry benefit is that of temporary import relief, under an orderly marketing arrangement, during a set adjustment period. This industry benefit would have some costs for the country in terms of trade restriction, but these costs would be temporary and for the purpose of increasing, not decreasing competition. Therefore, the long-run advantages of a revitalized, adjusted industry should off-set the temporary increased cost to the American consumer during the adjustment period. Workers in the adjusted industry would naturally be benefitted by the retention of their jobs and the temporary nature of the restrictions should not provoke retaliation abroad which would harm American workers in other product sectors.

Overall, the industry approach would not involve great cost increases and could provide the groundwork for an early, effective adjustment mechanism. Given the proper information, time and encouragement, industry can largely adjust itself without direct government aid. This form of adjustment is the least costly—and the most beneficial—for everyone involved.

The further element of administrative costs should also be considered. These costs should remain quite constant with present expenditures, minor shifts occurring among various items. For instance, increased costs will result from the formation of a new Justice Department advisory section and perhaps a Commerce R&D team. However, savings will be realized from eliminating the additional investigation and administration requirements of a separate level TRA payment and from the Tariff Commission handling all petition investigation, eliminating some partially duplicative efforts in the Commerce and Labor Departments.

[4]For a full explanation, see "Early Warning System," p. 32.

Overall, expenditures under this redirected trade adjustment assistance program should increase perhaps $20 million a year over present levels (slightly more than the establishment of an early-retirement system). Benefit levels will increase from near zero levels, to show productive gains in many categories. Fewer workers will be displaced, and those who are will move much more quickly and easily from the relief rolls to productive, well-paying jobs. Businesses will be given a fair opportunity for self-adjustment, both early at an industrial level and later—if warranted—at an individual firm level. Productivity gains will be experienced through the better employment of workers and the more efficient, competitive allocation of industrial resources.

In the larger sense, the nation will finally meet the needs of those sectors whose effectiveness is reduced by America's generally beneficial international economic policy. And in doing so, the nation will help itself to avoid the damaging reversion to an inward-looking, trade restrictive policy which would ultimately bring harm to all segments of the national economy. A trade adjustment assistance policy can work—at minimal additional expense—and yield many disproportionate gains in productivity and efficiency for the general national welfare.

SECTION 5

Appendix

APPENDIX A
Foreign Programs of Adjustment Assistance

Adjustment assistance programs in other industrialized countries reflect marked differences from the approach used in the United States. Most foreign countries do not have specific programs aimed at cushioning economic dislocations caused by import penetration. With international trade comprising a much larger proportion of their domestic economy than is true in the United States (sometimes ranging up to forty percent of the GNP), these countries focus upon broad national industrial and manpower policy approaches without any attempt to differentiate between causes of economic disruption. The dislocation problem is considered a structural one, best handled in a overall approach to the industry's general difficulties rather than to the problems of a single firm.

In contrast to adjustment assistance programs in the United States, those abroad are also characterized by a much higher degree of government-industry cooperation. Japan in particular has developed this relationship to an extremely sophisticated level. An industry-drafted adjustment plan can be closely coordinated with government in order to implement it quickly and effectively. The group administering the program is usually a specially-created, *ad hoc* group of industrial experts, interested parties and government officials, who possess the technological and administrative competence needed for the difficult task.

Most foreign programs are also distinguished by objectives such as raising production efficiency or re-employing workers into higher skilled industries. Industrial re-structuring (or rationalization, as it is called in Europe), is the method usually chosen to implement these goals. Lagging industries are regrouped into more efficient and productive entities and substantial government aid is sometimes extended when the industry reorganizes itself for greater economies of scale. This trend in industrialized countries—to combine uneconomically small firms into viable, larger-sized units—has been visibly accelerating in recent years. In Switzerland, for example, between 1955 and 1965, the number of productive units employing between 100 and 499 persons increased by fifty percent and enterprises employing 500 or more persons increased by forty-seven percent, while the number of small industries employing less than 100 persons declined.

Another prominent feature of foreign adjustment policies is the concentration on expanding rather than declining industries. Government assistance is provided to healthy firms in areas of high unemployment or incentives are offered to induce growth industries to locate plants in such areas. In the Federal Republic of Germany, for example, prior to the 1967 recession, dislocation assistance was typically aimed at the declining industries. Now, however, policy is shifting toward industries which promise rapid future growth, but cannot achieve their potential without government assistance (for example in aerospace, nuclear energy and electronic computers).

A wide range of means are used to implement these various programs, both on national and on the European Community level. Most programs are structured around some form of governmental financial assistance, which spreads the cost of adjustment programs across a broad segment of the economy. The aid can be broken down into three different groups: financial, fiscal, and technical.

Financial aid measures range from direct governmental grants and low cost credit, to guarantees on loans and rebates on interest payments. Fiscal measures include many types of tax schemes: incentives and rebates, special allowances for newly-merged companies regarding capital gains and land taxes; tax holidays for new industrial lines; and accelerated depreciation allowances. Technical assistance ranges widely from management and marketing consultants to government-funded research and development programs.

The general economic background of most foreign countries places different imperatives upon their approach to adjustment, recognizing the large foreign trade component of their economy. Furthermore, the internal conditions and value system adopted in one nation may either limit, permit or encourage relative degrees of government—labor—business cooperation which may or may not be considered desirable in another country. The combination of these two factors largely accounts for the different approaches used by other nations when compared to the United States' system of trade adjustment assistance. As will be evident in the following short synopses of certain major foreign programs,* many

*Most information in these synopses is drawn from past studies on trade adjustment assistance conducted by GATT and UNCTAD and from interviews with selected embassies. As a result some of these programs may now have evolved into different forms.

nations lean toward a broad, cooperative approach to adjustment rather than particular trade programs designed to alleviate import dislocation. Despite these differences—and the recognized danger in trying to tailor such program's after another nation's model—some particular lessons may be gained from reviewing the experiences of other countries.

CANADA

Canada operates a range of general programs designed to speed industrial development and a series of specific, trade-related measures which come the closest of any foreign programs to approximating the United States' approach on the general side. The Canadian Industrial Development Bank (IDB) provides medium and long-term financing to encourage modernization of smaller firms. Under a program for the Advancement of Industry Technology, grants are made to cover up to fifty percent of approved research and development costs. Regional development programs also offer tax and financial incentives to attract industry into less-developed areas. In addition, Canada has three programs related to trade adjustment assistance: The Automotive Manufacturing Assistance Regulations (in response to the Canadian-United States Automotive Production Trade Agreement of 1965); the General Adjustment Assistance Program (geared to the Kennedy Round tariff concessions); and the Textile and Clothing Board Act of 1971.

In order to receive assistance under the Automotive Manufacturing Assistance Regulations (AMAR), a firm must demonstrate that additional investment is necessary, either to achieve a viable level of output or to prevent a substantial reduction in overall production. Company adjustment proposals showing a reasonable potential for profitable operations are then approved by the administering Board. Governmental regulations exclude larger companies and foreign-owned subsidiares from participation in the program. Assistance consists mainly of long-term loans with a maturity period of up to twenty years. The program seems to have had some measure of success, particularly for smaller companies, enabling them to alter operations and compete more effectively in rapidly changing markets.

Initiated in 1968, the General Adjustment Assistance Program (GAAP) bears the greatest resemblance to the United States' approach. The GAAP is designed to assist firms and workers adversely affected by increased imports resulting from Kennedy Round trade concessions. One of two criteria must be met by firms applying for assistance under this program: Firms must either demonstrate that (1) they have suffered serious injury due to increased imports or (2) have gained significant export opportunities due to other nations' tariff concessions granted during the Kennedy Round. Available assistance includes governmental guarantees of up to ninety percent of loans from private sources, direct governmental loans, and government financial support for technical assistance. As a condition for receiving guarantees or government loans, manufacturers are required to post three months notice of prospective lay-offs to both the affected workers and the administering board. This period is to be used to implement retraining and relocation benefits for the affected workers. Like its U.S. counterpart, the GAAP has thus far not been used as extensively as originally anticipated. Reportedly this is due to strict eligibility requirements. However, modifications of the GAAP in 1971 had the effect of eliminating the requirement for establishing a connection between import injury and a Canadian tariff concession for the textile and clothing industry. This modification thus simplified the eligibility requirements for these groups. Overall, more use has been made to date of the export opportunity than of the import-injury type of assistance.

