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 11 of 15

(May 31; June 1, 1973)

Printed for the use of the Committee on Ways and Means

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 11 of 15

(May 31; June 1, 1973)

Printed for the use of the Committee on Ways and Means

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 $2.60
Stock Number 5270-01918

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 (1978)	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 Association 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

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

THURSDAY, MAY 31, 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. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Our first witness this morning is Mr. James W. McSwiney, who is accompanied by others. Mr. McSwiney, if you will come to the desk and identify yourself and those with you, we will be glad to recognize you, sir.

STATEMENTS OF JAMES W. McSWINEY, MEMBER, BOARD OF DIRECTORS, AND JUDSON HANNIGAN, CHAIRMAN, CONTAINERBOARD DIVISION, AMERICAN PAPER INSTITUTE; ACCOMPANIED BY EDWIN A. LOCKE, JR., PRESIDENT; IRENE W. MEISTER, DIRECTOR, INTERNATIONAL BUSINESS; AND J. STANLEY WILDE, MEMBER, COMMITTEE ON TAX AFFAIRS

SUMMARY

Title I—Because of the extreme importance of the forthcoming multilateral negotiations to the U.S. paper industry, the American Paper Institute strongly supports granting of negotiating authority to the President as a needed instrument for successful trade negotiations.

Title II.—API supports the relaxation of escape clause provisions to assist the import-affected industries on a time-limiting basis. It also supports the liberalization of the eligibility criteria for the assistance to workers displaced by imports. Subchapter B, Part I expresses the intent to merge the present system of adjustment assistance for workers displaced by imports with proposed legislation which would set federal standards for unemployment compensation. The latter legislation is most complex, and API plans to comment on it at the proper time after making a thorough study of its impact on the paper industry. We have reservations, therefore, on linking the issue of federalization of standards for unemployment compensation with the Trade Bill.

Title III.—API supports the provisions of this title since they would give the President powers to act against unfair trade practices of other nations. However, we submit certain recommendations which we believe would assure fairness in the administration of this title, and thus avoid retaliatory actions on the part of other countries.

Title IV.—API supports in general the provisions dealing with international trade policy management but recommends that the Congress should include an additional provision urging the President to take all feasible steps to negotiate a set of international rules for the management of balance of payments problems.

Title V.—API favors granting most-favored-nation (MFN) treatment to the centrally planned, non-market economies, but recommends that an additional

safeguard be included in the trade agreements with these nations by making the provisions of the escape clause mandatory rather than optional.

Title VI.—API supports the granting of general preferences to the developing countries, but recommends that the Congress add a provision expressing Congressional consensus that the Executive Branch should strive to reach an agreement with other developed nations on a set of international rules that would govern the granting of such preferences.

Related proposals.—Regarding the Treasury's tax proposals, we express deep concern that as presently stated they go far beyond the Administration's intent to correct the existing distortions in the tax laws. API's statement shows clearly that foreign investments of the U.S. paper industry are not made because of tax incentives. These investments are either in the producing facilities for processing of basic materials, such as pulp and newsprint, which are needed by the U.S. domestic producers, or in manufacturing facilities whose output is sold in the local markets and not re-exported to the United States. Furthermore, these manufacturing facilities have produced a steadily increasing inflow of funds contributing positively and importantly to the U.S. balance of payments.

Mr. McSwiney. Mr. Chairman, members of the Ways and Means Committee, my name is James W. McSwiney. I am chairman and chief executive officer of the Mead Corp. and member of the board of directors of the American Paper Institute, on whose behalf I appear here today. The headquarters of my company and my home are in Dayton, Ohio.

I have with me Mr. Judson Hannigan, executive vice president of International Paper Co. and chairman of the Containerboard Division of the API; Mr. Edwin A. Locke, Jr., president of the association; Dr. Irene W. Meister, director of International Business for API; and Mr. J. Stanley Wilde, an assistant treasurer, International Paper Co. and a member of the API's Committee on Tax Affairs.

The Chairman. Mr. McSwiney, I think the record should disclose that the lady to your left formerly was a part of Capitol Hill when she worked with Mrs. Frances Bolton. We are pleased to have all of you here and especially to have you back, Dr. Meister.

Dr. Meister. Thank you, Mr. Chairman.

The Chairman. You are recognized.

Mr. McSwiney. I will comment on the Trade Reform Act, and Mr. Hannigan will present our testimony on the proposed changes in the tax law. Because of time limitations, we will only summarize our statement, omitting much of the reasoning underlying our position. We request, however, that our written statement be placed into the record.

We are here to support, with certain modifications, the proposed Trade Reform Act of 1973, which is designed to expand world trade by reducing tariff and nontariff barriers and to strengthen our ability to deal with unfair competitive practices.

Let me first give you a brief bit of background information on the American Paper Institute and our industry. The American Paper Institute is comprised of manufacturers who produce more than 90 percent of the Nation's pulp, paper, and paperboard. In 1972, we produced 59 million tons of paper and paperboard and the net sales of the paper and allied products amounted to over $23 billion. The U.S. paper industry operated in 49 States, the only exception being Wyoming, and we employed nearly 700,000 people. We have facilities in every district represented by this committee. We paid nearly $8 billion in wages, salaries, and benefits. The paper industry's tax bill in 1972 amounted to $1.2 billion. We are a basic industry and among the 10 largest in the United States.

We are a worldwide industry with 10 percent of our primary production exported and with investments in many areas around the world. In 1960, the paper industry exports amounted to $431 million. Last year, they exceeded $1.1 billion, or a 155-percent increase over the past 12 years.

Some ask whether export expansion is beneficial to the U.S. economy. It has even been suggested that, in order to conserve all our resources, the country should level off or even decrease its exports.

We believe this position is fallacious. Forest-based industries are renewable resources, and their output, along with that of high technology industries, represents products which are strongly competitive in world markets and hence high on the order of desirable exports.

As we strive for a realistic balance between exports and imports, we think it should not be at the expense of decreasing imports but rather through an increase in exports and, if we are to be successful, the American businessman must know that big Government supports him in these objectives.

For many countries, foreign trade is a matter of top priority. These countries have developed national policies that favor industries engaged in exports and foreign investments. Germany exports 35 percent of her domestic production of goods; the United Kingdom, 52 percent; Canada, 56 percent; and Japan, 34 percent. It might be said that these countries, by experience and by need, have become sophisticated in world trade and that we in the United States are in the process of learning.

The United States presently exports about 14 percent of its domestic production of goods, an important component of demand. However, active cooperation between Government and industry is essential if we are to optimize our position and not lag behind Europe, Japan, and other countries.

International trade and investments are of major importance to the paper industry. Let me explain why.

The paper industry is highly capital intensive; a modern efficient facility today requires an investment ranging between $50 million to $250 million. In the last decade, our industry has faced a severe deterioration of earnings. Attached to our full statement are three charts which show graphically what has happened over the last decade. Essentially they point out that profits over the last decade have lagged severely behind the profits of all manufacturing, and this is further compounded by capital expenditures for pollution abatement, which are tremendous. Although socially desirable, they are non-profit-producing.

In 1972, $414 million, or half of the estimated capital investment in the primary sector of our industry, went into pollution abatement. And it will be up substantially over that in 1973.

To provide the cash flow for expansion, it will be essential now and for years to come for the paper industry to operate at near full capacity. Exports constitute 10 percent of the domestic production. Thus, the ability to export on a competitive basis is of great importance to domestic jobs and to our balance of payments.

Just how important foreign trade and investments are to our members has been dramatically demonstrated by a recent API survey dealing with the international position of the paper industry. We had 100

percent participation. Of our 175 member companies, 106 have international activity. In both 1971 and 1972, our industry's exports exceeded the $1 billion mark, and the Government estimates that every $1 billion of exports provides 70,000 to 80,000 jobs.

Important as direct exports are to us, they do not tell the full story. Our indirect exports—for example, packaging for shipments by other industries overseas—are estimated at more than $1.8 billion. Thus, combining direct and indirect exports, we are talking about nearly $3 billion of production which is dependent on foreign trade—and which substantially increases U.S. employment even further.

Now we come to a point which we wish to emphasize and which is of great importance to this industry. Europe is the chief customer for U.S. paper industry exports, with 38 percent going to the enlarged European community group. Our major competitors are the Scandinavian countries and Canada.

Until this year, we exported to the six Common Market countries on equal tariff terms with all of our competitors. Under those conditions, we were highly competitive. Between 1960 and 1971, the paper industry's exports to the six EEC countries increased three and a half times and, for such products as paperboard, seven and a half times.

In 1972, the EEC and nonapplicant EFTA countries, including Sweden and Finland, concluded an agreement forming a free trade zone. Under these agreements, all tariffs on industrial goods, including paper and paperboard, will be gradually eliminated. Our paper industry will then face a 12-percent tariff disadvantage.

Such discrimination poses a serious threat. The loss of exports will hurt the industry and will have an adverse effect on the U.S. balance of trade and payments. In 1971, of the $405 million of the paper industry's exports to the enlarged European community, $325 million worth were dutiable items which would face tariff discrimination.

The past growth record of our exports must be projected forward to get a true picture of the potential damage to our exports.

On May 15, Dr. Irene Meister testified on behalf of the American Paper Institute before the Trade Informtion Committee of the Office of the Special Representative for Trade Negotiations on the effects of the EEC–EFTA trade agreements on the Amrican paper industry. We request permission to include this testimony in the record.

The CHAIRMAN. Do you want it at the end of your statement?

Mr. McSWINEY. We suggest that it be attached to our written testimony.

The CHAIRMAN. Without objection, it will be included in the record.

Mr. McSWINEY. The U.S. paper industry must regain parity of tariff treatment with our competitors. The solution to the emerging trade problems must be found in the forthcoming trade negotiations.

Over the past 2 or 3 years, the executive branch of the U.S. Government has been fully informed by our industry and now is knowledgeable as to the industry's position and needs. What is needed now is authority and direction to the negotiators so that we can compete on equitable terms with our Scandinavian friends.

Moving on, we believe that the authority to raise as well as lower tariffs should be granted to the President because other nations with whom the United States will be negotiating will have similar authority and they will use it as a bargaining tool. We further support grant-

ing the President authority to negotiate the removal of nontariff barriers subject to congressional review as provided in section 103e.

Imports will always be a problem for certain segments of U.S. industry, even under equitable competition. Such industries obviously need assistance in adjusting to chnges. The escape clause in the Trade Reform Act of 1973 offers a means for dealing with this problem. We therefore support chapter 1, sections 201 through 203, of title II.

Chapter 2 of title II deals with adjustment assistance for workers. We agree that workers displaced by imports should be helped in job relocation.

Subchapter A of chapter 2 liberalizes the eligibility for adjustment assistance and we support this easing of requiremrents as a step toward more effective assistance to affected workers.

Subchapter B, part I, expresses the intent to merge the present system of adjustment assistance for workers displaced by imports with proposed legislation which would set Federal standards for unemployment compensation. The latter legislation is complex, and API plans to comment on it at the proper time after making a thorough study of its impact on the paper industry. We have reservations, therefore, on linking the issue of federalization of standards for unemployment compensation with the the trade bill.

With regard to title III, "Relief from Unfair Trade Practices," we support the provisions of this title since they would give the President powers to act against unfair trade practices of other nations.

Section 301 of title III sets up broad criteria for U.S. responses to unfair trading practices. Our trading partners will examine this section most carefully because it could be potentially most dangerous to them.

We believe section 301 should contain a more detailed set of procedures to amplify point "a." This would assure our trading partners of our fairness and should help avoid counterproductive measures on their part.

Another recommendation we have regarding the provisions of title III deals with countervailing duties, which would now apply to duty-free goods such as pulp and newsprint. To avoid accusations by our trading partners that the United States is arbitrary, we recommend setting standards that would describe what constitutes "material injury" within the meaning of section 303b, subpoint "A." Without such additional criteria for the determination of injury, unforseen abuses of this provision could take place, inviting retaliation.

We support in principle title IV, dealing with international policy management. We recomemnd, however, that the Congress include under this title an additional provision, urging the President to take all feasible steps to negotiate a set of international rules for the management of balance-of-payments problems.

We further recommend that another provision be included in this title, to the effect that the President shall use trade restrictions as a unilateral instrument of balance-of-payments adjustment only if the trading nations fail to reach a satisfactory set of international standards.

We believe that an expression of congressional views such as we suggest would encourage the developed countries to agree on a set of rules that would apply to both monetary and trade regulations. This

would be preferable to individual countries' handling balance-of-payments difficulties on a unilateral basis.

Consistent with our support of world trade expansion, we support title V, which, inner alia, would authorize the President to extend most-favored-nation—MFN—treatment to the U.S.S.R. and other centrally planned nonmarket economies.

Our support of this section is conditioned, however, on the passing by Congress of title III, which protects U.S. industry against unfair competition. We consider it essential that provisions governing anti-dumping and countervailing duties should be fully applicable to trade with the Communist bloc countries.

As an additional safeguard, we recommend that, in reaching commercial agreements with those nations, the escape clause be made mandatory rather than an optional part of the agreement.

Because we believe that U.S. prosperity depends on the growing prosperity of other nations, we support title VI, which authorizes the establishment of a generalized system of preferences for developing nations. Some of the European countries already grant such preferences but also receive reverse preferences for their trade. This distorts the principle of preferences for developing nations.

We recommend that the Congress write in a provision under this title urging the executive branch to reach an agreement with other developed countries on a set of international rules that would govern the granting of such preferences. We strongly support a provision of this title under which developing countries will stop receiving generalized preferences after January 1, 1976, unless they had eliminated reverse preferences to other developed nations.

With the recommendations that we have submitted to you in this testimony as well as with those Mr. Hannigan will present on the tax proposals, we strongly urge this committee to report favorably the Trade Reform Act of 1973 for consideration by the House of Representatives. Mr. Hannigan.

STATEMENT OF JUDSON HANNIGAN

Mr. HANNIGAN. Good morning. Mr. Chairman, we are concerned that the Treasury Department recommendations for revising the taxation of foreign source income may produce effects contrary to the spirit of the administration's trade bill of 1973.

The paper industry has not invested abroad because of tax incentives. These investments have been made for business and economic reasons and often under conditions of considerable risk.

Foreign investments by our industry are significant, and they have been bringing a steady return to this country. The total book value of U.S. paper industry investments overseas amounts to nearly $1.6 billion. Of this amount, 61 percent is in Canada. Our full text provides a table which gives the breakdown of our investments by area.

The paper industry has two types of foreign investment. The most prevalent type is investment in facilities for processing raw materials. These investments, principally in Canada, are located at the raw material source and serve as an extension of our domestic raw material base for production of pulp and newsprint. U.S. dependence on Canadian

pulp and newsprint has long been recognized by allowing these products to enter duty free.

The developed areas of the world, except North America, are short of fiber, and many countries seek access to a raw materials base. The alternative to U.S. investments in Canada would be expansion of investments by our foreign competitors. They could monopolize the supply and distribution of these raw materials. Without access to raw materials, U.S. producers would be weakened both domestically and in third markets. This would adversely affect repatriation of earnings and, consequently, the balance of payments.

The second type of overseas investment is in plants making paper and paperboard products for local markets. An example would be box and packaging plants, tissue mills, and other facilities producing consumer-type products. Such products cannot be economically exported from the United States due to a combination of factors.

In these types of paper and paperboard products, we compete with local German, French, and British producers as well as with foreign suppliers, such as the Swedes and Finns, who are located near the European markets. Products manufactured in these overseas facilities are not reexported to the United States. Moreover, U.S.-owned foreign subsidiaries and affiliates are basic customers for such U.S. export products as pulp and kraft linerboard, as well as machinery.

If these foreign subsidiaries and affiliates are placed at a competitive disadvantage as a result of the so-called tax holiday section in the tax proposals, U.S. exports and earnings would suffer, with a resulting loss of jobs in the United States and adverse implications for the balance of payments.

The Treasury's proposals seem to imply that all imports coming from the U.S. affiliates abroad will adversely affect U.S. employment. Northing could be further from the truth as far as the paper industry is concerned.

Basically, the U.S. paper industry imports only two bulk commodities—pulp and newsprint. Pulp is used for further processing and newsprint as a basic material of the newspaper and the publishing industry. In 1971, 99.9 percent of the imports from the foreign subsidiaries and affiliates of our member companies came from Canada. Of this amount, 99 percent consisted of pulp and newsprint.

In the case of newsprint, imports comprised 68 percent of domestic consumption in 1972. Some 20 to 30 percent of these imports came from Canadian subsidiaries of U.S. companies. Our domestic newsprint industry, however, operated at or near full capacity throughout 1971 and 1972. Thus newsprint imports were vital to the U.S. newspaper and publishing industry.

Pulp imports are also important to the U.S. economy and essential to many domestic paper companies. Some companies have no pulping facilities and depend wholly on Canadian pulp for their production. Although the United States is also a substantial exporter of pulp, the imported grades of pulp usually cannot be substituted for exported pulp for reasons of grade and geography. We cannot decrease our imports by reducing our exports for use at home.

Clearly our subsidiaries and affiliates in Canada which provide pulp and newsprint cannot be classified as "runaway" plants. These investments—some of them dating back into the last century—were

96-006 O—73—pt. 11——3

made for sound business reasons. Imports of the materials produced by these affiliates create jobs in the United States, not eliminate them.

This has been recognized by Mr. Joseph P. Tonelli, president of the United Paperworkers International Union, the principal labor union representing pulp and paperworkers in the United States. He has publicly opposed on several occasions the imposition of restrictions on imports from Canada.

Despite the positive contribution of these Canadian operations, they could still be classified as "runaway" plants under the present wording of the administration's proposals. The effect would be to stifle future U.S. investments, deprive the domestic industry of essential resources, and cripple our ability to compete in the third-market countries. We hope that this was not the intent of the administration's proposals. Certainly, a clarification is urgently needed.

The administration's trade reform bill seeks to increase U.S. competitiveness, provide more jobs for U.S. workers, and take advantage of new trade opportunities. However, the Treasury proposals regarding "tax holidays" as they are now written can result in serious competitive disadvantages to U.S. investors and would appear to be contradictory to the overall intent of the Trade Reform Act.

Foreign countries are as eager as the United States to collect taxes. When they grant so-called tax holidays, it is a sure sign that they cannot attract investments in any other way. More often than not, tax holidays compensate for unusual risks.

Our foreign non-Canadian facilities serve foreign markets and do not reexport to the United States. Our foreign competitors serve the same markets. If our subsidiaries and affiliates were to be taxed on a current basis while our competitors are not, we would be faced with a serious competitive disadvantage.

How will the proposed changes in tax rules affect our national policy of helping less-developed countries as outlined in title VI of the trade reform bill dealing with generalized preferences? Quite adversely, we think. The Treasury's proposals as now stated will penalize U.S. investors in the less-developed countries. The Treasury's proposals will stifle future flow of investments and hurt the very countries we want to assist.

I spoke earlier of the U.S. paper industry's investment in manufacturing facilities from which we do not reexport into the United States. In 1971, the American Paper Institute conducted a survey of 15 major U.S. paper companies with such international operations for the purpose of examining what effect their international activities have on the balance of payments.

In all the years surveyed, the inflow of funds into the United States was much greater than outflow, making a positive contribution to the balance of payments, ranging from approximately $320 million in 1966 to $570 million in 1969. It is this large positive flow of funds that could be severely damaged by the Treasury's current proposals.

In summary, no developed nation taxes earnings of overseas subsidiaries on a current basis. In fact, 24 nations do not tax such earnings at all. To further restrict U.S. investments abroad by means of tax policy would make the United States less competitive in opening up both new sources of raw materials and new markets overseas—the consequence being the loss of U.S. jobs and further damage to U.S. balance of payments.

Now, Mr. Chairman, my colleagues and I would be happy to answer questions that the committee may have.

[The prepared statement of the American Paper Institute follows:]

STATEMENT OF JAMES W. MCSWINEY AND JUDSON HANNIGAN, ON BEHALF OF THE AMERICAN PAPER INSTITUTE

My name is James W. McSwiney and I am Chairman and Chief Executive Officer of the Mead Corporation and member of the Board of Directors of the American Paper Institute (API) on whose behalf I appear here today. The Headquarters of my company and my home are in Dayton, Ohio. I have with me Mr. Judson Hannigan, Executive Vice President of International Paper Company and Chairman of the Containerboard Division of the API; Mr. Edwin A. Locke, Jr., President of the API; Dr. Irene W. Meister, Director of International Business for API and Mr. J. Stanley Wilde, an Assistant Treasurer, International Paper Company and a member of the API's Committee on Tax Affairs.

The U.S. paper industry testified before this Committee in connection with the Trade Expansion Act of 1962 and we appreciate the chance to do so again. We will comment on both the proposed Trade Reform Act of 1973 and the Treasury's proposal for revision of the rules governing taxation of foreign source income. We would like to divide our testimony between myself and Mr. Hannigan. Our group will then be prepared to answer the Committee's questions.

We are here to support, in principle, the proposed Trade Reform Act of 1973 which is designed to expand world trade by reducing tariff and non-tariff barriers and to strengthen our ability to deal with unfair competitive practices.

The American paper industry has a big stake in the success of the forthcoming trade negotiations as well as in the establishment of equitable rules for future economic relations among nations.

In spite of the present deficit in balance of trade and of payments, we believe that our country and our industry have benefited significantly from the trade expansion of the past decade thanks to the wise policies adopted by this Committee in 1962 and passed by Congress. However, many things have changed since 1962. The U.S. now has a balance of payments deficit, and our foreign competitors are immeasurably stronger than they were in the sixties. Furthermore, the emergence of trade blocs and free trade zones has to a considerable degree, supplanted the basic principle of most-favored-nation (MFN) treatment on which world trade has been based. We need new rules, and we believe that the proposed trade bill provides the appropriate authority for establishing these rules.

WHAT IS THE AMERICAN PAPER INSTITUTE AND WHOM DO WE REPRESENT?

The American Paper Institute is comprised of manufacturers who produce more than 90 percent of the nation's pulp, paper and paperboard. Their products include wood pulp, tissue, newsprint, containers, wrapping materials, printing and writing papers, and many other papers produced from virgin and recycled cellulose fibers. In 1972, this industry produced 59 million tons of paper and paperboard and the net sales of the paper and allied products companies amounted to over $23 billion. The U.S. paper industry operates in all but one state of the Union. It employs nearly 700,000 people. It pays nearly $8 billion in wages, salaries and benefits, and nearly $1.2 billion in taxes. It is a basic industry and among the 10 largest in the country.

We are also a world-wide industry with 10 percent of our primary production exported and investments in many areas around the world. In 1960, paper industry exports amounted to $431 million. Last year they were $1.1 billion, or a 155% increase in only 12 years. Our industry has a unique raw materials base in that it is renewable. Moreover, this country is able to grow abundant wood fiber for both domesitc and world markets. Our forest soils are among the most productive in the world. We are confident that our exports can continue to grow in the proper world trade climate.

IS TRADE EXPANSION NEEDED?

Some observers ask whether export expansion is beneficial to the U.S. economy. It has even been suggested that in order to conserve all our resources, the country should level off or even decrease its exports. We believe this posi-

tion is fallacious. Agriculture and forest-based industries use renewable resources, and their output together with the output of high-technology industries represent products which are strongly competitive in world markets and hence high on the order of desirable exports. Because we are far from being self-sufficient in all things and need products of other countries, energy being a prime example, we should strive for a realistic balance between exports and imports. This should not be at the expense of decreasing imports but rather through an increase in exports. The American businessman must know that his government is behind him in this objective.

For many countries foreign trade is a matter of top priority. These countries have developed national policies that favor industries engaged in export and foreign investment. The prosperity in the European Community today is to a large degree the result of the expansion of their trade in the sixties—an expansion which still continues. Germany exports 35 percent of her domestic production of goods; the United Kingdom, 52 percent; Canada, 56 percent and Japan, 34 percent.

The United States presently exports about 14 percent of its domestic production of goods—an important component of demand but far below the figures of our trading partners. If U.S. foreign economic policy is to gain in importance as a means of overcoming our trade and balance of payments problems, active cooperation between the public and private sectors is essential. This is where we lag behind Europe, Japan and other countries. Our balance of payments could be greatly improved through an increase in exports, and also through a greater flow of repatriated earnings. To accomplish the latter, the U.S. government should remove restrictions on foreign investments since there is strong evidence that these investments make a continuous contribution to our balance of payments. Like the policies of other major nations, our national policies should also be geared to improving our trading and investment position.

WHY EXPORTS ARE IMPORTANT TO THE PAPER INDUSTRY

The paper industry is highly capital intensive—an efficient facility now requires an investment of $50 to $250 million. In recent years our industry has faced a severe deterioration of earnings. We have attached three charts which show dramatically what has happened in the last decade. 1) Profits as percent of sales are less than the average for all industries. 2) Profits as a percent of net worth are substantially below the average for all industries. 3) Ratio of debt to equity has climbed to an all time high and leaves a little leeway for raising additional capital for expansion.

Moreover, capital expenditures on pollution abatement are tremendous and though socially desirable, are non-profit producing, thus reducing the amount of earnings available for re-investment in productive facilities. For example, in 1972, half of the estimated capital investment in the primary sector of our industry went into pollution abatement in the amount of $414 million.

In order to provide the cash flow for future investments so necessary in the fight against inflation domestically—and so important in our balance of payments, it will be essential, now and for years to come, for the paper industry to operate at near full capacity. Exports constitute 10 percent of the domestic production. In such products as kraft linerboard, the percentage is between 15 and 18 percent Thus, the ability to export on a competitive basis is of great importance to our industry.

The American Paper Institute has just completed a survey of the international position of its members, and we had 100 percent participation—which indicates the importance that this industry attributes to international business. 106 of our 175 member companies have some international activity, 94 of these 106 companies have exports and 27 have investments in foreign producing facilities. In both 1971 and 1972 our industry's exports exceeded the billion dollars mark. The Government estimates that every one billion dollars in exports provides 70 to 80 thousand jobs.

Important as direct exports are to us, they do not tell the full story. Our domestic production and hence our domestic employment are substantially dependent on domestic sales that are tied to other industries' exports. Packaging materials for products shipped overseas, and paper for exported printed matter, such as books, magazines, etc., are examples of such *indirect* exports. We estimate that in 1971 more than $1.8 billion worth of the domestic sales of our industry went into indirect exports. Thus, continued export growth by U.S. industries other than our own is also of major importance to us.

Europe is the largest market for the paper industry's exports, with 38 percent being sold to the Enlarged European Community. Our major competitors are the Scandinavian countries and Canada. Until this year we exported to the six Common Market countries on equal tariff terms with all our competitors. Under conditions of tariff parity the U.S. paper industry is highly competitive in spite of the fact that, compared to Sweden and Finland, we have considerable transportation disadvantages. Between 1960 and 1971, paper industry's exports to the six EEC countries increased three and a half times, and for such products as paperboard seven and a half times.

Starting with 1973, we no longer have parity with our Scandinavian competitors. Under agreements concluded in July 1972 between the Enlarged EEC and the "non-applicant" EFTA countries including Sweden and Finland, all tariffs on industrial goods, including paper and paperboard, will be gradually eliminated. Our paper industry will then face a 12 percent tariff disadvantage.

Such discrimination poses a serious threat. The loss of exports will have an adverse effect on the U.S. balance of trade and payments. In 1971, of the $405 million of the paper industry's exports to the Enlarged European Community, $235 million worth were dutiable items which would face tariff discrimination. The past growth record of our exports must be projected forward to get a true picture of the potential damage to our exports. (Attached is the table showing paper industry's exports for 1971 by major product categories). We request the Committee's permission to attach for the record the API testimony in May 15 before the Trade Information Committee of the Office of the Special Trade Representative for Trade Negotiations on the effects of the EEC–EFTA Trade Agreements on the American paper industry.

The U.S. paper industry must regain parity of tariff treatment with our competitors, and we are convinced that the only solution to our emerging problems in trading with Europe lies in the forthcoming trade negotiations. This is why the President's ability to negotiate effectively in the coming round of discussions is of such importance to us.

Numerous non-tariff barriers such as quotas, distribution restrictions, etc., as well as very high tariffs on certain individual products also handicap us in our trade with Japan and other nations. We hope that through negotiation these barriers can be substantially reduced.

COMMENTS ON SPECIFIC TITLES OF THE TRADE REFORM ACT

Title I—Authority for new negotiations

We vigorously support Title I as an essential and realistic means for successful trade negotiations. We believe that the authority to raise as well as lower tariffs should be granted to the President because other countries with whom the U.S. will be negotiating will have similar authority and will use it as a bargaining tool. We further support granting the President authority to negotiate the removal of non-tariff barriers subject to Congressional review as provided in Section 103"e".

We welcome the provisions of Chapter 2 of Title I under which the prenegotiation hearings will take place allowing all interested segments of the economy who have a stake in the proposed agreements to express their views.

Title II—Relief from the disruption caused by fair competition

In his message to Congress, the President pointed out that most of the domestic problems caused by surging imports have *not* been related to the reduction of import barriers. Imports will always be a problem for certain segments of U.S. industry, even under equitable competition. Such industries obviously need assistance in adjusting to changes in competitive situations. However, if we insist that other nations reduce their barriers to allow the U.S. to export—and we should expect to find many fields for export where we have a competitive advantage—we cannot expect to permanently impede the flow of competitive imports into the U.S. The escape clause in the Trade Act of 1973 offers a means for dealing with this problem by providing time-limiting relief to affected industries without permanently impeding the free flow of trade. We therefore support Chapter 1, Sections 201 through 203 of Title II.

Chapter 2 of Title II deals with adjustment assistance for workers. There is general agreement that the adjustment assistance programs administered under the 1962 Trade Expansion Act have proved ineffective. Hardly anyone could disagree that workers displaced by imports must be helped to find new jobs. We also agree with the President when he said in his message to Congress that

"Our responsibilities for easing the problems of displaced workers are not limited to those whose unemployment can be traced to imports. All displaced workers are entitled to adequate assistance while they seek new employment. Only if all workers believe they are getting a fair break can our economy adjust effectively to change."

Subchapter A of Chapter 2 liberalizes the eligibility for adjustment assistance and we support this easing of requirements as a step towards more effective assistance to affected workers.

Subchapter B, Part I, links the adjustment assistance for workers displaced by imports to the proposed unemployment compensation legislation which has not yet been reviewed by a Congressional committee. We feel that this latter legislation settling federal standards for unemployment compensation is quite complex, deals predominantly with situations unrelated to import displacement, and should therefore be studied on its own merits apart from the Trade Bill. The American Paper Institute requests the right to comment on this legislation when it comes up for hearing before a Congressional committee and after we have had a chance to make a thorough study of its impact on the paper industry as a whole.

Title III—Relief from unfair trade practices

With regard to Title III, "Relief from Unfair Trade Practices", API supports the provisions of this title since they would give the President powers to act against unfair trade practices of other nations.

Section 301 of Title III sets up broad criteria for U.S. responses to unfair restrictions on U.S. exports and export subsidies by foreign countries that can have a disrupting effect on our economy. Our trading partners will examine this section most carefully because it could be potentially dangerous to them.

We believe Section 301 should contain a more detailed set of procedures to amplify Point "a". This would assure our trading partners of our fairness in administering this section and should help avoid counterproductive measures on their part.

Another recommendation we have regarding the provisions of Title III deals with countervailing duties. According to Chapter 3 of this title, countervailing duties would now apply to duty-free goods such as pulp and newsprint. This is a new and additional safeguard to U.S. industry. To avoid accusations of arbitrary practices by our trading partners, we recommend setting standards that would describe what constitutes "material injury" within the meaning of Section 303"b", Subpoint "A". Without such additional criteria for the determination of injury, unforeseen abuses of this provision could take place, inviting retaliation by our trading partners.

Title IV.—International trade policy management

We support in principle Title IV dealing with international policy management. We recommend, however, that the Congress should include under this title a provision that the President should take all appropriate and feasible steps to negotiate a set of international rules for the management of balance of payments problems. We further recommend that this title include another provision to the effect that the President shall use trade restrictions as a unilateral instrument of balance of payments adjustment only if the trading nations fail to reach a satisfactory set of international standards.

It is our view than an expression of Congressional views such as we suggest would encourage the developed countries to agree on a set of rules that would apply to both monetary and trade regulations. This would be more preferable than leaving to individual countries the management of balance of payments difficulties on a unilateral basis.

Title V.—Trade relations with countries not enjoying most-favored nations tariff treatment

Consistent with our support of world trade expansion, we support Title V which *inter alia* would authorize the President to extend most-favored-nation (MFN) treatment to the U.S.S.R. and other centrally planned non-market economies. We believe that improvements in economic relations can result in an improved political climate.

Our support of this section is conditioned, however, on the passing by Congress of Title III which protects U.S. industry against unfair competition. We consider it essential that provisions governing anti-dumping and countervailing duties should be fully applicable to trade with the Communist bloc countries.

In his testimony before this Committee, the spokesman for the U.S. Chamber

of Commerce recommended that an escape clause should be a mandatory rather than an optional element of commercial agreements negotiated by the United States under this title. We strongly support this recommendation by the U.S. Chamber.

Title VI.—Generalized system of preferences

Because we believe that U.S. prosperity depends on the growing prosperity of other nations, we support Title VI which authorizes the establishment of a generalized system of preferences for developing nations. Several other developed nations already extend such preferences to less developed nations. Some of the European countries, however, receive reverse preferences for their trade. This distorts the principle of preferences for developing nations. We recommend that the Congress write in a provision under this title urging the Executive Branch to reach an agreement with other developed countries on a set of international rules that would govern the granting of such preferences. We strongly support a provision of this title under which developing countries will stop receiving generalized preferences after January 1, 1974 unless they had eliminated "reverse" preferences to other developed nations.

With the recommendations that we have submitted to you in this testimony, we strongly urge this Committee to report favorably the Trade Reform Act of 1973 for consideration by the House of Representatives.

TREASURY'S TAX PROPOSAL

We have set forth the American Paper Institute's position on the Trade Reform Act. I would now like to comment on the proposed changes in taxation of foreign source income.

In his message to Congress of April 10 transmitting the Trade Reform Act, the President stated:

". . . Our existing system permits American-controlled businesses in foreign countries to operate under the same tax burdens which apply to its foreign competitors in that country. I believe that system is fundamentally sound. We should not penalize American business by placing it at a disadvantage with respect to its foreign competitors."

In the same message he further stated:

". . . In most cases, in fact, Americans do not invest abroad because of an attractive tax situation but because of attractive business opportunities. Our income taxes are not the cause of our trade problems and tax changes will not solve them."

From their own experience our member companies can testify that these statements are eminently sound.

As we understand it, the purpose of the Treasury's recommendations are not to change the principles that underlie the laws on taxation of foreign source income but to correct distortions in the existing tax laws. Testifying before this Committee on May 10, Assistant Secretary of the Treasury said:

". . . We have three proposals for legislative changes. They are advanced in the belief that our system is fair in its general application, but that in certain limited situations we need changes in our tax system to neutralize distortions in investment decisions and revenue collection caused by some foreign tax systems."

We agree that distortions where they exist should be corrected. We are deeply concerned, however, that the changes proposed by the Treasury would have much broader application and impact on U.S. investors abroad than the correction of distortions.

On our opinion, the Treasury is adopting an extreme interpretation which in due course will mean taxing currently the income of virtually every manufacturing subsidiary and affiliate of a U.S. company. We thus believe that the Treasury's proposals as presently expressed will inhibit the future growth and viability of foreign subsidiaries and affiliates which today are facing ever increasing foreign connection. Moreover, we are concerned that the Treasury recommendations may actually be contrary to the very spirit of the Administration's Trade Bill of 1973. Although there is no precise statutory language available at this time, the new Treasury proposals as stated would in a number of cases, we believe, create new inequities rather than correct existing ones.

U.S. paper industry's investments overseas

The paper industry has not invested abroad because of tax incentives. These investments have been made for business and economic reasons and often under conditions of considerable risk.