The Textile and Clothing Act provides for an administrative board to evaluate petitions from manufacturers for temporary protection and from worker groups for adjustment benefits. If import injury is certified, all companies in the affected sector can submit plans to upgrade production and shift into more competitive lines. Provisional import restrictions are recommended rarely and *only* when the Board feels that protection is needed to allow time for the implementation of firms' adjustment plans. This special protection terminates if the industry fails to follow a specified adjustment time schedule, or whenever the adjustment plan has been fully carried out.

Sweden

Swedish adjustment assistance occurs principally within the context of the country's general labor policy. However, there are additional measures relating specifically to structural adjustment in the manufacturing sector and regional development objectives. At present time there are no adjustment assistance programs linked directly to dislocation caused by import competition.

The Swedish government places a high premium on achieving full employment. Consequently, the principal objective of adjustment is to ensure the reemployment of workers adversely affected by structural change. Comprehensive programs are designed to reduce unemployment and include an advanced warning system of company lay-offs. Employers are required to notify the state employment service of planned job cut-backs or plant closings. Local employment offices in areas suffering severe dislocations are often temporarily reinforced with additional personnel to dispense the various worker benefit programs more effectively. Twelve-month projections of manpower needs are also published regularly

from information collected by the local offices of the national employment service.

Other methods designed to reach the full employment target include: vocational training, public works programs, temporary government procurement orders to affected firms, nation-wide placement offices, workshops for aged workers, job interview travel allowances, relocation allowances, family maintenance allowances and programs for purchasing the houses of relocated workers. The implementation of this Swedish manpower renewal and adjustment policy involves an expenditure of about $400 million (to cover a nation of approximately 8 million people).*

Swedish adjustment assistance is available only marginally for firms, although at times the government has provided limited measures of relief to general industrial sectors. The Swedish Investment Bank directs loans through the commercial banking system to stimulate industry modernization and merger actions. The textile industry, in particular has benefited from such financing. It has also been subjected to strong foreign competition. While Sweden's textile import policy is generally considered quite liberal, the government has from time to time been forced to impose temporary restrictions on imports, primarily to off-set the acute employment problems which developed.

During periods of recession, firms are allowed to set aside a certain portion of their profits, tax-free, for investment purposes. In addition, government-sponsored credit institutions have been developed to foster the structural adaptation of enterprises and to promote development in small and medium-sized firms.

Regional development objectives, pursued by Sweden's Industrial Location Policy, are furthered through capital grants covering up to thirty-five percent of construction costs for firms locating in designated areas.

Japan

The Japanese economy, characterized by massive capital investment in new plant and equipment since the end of World War II, has experienced little need for a trade adjustment program. However, the Japanese government has traditionally played a major role in industrial policy matters and has used several special forms of trade adjustment assistance.

The Japanese Small Business Finance Corporation and the Small Business Promoting Public Corporation both offer loans to small enterprises to promote modernization measures and encourage joint undertakings. A network of public research institutes assist this process by sponsoring various experimental projects in research and development and provide technical guidance in their implementation.

*If this scale program were contemplated in the United States the equivalent cost would equal $10,500 million for 210 million people.

The Japanese government regularly announces target goals to serve as guideposts for small enterprises with the long range objective of promoting sector by sector modernization. Loans and tax deferments are often provided to firms in designated sectors under the Small Enterprise Modernization Promoting Law of Japan.

The Japanese government also facilitates small enterprise self-conversion by furnishing various forms of non-financial technical information, service and guidance. The government also provides facilities and special training through the Public Employment Agency to encourage the retraining and re-employment of workers.

Currently, a "Structural Improvement Policy" is being implemented in the spinning, weaving and knitting industries to encourage plant and equipment modernization and the scrapping of redundant equipment. The Textile Industry Reorganization Agency (TIRA) was established to purchase and then scrap obsolete equipment and to assist in financing new equipment. Mergers are also actively promoted in part through financial incentives.

For example, one interesting arrangement in the spinning sector is the so-called "Rationalization Group". Member firms retain corporate independence while pooling marketing efforts and coordinating production in order to achieve economies of scale. Firms joining such a group have their taxes waived or reduced for a specified time period and are also afforded priority access to low-interest, long-term credits from the Japan Development Bank. Thus far, the Rationalization Group has demonstrated impressive improvements in efficiency—which has been one factor in the industry's continued resiliency.

United Kingdom

British adjustment assistance policy centers on the long-term "structural" approach with strong reliance on market forces and regional economic development. For example, the "Industrial Expansion Act of 1968" authorizes the government to provide project assistance designed to increase efficiency, profitability, productive capacity or technological advance in industry.

Capital grants or loans are given solely to "growth" industries and then only when adequate funds are unavailable from other sources. For example, these grants have been used in manufacturing, ship repairing and construction and mining industries. Such grants usually amount to twenty percent of the investment in new plant and equipment (40% in "development area" projects). Total budgetary cost of these grants in 1970 approximated £ 500 million.

In addition to this type of industry-oriented development assistance, the United Kingdom also provides manpower training programs. The Industrial Training Act of 1964 established twenty-seven regional "training boards" to administer programs

covering fifteen million workers. Retraining is undertaken both at government training centers and by private industry through partially subsidized programs. Additionally, firms providing new jobs in the "development areas" may receive extra financial assistance to help cover the costs of retraining. Government loans and capital grants are also available to enterprises which locate in these designated areas.

Major British industries which have recently received special adjustment attention include textiles and shipbuilding. The British textile industry has experienced long-term decline since the early 1900's and throughout this period the government has sought ways to assist the industry in adjusting to its changing environment. In 1966 an independent Industrial Reorganization Corporation (IRC) was established by the government to foster a rationalization and modernization of the country's industries. During its existence in the 1960's, it made nearly $60 million in loans available to smaller and medium-sized cotton textile firms for modernization, new equipment and mergers or joint activities.

In 1967, a Shipbuilding Industrial Board was established in order to encourage the rationalization of shipbuilding firms into groups and to provide financial assistance for new equipment. The program resulted in substantial reorganization of the industry; six large shipbuilding companies and the combined operations of eight others were absorbed into four firms. (This Board recently ceased operations at the end of 1971.)

France

Little or nothing readily identifiable as trade adjustment assistance has been provided thus far in France. Instead, the government emphasizes structural assistance and administers several programs to assist firms and workers injured by structural economic change.

The "Economic and Social Development Fund" administered through government, plays the central role in these efforts, extending some $400-450 million a year to industry for adjustment projects and serving as the coordinator for adjustment programs. Fifteen to twenty year maturity loans with subsidized interest rates are available to firms through government owned financial institutions. These loans are designed to further goals of "conversion, decentralization, adjustment, specialization and concentration". The Fund also administers an "industrial adjustment premium", which is used to induce job creation in regions facing general decline in their traditional industries. In 1967, the Fund disbursed $5.6 million to forty-three companies for this purpose.

The Regional Development Corporation was created by the French Government in 1965 to assist smaller firms through managerial advice, substantial tax assistance, and loans at commercial interest rates. Companies which build, expand or convert plants in development areas are allowed extraordinary depreciation allowances of around twenty-five percent on the new construction. They can also receive a reduction in real estate transfer taxes and may be exempted from licence fees for a five year period.

A special four and one-half year plan for restructuring the French Steel Industry was devised in the mid-1960's. Efforts were made to coordinate production plans and schedules within the production groups as inefficient units closed and some new facilities were established on a joint-venture basis. The cost of this program was estimated at $3 billion. Largely as a result of this assistance, the industry's output rose fifteen percent during 1956-1969, unemployment fell fifteen percent and output per man-hour rose thirty-five percent.

Beginning in 1960 a seven year effort was also made to assist the French shipbuilding industry. Long-term loans were provided for the purpose of reducing the number of shipyards (from fourteen to four), completely modernizing facilities and decreasing the number of workers from forty to twenty-seven thousand. Although numerous difficulties were experienced throughout the implementation period, France was able to rise from sixth to fourth position among shipbuilding countries.