Foreign investments by our industry are significant and they have been bringing a steady return to this country. The total book value of U.S. paper industry investments overseas amounts to nearly $1.6 billion. Of this amount 61% is in Canada. The following table gives the breakdown of our investments by area.

BOOK VALUE OF FOREIGN INVESTMENTS BY THE U.S. PAPER INDUSTRY, DEC. 31, 1971

Country	Amount (millions)	Percent of total investments
Canada	$974.6	61.1
Europe	318.7	20.0
Latin America	224.0	14.1
All others	76.6	4.8
Total	1,593.9	100.0

Raw material supplies

The paper industry's foreign investments are of two types. Based on the value of assets, the most prevalent type is investment in facilities for processing raw materials. These investments, principally in Canada, are located at the raw material source and serve as an extension of our domestic raw material base for production of pulp and newsprint. Our subsidiaries and affiliates in Canada provide these bulk commodities to the U.S. market and to third markets. U.S. dependence on Canadian pulp and newsprint has long been recognized by allowing these products to enter duty free. (Pulp has been entering duty free since at least 1922; newsprint since 1911.)

The developed areas of the world, except North America, are short of fiber and many countries seek access to a raw materials base. The alternative to U.S. investments in Canada would be investments by our foreign competitors who under the right circumstances could conceivably monopolize the supply and distribution of these raw materials. For example, we know of several places where Japanese investors are moving in, helped by the close working relationship that exists between them and their government. Loss of access to raw materials would limit the availability of these materials to U.S. producers and would weaken our position in the third markets. This would adversely affect repatriation of earnings and consequently the balance of payments.

Manufacturing

The second type of overseas investment is in facilities for the manufacture of paper and paperboard products for local markets. An example would be box and packaging plants, tissue mills and other facilities producing consumer-type products. Such products cannot be economically exported from the U.S. due to a combination of factors, the most important being high transportation costs, tariff and non-tariff barirers, and the need to be near the centers of consumption to provide quick service. In these types of paper and paperboard products, we compete with the local German, French and British producers as well as with foreign suppliers such as the Swedes and Finns who are located near the European markets. Products manufactured in these overseas facilities are not reexported to the U.S. Moreover, U.S. owned foreign subsidiaries and affiliates are basic customers for such U.S. export products as pulp and kraft linerboard, as well as machinery. If these foreign subsidiaries and affiliates are placed at a competitive disadvantage as a result of the so-called "tax holiday" section in the tax proposals, U.S. exports would suffer, with a resulting loss of jobs in the U.S. and adverse implications for the balance of payments. Earnings of these affiliates and subsidiaries will also suffer which in turn will have an adverse effect on the balance of payments.

Composition of U.S. pulp and paper imports from foreign subsidiaries and affiliates

Underlying the Treasury proposal for changes in taxation of foreign source income is the apparent assumption that all imports coming from the U.S. affiliates abroad have an adverse effect on U.S. domestic employment and hence such affiliates would fall under the definition of "runaway" plants. Nothing could be further from the truth as far as the paper industry is concerned.

Basically, the U.S. paper industry is an importer of only two bulk commodities which are either utilized in further processing, as in the case of pulp, or used as a basic material by the publishing industry, as in the case of newsprint. Let me illustrate this. In 1971, 99.9% of the imports from the foreign subsidiaries and affiliates of our member companies came from Canada. Of this amount, 99% consisted of pulp for newsprint.

In the case of newsprint, 65% of domestic consumption in 1972 was provided by imports, and some of those imports came from subsidiary or affiliated companies. Our domestic newsprint industry operated at or near full capacity throughout 1971 and 1972, and thus newsprint imports were essential for the viability of the U.S. publishing industry.

Pulp imports are important to the domestic economy and to the domestic manufacturing of our member companies. Some companies are entirely dependent on Canadian pulp because they do not have integrated pulp facilities. Although the U.S. is also a substantial exporter of pulp, the imported grades of pulp cannot be substituted for exported pulp for reasons of grade and geography. We cannot decrease our imports by reducing our exports and using them domestically. Imported pulp is mainly used in the northern section of this country, and it comprises specific grades that are needed in the production of particular types of paper. Exported pulp originates primarily in the southern and western United States, where production for export contributes importantly to the efficiency and hence profitability of the mills as well as to the level of employment and also makes an important contribution to the balance of payments.

"Runaway" plants

Clearly our subsidiaries and affiliates in Canada which provide pulp and newsprint cannot be classified as "runaway" plants. The investments in these companies were made over a period of many years, dating back into the last century, for sound business reasons. Imports of the materials produced by these affiliates contribute to *U.S.* employment rather than to reduce it. This has been publicly recognized by the principal labor union representing pulp and paper workers in the U.S. The president of that union has publicly opposed on more than one recent occasion the imposition of restrictions on imports from Canada.

Under the present wording of the Administration's proposals dealing with "runaway" plants our investments in Canada could fall under this classification. The effect would be to stifle future U.S. investments, depriving the domestic industry of essential resources and reducing our competitiveness in the third market countries. We hope that this was not the intent of the Administration's proposals. Certainly, a clarification is urgently needed.

Tax holidays

The Administration's Trade Reform Bill seeks to increase U.S. competitiveness, provide more jobs for U.S. workers and take advantage of new trade opportunities. However, the Treasury proposal regarding tax holidays as they are now written can result in serious competitive disadvantages to U.S. investors and would appear to be in contradiction to the overall intent of the Trade Reform Act.

Foreign countries are as eager as the U. S. to collect taxes. When they grant so-called "tax holidays" it is usually either because investments in their countries present unusual risks, or because of unusually tough climate or transportation conditions, or because the country is so underdeveloped that it needs to attract outside help in order to help bring it into the 20th century.

As stated earlier, our foreign non-Canadian facilities exist to serve foreign markets, not to re-export to the U. S. Investors of other countries, Finland, Sweden, etc., are serving the same markets. If our subsidiaries and affiliates were to be taxed on a current basis, they would be faced with a serious competitive disadvantage. Furthermore, U. S. laws on taxing foreign source income are already much tougher than those of other developed countries.

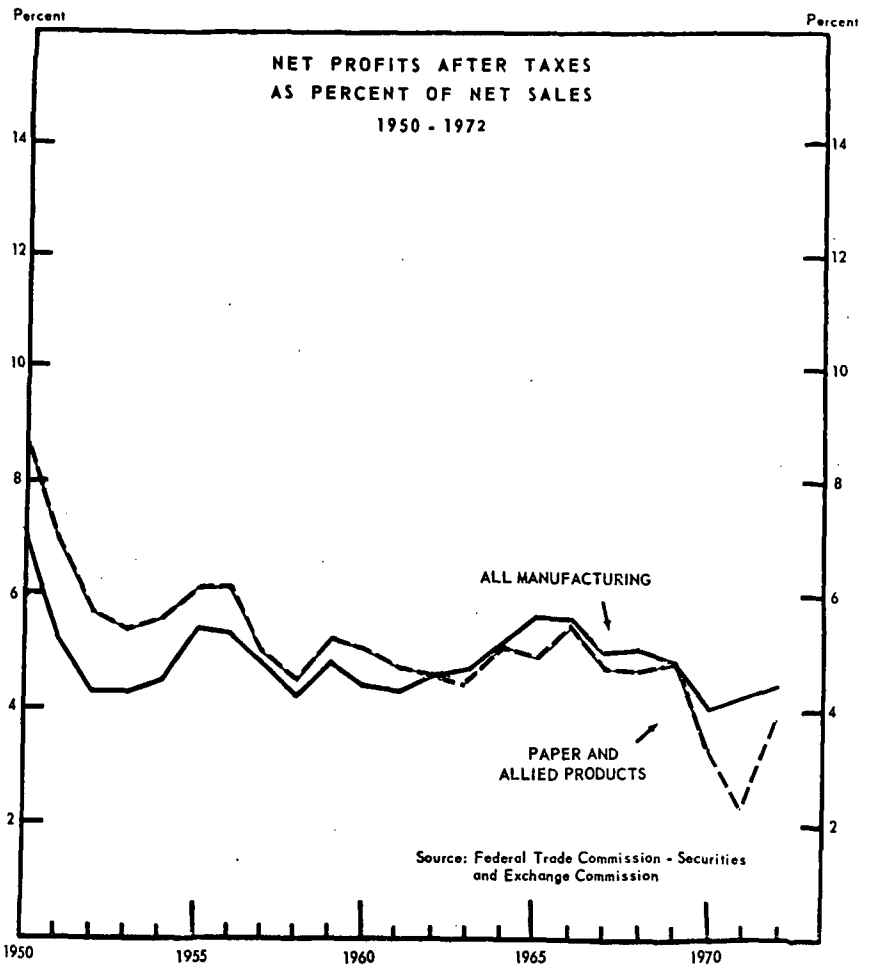
Moreover, we as a nation have consistently demonstrated our desire to assist less developed countries in their economic advancement. The Trade Reform Act signifies the continuation of this national policy through Title VI dealing with Generalized Preferences. We believe that the Treasury's tax proposals run counter to this stated objective and reach far beyond the Administration's intent to correct existing inequities in the tax laws. The Treasury's proposals as now stated will adversely affect U. S. investors in the less developed countries and that in turn will have an adverse effect on the very countries whom we try to assist.

In 1971 American Paper Institute conducted a survey of 15 major U. S. paper companies with international operations. The purpose of this survey was to examine what effect their international activities, e.g., exports, imports and investments, have on the balance of payments. Canada was excluded because investments there are predominantly for the processing of raw materials.

In all the years surveyed, the inflow of funds into the United States was much greater than the outflow, making the following *positive* contribution to the balance of payments:

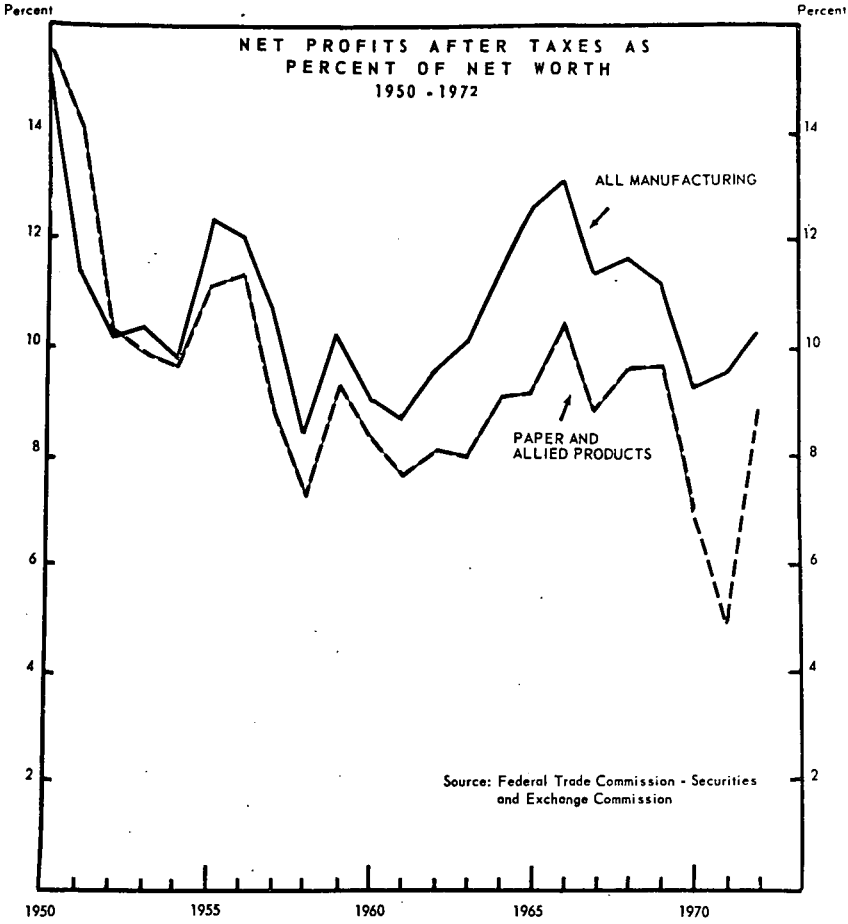
1966	$317, 284, 000
1967	401, 136, 000
1968	506, 382, 000
1969	639, 673, 000

It is this large positive flow of funds and the investments on which they are based that could be severely damaged by the Treasury's current proposals.



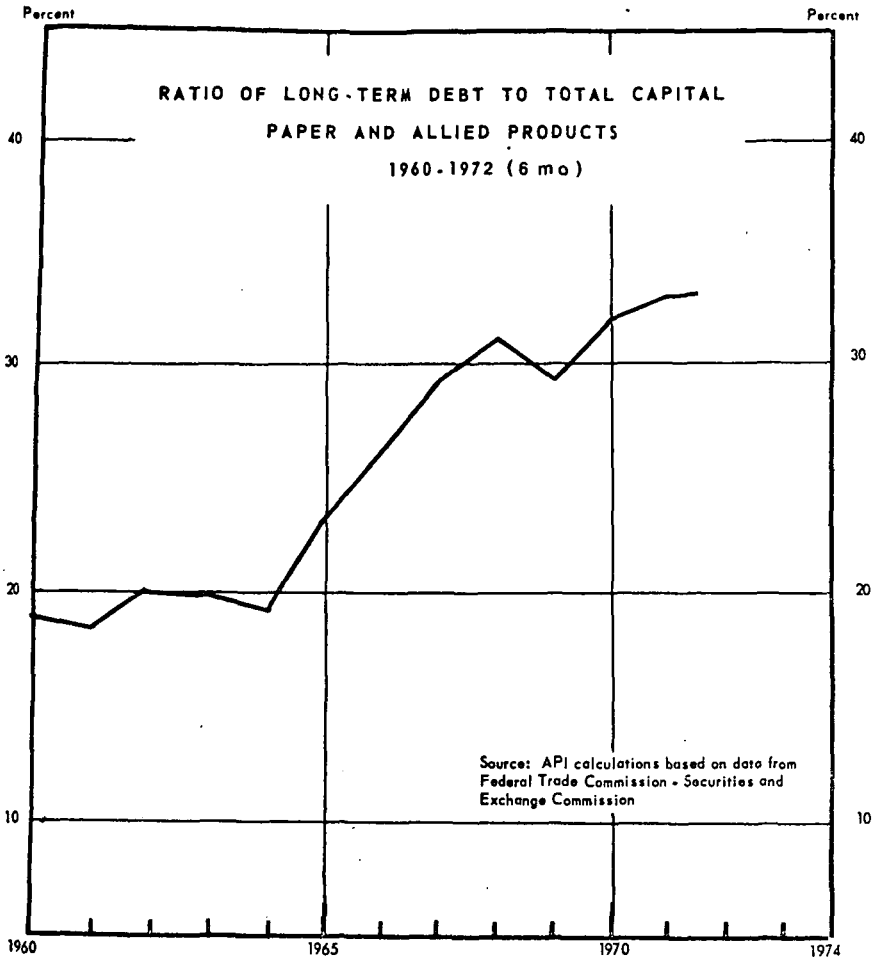
American Paper Institute

November 1972



American Paper Institute

November 1972



EXPORTS OF THE U.S. PAPER INDUSTRY, 1971

[Dollars in thousands]

	Worldwide	Enlarged EEC	Enlarged EEC as percent of total exports
Total exports	$1,070,293	$404,917	38
Pulp [1]	384,754	169,345	44
Paper	231,045	62,164	27
Paperboard	322,158	151,978	47
Construction paper and board	17,307	3,499	20
Converted paper and board products	115,029	17,931	16

[1] Includes cotton pulp and waste paper.

TESTIMONY ON THE EFFECTS OF THE EEC-EFTA TRADE AGREEMENTS ON THE AMERICAN PAPER INDUSTRY, BY DR. IRENE W. MEISTER, DIRECTOR, INTERNATIONAL BUSINESS AND SPECIAL PROJECTS, AMERICAN PAPER INSTITUTE, INC., BEFORE THE TRADE INFORMATION COMMITTEE, OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, MAY 15, 1973

This brief is submitted on behalf of the American Paper Institute, an association which represents over 90 percent of the United States' manufacturing capacity of pulp, paper and paperboard. In 1972 the American paper industry produced 59 million tons of paper and paperboard, employed nearly 700,000 people, and operated in 49 states.

Two of the paper industry's bulk products, pulp and kraft paperboard, are basic commodities traded in all parts of the world. It also exports a variety of specialty grades of paper competing on the basis of quality and fair price. The U.S. paper industry's business is worldwide, and about 10 percent of the total U.S. production is exported. This represents a significant percentage for an industry for which the fullest utilization of capacity is essential because of its extremely high capital intensiveness.

We are submitting this testimony in order to inform the U.S. Government that the agreements concluded between the EEC and EFTA countries in June 1972 will cause serious injury to the exports of the U.S. paper industry. This in turn will have an adverse effect on the U.S. balance of trade and payments.

EEC-EFTA AGREEMENTS

The formation of the enlarged EEC has divided the European Free Trade Association (EFTA) into two categories of countries: those joining the original European Community of Six, namely the United Kingdom, Denmark, and Ireland, and the rest of the EFTA countries, commonly referred to as the "Non-Applicant EFTA Countries." This latter group of countries includes such major exports of pulp, paper and board as Sweden, Finland and Norway, and such lesser exporters as Austria and Portugal.

In July 1972, the "non-applicant" members of EFTA signed agreements with the enlarged European Community forming a free trade zone. By 1971 standards, the 16 nations' free trade zone would account for nearly 40 percent of world trade. The purpose of the free trade zone is the elimination of tariffs on trade in all industrial goods. Under the agreements between the enlarged EEC and the non-applicant EFTA members, the tariffs and quantitative restrictions on most products will be eliminated by 1977. The transitional period for the paper industry is, however, longer, and zero tariff will not be reached until 1984. The reduction of tariffs on paper and board resulting in discrimination against all outside suppliers not party to the agreement, such as the U.S. and Canada, starts in April 1973. The level of discrimination accelerates after 1976. (See Table 1.)

TARIFF REDUCTIONS BY THE SIX ORIGINAL MEMBERS OF THE EEC:

The current list of the present EEC tariffs on paper products is quite long, but it can be divided into two broad categories. The first category comprises those paper and paperboard products on which the current applicable rate of duty is uniformly 12 percent. This group includes the following BTN (Brussels Tariff Nomenclature) numbers: 48.01C II; 48.01E; 48.07B; 48.13 and 48.15B.[1] Under the terms of the agreement with the non-applicant EFTA countries, a specified and declining tariff on all these products has been set for each year between 1973 and 1984, when it will reach zero. For those remaining paper and board products which at present carry other than a 12 percent duty, a specified *percentage* reduction will apply for each year between 1973 and 1984. (Tissue and parchment paper, for example, have a duty of 13 percent; corrugated board and miscellaneous converted articles have a 14 percent duty.)

---

[1] BTN (Brussels Tariff Nomenclature):

48.01C II	Kraft liner, kraft sack, other kraft paper and board.
48.01E	Uncoated woodfire printing and writing, uncoated mechanical printing and writing, semi-chemical fluting, sulfite wrapping paper, all other uncoated paper and board.
48.07B	All coated printing and writing paper, all other coated, impregnated, etc. paper and board.
48.13	Stencils and carbon paper.
48.15B	Paper and board cut to size (excluding strips coated with rubber adhesive).

TABLE 1.—SCHEDULE OF TARIFF REDUCTIONS BY 6 EEC COUNTRIES ON PAPER IMPORTS FROM EFTA NONAPPLICANTS

Time schedule	Tariffs for categories 48.01C II, 48.01E, 48.07B, 48.13, 48.15B (percent)	Percent of applicable base duty on all other paper products	Examples of duty changes on other products (percent)	
			Miscellaneous converted articles	Parchment paper
Present	12.0	100	14.0	13.0
Apr. 1, 1973	11.5	95	13.3	12.4
Jan. 1, 1974	11.0	90	12.6	11.7
Jan. 1, 1975	10.5	85	11.9	11.1
Jan. 1, 1976	10.0	80	11.2	10.4
Jan. 7, 1977	8.0	65	9.1	8.5
Jan. 1, 1979	6.0	50	7.0	6.5
Jan. 1, 1980	6.0	50	7.0	6.5
Jan. 1, 1981	4.0	35	4.9	4.6
Jan. 1, 1982	4.0	35	4.9	4.6
Jan. 1, 1983	2.0	20	2.8	2.6
Jan. 1, 1984	0	0	0	0

Source: "Accord entre la Communauté Economique Européenne et le Royaume de Suède et documents annexes," Protocol No. 1.

HISTORIC PERSPECTIVE OF U.S. EXPORTS TO THE EEC

The U.S. has been a steadily growing supplier of pulp, paper and paperboard to the six original EEC countries as well as to the United Kingdom. The European Community is a fibre deficit area dependent on imports of pulp, paperboard and a number of paper products. Since the conclusion of the Kennedy Round in 1967, the applicable EEC common external tariff on most of the imported paper and paperboard has been 12 percent.

TABLE 2.—U.S. EXPORTS OF PULP, PAPER AND BOARD 1960–70

[Dollars in millions]

Product	1960			1970			Percent growth: 1960–70		
	World-wide	EEC (6)	United Kingdom	World-wide	EEC (6)	United Kingdom	World-wide	EEC (6)	United Kingdom
Paper stocks[1]	$174	$37.6	$27.9	$501	$160.2	$64.2	188	326	130
Paper	101	8.3	2.3	213	42.4	13.5	111	411	487
Paperboard	75	13.3	22.2	290	92.7	35.8	287	597	61
Construction paper and board	6	.5	.1	13	2.7	.8	117	440	700
Paper and board products	75	7.2	1.7	91	11.2	3.6	21	56	112
Total	431	66.9	54.2	1,108	309.2	117.9	57	362	118

[1] In addition to woodpulp, paper stocks include waste paper and cotton and other pulps.

Source: U.S. Department of Commerce, Bureau of the Census FT 410 for appropriate years and API compilations.

Prior to the EEC–EFTA agreements of 1972, the U.S. competed with the EFTA nations in the six EEC countries on equal terms. In the U.K., however, the U.S. has for some time been at a disadvantage because the Scandinavian countries entered their paper products duty free as members of EFTA, while Canada enjoyed duty free treatment in the U.K. as a member of the Commonwealth. As a result of the EEC–EFTA agreements, the U.S. will now suffer tariff discrimination in *all* countries of the enlarged Community. This discrimination will eventually reach 12 percent in favor of our two major competitors, Finland and Sweden. In addition, by July 1977 the U.K. in the process of tariff harmonization will have raised its duty on such major U.S. exports as kraft linerboard from 10 percent to 12 percent. Furthermore, U.S. producers selling in the European Community will also face stiffer competition in certain nonbulk paper grades due to an anticipated increase in the intra-European trade resulting from the removal of tariffs between the old and new members of the Community. For example, prior to the enlargement of the Community, the U.K. exporters of paper to France or Germany competed there on equal tariff terms

with the U.S., Canada and the Scandinavian countries. Now, however, the U.S. and Canada are put at a disadvantage, while the U.K. exporters and the Scandinavian countries acquire a privileged status—the U.K. because of its full membership in the Community and the Scandinavians because of the EEC-EFTA agrements.

EFFECTS OF PAST DISCRIMINATION ON U.S. EXPORTS TO THE UNITED KINGDOM

Prior to the formation of the EFTA in 1960, Canada enjoyed long standing tariff free treatment in the U.K. and was a dominant supplier of paper and paperboard to that market exporting more than Sweden and Finland combined.

TABLE 3.—IMPORTS OF PAPER AND PAPERBOARD INTO THE UNITED KINGDOM

[In metric tons]

	1960	1970	Growth or decrease (percent)
Canada	526,476	684,024	30
Norway	82,324	188,294	129
Finland	210,086	656,222	212
Sweden	253,188	563,522	123
United States	164,017	270,354	65
All other countries	190,284	143,242	−25
Total	1,426,375	2,505,658	76

Source: Reference tables 1970. The British Paper and Board Makers' Association.

As Table 3 above illustrates, the growth of paper and paperboard exports from Finland, Sweden and Norway to the U.K. market exceeded the growth in all other countries after 1960 when these EFTA countries first received a tariff advantage. The magnitude of growth depends, of course, on an absolute increase in demand within the market as well as on the *relative* share of the market. The U.S. share of the U. K. market for paper and paperboard between 1959 (pre-EFTA) and 1970 decreased from 13.4 percent to 10.8 percent, while the market share of Finland increased from 15.4 percent to 26.2 percent, and that of Sweden from 15.1 percent to 22.5 percent. The United States' major export to the U.K. is kraft linerboard. Between 1963 (the first year for which comparative data is available) and 1970, the U.S. share of the U.K. market decreased from 51.5 percent to 46.5 percent. Some U.S. companies, in fact, withdrew from the U.K. market altogether following the effective date of the EFTA agreements early in the 1960's, but others for whom this market had for a long time been particularly important remained in the hope that the U.K.'s entry into the Community would end the tariff disadvantage for U.S. exporters. At the same time, the United States' share of the market in the six EEC countries, where the U.S. traded on equal tariff terms, rose from 25.6 percent in 1963 to 60.5 percent in 1970. We believe, therefore, that the damages to the U.S. paper industry resulting from the EEC-EFTA agreements should be viewed in relationship to the total market of the enlarged European Community rather than to the market of the six original members.

IMPORTANCE OF THE EUROPEAN MARKET TO U.S. EXPORTERS OF PULP, PAPER AND PAPERBOARD

In 1960, the U.S. paper industry's exports to the six EEC countries plus the U.K. represented 28 percent of the total value of the U.S. paper industry's exports. In 1970, this proportion rose to 39 percent for the total, and 45 percent and 44 percent respectively for pulp and paperboard. Table 4 below shows the importance of the European market to the U.S. paper industry.

TABLE 4.—THE U.S. PAPER INDUSTRY'S EXPORTS TO THE EUROPEAN COMMUNITY COMPARED TO TOTAL EXPORTS 1970

Product	In thousands			As percent of total	
	Worldwide	EEC of 6	Enlarged EEC	EEC of 6	Enlarged EEC
Total	$1,108,325	$309,174	$437,628	38	39
Paper stocks	500,556	160,185	226,360	32	45
Paper	213,469	42,446	57,839	20	27
Paperboard	289,565	92,696	133,843	32	46
Construction paper and board	13,477	2,654	3,487	20	26
Converted paper and board products	91,258	11,193	16,099	12	18

Source: Ibid. table 2.

EXPORTS OF KRAFT LINERBOARD

The U.S. paper industry's largest single export item among the dutiable paper products is kraft linerboard. Kraft linerboard, defined as a paperboard used as the facing material in both corrugated and solid fibre shipping containers, is a key product in the manufacturing of economic paperboard packaging. The increase in the industrial activity of the Community of Six was reflected in the growth of its packaging needs and extensive studies indicate that the demand for kraft linerboard will, throughout the 1970's, show the largest volume of growth of any paper and paperboard packaging material.

The U.S. paper industry is highly efficient and competitive. In the ten-year period of 1960–70, competing on equal tariff terms with other major suppliers such as Sweden, Finland and Canada, the U.S. exports of kraft linerboard to the six EEC countries increased sixfold and in 1970 accounted for 37 percent of the worldwide U.S. kraft linerboard exports. In 1970 the exports to the enlarged Community accounted for 54 percent of the total U.S. kraft linerboard exports, or $123,000,000.

TABLE 5.—U.S. EXPORTS OF KRAFT LINERBOARD TO THE 6 EEC COUNTRIES AND THE UNITED KINGDOM
[In metric tons]

	1960	1970	Increase (percent)	Annual growth (percent)
6 EEC countries	85,732	597,972	597	21.4
United Kingdom	154,267	238,743	55	4.4

Source: Ibid table 2.

TABLE 6.—1970 EXPORTS OF KRAFT LINERBOARD BY THE 5 MAJOR SUPPLIERS
[In metric tons]

	United States	Canada	Sweden	Finland	Norway	Percent of U.S. total imports
6 EEC countries	597,972	54,402	196,826	131,592	7,986	60
United Kingdom, Denmark, Ireland	272,406	127,361	105,541	48,490	8,887	48
Total enlarged EEC	870,378	181,763	302,367	180,082	16,873	56

Source: Exports of kraft linerboard and corrugating materials to World markets—American Paper Institute, 1971 edition.

As Table 6 indicates, the U.S. is the dominant supplier of kraft linerboard to both the six original members of the EEC and the enlarged Community. In 1970, the U.S. exports of kraft linerboard to Europe amounted to nearly 10 percent of the domestic U.S. production, a percentage significantly important for the effective utilization of productive capacity, margin of profits and employment. As the demand for linerboard rose in Europe, the U.S. increased its exports to serve this market. The U.S. capacity has been increased partly to serve the European market, and certain of our mills have been built with this as their

primary purpose on the assumption that they would continue to have equal access to the EEC.

The loss of exports by American companies that have patiently built up substantial European business over a long period would cause serious injury to those firms. It is neither relevant nor valid to compare, as some do, the exports with the domestic sales of the U.S. paper industry and then to suggest that the U.S. industry is so large that it can easily absorb any loss of exports. While it is true that some U.S. firms never export and that a few do so only occasionally when there is a temporary oversupply at home and foreign demand is strong, those firms that do export on a regular basis are among the largest in the industry and contribute substantially and favorably to the U.S. balance of trade and payments.

The majority of the U.S. exporting companies are long-term suppliers to the European market, some dating back to the 1930's. They have served the needs of their European customers both responsibly and efficiently, even during such periods of intense shortage as the Korean War. Moreover, many of them also have affiliations with European containerboard mills and corrugated box plants. We estimate that in 1970 over 15 percent of the European corrugated capacity was affiliated with U.S. firms. These relationships imply a long-term obligation to provide the affiliated companies with U.S. linerboard when these firms need it. Thus linerboard exports have become an integral part of the U.S. paper industry.

Independent consultants have estimated that the new import requirements for kraft linerboard of the enlarged Community will rise from nearly 1,600,000 metric tons in 1970 to over 2,800,000 metric tons in 1980. Thus there is no doubt that the European Community will need American kraft linerboard.

The U.S. paper industry wants to participate in the growth of the European market. Such participation would require additional capacity and the U.S. companies' planning for future capacity is conditioned by their estimates of both foreign and domestic demand and the opportunity of obtaining a reasonable and steady return on their investments whether in the U.S. or abroad.

In such commodity grades as kraft linerboard, competition centers on price since quality for the most part is standardized. In deciding on the allocation of production between exports and domestic sales, the key managerial decision centers on return on investment which in turn is based on mill profits. Unless our exporting mills can count on a profit level that would not be less than that which they obtain domestically, they will not allocate production to export sales.

During periods of high demand in an up-swing cycle when prices are normally higher, our competitors would reap benefits by having an additional 12% advantage and thus boosting considerably their return on investment compared to that of U.S. producers. On the other hand, during the periods of low demand in a down-swing cycle, the Scandinavian countries could offer their products at a discount equivalent to their tariff advantage, forcing down the U.S. mills' profit and thereby reducing the return on investment for the U.S. producers. For our competitors it becomes a "heads we win, tails you lose" situation.

Thus, an inequality of tariff treatment among the major suppliers provides the favored few, in this case Sweden, Finland and Norway, with a flexibility in making marketing and investment decisions not shared by their disadvantaged competitors. Correspondingly, a tariff discrimination of 12 percent would act as a strong deterrent for U.S. companies in exporting to the European market. As indicated earlier, the amounts of U.S. imports of kraft linerboard to the European Community are large ($123,000,000 for 1970), and in accessing the damage to U.S. trade, these should be projected to take into account the potential U.S. exports to 1985.

PAPERBOARD OTHER THAN LINERBOARD

The U.S. has also been competing in the EEC with paperboard exports other than linerboard. In the past ten years these particular exports to the six EEC countries have increased from 15,604 metric tons in 1960, or $2,159,000, to 33,586 metric tons in 1970, or nearly $8,000,000. In 1971, they rose to over $11,000,000.

Most of these exports were the bleached paperboard used for folding cartons, milk cartons, paper plates and cups. With a growth in prosperity in the enlarged Community and an already obvious move to supermarket distribution and to the use of disposable paper products, there is a rising demand for bleached paperboard. The twelve percent discrimination will be an effective deterrent against U.S. participation in the growth of this important market.

EXPORTS OF PAPER

The U.S. exports of paper are much smaller in tonnage than our exports of pulp and paperboard. This, however, does not diminish the importance of these paper exports and the desire and need on the part of our exporting companies to have fair and equitable treatment. In 1970, the U.S. exports of various paper grades to the enlarged EEC were slightly over 84,000 metric tons of generally high value items totalling almost $58,000,000. Of this tonnage, 39,000 metric tons were printing and writing papers (this excludes some 12,000 metric tons of newsprint).

Forecasts made by the FAO in 1971 project that the European demand for printing and writing papers will increase by some 130 percent between 1970 and 1985, with continued dependence on outside imports. The United States paper industry wants to participate in the growth of this market with those products where it is competitive.

In the European market our country faces a natural disadvantage in transportation and pollution abatement costs as compared to such major competitors as Sweden and Finland. Nevertheless, the high efficiency of the U.S. paper industry and the quality of the U.S. products permits successful competition in specialty grades, provided it faces no such artificial hindrances as inequality of tariff treatment. As Table 2 shows, between 1960 and 1970 the U.S. exports of paper products to the six EEC countries increased more than fourfold, amounting to $42,400,000. In 1971 this amount rose to $47,429,000. The corresponding figures for the enlarged Community are $57,839,000 and $63,139,000. Many U.S. firms have developed special processes to supply the European needs for specialty grades. A 12 percent tariff discrimination will preclude the U.S. companies from competing effectively in the EEC market, thus causing damage to those U.S. firms exporting these products and at the same time damaging the U.S. balance of trade.

EFFECTS OF THE EEC-EFTA AGREEMENTS ON PULP EXPORTS

In 1970, the U.S. exported nearly 1,400,000 metric tons of paperboard stock, predominantly wood pulp, worth over $226,300,000 to the enlarged Community. This represents 43 percent of the tonnage and 45 percent of the value of the U.S.'s worldwide pulp exports.

The EEC of six countries has a three percent duty on pulp, but this duty generally does not apply because of the tariff free quotas which cover the import requirements of these six countries. This duty could, however, be applied at any time at the discretion of the European Commission. The United Kingdom, until its entry into the Common Market, had no duty on pulp but will now be a party to the same arrangements as the original EEC.

Sweden and Finland have publicly stated on numerous occasions that their paper industry will move toward greater integration and will then strive to export more products with value added. This will increase Sweden and Finland's competition with the mills and converters in the EEC and may result in a decrease of European production, or at best it may diminish the growth of the local European paper industry. This, in turn, might bring about a decrease in the consumption of North American pulp.

For 1970, the figure of dutiable paper products subject to tariff discrimination in the enlarged EEC amounts to $210,000,000 ($236,000,000 for 1971). This figure can be projected forward on the basis of forecasts for future consumption and import requirements, thus determining the potential damage. It is much more difficult to project a figure for the potential loss of pulp sales, but it can be considerable.

IN SUMMARY

Exports are an integral part of the U.S. paper industry. Because of its efficiency, high level of productivity, managerial skills and sufficient raw material resources, the U.S. paper industry's exports between 1960 and 1970 grew at an annual rate of 10%. For a basic industry this is an impressive rate of growth during a period when the exports of many other industries have declined.

In the postwar period, the American paper industry has a clear and consistent record of supporting freer trade. As a large, basic industry, it has consistently advocated and maintained an anti-protectionist position. Furthermore, the U.S. paper industry has developed its international business without curtailing imports into the United States. U.S. duty applies to only some seven percent of

paper industry imports and the weighted average tariff on dutiable products in the primary sector of the paper industry averages less than five percent.