The French textile industry also faced economic difficulties and some financial aid has been provided to allow scrapping old machinery, buying new equipment and assisting workers to find new employment. However, these efforts remain quite modest in comparison to those of similar programs in other countries.

Germany

Prevailing conditions of vigorous economic growth and nearly full employment in Germany have reduced the need for special adjustment assistance programs. Particular reliance is placed on the action of free market forces. But in cases where excessive economic and social costs may result, the government provides temporary assistance to ease suffering and facilitate the transfer of resources. Since a recession in 1966-1967, emphasis has been placed on industries promising rapid future growth and requiring only initial government help to achieve their "take-off". Small and medium-sized firms with less access to information, managerial skills, and capital resources are also assisted by the government in order to spur research and development and to encourage industrial rationalization.

The German income tax law offers special write-offs of up to fifty percent on plant and equipment which is used for research and development purposes; an additional subsidy supplement of ten percent is available for *new* investment for R&D pur-

poses. Direct subsidization is also provided for research groups formed by smaller companies which cannot afford their own research laboratories or staffs. Some forms of technical assistance are available to firms from the government Rationalization Commission. Information and advice about plant rationalization, modernization, merger, joint research, technical and managerial aspects pertinent to restructuring are included in this area.

The only German measures which resemble a trade adjustment program *per se* provide subsidized loans to firms and industries undergoing substantial changes which are the direct result of foreign competition. Loans are granted solely for the purpose of replacing essential parts of a company's existing plant and equipment. These companies must demonstrate that they have an economically-feasible plan which involves substantial change in the products produced. A limitation of $270 thousand is placed on these loans and the interest rate is around five percent. Again textiles and shipbuilding are the two major industries which have thus far made use of this assistance.

Low cost loans, grants and tax subsidies are also available through some regional promotion programs which are intended to spur economic growth in underdeveloped sections. About 10,000 new jobs annually are estimated to have been created in Germany through these programs. A number of individual Länder or states also have development programs to assist relocation. The most common method chosen seems to be loans available at reduced interest rates to small and medium-sixed firms.

Italy

Italy has few efforts which focus upon trade adjustment assistance. Instead, the government has operated general development programs covering nearly all industries. Particular attention has been focused on developing Italy's southern areas (below Naples) known as the Mezzogiorno.

The principal overall adjustment assistance tools used thus far are subsidized credits and tax incentives. A significant industry adjustment assistance program is planned for the textile industry, which will include rationalization through mergers. A proper evaluation of this undertaking and its techniques, however, must wait until a later date.

One interesting factor in the Italian economy deserving special attention is the Institutio per la Ricostruzione Industriala, which is formed by state and private enterprises. The IRI consists of more than 140 joint stock companies, controlled by the government but run as private enterprises. Formed in 1933 to end the continual banking crises and to be a "hospital for sick companies", it seeks to increase efficiency and productivity; all companies have to compete with each other and if costs and prices are too high, the companies may be eliminated. IRI is best described as a pyramid with the institute at the top, controlling holding companies which cover a large number of sectors.

The European Community

During the formation of both the European Coal and Steel Community (ECSC) and the European Economic Community (EEC), adjustment assistance programs were established to ease problems of structural adjustment in the member countries caused by the changing patterns of trade which accompanies economic integration.

The ECSC made loans directly to coal and steel companies for modernization and rationalization projects which could be considered a forerunner of today's community-wide scheme of industry policy, known as the Colonna Plan. Displaced workers were given maintenance allowances, occupational retraining courses and reimbursed for expenses incurred while moving to a new job. The main beneficiaries of these programs were in the coal mining industry in Belgium, France, and the Federal Republic of Germany. During the period 1954-1970, more than 370,000 workers received assistance.

The EEC adjustment assistance programs focus action upon three factors. The first and most important involves forecasting probable dislocation in order to enable affected industries to anticipate problems and adjust to them. The second element is providing assistance to industries confronted with change to help them reconvert and restructure themselves. Accepted goals are to keep the industries viable, to keep the workers employed and to keep individual regions economically healthy. The final program component involves offering direct forms of assistance to industries experiencing development and modernization burdens which they are unable to bear alone.

A European Social Fund was established to ensure employment and guarantee the income of wage-earners against the risks of integration. General measures are also directed at promoting the types of employment which tend to prevent structural unemployment. Public institutions may be reimbursed from this Community Fund for up to fifty percent of worker retraining and resettlement expenses. Principal recipients of this assistance, thus far, have been workers in Italy, France and the Federal Republic of Germany.

The European Investment Bank, established in 1958, is primarily concerned with industrial development in high unemployment regions within the Community. Community loans and guarantees are provided for infrastructure projects and company investment schemes which are considered likely to increase employment. As of 1970 the Bank had sponsored some 312 loans and contract guarantees in coordina-

tion with numerous regional and national development programs.

Recognizing the new emphasis on industrial harmonization and rationalization in European aerospace, computer and business equipment fields, it is likely that more central leadership in the establishment of supra-European adjustment policies may be exerted by Brussels in the future.

APPENDIX B

Research Method
NAM

Beginning in the Summer of 1972, the NAM developed a coordinated research plan for a project on the concept of trade adjustment assistance. (See the research method flow chart on the last page). Operating upon the basis of this research plan, numerous interviews, questionnaire surveys and field trips were combined with the area competence of an internal working group to formulate an initial draft document. A reading group of corporate and academic experts added valuable insights into a revision effort. The final document was released to the public by NAM President E. Douglas Kenna at a press conference on February 20, 1973.

One aspect of the report's preparation involved an NAM questionnaire survey during the Fall of 1972 of firms who had direct experience with import-generated problems. This survey covered four categories of enterprises: (1) firms already certified to apply for assistance; (2) firms which had petitioned, but were denied certification; (3) firms which had not petitioned, but were in the Tariff Commission's industrial classification of certified import-injured industries; and (4) firms which had not applied, but whose former workers had been certified for assistance. Samples of the questionnaires sent to these firms are included in this section, numbered as above, with questionnaire #3 being sent to both categories 3 and 4.

No effort was made to arrive at a scientific or statistically accurate sample base for many reasons. Duplications are evident in several of the above categories; for instance, with a firm in a certified industry whose laid-off workers had been certified for assistance, but the firm had not itself petitioned for the program. A number of firms, particularly those whose petitions were denied, have since closed down their operations, and therefore could not be contacted. In addition, the small number of firms in some sample groups (for example, seven marble and twelve earthenware producers were potentially eligible) precluded any finding of conclusive "evidence" through this survey method.

The questionnaire survey was designed to complement other research methods and often served as an indicator in conjunction with later telephone and personal interview follow-ups to interesting responses. (An example of an exploratory visit is also included in this section, describing the meetings and objectives of a trip to Haverhill, Massachusetts.) Twenty-seven firms were successfully contacted of a total fifty-eight enterprises selected as having likely experienced import-dislocation related to the present program.

This survey was conducted on a confidential basis; therefore, no individual responses are cited within the report. Cumulative conclusions are listed whenever applicable, where response indicated general agreement on a major question (for example, on page 33 relating to an early-warning system).

We would like to here express appreciation to all the firms participating in this survey, either through a questionnaire response or a telephone or personal interview. Without such cooperative assistance the problem would remain entirely theoretical and unsusceptible to "on-the-spot" evaluation.

TRADE ADJUSTMENT ASSISTANCE

PROGRAM QUESTIONNAIRES

Questionnaire 1

1. In your opinion, where are there unnecessary delays in the application process or the implementation of government assistance?

2. Would a different type of assistance have been more useful in your firm's readjustment process. If so, what type and why?

3. What cooperative programs and activities were undertaken with labor unions and/or the community to ease unemployment difficulties and retrain or relocate displaced workers? How effective were these arrangements and how could they be improved?

4. Was it possible to forecast the import dislocation suffered by your firm? If so, how far in advance and by what procedure? If not, what data do you feel might have made this possible?

5. How have increased imports affected your position vis a vis other domestic firms within the industry? How will the receipt of government assistance affect your position?

6. Could an expanded program of research and development have significantly improved your firm's competitive position vis a vis imports or were factors other than technology more important? (Such as undercapitalization, labor relations, marketing techniques, etc.) What would you estimate to be sufficient lead-time for an effective R&D program?

7. Would your firm have been willing to participate in an industry-wide, government-aided program of research and development, if it were initiated sufficiently in advance of the import penetration and assuming proper anti-trust clearance had been obtained.

Questionnaire 2

1. Does your firm show economic dislocation in terms of:

   - ☐ idling of facilities
   - ☐ inability to operate at a level of reasonable profit
   - ☐ unemployment or underemployment of workers
   - ☐ change in competitive position in relation to firms in the industry
   - ☐ Other (explain) _____

   _____

   If such dislocation is only prevalent in a particular subdivision or product-line, please specify the extent of injury in relation to total firm outlook _____

   _____

   _____

   _____

2. To what extent could import penetration be demonstrated to be the cause of your economic dislocation?

   - ☐ more than all other factors combined (major cause)
   - ☐ more than any other single factor (primary cause)
   - ☐ one of several important factors (substantial cause)
   - ☐ lesser importance among several factors
   - ☐ marginal cause
   - ☐ Other (explain) _____

   _____

3. What factors could prove most helpful in your efforts to meet the problem of import competition? (Rank in order of importance from 1-9.)

   - ☐ more research and development
   - ☐ increased availability of financial loan
   - ☐ increased operating capital
   - ☐ longer period for tax carry-back (or carry-forward) of net operating loss
   - ☐ lower labor costs

- ☐ better marketing techniques
- ☐ technical assistance (consulting services, feasibility studies, employee training, etc.)
- ☐ tariff/quota safeguard relief
- ☐ Other (explain) _____

4. After your petition to the Tariff Commission was denied, what actions were you able to take on your own and what have been the results?

5. What was the approximate cost to your firm of the petitioning process?

6. Was it possible to forecast the severity of import penetration and resulting economic dislocation suffered by your firm? ☐ Yes ☐ No

(a) If yes, what procedure was used which made this forecast possible? How many months/years in advance was the problem foreseen before it became acute? What actions were taken to meet this perceived problem?

(b) If no, what data do you feel might have made a more accurate forecast possible?

7. What specific changes would you suggest in the present trade adjustment assistance program. (Investigation procedures, criteria, types of assistance, etc.)

Questionnaire 3

1. Are you familiar with basic provisions of the trade adjustment assistance program? ☐ Yes ☐ No

   If yes, how was the information obtained? _____

2. What considerations were involved in your decision not to petition for trade adjustment assistance under the present program?

   - ☐ lack of familiarity and specific information about the program
   - ☐ insufficient injury under present statute
   - ☐ cost of application process
   - ☐ program's assistance judged inapplicable to needs
   - ☐ program's assistance judged inadequate
   - ☐ adjustment possible without government assistance
   - ☐ Other (explain) _____

3. (a) Does your firm show economic dislocation in terms of:

- ☐ idling of facilities
- ☐ inability to operate at a level of reasonable profit
- ☐ unemployment or underemployment of workers
- ☐ change in competitive position in relation to firms in the industry
- ☐ Other (explain) _____

_____

If such dislocation is only prevalent in a particular subdivision or product-line, please specify the extent of injury in relation to total firm outlook _____

_____

_____

_____

(b) To what extent could import penetration be demonstrated to be the cause of your economic dislocation?

- ☐ more than all other factors combined (major cause)
- ☐ more than any other single factor (primary cause)
- ☐ one of several important factors (substantial cause)
- ☐ lesser importance among several factors
- ☐ marginal cause

4. Could an increase in imports directly competitive with your product be demonstrably linked to a tariff concession made by the U.S. government which resulted in a lowering of the tariff rate?

☐ Yes ☐ No

If yes, when was this concession made? _____

_____

5. What factors could prove most helpful in your efforts to meet any problem with import competition? (Rank in order of importance from 1-9.)

- ☐ more research and development
- ☐ increased availability of financial loan
- ☐ increased operating capital
- ☐ longer period for tax carry-back (or carry-forward) of net operating loss
- ☐ lower labor costs
- ☐ better marketing techniques
- ☐ technical assistance (consulting services, feasibility studies, employee training, etc.)
- ☐ tariff/quota safeguard relief
- ☐ Other (explain) _____

_____

6. Have you been able to forecast the severity of import penetration?

☐ Yes ☐ No

(a) If yes, what procedure is used to make this forecast possible? How many months/years in advance can the problem be foreseen before it becomes acute? What actions are being taken to meet this perceived problem?

(b) If no, what data do you feel might make a more accurate forecast possible?

7. Are you aware of any firms within your industry which have received trade adjustment assistance benefits: If yes, has this had any effect upon your business? (Sales, worker availability, etc.) Explain.

Field Trip Report
Trade Adjustment Assistance Project

An exploratory field trip was undertaken by Messrs. Hollis and Kline of NAM's International Economic Affairs Department September 5-6 to the economically depressed region of Haverhill-Lawrence, Massachusetts.

The purpose of the two-day trip, as the first of several planned visits, was to obtain first hand information and case studies on import-related economic dislocation in the context of the NAM trade adjustment assistance project. Haverhill-Lawrence has been the historic center of the American shoe industry which has been suffering increasing import competition. Coupled with other economic factors, import dislocations in the shoe industry have led to high unemployment and plant shutdowns in the region. Designated as a target area for study by the President's Inter-Agency Economic Adjustment Committee (IAEAC), Haverhill also offered a chance to evaluate regional factors in economic dislocation from the total community perspective (as opposed to simply firm or worker approaches to adjustment).

Numerous interviews and several meetings were conducted during the visit. Considerable assistance was rendered in this connection by Mayor George Katsoros, Mrs. Adele Ash (of Congressman Michael Harrington's office) and Mr. Paul Stralitz of the Lawrence Industrial and Development Commission. Results of this first trip were gratifying and are enumerated below along with a brief description of the two-day schedule. It is anticipated that case studies and other information gained from the visit will be invaluable in developing the final report.

Results

1. First hand case studies and information gained on community and business perpectives of import dislocation and adjustment assistance. Interesting comparisions of viewpoints drawn from businessmen who had been unsuccessful in obtaining adjustment assistance, (but were still trying), businessmen who had received adjustment assistance—views on the current program, businessmen who had gone out of business, and also businessmen who had not applied and did not want to apply for assistance although they were under import competition—all within the shoe industry. We also obtained angles from businessmen outside the shoe industry, civic leaders, educational leaders and state government workers— unemployment compensation office.

2. Initial distribution of NAM questionnaires on Trade Adjustment Assistance. Staff members Hollis and Kline distributed two model surveys, one for firms already in the adjustment program and the other for firms not yet in, or refused. Comments and insights from businessmen will be helpful in reworking questionnaires and also in obtaining more detailed responses than might otherwise have been expected.

3. Greater momentum and direction for NAM's internal task force effort on adjustment assistance.

4. Greater local recognition of NAM interest in the problems of smaller member firms and economic dislocation.

5. Considerable local press coverage and interest. (see attached)

Schedule of Meetings and Interviews September 5-6

Tuesday Morning September 5

9:30 a.m. Mrs. Adele Ash (Congressman Michael Harrington staff office in Haverhill)

10:45 a.m. Mayor George Katsoras, City Hill--Meeting attended by Mr. Paul Stralitz, Executive Director, Lawrence Development and Industrial Commission, Mr. Thomas P. Lynn, Jr. Director of Haverhill Chamber of Commerce, Mr. Richard Young, Merrimac Valley Planning Commission, Mr. George F. Fitzpartick, President of a local bank and Mrs. Adele Ash.

12:30 p.m. Meeting continued into lunch at a nearby restaurant where the group was joined by Mr. Frederick Malcolm, President, Haverhill Chamber of Commerce, Mr. George MacGregor, President of the Greater Haverhill Foundation , Mr. Les Berndice, Owner Bernie Shoe Company and Mr. George Bendice, treasurer and owner of the company's affiliated tanning works.

2:45 p.m. Mr. George Flynn, Deputy Director, State Employment Office (who discussed administration of

worker adjustment assistance benefit retraining efforts and coordination with local vocational education programs).