The U.S. paper industry has supported the American Government's participation in GATT. It has testified before Congress in favor of the legislation that made the Kennedy Round possible and it will testify again on the currently proposed Trade Reform Act. Now we are seeking a fair deal in Europe. We are not looking for favors. We ask no advantages. Our goal is simply one of being in a position to compete in the enlarged EEC on a fair and equitable basis with our competitors outside the Community.

The CHAIRMAN. Thank you, Mr. McSwiney and Mr. Hannigan and others at the desk, for your very fine statement. Are there any questions? Mr. Burke.

Mr. BURKE. Mr. McSwiney, on page 7 of your testimony, you indicate, in the top paragraph there, that the tariffs are going to be changed in the EFTA countries, that all tariffs on industrial goods, including paper and paperboard, will gradually be eliminated; and then you go on to say that "Our paper industry will then face a 12-percent tariff disadvantage." Do you mean to tell me that our trading partners over there are indugling in this type of protection?

Mr. MCSWINEY. Dr. Meister has been working on that for 2 to 3 years, Congressman Burke. With your permission, I will let her give you the details.

Dr. MEISTER. Congressman Burke, the European Free Trade Association and the Common Market countries concluded an agreement in the summer of 1972. This was an intra-European agreement to which neither the United States nor any other nations outside these two blocs was a party. Under this agreement, they decided that there would be a free trade between them, that there would be no tariff on trade flowing back and forth, which puts the U.S. paper industry behind a 12-percent tariff barrier.

This is what until now we have been paying, all of us—Canadians, Americans, and also our major European competitors, Sweden and Finland; and they are very major competitors for us. Sweden and Finland will eventually be selling their pulp, paper, and wood products in the Common Market tariff free.

There will be a transitional period of about 10 years from now before the tariff is reduced to zero. But the discrimination is already starting in 1973 and after 1975 will be rising very rapidly and will affect this industry most adversely.

Just to illustrate it by way of figures. In 1971 our exports to the European market, or better to say, to just the enlarged European Community are $405 million, and a little more than half of them are dutiable items that will be directly affected. Considering the fact that our industry's exports have been growing at the rate of 10 percent a years, the damage will be tremendous if projected forward to the period when there is a zero duty.

Mr. BURKE. How can we handle this problem? How should it be handled?

Mr. MCSWINEY. I think our negotiators must have authority to deal with this and, as I indicated, they are well informed on this subject. They have to do the negotiating for us; or, failing to do that, it simply means that our exports will gradually dry up. The answer is: They have to have the authority and they have to do the job.

Mr. BURKE. Have you any indication that these negotiators are going to consult with your industry before they enter into these negotiations?

Mr. McSwiney. I had some favorable information on that yesterday, Mr. Burke. I would ask Mr. Locke if he might comment on that.

Mr. Locke. In all fairness, Mr. Burke, I must say that we have had excellent cooperation from the departments of the Government. We have been working with all of them—State, Commerce, Treasury, the Office of Special Trade Representative, and the White House. We have had a process of education. When we began, many of the officials of these agencies didn't even know that the paper industry was an important exporter. Today I think they are very well informed. They have given us every possible cooperation, and we have every reason to believe that, if we continue to keep them informed, they will make considerable efforts to get a fair deal for us in the future, provided, of course, that they have the negotiating power with which to negotiate.

Mr. Burke. This really means that our negotiators have to be abreast of the problem of different industries such as your own. I believe the young lady testified that the exports to the European market were over $400 million. What are the total exports of the paper industry all over the world from the United States?

Mr. McSwiney. About $1.1 billion direct. Indirect exports are about $1.8 billion. So that it is a total of about $3 billion.

Mr. Burke. You people make a real contribution toward our exports.

Mr. McSwiney. We make a contribution to exports and also jobs, Congressman Burke. As I indicated, it is estimated—and these are more than figures just pulled out of the air—that each billion of exports provides between about 70,000 to 80,000 jobs; but, as Dr. Meister said, our industry's exports have been growing at about 10 percent a year. The domestic paper industry grows at about 4 or 5 percent. So that you can see that the ability to compete in the export markets creates about twice as many jobs as the ability to grow in the domestic market.

Mr. Burke. That is all.

The Chairman. Mr. Schneebeli.

Mr. Schneebeli. Thank you, Mr. Chairman.

Mr. McSwiney, you said that your industry has reservations about linking unemployment compensation to the trade bill. I think that is true of many industries. Some members of this Committee also think that unemployment insurance proposals should not be tied to the trade bill because the issues are not necessarily related, and the linkage could jeopardize favorable acceptance of a trade bill by the Congress.

Mr. Hannigan, I think Canada recently put an export embargo on oil because they are concerned that they may be running out of it faster than they would like. Is your industry concerned that there may be some export controls on pulp and paper?

Mr. Hannigan. There has been none to date, and I don't believe that that has been an issue in Canada at all. The fiber resources of Canada are tremendous and, although some of them are somewhat remote, there is still a huge untapped resource in Canada.

Mr. Schneebeli. You have no concern about that area?

Mr. Hannigan. Not to date.

Mr. Schneebeli. You say that the principal labor union representing your workers endorses the administration's program to some extent. At least they are opposed to any control of imports.

Mr. Hannigan. Yes, sir.

Mr. SCHNEEBELI. Have they taken a public stand to this effect?

Mr. McSWINEY. Yes, they have.

Mr. SCHNEEBELI. Could we have for the record a copy of their position on this?

Mr. McSWINEY. We can submit it.

Mr. SCHNEEBELI. If you can provide it that will be helpful.

Mr. McSWINEY. With your permission we will do that.

The CHAIRMAN. Without objection that will appear in the record at this point if you want it here.

Mr. SCHNEEBELI. Yes.

The CHAIRMAN. Without objection, so ordered.

[The information requested follows:]

EXCERPT FROM AN ADDRESS BY JOSEPH P. TONELLI TO THE FIRST CANADIAN CONFERENCE, UNITED PAPERWORKERS INTERNATIONAL UNION, VANCOUVER, BRITISH COLUMBIA, FEBRUARY 25 TO 27, 1973

About 33 years ago, a man ran for the office of President of the United States who had no political background. He had never even held office. His opponent was the single most powerful president the United States had had, Franklin D. Roosevelt. His opponent was a lawyer by the name of Wendell Wilkie. As you know, Roosevelt won easily. But Wilkie was a man with great foresight and left a heritage which carried more weight than his campaign for the presidency. After his defeat, he toured the world and visited 49 nations. He made a study and then wrote a book. The title of the book pretty well explains his thinking and his prophecy. The book's title is "One World."

I am not here to prophesize about the future of the world or the political spheres of involvement. But I am here to tell you, based on our knowledge at this time, 33 years after Wilkie, he has proven to be more than a dreamer. Because of the inescapable interdependence of nations we have developed the strength of the United Paperworkers International Union in the United States and Canada. This strength shines through the mist and the fog that has been created by those who like to see disintegration, disharmony, economic isolation, and all the other ills that flow from "going it alone". None of us can go it alone. No man, woman, or child, or nation can go it alone. In the United States, at this time we have before Congress a bill called the Burke-Hartke Bill, which is being sponsored by very well-intended men who believe that with the passage of this Bill, the American economy and dollar will be strengthened and bolstered. This Bill calls for the imposition of import quotas on all goods entering the U.S.

I am firmly opposed to this bill because, to put it simply, it disregards the facts as they exist in the world today and the dependency of the economics of one nation on another. This Bill may in some instances lend relief to some industries in the United States (and I may add that even in those cases it will only be temporary), but over all, it will lead to a trade war with America against the world, and as I said before, no nation can withstand that kind of competition and continue to exist as an affluent society.

Trade arrangements in pulp and paper have been beneficial to both countries. More than 90 percent of Canadian exports are made up of pulp and newsprint which the U.S. economy requires. As a matter of fact, the Canadian pulp and paper industry was largely built out of U.S. needs for newsprint and pulp. The kind of legislation contemplated by Senator Hartke and Congressman Burke could interrupt decades of free trade in these two commodities while not improving conditions or creating jobs in either of our two countries.

Early in January, I attended an Executive Meeting of the AFL-CIO Industrial Union Department which speaks on behalf of some seven million workers in manufacturing and processing industries. Thanks to our intervention, we managed to have a resolution on the Burke-Hartke Bill revised to seek ways and means to exclude Canada from the Burke-Hartke provisions through consultation in the labor movement.

It is not always known that Canada is the best customer of American goods. Approximately one-fourth of all U.S. exports have Canada as their destination. The export value was expected to exceed $11 billion for 1972. As a clear indication of their importance, U.S. sales to Canada are larger than those to the total

markets of Britain, France, West Germany, and Italy, or those to the total markets of all Asian countries.

And again our voices have been heard. As recently as this past week, the President of the AFL–CIO stated that the ideas presented in an Executive Council Meeting by President Nixon were "attractive" and the ideas were a complete modification of the Burke-Hartke bill.

To sum up on this point, I object to this Bill as President of the United Paperworkers International Union because pulp and paper products constitute the largest group of Canadian commodities exported to the U.S., with a value of $2 billion annually and accounting for one-sixth of Canada's total trade with the U.S.

The CHAIRMAN. Mrs. Griffiths will inquire.

Mrs. GRIFFITHS. I would like to inquire concerning the statement you made that the negotiators knew nothing about the fact that we were exporters really of lumber products. Do you know really how they have the information categorized with which they do negotiate? It seems to me that we are the most advanced in computers. They should have all this information computerized. Do you know whether they do or not?

Mr. LOCKE. I don't know with precision, Mrs. Griffiths, to what extent they have data. I do know that like all of us these days with many problems we have more than enough to do and it just so happens in this case that we have been able to supply them with a great deal of data which either they didn't have or hadn't had time to evaluate. They have welcomed it. They have been most interested in it. They have shown every response that we could hope for at this juncture.

Mrs. GRIFFITHS. I am sure they would, but this is the thing that alarms me. Some years ago I kept calling up the State Department and objecting to the fact that bakeries in Detroit were going broke by the importation of Canadian bread. This was also true in New York. I kept getting back from them "We are exporting many more baked products than we are importing." They were talking about Hydrox cookies and Premium crackers and other such things not made in Detroit. At any rate, I had a letter just this morning from a big bakery in Detroit. There are six bakeries in Detroit in bankruptcy, six. Thousands of jobs have been lost.

Before we pass out all this power, what I would like to be sure of is that the negotiators have some facts at their fingertips, and in my opinion they don't.

Yes?

Mr. MCSWINEY. To be redundant, and to look back a little bit in our industry, we asked Dr. Meister 2 or 3 years ago to dig in and see what they did know.

Mrs. GRIFFITHS. I would like to congratulate you on having Dr. Meister.

Mr. MCSWINEY. We didn't want to say we were unfairly represented because they were unknowledgeable. We didn't know whether they were or not. We do know that they know now. I would like to make the observation again that the United States didn't have a balance-of-payments problem until just recently, and I think it is worth repeating that these countries that we are competing against have had the problem for a long time and are pretty sophisticated.

Really, we are learning today, and I urge—and we are willing to participate—that Government and industry put their shoulders together to find out how to do this job, because we are going to make

some mistakes as we go along, but if each industry, as ours has done, will cooperate with Congress and others, I think we can do a reasonable job. Your concern is certainly a valid one.

Mrs. GRIFFITHS. I think that is true. I am really for a freer and fairer trade, but before this body gives away all the power it has, I think we had better stop, look, and listen. Just to listen and find out that they didn't understand the lumber industry is to me quite shocking.

Thank you very much.

Mr. HANNIGAN. Somehow as Mr. McSwiney said, Mrs. Griffiths, these negotiatiors have to have both the authority and the direction to accomplish what we are all looking for.

Mrs. GRIFFITHS. I think what they need is some knowledge.

Thank you very much.

The CHAIRMAN. Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

Is there a duty on imported and exported finished products in and from Canada?

Mr. HANNIGAN. Finished?

Mr. DUNCAN. Paper products, yes.

Mr. HANNIGAN. Yes, there is. The only ones that move duty free are pulp and newsprint. Everything else varies now from 8 to 12 percent, is it so?

Dr. MEISTER. May I respond to this question.

The average duty on paper products coming into the United States is about 5 percent. It might be 8 or 10 percent on certain products, but the weighted average of all the tariffs on paper and paperboard into the United States from Canada or for that matter from anyplace else, because it is a uniform tariff, is about 5 percent, and on the major bulk of products that come here the average is only 3.6 percent. This industry has managed to remain quite competitive as far as the imports of those products are concerned.

Mr. MCSWINEY. I would hasten to say that we would be opposed to any further reduction on the duties on paper and paperboard.

Mr. DUNCAN. What about the reverse, going into Canada?

Mr. MCSWINEY. They have higher duties than we do into Canada. The duties from the United States into Canada are considerably higher than ours, on some products about twice as much.

Mr. DUNCAN. About twice as much?

Mr. MCSWINEY. About twice as much, yes.

Mr. DUNCAN. You made reference to the fact that your industry had established plants in foreign countries, and you did not consider them to be runaway plants. Could you elaborate a little further on that?

Mr. MCSWINEY. As Mr. Hannigan said, there are two groups. The plants in Canada are basically established there to produce a raw material that we need back in the States, pulp and newsprint. This has been going on for several decades, and is an important part of commerce between Canada and the United States. Certainly those have, I think, established that they are not runaway plants. They are a vital part of the raw material base we need in this country.

The second type are the plants that we established overseas. As an illustration, we brought on-line just a month or 2 ago, just outside of Brussels in a little town, a hard paper machine, one that makes paper

much like the paper this testimony is written on, for the European Common Market. About half of that pulp will come from operations we have in Georgia, and about a third will come from operations that we have in Canada. Here we have investments domestically and in Canada that are producing a favorable balance of payments and jobs at home.

I could give another illustration of a plant in Beirut, Lebanon. Mr. Hannigan can probably give you some illustrations also.

Once we export overseas, nothing from our plants comes back here. Our renewable resource allows us to continue, we think, to grow in this field both for the value of jobs domestically and for favorable treatment of the balance of payments.

Mr. DUNCAN. Has the Domestic International Sales Corp. been of benefit yet as a stimulus to export growth in the paper industry?

Mr. MCSWINEY. I will comment on that, and I would like Dr. Meister to also comment, with your permission. You are referring to DISC, I believe.

Mr. DUNCAN. Yes.

Mr. MCSWINEY. I think it is too soon to judge whether DISC has or will achieve what I assume it was set up to do. We participate in it as a company to a small extent. I think, however, that its full impact, particularly on small companies, has yet to be determined. I understand that this was largely the intent when DISC was brought into being, to provide export incentives for some of the smaller companies.

Dr. Meister has followed this very carefully over the last year. I will ask her to comment on that.

Dr. MEISTER. Mr. Congressman, we will give you some fresh figures that just came in a few days ago from a survey that we have conducted. As Mr. McSwiney said, we are unusual in that of 175 companies, 96 are exporters. So that is why the exports are so important for this industry. Thirty-three of these companies have formed DISC's and 24 are using them. Those are pulp and paper companies.

What it means, if you translate those figures into reality is this: We have, let's say, among the companies maybe about 15 that are large exporting companies. We have quite a number of small companies that do exporting, and some have never done any exporting before. It is difficult right now to put a precise figure on how much DISC has contributed. But I can say that since our members come to the association for information and for advice as to what they can do to start new exports—and I am not speaking of large companies who know how to do it by themselves, but rather I am speaking of the small ones who are interested in getting a start in international business—we learn firsthand about the type of information these companies need. Since DISC, we have a lot more inquiries about exports from smaller companies, and that number of 33 companies using DISC suggests that both larger and smaller companies consider DISC a useful incentive.

Of course, I think these companies view it not as the solution for all. I wouldn't say that—but as an equalizing factor in competing overseas with other countries which provide so many tax incentives, such as rebates of the value added tax, a special long-term financing that foreign companies receive from the government, and a number of other incentives that are very far flung, and DISC is an equalization factor.

I think DISC is beginning to attract new people who before considered venturing into exports too risky for them, because they were very inexperienced.

Mr. DUNCAN. Thank you very much for a fine presentation.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. Going back to the question that Mr. Burke raised about the problem of Europe unifying, and the tariff problem that that causes, isn't that matter under negotiation right now? Aren't we entitled to a settlement of that problem whether his bill is enacted or not under the present GATT arrangement?

Mr. MCSWINEY. Dr. Meister, if you will.

Dr. MEISTER. Congressman Gibbons, as you so well know, since I understand you have spent so much time overseas recently in this connection, there are right now proceedings in GATT. They are of two types.

The first type of proceedings deals specifically with the accession of Great Britain to the Common Market. Since the United States had specifically negotiated tariffs, for example, on linerboard, our major export product, the duty on U.S. exports into the United Kingdom right now is 10 percent. After the United Kingdom becomes completely a part of the Common Market it will be 12 percent.

This is a so-called "bound" item under which we can claim compensation quite legitimately, and our industry, I assure you, has communicated our position to Ambassador Eberle and his staff. So this is one side.

As far as the agreements between the EEC and EFTA countries are concerned, the EEC claims that these agreements deal entirely with the formation of the free trade zone which is legitimate under GATT, since they are not changing the common external tariff. EEC claims that they are not raising tariffs against anyone, which is true, but they are lowering tariffs for our competitors. They are giving our competitors, unfortunate as it is for this industry, a very great advantage compared to what we will be confronted with. Therefore, the Europeans have steadily maintained until now that they are not going to negotiate in GATT the issue of injury arising from the EEC–EFTA agreements under article XXIV. I understand our country has considered raising the question of injury under article XXIII, under which we could claim that we have been hurt in equity if not in law.

This is where it becomes, however, very problematic that anything will be done because if the Europeans refuse to negotiate the issue, they can't be forced. Our hope, therefore, lies, Congressman Gibbons, in the forthcoming trade negotiations.

Mr. GIBBONS. I think we ought to get this settled before the forthcoming trade negotiations come up. I think we have already paid for this. I think the European position is ridiculous.

Mr. MCSWINEY. We would be delighted.