4:00 p.m. Mr. Lloyd Karelis, President, Allen Shoe Company (discussion ranged on Allen shoe's economic position within the industry, import pressure and possible future adjustment assistance application).

5:00 p.m. Mrs. Betsy A. Contee, former office manager for Seymour Shoe Company which went out of business after Tariff Commission refused petition for adjustment assistance in July 1971.

Wednesday September 6

9:30 a.m. Hollis meeting with Mr. Donald MacDonald, Superintendent-Director of the Whitter regional vocational technical high school district, and Mrs. Cole in Haverhill to discuss shoe dislocated workers and retraining facilities, possible approaches to dealing with retraining and area employment prospects for dislocated, unskilled workers.

9:30 a.m. Kline meeting with Mr. Paul Stralitz in Lawrence, Mass. with Mr. Alvin Wolff, Sales Manager of Blue Star Shoes, Inc., Mr. Oswald Jolie, Plant Manager, Hiatt Shoe Company (divisions of Striderlight) and Mr. Martin Weiser, owner of Luddington Footwear.

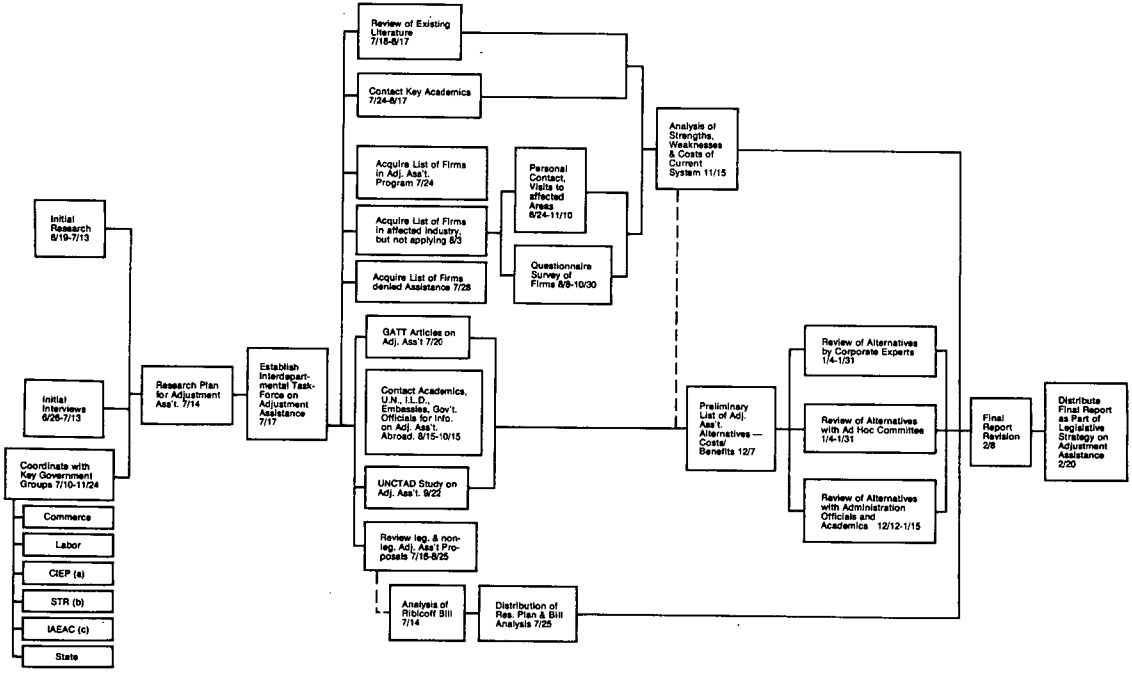
2:30 p.m. Meeting with Mr. Philip Kaplan, owner of Benson Shoe Company. This was one of the first firms certified as eligible to receive assistance and thus has a long period of experience to draw on regarding the program and its benefits effectiveness.

September 11, 1972

Nicholas E. Hollis
Director, International Economic Affairs

MEMBERS OF the National Association of Manufacturers started a two-day case study of Haverhill's industrial and labor problems Tuesday. Meeting at City Hall were, from left, George F. FitzPatrick, vice president of Greater Haverhill Chamber of Commerce; Mayor George K. Katsaros, Nicholas E. Hollis and John M. Kline of the association, and Mrs. Adele Ash, representing Cong. Michael J. Harrington. (Chase Photo)

96-006 (Pt. 6) O - 73 -- 22



(a) Council for International Economic Policy

(b) Office of the Special Trade Representative

(c) Inter-Agency Economic Adjustment Committee

Chart 7
NAM RESEARCH PLAN ON ADJUSTMENT ASSISTANCE

Mr. ULLMAN. Thank you, Mr. Landers and Mr. Kenna. You have given us a very excellent statement and have done it very briefly and succinctly, and we appreciate that.

Are there questions? Mrs. Griffiths.

Mrs. GRIFFITHS. I would just like to comment. I really don't see what the delegation of the taxing power is doing in this bill. In the first place, I don't understand why anybody thinks this is a negotiating tool. I personally am going to vote to get rid of it in this bill. I don't understand what it is here for.

This is a part of the taxing power. I don't believe the Treasury is competent to levy the taxes. They are doing all they can to collect them. So that I am for getting it out of here.

I appreciate your remarks, and I do think it was a good statement.

Mr. ULLMAN. Thank you, Mrs. Griffiths. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Kenna, you say that you are going to submit for the record a report on adjustment assistance.

I believe the chamber of commerce, by an informal vote, recommended that adjustment assistance for workers go as high as 75 per cent of their wages. Does the NAM have any specific recommendations on the level of assistance?

Mr. KENNA. No, sir; not a specific percentage figure. Rather, the recommendations that we have made are based on the study which we have submitted for the record.

Our recommendations center on an early treatment of dislocation causes trying to work with impacted firms and impacted industries in re-training areas and putting the entire trade adjustment system on a cost-effective basis.

I think the proposals that we have recommended on a percentage basis would be considerably less as far as compensation paid after the fact to workers.

We are proposing to pay money earlier trying to get at the root cause of the problem rather than pay burial expenses after the dislocations have occurred.

Mr. SCHNEEBELI. I agree with you, but in the case of a small, undiversified company that specializes in just one thing—let's say a die plant that is in the die business only, isn't it a little difficult to get into retraining and anticipatory programs?

Mr. KENNA. Yes, that is difficult. We recognize that difficulty, but we think that as a general principle this is the kind of direction that we should go, and in the cases where this just is not possible, then we would recommend such assistance be given. But I could not give you a percentage figure.

Mr. SCHNEEBELI. Do you cover this in the report that you are submitting?

Mr. KENNA. Yes, it is covered in the report.

Mr. SCHNEEBELI. Mr. Landers, in your comment on the import of goods from American facilities abroad, you urge that current taxation not be applied if less than 25 percent of gross receipts were derived from sales to the U.S. market, and that where applicable, only profits from U.S. sales be taxed on a pro rata basis.

What if the sales are less than 25 percent? Shouldn't that principle still be applied? Suppose the profits are only 18 percent?

Mr. LANDERS. First, the principle that should be applied and the subject that really should be studied is: Why are these goods being shipped into the United States and why is an American manufacturer abroad shipping to the United States? What are the economic factors?

But assuming he is shipping in, and assuming that the committee feels that this should be the cause of taxation, the Treasury has proposed the 25 percent rule, I believe, as a de minimis rule because there are always instances where some goods of some nature might have to come back under a specific set of circumstances and the 25 percent, I believe, was just considered as a de minimis thing. That is the only reason we continue it.

Mr. SCHNEEBELI. You suggest that we limit the new taxation only to the goods being returned?

Mr. LANDERS. That is right.

Mr. SCHNEEBELI. Why not apply it to all goods being returned?

Mr. LANDERS. It could be. It would be extremely difficult and complex to try to determine the exact percentage.

I can mention one specific case in my own company where we had a polio vaccine that was shipped into this country. It represents a very infinitesimal part of our business, but it was brought in here because there was only one plant in the world manufacturing at the time. To tax that could be done, but it would be very small, and I believe the taxation involded, the work would be so complicated as to not make it worthwhile. It was not a job disruption type of thing.

Mr. SCHNEEBELI. It is going to be complicated to figure out what is 25 per cent or more?

Mr. LANDERS. Yes. That is where the difficulty is with this. I think the basic thing is to find out why they are shipping here in the first place and perhaps look at the economic factors that cause that to happen.

Mr. SCHNEEBELI. Doesn't that difficulty become more pronounced under your proposal than if it were just an overall taxation on all goods manufactured abroad if at least 25 percent were shipped here?

Mr. LANDERS. Yes, it could be.

Mr. SCHNEEBELI. Your proposal is a little more difficult to administer?

Mr. LANDERS. It is just a matter of application. I think it can be worked out and no matter what percentage some tax could be levied, yes. I would not object.

Mr. SCHNEEBELI. That is all, Mr. Chairman.

Mr. ULLMAN. Mr. Burleson.

Mr. BURLESON. Thank you, Mr. Chairman.

Mr. Kenna, on page 10 of your statement under Tariff Schedule Items 806:30–807, you make reference to something which I evidently missed in the proposal.

I assume the proposal is to permit the selective suspension of certain items on the tariff schedule. You have referred to the practice along the Mexican border and how important it is to business.

This is a reference to the exportation of the unfinished product, and it is finished, say, in this case, in Mexico and then returned to the United States with the amount of value added subject to the import tax. Is this the reference?

Mr. KENNA. Yes, that is right.

Mr. BURLESON. Is it proposed that by the administration's decision this could be canceled?

Mr. KENNA. Yes, it is.

Mr. BURLESON. Is this the point you are making?

Mr. KENNA. That is correct, and we would propose that this program be continued.

Mr. BURLESON. This has to do more with soft goods, wearing apparel, and so forth, I assume.

Mr. KENNA. Well, there are various kinds of industries involved in that program in addition to that.

Mr. BURLESON. But there is a great deal of this practice along the border. It is tremendously important to employment. On the surface it would appear that there would be greater employment if the whole item was produced on this side of the border, but it doesn't work that way. They just wouldn't be producing it under those circumstances because of the very high costs of labor.

Mr. KENNA. Well, I think that is basically the situation. There have been several studies made of this particular program that I think would indicate that jobs would be sustained by the continuation of this program, U.S. jobs, rather than by its cancellation.

I think the Williams commission study a couple of years ago clearly indicated that.

Mr. BURLESON. And you would also agree, I am sure, that in this particular area as far as our neighbors across the border, there is no place that I know anything about that we could accommodate neighbors more than to furnish this sort of business and employment across the border.

Of course, our primary interest is to look after our own, but at the same time in an integrated community, as is the case along the border, the whole length of it, it is a very fine arrangement and has worked well over the years. Would you agree?

Mr. KENNA. Yes, sir. Without really addressing myself to the foreign policy implication vis-a-vis this country and Mexico, I think it could have quite serious ramifications of that sort in addition to the trade and commercial situation.

Further, the general relationship of Mexico to the Andean League, I think, could have further implications really for trade with South America.

Mr. BURLESON. Thank you very much.

Thank you, Mr. Chairman.

Mr. ULLMAN. Are there questions here?

Mr. Duncan?

Mr. DUNCAN. Thank you, Mr. Chairman.

In reviewing the statements of the NAM at the 1962 trade expansion hearings and also the 1970 hearings, I actually find very little difference in your recommendations and aspirations and fears then and now, but, as we know, the results of 1962 act have apparently been on the negative side.

How would the tools in this legislation do much more than we have accomplished in the past in being able to get our trading partners to change their minds on nontariff barriers?

Mr. KENNA. Well, I think this, sir. That the whole picture in international commerce has changed dramatically as far as the United

States is concerned in the past 10 years. We do feel that, going into the negotiations this fall, there has been a recognition on the part of our trading partners that we must have fairer trade practices here in this country.

I think we are determined to push for that. We feel that in order to do that, the kind of flexibility that is indicated, the kind of negotiating authority subject to certain oversights by the Congress that has been recommended for the President is essential if we are to get the kind of agreements that we wish.

To this end, as I said in my testimony, we are working very actively with many of the national trade associations trying to furnish information and help to our negotiating team so that the objectives of U.S. industry can be much better stated to our own negotiators prior to the start of negotiations, and we think the sort of authorities that are spelled out here really are essential to the success of those negotiations.

Mr. DUNCAN. In other words, you think we should give our negotiators authority with teeth in it so that they can tell our trading partners that we are not going to lie down and be run over.

Mr. KENNA. Yes, I think we should give them authority subject to certain kinds of oversight functions and review.

Mr. DUNCAN. Do you think we are in a sort of trade war now and we are on the losing end of the war?

Mr. KENNA. I don't think we are in a trade war now, but I think that as we push toward equalization of trade treatment that we are going to trigger certain sorts of actions on the part of our trading partners. I think we have to be prepared for that, and I think that this is one of the reasons that we would advocate some restraint in the amount of authority to work with tariffs that does concern us as far as the authority being granted to the President.

Mr. DUNCAN. If your policy of free trade is to be meaningful, do you think it must be on a reciprocal and fair basis?

Mr. KENNA. I think we are really advocating a policy of fair trade, and I think we have to have considerable reciprocity that we do not currently have.

Mr. DUNCAN. Would you say that we do not have fair trade in the world today?

Mr. KENNA. I would say that, yes.

Mr. DUNCAN. I think that is all. Thank you very much.

Thank you, Mr. Chairman.

Mr. ULLMAN. Mr. Gibbons.

Mr. GIBBONS. Do you think tax holidays play any part in enticing industry overseas?

Mr. KENNA. I couldn't understand you.

Mr. GIBBONS. Do you think tax holidays play any part in enticing industry overseas?

Mr. LANDERS. No; most of the American manufacturers, who have gone overseas have not gone overseas because of tax holidays. They have gone over there because there is business there; there is a chance to make a profit there; there is a chance to be competitive, to expand our operation throughout the world and bring back a better share of profits to our American shareholders and to the American treasury.

Mr. GIBBONS. If there are not any incentive, then why do these foreign countries offer them?

It seems inconsistent. Either they are stupid or we are stupid, one of the two.

Mr. LANDERS. There is a distinction between going overseas and where you locate when you are overseas. You might not be able to ship a product from the United States because it is heavy.

Mr. GIBBONS. I know about that. We have been through that about a dozen times here.

What I am asking you is this: If tax holidays don't play any part as far as the people you represent are concerned, why do the foreigners continue to offer them?

Are they just stupid?

Mr. LANDERS. I don't mean to imply that a tax holiday or incentive is not a worthwhile profitable operation.

I am saying that it is not the tax holiday or incentive that attracts the business overseas.

Mr. GIBBONS. It is part of the package, is that right?

Mr. LANDERS. Once you are located overseas, then for the specific area in which you locate in order to be competitive with the other firms located there you will take advantage of the tax holiday and tax incentive if you can.

I can use Ireland as an example. There are only 3 million people in all the Republic of Ireland.

Mr. GIBBONS. Ireland is not a good example.

I am thinking about Belgium, for instance. I am thinking about where you are right on the continent and there are 265 million people.

Mr. LANDERS. Well, the entire European Common Market has agreed that there are certain places within every country in Europe which have to be subsidized and helped and to be given various types of incentives, and they are recognizing this and permitting it.

Mr. GIBBONS. Why did Goodyear go to Luxembourg? Do you know?

Mr. LANDERS. No, I don't know. We don't have any locations in Luxembourg, and I don't know of any reason for going there at this point for manufacturing. I don't think there is a sufficient labor market or anything else.

You have to go where your competitors are going and where you will be able to place your goods at the same places they have.

Mr. GIBBONS. What about Royal Typewriter? Why did they go overseas?

Mr. LANDERS. I don't know, sir.

Mr. GIBBONS. They didn't go because of any tax holiday?

Mr. LANDERS. I really don't know.

Mr. GIBBONS. Did they go because wage rates were so much lower?

Does anybody know why they went overseas?

Or is it just a big mystery?

Mr. LANDERS. I am sorry. I can't answer it in that way.