Mr. GIBBONS. I don't know whether this ought to be another bargaining chip. I think it is something that clearly comes under GATT now.

Mr. MCSWINEY. We stand ready to work with any group in Government.

Mr. GIBBONS. I hope our Government has told them that this comes under GATT.

Dr. MEISTER. Yes. The Government, we understand, has brought up this issue. It has been put on the agenda and so forth. The Europeans have steadily maintained that it is not within the framework of the present GATT arrangements.

Mr. GIBBONS. We will have to sit down and talk with them about that once again. That certainly comes within the enlargement of their free trade zone, and I don't see why in the world they refuse to bargain on that. Maybe we can find some way to help them bargain.

What are you trying to tell us by this chart, the next to the last chart in your testimony here, the the ratio of long-term debt to capital?

Mr. MCSWINEY. It says that over the last decade—in the previous charts you notice that the earnings as a percent of net worth have been substantially below the average for all industries—the profits in the paper industry have been just not enough to continue to grow as we need to.

Mr. GIBBONS. Are you saying that you can't attract capital? Is that what you are saying?

Mr. MCSWINEY. We have recorded low profits. Moreover, the pollution requirements which have come on in the last several years are diverting assets into nonproductive areas. We are not making a case that this is not desirable and shouldn't be done, because society has already decided that. This chart simply shows that we have used a good portion of the debt that is available to the companies, and we really need at this point in time is some meat on our bones which can come in two ways, increased prices, which would increase profits, and a continuation of our ability to export, both of which are necessary to generate the cash flow to allow us to continue to grow and expand as we should.

I might just mention something with your permission.

Mr. GIBBONS. Yes.

Mr. MCSWINEY. We have testified to the Cost of Living Council, to Mr. Dunlop and his group, I did for my company, and Mr. Hannigan, and some others, did for International Paper Co. just a few weeks ago.

If it would be of any value to the committee, we would be delighted to submit this testimony which I think will give you in great detail the answers that you probably have in the back of your mind. This was presented to the Cost-of-Living Council, and we think it would go to the point of answering your questions, if the committee would like to have it.

[The material referred to was retained in the committee's files.]

Mr. GIBBONS. Mr. Chairman, my 5 minutes have expired. I would like to come back after a while and ask some questions.

The CHAIRMAN. Mr. Conable.

Mr. CONABLE. As I understand what you are saying is that your margins are not such that you can meet increasing competition abroad as a result of special trade concessions being given to the EFTA countries.

Mr. MCSWINEY. Certainly.

Mr. CONABLE. Therefore it is a matter of either doing business or not doing business for you.

Mr. MCSWINEY. That certainly is a very important part of it. Whatever we deserve to earn domestically is determined in the marketplace.

It is certainly clear that if we have a 12-percent tariff while our competitors have none, we cannot compete in the overseas market. That point is very clear.

Mr. CONABLE. This whole issue of compensation is a very interesting one. Dr. Meister, you have obviously made a very extensive study of this issue. Isn't it true, perhaps in varying degrees because of varying margins, that what you say as applying to the paper industry would apply to almost any industry that has a substantial involvement in the European market, and has to compete with EFTA countries?

Dr. MEISTER. Congressman Conable, the paper industry in this area is a little more unique than any other industry because there are relatively few really big competitors in the world among the forest producing countries that sell in the world markets. They are Sweden, Finland, Canada, United States, and to a smaller degree Norway and Austria. And now Portugal is moving in. But basically the major forest industry countries are the three Scandinavian countries, the United States, and Canada. And Canada will be in the same position we are vis-a-vis the Scandinavians. Canada will be discriminated against also.

These five basic suppliers are countries which provide the common market with their much needed fiber resources because the whole European area, except for the Scandinavian countries is fiber deficient. We believe that the Europeans are doing not only a disservice and damage to us, but we think that they are going to be hurt even worse than we are. But they just don't acknowledge it yet.

That is what we hope our negotiators will bring home to them, that it is a mutually advantageous thing for both countries to continue trading on such terms where all suppliers have an equal tariff position.

Therefore, there are some other industries I am sure, that have this problem with the EFTA agreements, but I don't think they have it to the extent that we do because Finland and Sweden's major exports are forestry products, and those are countries with whom the EEC concluded an agreement.

Mr. CONABLE. I think it is good to have this before us as we conclude the trade legislation.

Thank you for bringing it to us.

The CHAIRMAN. Mr. Ullman.

Mr. ULLMAN. Mr. McSwiney, I want to first commend the panel for your very fine presentation.

Let me understand a little better the nature of the imports. Your imports are primarily from Canada. They are primarily newsprint and pulp. What is the percentage dollarwise of newsprint as against pulp? Do you know?

Mr. MCSWINEY. Dr. Meister has those figures.

Dr. MEISTER. Mr. Congressman, the total paper industry imports into the United States are about $1.7 billion, and of this, most are from Canada as we mentioned in our testimony. To be specific, 93 percent of the U.S. paper industry imports are from Canada. We have some imports from the Scandinavian and other European countries.

Mr. ULLMAN. What percentage is pulp and what is newsprint?

Dr. MEISTER. About $1 billion is newsprint, and we can provide the exact figures for you on the rest of the imports.

[The information referred to follows:]

The breakdown on pulp, paper and paperboard imports into the United States in 1972 is as follows:

[Dollar amounts in thousands]

	From all countries	From Canada	Percentage from Canada
Woodpulp	$494,089	$478,909	96.9
Wastepaper	5,406	5,352	99.0
Newsprint	1,056,142	1,016,651	96.3
All other (including finished products)	160,269	86,445	53.9
Total	1,715,906	1,587,357	92.5

Mr. ULLMAN. What we are basically doing is importing raw materials.

Dr. MEISTER. That is correct.

Mr. ULLMAN. I think that if we are going to really look at our trade picture accurately we are going to realize that the importing of raw materials or slightly processed items into this country really produces jobs in this country. The Japanese are very good at this. They are good traders. They import a lot of raw materials, and export a lot of finished products. This essentially is healthy for a country. You feel that you fall into that category somewhat, is that right?

Dr. MEISTER. I would say, Mr. Congressman, that your observation is not only correct, but can be further extended. There could be a lot of investors besides the U.S. companies that would like to get hold of these raw materials to which we have access and use them themselves for their own base.

Mr. McSwiney pointed out in the full text of his testimony but didn't mention it in the summary, that we know of cases where Japanese helped by their government are moving into these areas. That is why this industry feels that there is an urgent need, if we are going to be successful in our foreign economic policy, for collaboration between business, the executive branch of Government and Congress as it writes in its wisdom this law. This is way we cherish the opportunity to be before you today.

Mr. ULLMAN. These are renewable resources in Canada also, are they not? In the future I think it is going to be more important than now because our supply of natural resources is diminishing. Even though we have renewable resources, the demand going up creates a situation where in the future the availability of these resources is going to be even more important than now.

Do you have a comment?

Mr. HANNIGAN. Yes.

If I could say so, I think at the moment the great concentration of these resources that we are currently using is in Canada. We foresee, as the need for resources is further extended, that there will be other countries who have a major forest products potential who could be in the position of supplying raw materials, pulp primarily, to the United States as an extension of our own need for resources.

Mr. MCSWINEY. I am sure many of the committee members know this, but to get this factually in perspective, let me say that Mr. Hannigan and I were rather young fellows starting in the paper industry after World War II. In the South, if we could grow a third of a cord per acre of softwood we thought we were doing a good job. By manag-

ing the land where we clearcut the land, replanted, scarified and turned it into a productive forest we are growing some 2 cords per acre per year. Land that we had in those days that had 4 or 5 cords per acre as a base upon which to grow now has a base of some 20 to 30 cords per acre.

It is a self-repeating process. We have no way or reason to deplete land. We must increase the base in order to grow more cords per acre, and are doing so. It is also being done in Canada.

Mr. ULLMAN. Finally, to what extent are you people in the recycling business, and is there a possibility that recycling can lessen the need for this natural resource?

Mr. MCSWINEY. I will comment on that briefly, and then Mr. Locke, if he would comment on it.

We had a survey made just recently. I am sure some Members of Congress have copies of the survey. It deals with what we are doing now in recycling, and what we can do in the future. It is interesting that today probably 40 or 50 percent of the paper that we all use is either a waste product from chips of trees that formerly were wasted, or recycled products.

The issue in front of us is how much further we can go on recycling, and I think this is a matter of economics. Certainly more can be done, but it is a matter of economics. My judgment tells me we will increase it as we move into the future. How fast and how much is probably going to be the will of the public and the economics that are involved.

Ed, would you comment on this further?

Mr. LOCKE. I would be glad to.

We are beginning to increase the percentage of paper consumption in this country that is recycled. We reached a high of some 35 percent, 36 percent during the war with all the glamor and pressures of the war effort. That rate slowly declined to about 19 percent. It is now back up to about 22 percent. It is steadily increasing. It is encouraging to see the extent to which a number of companies are investing in new facilities that will enable them to use greater amounts of wastepaper and handle it economically.

There are many problems involved. The most expensive problems are those of economics and transportation. There are also those of proper quality because once the wastepaper is mixed with other refuse it is usually quite uneconomical to try to turn it into paper products.

We are devoting great efforts in the American Paper Institute to encouraging recycling, but in the final analysis it is a matter of economics, as Mr. McSwiney has so well said. But the encouraging thing to me is that virtually every company in the industry today is devoting great efforts to recycling, from top management on down.

Mr. MCSWINEY. We have several plants that operate 100 percent on recycled material collected from department stores and various other sources, so that it is a subject with which I am familiar.

Mr. ULLMAN. Thank you very much.

The CHAIRMAN. Mr. Collier will inquire.

Mr. COLLIER. Thank you.

In that connection we had testimony about a week or 10 days ago from a Mr. Scudder who is chairman of the board of the Garden State Paper Co. In my colloquy with him I raised the question of economic feasibility in recycling of paper. I had up to that time been under the

impression, as you have just testified, that there are some basic economic problems. He, however, told this committee, and I am reading from the record of that day, "We make a thousand tons a day of newsprint entirely from wastepaper, and we do indeed sell the products for from $7 to $10 under the price of newsprint—made from virgin materials—and imported from Canada."

Mr. McSwiney. There are special situations in everything.

Mr. Hannigan, I think, can comment on this in detail. We are thoroughly knowledgeable about the comment that we have just heard.

Mr. Hannigan. We are familiar with Garden State. Mr. Scudder's situation is that he specializes only in newsprint, and he had the foresight to establish his three main facilities in the big metropolitan areas outside of New York, Chicago, and Los Angeles, major population areas which generate the newsprint material that he uses. He has done a first-rate job of setting himself up in a business that focused from the very outset on this problem.

If installations were put in less-populated areas, or if additional installations are put in the most populated areas, the competition is such that the availability of the kind of material which he uses as raw material would become more difficult.

Mr. Collier. This is apparently to some degree unique in the newsprint field, but would not be applicable across the board to other paper products, is that correct?

Mr. Hannigan. Yes.

Mr. Collier. Thank you, sir.

The Chairman. Mr. Karth will inquire.

Mr. Karth. Thank you, Mr. Chairman.

Dr. Meister, on page 7 of your testimonv where you talk about the 12 percent tariff that will gradually be eliminated between the EEC countries and the EFTA countries, and the disadvantage the United States industry will face, do you feel that the EEC is doing this to encourage EEC membership for Finland and Sweden, two of our largest competitors in this industry today?

Dr. Meister. Congressman Karth, it is a little bit of, hard of course, to say what all the intent is of the free trade zone.

Mr. Karth. But it looks kind of like that doesn't it?

Dr. Meister. It does certainly look as if they were interested in broadening the European Community, at least in the economic sense. It is very doubtful that Sweden or Finland for many reasons, for Finland mainly political reasons, for Sweden also some economic reasons, could or would become members of the Common Market in a full sense. You know all the scholars have been debating it.

Mr. Karth. The same thing was thought about Great Britain, and they have finally become a member of the EEC.

My other question on this point is that for all practical purposes the EEC is now and is continuing to pursue a trade bloc set of countries, is it not, which would be advantageous for the European nations and disadvantageous for the United States? Would you agree with that.

Dr. Meister. This is certainly their intent.

Our point is, and I think that with skillful negotiating we can prove it to them, that actually tariff discrimination is not going to be in the interest of the European Community. They must become a little

more knowledgeable also as to what it will do to them. Sweden and Finland cannot supply all the needed resources for the European Community.

Let's take one product. If the EEC doesn't have enough packaging materials, and all of the intent to be a great exporting bloc will come to naught because the EEC is not going to be able to ship its products, and Sweden and Finland alone cannot provide those needs. So in a way what the EEC is doing at the moment is pursuing, we believe, a very short-sighted policy by excluding suppliers such as the United States.

Mr. KARTH. Well, Mr. Chairman, regardless of what we believe, it is obvious that the European market countries are pursuing a trade bloc policy. I think your industry is very fortunate. You have had the ear of the State Department and the Tariff Commission and Commerce. Most of the other industries which have testified before this committee indicate that they have not yet been able to convince any of those agencies you have mentioned of the problem that they have in their industries, so that you are very fortunate, and I congratulate you for being aggressive in this regard.

Just one last question, Mr. Chairman.

I am becoming more of the opinion that maybe Congress ought to write the trade bill, that we ought to write a 100 percent reciprocity act, and it would work something like this: that whatever barriers a trading partner has or in the future invokes, this would be compensated for by an automatic imposition of a like barrier on a dollar for dollar basis by the United States both up and down, and that the only alternative our friends from the executive branch would have, who seem not to understand the problems that most industries have, would be to eliminate all barriers, if and when our trading partners eliminate all barriers.

What do you think of that suggestion?

Dr. MEISTER. Well, I think, Mr. Congressman——

Mr. MCSWINEY. I thought he was talking to Chairman Mills.

Mr. KARTH. I hope the chairman agrees with that.

Dr. MEISTER. That is a question.

Mr. KARTH. Yes; it is. Do you agree with that approach or don't you?

Dr. MEISTER. I would say that this committee has always pursued in the past, and we are convinced will pursue in the future, a very wise policy. As Mr. McSwiney pointed out, in the last 10 years, since the 1962 trade bill, in spite of the problems the United States as a whole has had, we believe that our country as a whole and our industry specifically, have benefited from the bill that this committe produced in 1962.

The situation has drastically changed, and adjustments, we hope and believe, will be made by this committee that will enable this country to go on and expand and meet whatever problems we have.

Mr. KARTH. I will accept that as a qualified yes.

Mr. SCHNEEBELI. Will the gentleman yield?

Mr. KARTH. Yes.

Mr. SCHNEEBELI. I would suggest that we might have to change our entire tax structure—for example, by adding a value added tax—if we got into the kind of situation you mentioned.

Mr. KARTH. Whatever is necessary.

Mr. SCHNEEBELI. That would be quite a change.

Mr. KARTH. Mr. Chairman, I yield the floor so that the other members can have it.

Mr. BURKE. I would like to suggest that we send our chairman over as our negotiator.

The CHAIRMAN. I decline the nomination.

Mr. Pettis will inquire.

Mr. PETTIS. Mr. Chairman.

I want to follow up on the question that Mr. Collier asked a moment ago. I think it was the same witness that Mr. Collier was talking about who made the statement that there really wasn't enough wastepaper in the vicinity of Washington to justify a recycling plant. This being the wastepaper capital of the world, I couldn't understand that.

Mr. MCSWINEY. That is probably true.

The CHAIRMAN. If you will let me interrupt you.

Mr. PETTIS. I yield.

The CHAIRMAN. The reason for that is that most things that are written on paper in Washington are secret documents.

Mr. MCSWINEY. I think it is wonderful after your speech yesterday, Mr. Mills, that we can laugh about that this morning.

Mr. COLLIER. Will the gentleman yield?

Mr. PETTIS. I yield.

Mr. COLLIER. I think we should also in fairness make the observation that the Government has not gotten so complex that it has created so much paperwork for the average business and industry that that has necessitated a tremendous increase in consumption. If we could eliminate some of that we could certainly eliminate the use of some paper.

Mr. HANNIGAN. Could I make one point relative to Mr. Scudder's use of old paper for making newsprint? This business type paper I am holding in my hand is not suitable for making newsprint. The only material you can use for newsprint is old newspapers. I think he was addressing himself to the subject that there weren't enough old newspapers in this area.

Mr. PETTIS. Isn't it true that there is degradation in each recycling?

Mr. HANNIGAN. Yes, weakening of the fiber.

The CHAIRMAN. Mr. Brotzman.

Mr. BROTZMAN. Thank you, Mr. Chairman.

Going back to the problem that you mentioned here on page 7, agreement between the enlarged EEC and EFTA, I am trying to relate this to the proposed law, or at least the administration's proposition.

My question is would this be a preference with a reverse preference between the EEC and the nonapplicant EFTA countries that would have certain sanctions applied to it under title VI.

Dr. MEISTER. No, Mr. Congressman. The agreements between the EEC and EFTA countries which were concluded in July of 1972 created a free trade zone for all products. Therefore, they do, according to the European position, fall within the GATT provision that essentially all industrial products must be included before it is nonsanctionable under GATT. That is the European position and we in the United States have raised a question whether there is a compensation for it that should be available, but this is their position. They said that GATT does not provide for such agreements.

Mr. BROTZMAN. Because it is a free trade zone.

Dr. MEISTER. A free trade zone and, therefore, all industrial goods including paper and board, which happens to be the major export for Finland and Sweden—that is their biggest bulk export—is going to fall under this category.

Mr. BROTZMAN. You mentioned really the point I wanted to raise in your remark there. Was there any compensation provided for in this case?

Dr. MEISTER. No, sir. First of all, the discussions about the EFTA agreements have not yet started. As we understand it so far a working party in the GATT has been concerned with the U.K. admission to the Common Market. The discussions on the EFTA agreements will perhaps start in July. Preparatory work has been done. We have been submitting some papers, and the Government will raise this question, but it has not come to any agreement, and so far the Europeans are saying there is no point in talking about it, since it is not within the purview of GATT. The U.K. they admit is within the purview of GATT; EFTA is not. So far this is the EEC's unchangeable position on that.

Mr. BROTZMAN. It seems to me that the so-called trading bloc problem is one of the real threats that we have to our trade. Certainly in the long range aspect it is really important. Do you feel that this law will really help to dissolve some of these webs of trade that are developing to our detriment around the world?

Dr. MEISTER. Well, Mr. Congressman, we would add to just what you said. Of course, not only EFTA but other European countries are now trying to make preferential arrangements with all the Mediterranean countries. That is also going to affect our industry, and affect it not to such an extent as Sweden and Finland, but to a considerable amount.

So in that respect, of course, it is a very major threat. We feel that if the trade act will provide authority to negotiate effectively, and if there is a direction from the Congress and this committee as to what the executive branch is to do, that is really the only hope that we can start reducing tariff barriers and talk sensibly about the future, and I mean the next 15 years, of world trade. There is no other means to it. Nothing else exists. There is no other instrument available to us.

Mr. McSWINEY. I might comment just a little bit on that. Mr. Hannigan, Mr. Locke, and I, and others in our industry with our overseas responsibilities have the privilege and opportunity to travel from time to time and talk with our European trading partners and others in social ways. I think it is very clear that they are not going to give up one ounce of anything unless they understand we mean business.

Mr. BROTZMAN. There is going to have to be a tough, aggressive attitude on our part.

Mr. McSWINEY. I think if the U.S. Government gets what it needs, it is going to have the authority and use it wisely. I think this committee's concern is not so much the authority but how wisely it is going to be used. That is our concern as well as yours.

Mr. BROTZMAN. You mentioned the nontariff barrier problem.

Mr. McSWINEY. So far we have been able to sort of compete in spite of those things, but they are insidious. They are difficult. They work against us in some places. They work against other industries in other places more than they do for us.

Mr. BROTZMAN. Can you deal with those problems on a local basis? Is there any way to negotiate intraindustry over there, or do you have to go ahead and obey all of these?

Dr. MEISTER. Nontariff barriers basically affect us less than other industries. They affect us in Japan where the tariffs are very high, but also the Japanese have the system of quotas on many products. Above all, the Japanese have set up a very complicated system of distribution where they don't admit anybody else, and that has been a handicap to the paper industry, particularly its west coast companies. Our members indicated that to us.

By way of assisting the Government, we have just made an extensive survey of the paper industry to see what kind of tariff barriers are affecting us, and we turned it over to Ambassador Eberle.

Mr. BROTZMAN. Thank you very much for your testimony.

Dr. MEISTER. We are keeping him informed as to that.

The CHAIRMAN. Mr. Brotzman, have you finished?

Mr. BROTZMAN. I am through. Thank you.

The CHAIRMAN. Mr. Clancy.

Mr. CLANCY. What are the principal reasons for your foreign competitors being in a much stronger position today as compared to 10 years ago?

Mr. McSWINEY. Our competitors being stronger today than they were 10 years ago?

Mr. CLANCY. Yes.

Mr. McSWINEY. In the Scandinavian countries a contributing factor is this: In the United States we have been the innovators of a lot of things that have been commercially developed and put on a large scale, and which have become economically feasible for a lot of people. I would say that in the United States we developed the high-speed paper machine, and the technology and art, and know-how today which keeps the cost of paper as low as it is. The Scandinavian countries in addition to being exporters of pulp and paper are also exporters of machinery, Finland and Sweden for example.

I don't think it would be necessarily fair to say they copied our equipment, because they have done a good job on their own, but certainly they have learned and benefited from what has gone on here. Today they have as high-speed good equipment as good as we do I would say.

Mr. CLANCY. How about their programs? You mentioned that you have improved the reproduction to, I think, 22 cords an acre as compared to 2 some years ago. Have they instituted programs such as this?

Mr. HANNIGAN. Yes, they have. Their climate is more like the Canadian or the Northeastern United States-type climate so that their growth rate and the productivity are more similar to what we have in our Northeast.

Mr. McSwiney's figures earlier related particularly to our South. In the North, instead of a 25-year cycle as we have in the South, we have a 40-year cycle, and the Canadian growth cycles are generally like that. However, they have done a lot of work on productivity, fertilization, the same kind of progress we have had, and they have been very successful.

Mr. CLANCY. I want to ask one final question about the authority that other nations have in entering into negotiations. Are you of the opinion that they are very broad or unlimited as compared to ours?

Dr. MEISTER. Congressman Clancy, the European Community has already a mandate that they more or less agree to among themselves. Details are never made public, of course, and it is our understanding that they have, of course, broad authority to negotiate by the very virtue of the system, the way the Community negotiates. They will naurally seek approval of individual countries but we don't have anything to match them at the moment, and this is why without authority there would be very little point in talking to them. Also because of our constitutional system and the system of checks and balances, which doesn't work in the same way in the Community, they have a way to start those negotiations immediately, and actually commit themselves to certain moves while the U.S. Government still doesni't have such power as long as there is no trade bill.

The CHAIRMAN. Dr. Meister, are you certain that they have a mandate?

Dr. MEISTER. We understand that there was a mandate. We have not seen it. We have been told that. It was in the press. It has been stated that the EEC has formulated a mandate for negotiations. I doubt, Mr. Chairman, that they have yet spelled the details as to what tariffs they will give in. In broad terms, I think they agreed in the mandate to negotiate but not the details.

The CHAIRMAN. It was that that I was thinking about.

Dr. MEISTER. This is our understanding, no details yets.

The CHAIRMAN. Mr. Archer.

Mr. ARCHER. I have no questions.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. In the load of paper I brought back from Europe this last time, which I haven't had a chance to examine, I think I have a copy of their mandate. They were passing it around.

Dr. MEISTER. That is the broad one.

Mr. GIBBONS. It looks sort of like a legislative act which we pass here.

Dr. MEISTER. That is right.

Mr. GIBBONS. Mr. Chairman, I think we have copies of that thing. They have passed something similar to our legislative act already in broad terms, and those are publicly available.

The CHAIRMAN. Mr. Gibbons, I don't think they have.

Mr. GIBBONS. They are passing something around that they call a mandate. As I say, it is in a whole bunch of papers I brought back.

The CHAIRMAN. It is preliminary, I think. It is not binding and the details have not been spelled out.

Mr. MCSWINEY. It is part of the art of negotiation.

The CHAIRMAN. Oh, yes.

Mr. GIBBONS. You can't really compare the systems because, as the doctor pointed out, our systems are so different. They have a bureaucracy and no legislative or executive branch and we have a legislative and executive branch, and a bureaucracy. It is pretty hard.

To go back to the question Mr. Karth raised, really the reason for treating Finland and Sweden a little differently and not incorporating them in the Community is just plain old problems that they have with Russia. The Finns and Swedes want to remain neutral and stay neutral.

You can't compare them with England. England has gotten involved in all those revolutions over there, and Finland and Sweden have stayed out of them. That is the problem we have there.

As I understand the treatment of the EFTA countries, it does not include the common agricultural policy.

Dr. MEISTER. No, sir.

Mr. GIBBONS. Just industrial products.

The CHAIRMAN. If you will yield, Mr. Gibbons, that is the real distinction I think that we have to make our case on. You have a customs union now as a part of the European Economic Community. I don't think GATT ever was established for that type of a wedding.

Mr. GIBBONS. But it is my understanding that this is at least a debatable question as far as the legal thing is concerned.

The CHAIRMAN. Yes.

Mr. GIBBONS. I am worried. I don't think that ought to be one of the new bargaining chips. This is something I think that our Government ought to pursue right now. I was under the impression that they had pursued and were pursuing it today. Am I wrong in that?

Dr. MEISTER. No, Mr. Congressman. I understand they are pursuing it in GATT. We are wondering what can be done when the other party refuses to acknowledge that the ground for compensation exists. The very fact that the U.S. Government is pursuing it in GATT will not necessarily yield the results that this industry desperately requires. Our Government is indeed going to discuss it, we have been assured by our executive branch, in June, and I would like to stress that our position to the executive branch has been that, for example, when Norway was joining the Common Market, at that time it was joining we felt that we had no way of raising a question of discrimination even though the Norweigians are competitors, because as long as it was joining the Customs Union we had nothing to say. But we have advised our Government that we felt that it was highly unfair to the industry that the countries which are not becoming members of the Common Market are in effect going to be receiving privileges which will be damaging to us. Thus in our overall U.S. policy we will not get the benefits that we have hoped to derive from the Customs Union that they have.

Mr. GIBBONS. Let me ask you about a nontariff barrier in the area of pollution abatement. Are the regulations so different in different countries that our antipollution requirements in this country become in effect a nontariff barrier?

Mr. MCSWINERY. Yes, there is no question about that at the present time. We indicated in our testimony the amount we spent last year, and an increasing amount this year. No other country that we know of is enforcing as rapidly the pollution standards as we are doing here in the States, and obviously, its initial impact ou us is draining capital out of what would be productive facilities into nonproductive facilities, and this is the immediate impact on us, aside from adding to our cost.

Mr. CONABLE. Will the gentleman yield on that?

Mr. GIBBONS. Yes.

Mr. CONABLE. It is not a nontariff barrier. It is adding to your cost which decreases your competitiveness, but it cannot be used to keep European paper out of our country.

Mr. GIBBONS. It is running up the price. It has the same effect.

Mr. CONABLE. But it is not a nontariff barrier as such.

Mr. GIBBONS. That is a technical difference.

Mr. Hannigan, you mentioned 25 countries that had no tax at all. Would you repeat that statement for me, please? I tried to find it in your statement.

Mr. HANNIGAN. Twenty-four nations do not tax overseas earnings at all.

Mr. GIBBONS. Don't give me the full list, but give some illustrations.

Mr. HANNIGAN. Argentina.

Mr. GIBBONS. It doesn't tax any overseas earnings?

Mr. HANNIGAN. No, sir.

Mr. GIBBONS. Mr. Chairman, could he put the whole list in the record later on?

Mr. McSWINEY. We will submit a list.

The CHAIRMAN. Without objection, it will appear in the record at this point.

[The information referred to follows:]

The 24 countries which do not tax earnings of foreign subsidiaries, regardless of whether such earnings are distributed or not, are as follows:

Argentina	Lebanon
Bolivia	Libya
Brazil	Morocco
Chad	Nicaragua
Costa Rica	Panama
Dominican Republic	Paraguay
El Salvador	Senegal
Guatemala	Tanzania
Haiti	Uganda
Hong Kong	Uruguay
Indonesia	Venezuela
Kenya	Zaire

No developed nations tax earnings of overseas subsidiaries on a current basis. A list of these developed countries would include the following:

Australia	Luxembourg
Austria	Monaco
Belgium	Netherlands
Canada	New Zealand
Denmark	Norway
France	Union of South Africa
Germany (Federal Republic)	San Marino
Hong Kong	Spain
Italy	Sweden
Japan	Switzerland
Liechtenstein	United Kingdom

Mr. GIBBONS. I have no further questions.

The CHAIRMAN. Go ahead, Mr. Karth.

Mr. KARTH. I would like to say in reference to what Mr. Gibbons' concern is that I doubt seriously that the EEC countries are concerned about national security with respect to their policy that we have been discussing toward the EFTA countries. They have other meaningful ways it seems to me to indicate their concern about their own security if they really want to.

It seems to me also that their concern about national security, or their own security, is to have the United States provide it for them.

Then lastly I would like to put my colleague from Florida some-

what at ease. I don't think it is necessary for us to invoke a VAT to compensate for VAT on the part of the EEC countries. I think we could impose an import tax to compensate dollar for dollar for their tax. We don't really have to go to a value added.

Thank you, Mr. Chairman.

The CHAIRMAN. We cautioned during the appearance of the administration witness on this very point, Dr. Meister, of being able to get an agreement not only with Great Britain but with the European Common Market as a result of the extension of the market to Great Britain and to this group of Scandinavian nations. We pointed out that if they couldn't get agreement on that we didn't know whether or not they would be able to successfully negotiate under any legislation that the Congress might pass, so that I think the administration spokesmen and negotiators are really on notice of what the feeling is here in the legislative branch.

I respect your judgment very much because I know you have gone into this. As a result of a study of this do you believe that this is arguable as a proposition, a two-sided proposition involving the Scandinavian countries and their entrance into the Common Market?

Dr. MEISTER. If I understand your question, Mr. Chairman, it is: Is there still a question whether we should or should not be compensated?

The CHAIRMAN. That is right.

Dr. MEISTER. I believe that legally there never has been a precedent on it, and therefore it has never been tested and resolved, but I think that GATT has been an instrument that has not always worked well, that the rules are kind of outmoded in it and need very much to have revisions, and therefore under the rules as they exist now, and this is why this industry is concerned, we just may not be able to obtain compensation. Any kind of imposition of, let's say, a tariff here if we don't get our equality in Europe is not going to help this industry. What we need is the next step, namely: if the GATT does not compensate this industry, then certainly the multilateral negotations hopefully would create the kind of climate which this committee is working on through this bill, that we could obtain not compensation but an ability to trade on parity with our competitors.

The CHAIRMAN. What would you recommend that we do if the countries will not sit down and negotiate with us. I don't mean under this legislation, but with respect to the existing situation.

Dr. MEISTER. If other countries will not negotiate with us?

The CHAIRMAN. If GATT will not, or Norway, and Finland, and Sweden will not.

Dr. MEISTER. I think then, of course, there are many ways that this country can impose restrictions because then I think it would be justifiable. If they do not negotiate under the GATT present setting, if they refuse to negotiate under the trade negotiations, and this is a personal opinnon, Mr. Chairman, I would like to stress that, then I think that there is no other way, of course, but to have a substantial instrument in the hands of the administration with which they can retaliate.

The CHAIRMAN. What do you think will be the loss to our industry over a period of time in trade?

Dr. MEISTER. It is a little bit difficult to calculate, Mr. Chairman. Those are intangible figures. All we can say is that our exports have

been growing at 10 percent a year. Products which are subject to duty are now nearly $250 million worth. If we project into the next 10 years, I think it will go into millions of dollars.

The CHAIRMAN. I would suggest that you do your best to get some figures because I would anticipate that our negotiations will in time ask you these questions.

Mr. MCSWINEY. The reason, Dr. Meister has not given you a figure is that we don't want to be putting a bogeyman out there. We know it is a growing figure, and we have discussed it with our executive branch. If it is $250 million now, it doesn't take much to understand that it would begin to approach three-quarters of a billion dollars 8 or 10 years out. I think that is a reasonable assumption. I think she has refrained from trying to go on the line.

The CHAIRMAN. Which parts of the administrtion's tax proposals disturb you?

Mr. WILDE. Principally, there are two proposals, the runaway plants provision which would, the way we see it, eventually categorize Canadian investment as a runaway plant. Our tests at the moment indicate that they probably would not now fall within the category of runaway plant. However, based upon projections we have made and the proposals as they are stated, we feel that eventually we will fall squarely within the provision of the runaway plant in Canada.

The other provision that disturbs us is the tax holiday provision. There is hardly a country in this world that our Treasury, in looking at their tax law, would not consider to be granting some sort of tax holiday or tax incentive. The Treasury proposals refer to both a tax holiday and a tax incentive. It is a double-barreled thing that is included in this proposal, and under the proposal as set forth by the Treasury, I would be hard pressed to say that there isn't a developed country that doesn't fall within the category.

We feel that those are the two principal problems that we see. Now, there are a great many detailed problems within the proposals that disturb us.

The CHAIRMAN. Would in your opinion the Treasury's proposal simplify or further complicate this very complicated area of foreign tax?

Mr. WILDE. Well, in a company as large as ours, where we deal quite extensively overseas, we employ a few tax department people who specialize just in this one area alone. The provisions of the present tax law are quite complex.

I believe, and this is my personal opinion, Mr. Chairman, that the Treasury proposals will unduly complicate the American businessman's problem in the tax area.

The CHAIRMAN. Let me congratulate you on being able to obtain the service of lawyers who understand it to begin with.

Mr. SCHNEEBELI. Mr. Chairman.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. On the matter of taxation, I believe that, based on Mr. McSwiney's testimony, you would not be adversely affected by that 25-percent return requirement, would you?

Mr. WILDE. Are you talking about 25 percent coming back to the States?

Mr. SCHNEEBELI. Yes.

Mr. WILDE. Yes, the 25 percent would affect us based upon our survey at the moment, but the thing that does not immediately affect us is the other half of that equation. The Treasury's proposals are using an effective foreign tax rate compared to our statutory rate. We believe that this is comparing horses and sheep frankly, because under the administration proposals, an effective foreign rate must be translated into U.S. tax accounting rules, and that means that you cannot deduct depreciation that would be allowed, say, in Canada.

Mr. SCHNEEBELI. Mr. McSwiney said that virtually nothing in the finished product comes back to the United States. It is almost all produced and sold overseas.

Mr. WILDE. He was talking basically about converting plants. What I am referring to is the pulp and newsprint that comes back here to the United States from Canada. If we take it on the basis of the way these proposals were written, once the test is met as to a plant or facility, current taxation would then apply to the entire corporation.

Mr. SCHNEEBELI. It refers to raw materials as well as finished products.

Mr. WILDE. The way it is written.

Mr. SCHNEEBELI. I think the intent was the finished product rather than the raw material.

Mr. WILDE. But the way it is worded, it could include the pulp and newsprint.

Mr. McSWINEY. We would be much happier to separate the tax and trade bill and let taxes be considered where they have been historically and not have the trade-off between the tax and trade bill.

The CHAIRMAN. We may not be able to accommodate that suggestion, but we are concerned about the recommendations that I have just asked you about. Are there any further questions?

Mr. WILDE. If I might point out one further thing on the tax side, we would very much like to see regardless of what proposals come out fair and equitable treatment on the tax side.

The CHAIRMAN. We always in our effort to seek simplicity and equity try to be fair. Equity means fair, I think.

Mr. KARTH. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Karth.

Mr. KARTH. I can't help but suggest that the industry seems to be unduly alarmed about this tax thing because you have already testified that it is not taxes which is the motiviating factor to locate abroad, but rather the NTB's and other restrictive trade policies.