Mr. GIBBONS. It seems as though people from the National Association of Manufacturers would have more information.

You come here and criticize what has been proposed. Yet you don't seem to know the answers to any specific questions.

Mr. LANDERS. Not to the Royal Typewriter Co.

Mr. GIBBONS. Do you know why anybody goes overseas other than in general terms?

Mr. LANDERS. Yes, sir.

Mr. GIBBONS. Give me a specific. Why did XYZ company go overseas?

Mr. LANDERS. I am from Pfizer. I can tell you why they went over.

Mr. GIBBONS. Is that drugs?

Mr. LANDERS. Pharmaceuticals and chemicals, and so on.

Mr. GIBBONS. I know that in the European countries you cannot even ship drugs from one country to another over there.

Mr. LANDERS. That is right, sir. That is why we went over.

Mr. GIBBONS. The Belgians can't ship to France, and the French can't ship to Belgium, because of so-called health and safety regulations. You have to go for those reasons, I guess. You know, though, if you go to Europe you will see IBM over there. IBM has a big plant in Belgium. Goodyear has a tremendous plant in Luxembourg.

Mr. LANDERS. There are also freight problems with some of those countries with their products. In the cost of the goods manufactured here and shipped the freight charges alone would make them noncompetitive abroad.

Therefore, they have to be close to the market to compete on the same terms as the foreign manufacturer competing in that area. That is the reason why they are going there.

Mr. GIBBONS. But it is your thesis that tax incentives don't have anything to do with plant location abroad, is that right?

Mr. LANDERS. Tax incentives play a part. They play a part in the final determination of exactly where the plant will be located to make you competitive with your foreign manufacturers, but they do not in my estimation have the major part to play in whether or not you go overseas.

After all, once a tax incentive ends, if that is the only reason why you have gone, then you are going to be in a losing proposition from there on. You do not go to get something that can be taken away from you at any time in the future.

Mr. GIBBONS. If tax incentives don't play any part in drawing production facilities overseas, but only in determining where they locate overseas, do tax incentives play any part in their staying in the United States?

Mr. LANDERS. Yes.

Mr. GIBBONS. Oh, they work differently in that case?

Mr. LANDERS. I think they are playing an important part in having foreign organizations locate their plants in this country.

Mr. GIBBONS. You mean, in other words, this works one way but not the other?

Mr. LANDERS. No, it works both ways, and the United States can be considered a tax holiday country under some of the provisions that the Treasury would like to have enacted here.

Under those provisions, the manufacturers from other countries are locating plants in this country.

Mr. GIBBONS. Well, has DISC—the Domestic International Sales Corporation—done your company any good?

Mr. LANDERS. No, sir. We have not taken advantage of DISC. We would if we could see how we could increase our exports through the use of it, but we have not yet found a place to insert it. We would not like to insert it just to take advantage of a profit situation. We will only form a DISC when we see an advantage to increase our exports.

Mr. GIBBONS. Thank you, sir.

Mr. ULLMAN. Are there further questions?

Mr. Brotzman?

Mr. BROTZMAN. I have one question, Mr. Chairman.

Referring to your statement on page 14, you state that there is an apparent inconsistency between the expressed intentions of title VI—"which deals with a generalized system of preferences"—"and the Treasury's proposals for taxing foreign source income."

Would you like to elaborate on that. I didn't hear your testimony in chief, but I want to be sure I understand your point.

Mr. KENNA. I think basically just this point: That it is advocated that developing nations be given certain kinds of incentives, that these be granted as long as there is no discriminatory treatment through third country mechanisms.

Mr. BROTZMAN. You are talking about the provision under title VI in that regard, are you not?

Mr. KENNA. That is correct.

Mr. BROTZMAN. That is the general preference with the limitation that if they engage in the reverse trade treatment they don't get our generalized preference?

Mr. KENNA. That is correct, and we think that superimposing the taxation of foreign source income is not consistent with this sort of general preference treatment for developing nations. That is really the intent of that.

Mr. BROTZMAN. Do you recommend a change or are you just pointing this out to the committee?

Mr. KENNA. We are pointing it out. We do think that this proposed tax treatment is not consistent with this particular part of the foreign trade bill.

Mr. BROTZMAN. I see. Thank you very much.

Mr. ULLMAN. Are there further questions?

Mr. Burke?

Mr. BURKE. In your comments on import relief and market disruption, you indicate a concern and suggest a holding action until other countries make their own proposals on international safeguard systems.

Do you propose we take no further action in affording import relief until agreement is reached internationally? And, if so, what is to happen to these industries in the meanwhile?

Mr. KENNA. Well, I think, sir, that we are not taking that direct position during this immediate period. We do feel that multilateral agreements would be much more effective this way and that these sorts of things will be negotiated in the forthcoming round and that multilateral agreements on market disruption would be the final and best solution rather than bilateral country agreements, country by country.

Mr. BURKE. What happens to the industries affected adversely while waiting for all this to take place?

Mr. KENNA. Well, I think the current provisions in the law would have to be used to deal with those situations at present.

Mr. BURKE. Up in New England we had 115 shoe factories close as a result of our trading policies since 1965. Were any of those former members of your association?

Mr. KENNA. Yes, sir. I am sure that some of them were.

Mr. BURKE. Do you feel that the study in depth made by the First National Bank of Boston of the New England region was correct when it predicted that within 10 years New England would become a service-oriented area?

In other words, all the jobs in the factories and mills would disappear?

Mr. KENNA. No, I would not agree with that. I am not familiar with that particular study, though, so that I could not comment directly on that.

Mr. BURKE. Do you say that you believe that the First National Bank, this great institution up there, would make such a reckless prediction if it was not based on what they observed is happening during the past 5 or 6 years?

Mr. KENNA. Well, I have great respect for the First National Bank. I spent 10 years in business in Boston. I suppose that the feeling that I have relative to that is that I think the general resourcefulness of the business community in New England will not allow that to happen.

Mr. BURKE. On what do you base that?

I mean it's a fine expression of confidence and everything, but the facts don't seem to bear out what your faith and confidence express.

Mr. KENNA. I think my confidence on the future of New England would be based upon the fact that it does have very strong financial instituions, that it has a very strong educational and technological base. I think the region has from time to time shifted from some primary means of employment into other areas.

I would hope that that would happen.

I recognize fully the very drastic impact that the current situation has had on certain industries up there, however.

Mr. BURKE. There was a great deal of faith and confidence placed in the electronic industry up there, but you see, as far as the domestic end of that industry is concerned, we don't enjoy too much of that. Most of your TV's and radios and transistors which you find on the market today come from the Orient.

There are 25,000 people on Route 128, which I believe you are acquainted with, leaving today. Some of them are driving taxicabs. Some are working as laborers even though they are highly skilled people. They have lost their jobs, too.

I appreciate the confidence and faith you place in my region of the country, but we are losing textiles and shoes, the bicycle industry and the sporting goods industry and the electronics industry as a result of imports.

Where do you think they will get those jobs if they continue to glut the market with all these goods?

Mr. KENNA. Well, I don't think I could make a tangible prediction on that sort of thing. I do think that this kind of situation has to be dealth with, that we have to have fair trade practices. I think that antidumping provisions, countervailing duties, the escape clause, those sorts of mechanisms are the kinds of things that we must use in order to deal with these situations. I think that this should be one of the primary objectives in the forthcoming trade negotiations, to be very sure that, indeed, we do have fair trade practices established with all of our major trading partners.

Mr. BURKE. I imagine you must have members in the chemical industry. Many of those people must belong to your association.

Mr. KENNA. Yes, sir.

Mr. BURKE. How did you feel about the elimination of the American selling price?

Mr. KENNA. I think in this particular area we do not have a position on that particular thing. We would be happy to get that stated position for you when the chemical manufacturers have reached agreement on that. I don't believe that has happened as yet.

Mr. BURKE. The chemical people testified here and indicated that with the elimination of the American selling price quite a few of them will be wiped out because of the high unemployment in the region of Pennsylvania and New Jersey and some other areas of the country.

When you are testifying here, I don't want to pin you down or embarrass you, but these are the real guts of the bill.

One of our last trading chips that we have is the American selling price. Once that goes, we have nothing on the table to bargain with.

So that I would appreciate it if you would submit a statement later.

Mr. KENNA. All right. We would be happy to do that.

[The material requested had not been received at the time of the printing of the hearing.]

Mr. ULLMAN. Mr. Kenna, in your statement on page 6 you referred to the conversion of non-tariff barriers into their tariff equivalents. Have you any suggestion as to how that might be done?

Mr. KENNA. Yes. I think this is an enormously difficult and complex thing to do. In order to try to get at this problem, we have underway a very major study that I mentioned earlier. Some 30 national trade associations, the companies involved in those, under the coordination of NAM are working now preparing studies on an industry-by-industry basis and on a country-by-country basis.

So that we will be able to furnish to our negotiating team, to our government teams, the factual situation as U.S. industry sees it pertinent to non-tariff barriers. Once we have clearly established the extent of the non-tariff barrier problem, and this basically is being done on a weighted average basis so that we can assess the seriousness of the various non-tariff barriers in the different countries and areas, then we think we will have the basic data base that we can use to look at a conversion to tariff equivalents.

That will be an enormously long and complex situation, but one that we think can be accomplished once we have the basic facts at our disposal. We are sure that the other countries around the world are working also in preparation for these negotiations.

We are equally sure that they will have a complete outline of non-tariff barriers as they see it that we have in this country.

So that this will be, we think, one of the very important elements, if not the most important element, in the negotiation rounds that start this fall.

Mr. ULLMAN. Are you saying that in many instances we know that non-tariff barriers will continue? Do you have a system for determining what the barrier will be?

Mr. KENNA. I think this is part of the thing that must be worked out as part of the negotiations. There is no doubt that it will be enormously difficult to remove some non-tariff barriers, but I think the general recognition among the trading partners that tariff barriers do exist and the identification of those barriers is the first step toward the removal of as many of them as possible.

Mr. ULLMAN. Are there further questions?

Mr. ARCHER. Mr. Chairman.

Mr. ULLMAN. Mr. Archer.

Mr. ARCHER. If I might, I would like to ask what your specific opinion is about the recommendations with respect to completely opening the doors of America to products imported from underdeveloped countries?

Mr. KENNA. Well, I think that our recommendations are that we back the general preferences being given to these countries as long as the markets in those countries are completely open to us on a fair basis.

Mr. ARCHER. Will they be open to you on a fair basis if the administration's proposals with respect to the elimination of deferral privileges on income earned overseas is adopted by this committee?

Mr. KENNA. Probably not.

Mr. ARCHER. The administration's proposal is virtually a package proposal with the taxation proposals expected to be considered along with the trade proposals.

If the provisions of the taxation proposal are adopted, then you would oppose the trade recommendations for general preferences with respect to the underdeveloped countries, is that correct?

Mr. KENNA. I am not sure that we would do that. We don't have a policy based upon that set of circumstances at the present. I think our prime interest is to be able to compete on an absolutely fair basis with no discrimination in those developing countries and to be sure that those markets are available to us and that the investment policy that our companies can have in those markets is consistent with having fair trade deals.

Mr. ARCHER. You recognize as a practical fact of life that you will be under continued attack from here on if you are to import products that you produce in underdeveloped countries back into the United States of America, that one of the arguments against the multinationals that we hear continuously before this committee is that they go overseas and then import the products which they produce back into the United States, thereby destroying jobs in the United States.

Now, if you go into the underdeveloped countries and you attempt to compete with the Japanese and the Germans and other countries that are developing those underdeveloped countries and are shipping products into this country, you are going to be continually under attack for that, whereas they are going to be able to continue to import into this country without any problem if the administration's proposals are enacted.

Mr. KENNA. Well, I recognize that as a problem, yes.

Mr. ARCHER. But that doesn't bother you?

Mr. LANDERS. I would like to make one suggestion there that what we need here is not unilateral action on tax proposals, but what we need is a world agreement similar to GATT for taxes to eliminate these problems of tax holidays and so on.

It is only through working together with the other countries of the world that we can accomplish this, not by closing the doors to the American manufacturer alone, but by eliminating the problem through a GATT-type of organization.

Mr. ARCHER. It is interesting to me that there seems to be very little concern on the part of the industry in this country as to this provision, and yet I personally fear that it is going to open a door that one of these days we are going to be very, very sorry that we opened up, because we are going to see the other developed nations of the world come into the underdeveloped nations and put in their plants and ship into the United States free of charge, and I think that our domestic industry is probably going to be under such great attack if they do the same thing that they are not going to be able to do it.

I wish that more people shared the concern that I have in this regard.

Thank you very much.

Mr. ULLMAN. Are there further questions?

If not, thank you again very much.

Mr. KENNA. Thank you.

[The following letter was subsequently received for the record:]

NATIONAL ASSOCIATION OF MANUFACTURERS,
June 6, 1973.

Hon. HERMAN T. SCHNEEBELI,
House of Representatives,
Washington, D.C.

DEAR MR. SCHNEEBELI: In reference to my testimony before the Ways and Means Committee on May 22, you raised the question as to whether NAM's proposal with respect to taxation involving so-called runaway plants would be more or less difficult to administer than the Admnistration's proposal. You will recall that under both plans taxation would be triggered when more than twenty-five percent of a foreign subsidiary's production was shipped to the United States. The difference in the two plans was that once triggered, under the Administration's plan all profits would be subject to taxation, whereas NAM proposed that such taxation be limited to the profits derived on the proportion of production actually shipped to the United States. Assuming the adoption of NAM's proposal, you also inquired as to why a twenty-five percent rule should act as the trigger and whether it wouldn't be more practical to tax the proportionate profits on any sales to the U.S. regardless of the percentage. This letter is submitted in further clarification of NAM's position on this matter.

First, however, I would like to re-emphasize that NAM's basic position is that any degree of taxation imposed solely on U.S.-owned corporations is contrary to the best interests of the U.S. since foreign-owned competitors would not be subjected to a similar burden. Nevertheless, recognizing that Congress might be inclined to impose some penalty, we suggested that taxation be limited to that portion of the profits actually derived from shipments to the United States. Through such taxation, the penalty might discourage the U.S.-owned subsidiary from shipping to the U.S.—thereby leaving that field to foreign competitors—but the subsidiary would remain competitive in selling its goods in foreign markets.

With respect to the specific questions, it is our opinion that equal difficulty would exist under the Administration's and NAM's proposals in that the same percentage of sales of the U.S. would have to be computed in order to trigger taxation. Thereafter, it would not create too much difficulty to compute the degree of profits subject to taxation under NAM's proposal, and such complexity—to the extent involved—would be more than compensated by the reduction in problems otherwise encountered in forcing a contraction of such subsidiary by requiring full distribution of earnings under the Administration's proposal.

Turning to your suggestion of taxing proportionate profits on all shipments to the U.S. regardless of the percentage involved, we find considerable merit in your approach (taking full cognizance first to our overall objection to the proposal

to impose any tax burden on a discriminate basis). Our suggestion of a twenty-five percent trigger was merely to conform to the Administration's proposal wherein we felt they had recognized the need to eliminate preparation of reports and computation of tax where "de minimus" shipments were involved. We feel there must be some point where the elimination of such "de minimus" matters is of greater benefit than the complexities surrounding a percentage set as a trigger. To the extent that this point can be estimated, we would be amenable to a change from the twenty-five percent rule we suggested.

One suggestion which might resolve this matter on a basis consistent with rules previously established under current law would be to adopt thirty-seventy percent rules similar to those incorporated in Section 954(b)(3) of the I.R.C. for establishing foreign base company income. Under such rules, if income from shipments to the U.S. was less than thirty percent of total income than no income would be subject to tax. If such income was more than seventy percent, all income would be taxed. Between thirty percent and seventy percent, the proportionate share of such income would be taxed.

I would be happy to discuss this matter with you, of course, if you so desired. I would also appreciate it if you would request this communication be included in the record of the hearing.

Sincerely,

M. P. LANDERS, *Chairman.*

[The remaining testimony received on this date, Tuesday, May 22, 1973, is continued in the next volume of this hearing, part 7.]