It seems to me that our objective should be to eliminate those and then you don't have to worry about the taxes.

The CHAIRMAN. We thank you for coming to the committee. You have been very helpful to us.

Mr. McSWINEY. Thank you.

[The following was submitted to the committee.]

INTERNATIONAL PAPER CO.,
New York, N.Y., June 1, 1973.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN MILLS: I would like to express my thanks for the time that you gave to our group Wednesday afternoon to discuss the Trade Bill and the Administration's proposals for taxation on Foreign Source Income.

The effects of the Trade Bill which your Committee has under consideration, will be far reaching, and we appreciate the opportunity to express the Paper Industry's views in this connection.

You raised several questions concerning the proposals for taxation of Foreign Source Income. Time did not permit an extended discussion of this matter, and we could only cover some of the highlights. In order to assist you in your deliberations, I am attaching a copy of a Critique of these tax proposals which we hope will be helpful to you.

Sincerely,

J. S. WILDE.

Attachment.

INTERNATIONAL PAPER CO., CRITIQUE AND COMMENTS ON ADMINISTRATION TAX PROPOSALS FOR TAXATION OF FOREIGN SOURCE INCOME

CRITIQUE AND COMMENTS

General

1. These proposals would *discourage foreign investment* in plant and equipment and thus *result in obsolete plants* owned by U.S. interests which could not be competitive and thus lead to *loss of our foreign markets.*

2. The loss of foreign business would *worsen our balance of payments* problem inasmuch as foreign subsidiaries return a substantial portion of their earnings to the U.S.

3. Many foreign subsidiaries consume raw materials produced by their U.S. parent companies. If the foreign subsidiary is placed at a competitive disadvantage as a result of these tax proposals, which cause its contraction, *the U.S. exports would suffer, with the resulting loss of jobs in the U.S.* and the other by-product disadvantages to the tax revenue, balance of payments and to the economy.

SPECIFIC COMMENTS

(*a*) *Tax holiday—Tax incentive proposal*

1. The term "tax incentive", (judging by the examples in the Administration's proposals) will probably be interpreted very broadly by the Treasury Department who would be given the power to define the term. Such a broad interpretation would affect investments in almost all countries inasmuch as almost all countries have some form of tax investment incentive.

2. The provision is *inequitable* in that a foreign corporation once "tainted" (i.e. its income taxable currently to the U.S. parent) *would be tainted forever despite the termination of the incentive* which triggered the original current taxation.

3. The "taint" would remain with a foreign subsidiary despite a change of U.S. shareholders and thus would be considered in all buy/sell arrangements between U.S. shareholders.

4. The proposal limits the additional investment made in manufacturing assets after April 9, 1973 for purposes of the 20% test to those investments made during a year in which a foreign tax incentive was allowed or allowable or during a year in anticipation of a tax incentive.

The comprehension of investments made during a year in which a tax incentive was allowable (but not availed of by the foreign corporation) is inequitable and at odds with the stated purpose of discouraging investments decisions on the basis of tax inducements.

Furthermore the limitation of the "tainted" additional investments to merely years in which an incentive was allowed (or allowable) and years when an incentive was anticipated is academic if "incentive" is so broadly defined as to comprehend all countries within its scope.

5. The rule permitting additions to an existing facility of up to 20% of the cost of such facilities is an inadequate margin for normal modernization and replacement of existing facilities.

(i) The 20% investment rule applies after the effective date of the bill and is cumulative. Every foreign business would thus eventually exceed the 20% rule on normal replacements despite the fact that all or a greater portion may be invested merely to keep the plant going (as compared to a major expansion).

Thus this proposal does far more than inhibit major expansion, it actually prohibits normal replacements.

(ii) The cost of an existing facility is based on historical costs while current costs of replacements and modernization are much higher; therefore, an expendi-

ture of over 20% may replace a much smaller fraction of the total facility and actually be a normal replacement rather than a substantial addition to the facility.

(iii) The 20% test could be applied on a single plant or facility basis rather than on a company-wide basis. Inasmuch as a single plant might be a small part of the total company the triggering of current U.S. tax based on a single plant measure is inequitable.

(iv) Pursuant to this proposal it is immaterial whether the new or additional investment is funded from new capital or re-invested earnings. We would recommend that only new capital be counted toward the limitation thus permitting a foreign corporation to modernize and replace its facilities as required, out of its own earnings, without the imposition of U.S. tax.

6. The Treasury would be given such broad powers to define a "tax investment incentive" that existing foreign operations may be "tainted" and taxed currently thus resulting in such a low return on investment as to make the plant uncompetitive. This would be so despite the fact that only normal replacements are made which are necessary to keep the plant operative (which eventually exceed 20%) and such replacements are made without any tax incentive in mind.

7. The proposal would tax the U.S. parent company of a controlled foreign corporation on its share of the foreign corporation *earnings and profits*. A recent change in the Internal Revenue Code provides that for purposes of computing *earnings and profits* for taxable years beginning after June 30, 1972 only straight line depreciation would be allowable. Although the statute excepts from this rule foreign corporations who derive less than 20% of their gross income from sources within the U.S., a specific exemption should be provided under the current proposal so as to allow any depreciation method allowable under the Internal Revenue Code, for any foreign corporation (no matter its source of income) taxed under the Tax Incentive or the Runaway Plant provision.

(*b*) *Runaway plant proposal.*

1. This proposal goes far beyond its stated purpose of taxing currently "a United States controlled corporation which moves its plant to enjoy lower foreign tax rates".

Many foreign plants are situated where they are because it is impractical to penetrate that market from outside. Furthermore, many plants are located in foreign countries because of the need to be near the source of raw materials. For instance, in the paper industry, newsprint is produced in Canada for export to the U.S. and the location of the plant in Canada has nothing to do with the movement of a plant to a foreign country to enjoy a lower foreign tax rate.

2. Under this proposal the President would be given authority to exempt companies in particular industries and to enter into tax treaties, with Senate approval, which would make these rules inapplicable in specific situations.

Due to the special relationship of Canada to the U.S. as a trading partner and the fact that the Canadian statutory rates for corporations are not less than 80% of the U.S. rate, the thrust of this proposal should not restrict investments in Canada. Therefore, investments by Canadian subsidiaries should be *specifically exempt*.

Exemption could also be granted for specific products which are required by U.S. consumers and which they could not obtain solely from U.S. plants, such as newsprint.

3. The "earnings and profits" of the foreign corporation which is subject to current tax should be computed using any depreciation methods allowable under the U.S. tax rules as noted in our comments on the Tax Incentive proposal.

4. The use of the "effective foreign tax rate" as a test in determining whether the plant site was influenced by a lower foreign tax rate is inequitable in that many countries impose taxes other than income taxes to raise a substantial portion of their revenue. For instance, the Value Added Taxes of the EEC countries would be omitted in computing the effective foreign rate inasmuch as it is not an income tax.

Furthermore, comparing an "effective foreign tax rate" to the U.S. statutory rate of 48% for purposes of the 80% test is a comparison of unlike items inasmuch as the U.S. effective rates for most companies is not 48%.

We would recommend that the test be made by comparing the foreign statutory rate for corporations to 80% of U.S. statutory rate or 38.4% (48% x 80%). This would provide a more equitable determination as to whether a lower corporate

tax rate is involved (notwithstanding that it may not have influenced the plant to locate in that foreign country).

5. Some countries have split rates (i.e. a lower rate on distributed earnings than on undistributed earnings). This could dilute the "effective rate of a relatively high rate country—for example—Germany.

6. Canada provides a 10% credit against the Dominion tax for provincial taxes, which are then paid to the provinces at an even higher rate (eg. 12% in some provinces). The effective rate of tax for this purpose should include the provincial income tax (or as an alternative omit the provincial credit against the Dominion tax).

7. The rule permitting additions to an existing facility of up to 20% of the cost of such facilities is an inadequate margin for normal modernization and replacement of existing facilities.

(i) The 20% investment rule applies after the effective date of the bill and is cumulative. Every foreign business would thus eventually exceed the 20% rule on normal replacements.

(ii) The cost of an existing facility is based on historical costs while current costs of replacements and modernization are much higher; therefore, an expenditure of over 20% may replace a much smaller fraction of the total facility and actually be a normal replacement rather than a substantial addition to the facility.

(iii) The application of the 20% additional investment rule on a single plant basis rather than a total corporation basis is inequitable inasmuch as a modest replacement at a single older plant could trigger a current tax despite the fact that the investment was insubstantial to the corporation as a whole.

(iv) Pursuant to this proposal it is immaterial whether the new or additional investment is funded from new capital or re-invested earnings. We would recommend that only new capital be counted toward the limitation thus permitting a foreign corporation to modernize and replace its facilities, as required, out of its own earnings without the imposition of U.S. tax.

(c) *Tax proposal re foreign losses*

This proposal is aimed at U.S. companies who operate a foreign branch whose initial losses are not allowed as a carryover by the foreign country when the branch subsequently has profits.

Therefore, the U.S. which has allowed the U.S. taxpayer to deduct the branch losses on the U.S. tax return does not collect taxes when the operation becomes profitable because the foreign taxes in the profitable years are creditable against the U.S. taxes on such profits.

This proposal is also aimed at U.S. taxpayers who operate a branch in a foreign country during the early start-up loss years and then incorporate the branch when it becomes profitable. Here again the U.S. has allowed the losses as a deduction on the U.S. tax return and does not collect taxes on the profits unless and until the foreign earnings are repatriated.

This proposal then should be narrowed to comprehend only operating losses and should exempt foreign losses which are the result of a U.S. taxpayer sustaining a bad debt on a loan to a foreign corporation, a capital loss on the sale of foreign securities, or a worthless security loss with respect to a foreign investment. It is inequitable, and certainly outside the intended purpose of this proposal, to penalize the foreign tax credit of a U.S. taxpayer on his future foreign source income where the losses previously deducted were not operating losses but rather related to the loss of his investment or his advance.

Thus, we recommend that there be a correlation between the losses deducted and the foreign source income that is subsequently reported (i.e. from the same operation or business and of the same character eg. operating income) before the losses are deducted from the subsequent years foreign source income for purpose of the foreign tax credit computations.

The CHAIRMAN. Our next witness is Mr. Malcolm R. Lovell, president of the Rubber Manufacturers Association.

We notice that you are accompanied by Mr. A. J. Ashe, and Mr. Robert Scharlotte.

You are recognized.

STATEMENT OF MALCOLM R. LOVELL, JR., PRESIDENT (TIRE DIVISION), RUBBER MANUFACTURERS ASSOCIATION, INC., ACCOMPANIED BY A. J. ASHE AND ROBERT SCHARLOTTE

SUMMARY

I. *"Trade Reform Act of 1973"*.— With few special exceptions, the RMA supports each of the seven titles of the proposed bill.

II. *Treasury recommendations on changes in the taxation of foreign source income*.— Because these proposals are at variance with the objectives of the trade bill, the RMA recommends the subject of taxation of foreign income be excluded from the proposed trade legislation.

III. *RMA position on taxation of foreign source income*.—The multinational corporations with this industry have strongly contributed to the U.S. economy, and any substantial change in the existing method of taxing foreign source income would only worsen America's competitive position.

Mr. LOVELL. Thank you very much, Mr. Chairman, and members of the committee. I am Malcolm R. Lovell, Jr., president of the Rubber Manufacturers Association, Inc., RMA, located at 1346 Connecticut Avenue NW., Washington, D.C.

As you indicate, I am accompanied by Mr. A. J. Ashe, of the B. F. Goodrich Co., and Mr. Robert Scharlotte, of the Goodyear Tire & Rubber Co.

Today we are presenting the views of the major U.S. manufacturers of tires and other rubber products on the Trade Reform Act of 1973 and the Treasury recommendations on changes in the taxation of foreign source income.

In formulating our reactions and comments to the Trade Reform Act of 1973 we endorse the basic need for legislation which will:

(1) Result in a more open and equitable world trading system;

(2) Move to counter the rapid rate in imports that have disturbed domestic markets and negatively affected domestic employment;

(3) Move to correct the current balance-of-payments problem; and

(4) Enhance the contribution trade can make to the development of poorer countries.

I. TRADE REFORM ACT OF 1973

As far as the trade bill itself goes, with a few special exceptions, the tire and rubber industry supports each of the seven titles of the proposed bill.

However, we wish to single out some of the provisions that this industry strongly endorses.

(1) Recognizing the significance of broadbased multilateral negotiations, we support the negotiating authority as sought by the President under title I. We endorse the recommended waiver for negotiation consultative groups from the requirements of the Federal Advisory Committee Act.

(2) The industry favors the expanded flexibility sought for under the four principal statutes of title III.

(3) We also give strong support to title IV, because, as long as deficits in our Nation's balance of payments persist, this authority will permit the President to directly attack many of the trade sources of such problems.

(4) The industry supports the proposal to extend most favored nation status as a part of the President's efforts to expand trade with Russia, China, and other Socialist countries.

On the other hand, the industry must take issue with two particular provisions contained in the trade bill.

(1) We do not support that aspect of section 103 that would authorize the President to "take any action" on the requirements for marking country of origin. If marking requirements are to be obviated for the benefit of foreign producers, the domestic industry in question should receive a comparable benefit for the export of its products.

In addition the RMA supports the position of its footwear division which testified that any agreement which would eliminate either the American selling price or the "final list" should be on an ad referendum basis.

(2) The provisions of title III, which would give the Secretary of the Treasury authority to not impose countervail under specified circumstances, is too discretionary in our opinion and we urge that this be modified.

A case in point is the recent imposition of countervailing duties on the importation from Canada of Michelin radial tires. If the Treasury had the authority contained under section 303(d) of the trade bill, the Treasury might have utilized such authority to bar the countervail against Michelin in Canada. Such a decision, of course, would be in direct conflict with one of the chief objectives of this bill, namely, to curtail the rapid rise of foreign imports. Obviously, the nonimposition of the subject countervail would negatively affect domestic tire manufacturers.

In substance, then, this industry endorses the proposed Trade Reform Act of 1973.

However, we must take issue with the tax recommendations made by the Treasury Department. We believe the proposed changes are, in fact, counterproductive to achieving the underlying purposes of the trade bill.

II. TREASURY RECOMMENDATIONS ON CHANGES IN THE TAXATION OF FOREIGN SOURCE INCOME

Because they are at variance, in our judgment, with the trade bill and because they are, in the themselves, controversial proposals, we strongly recommend that this entire subject of taxation of foreign source income be excluded from this proposed legislation and be considered in the context of tax reform in general.

The administration's proposal to tax U.S. corporations currently for the undistributed earnings of their foreign subsidiaries having tax holidays or similar investment incentives would only succeed in giving other foreign corporations an unfair competitive advantage. It would not result in foreign production being replaced by U.S. exports but would merely insure that foreign production would be in the hands of foreign controlled producers, thereby forfeiting any future returns on investment to the United States.

This proposal of the Treasury Department completely ignores two basic points:

One. Tax holiday and other incentives are offered to compensate for

unfavorable costs or risks that would otherwise make investments unattractive; and

Two. Tax holidays are frequently connected with restrictions on imports to further insure that production will be limited to the foreign country providing the incentive.

The administration's intent to place determination of the presence or absence of an incentive similar to a tax holiday in the hands of the Treasury is tantamount to permitting the Treasury to enact tax law. It could be concluded that nearly every country offers tax incentives, as you have heard earlier this morning, if the Treasury chooses to consider differences in taxation that are more favorable to taxpayers but ignores those less favorable.

The proposal to assess U.S. income tax currently where 25 percent or more of the foreign subsidiary's gross receipts arise from exports to the United States and the foreign effective tax rate is less than 80 percent of the U.S. rate would again be a penalty inflicted on U.S. corporations. This would in no way reduce the flow of imports but merely make U.S. ownership less competitive. By providing that this tax would be assessed in years when the foreign effective rate is less than 80 percent of the U.S. rate, the penalty would be inflicted in many cases as the result of mere differences in the timing of deduction or allowances.

Except for a few isolated situations in high tax countries such as Canada, none of the multinational corporations in this industry have plants overseas that have exported over 25 percent of their sales back to the United States.

We believe that the Treasury Department's recommendations should not be considered as viable alternatives to current tax law, since they would have no beneficial effect on U.S. balance of payments or trade in the type of deductions or allowances except for a few isolated cases, or in our judgment, employment, but merely would weaken the ability of U.S. business to compete in foreign markets.

III. RMA POSITION ON THE TAXATION OF FOREIGN SOURCE INCOME

A. Contribution of this industry to the U.S. economy and potential impact of changing current method of taxation: On April 3, 1973, the industry testified on this subject and stressed three central points:

One. The American tire manufacturing industry establishes foreign production facilities in order to service new and/or growing foreign markets which we could not service with domestic production through exports;

Two. The industry, under current U.S. tax laws has managed not only to achieve this marketing goal, but has done so to the benefit of the U.S. economy and the operations of these companies domestically;

Three. Repeal or substantial modification of the foreign tax credit and the deferral of tax on undistributed income would seriously jeopardize the present competitive position that the American multinational corporations in this industry now maintain in the world today.

An updated version of RMA's study on multinational corporations in the American tire manufacturing industry shows the following favorable results for the 9-year period 1964–72:

One. A favorable balance of payments of $2.9 billion;

Two. Almost a $3 billion new manufacturing investment in plants and equipment in the United States—more than double the investment in foreign facilities; and

Three. An increase in domestic production employment from 94,906 to 117,989.

On the other hand, the same update of our statistics shows that had the foreign tax credit and the deferral provision not been in effect for the last several years, the same five multinational corporations would have borne the burden of a substantial additional tax that would average out as a 20-percent reduction in annual earnings.

Such a substantial reduction would only produce the following results:

One. A less favorable balance of payments;

Two. Less capital invested in new plants and equipment in the United States; and

Three. A lower employment growth in the domestic operations of this industry.

In brief, had the current treatment of foreign source income not been in effect over the last decade, this industry would not have been an effective competitor in the world market.

B. Discriminating against U.S. companies and need to reappraise concept of deferral:

In the case of a country attempting to industrialize by attracting competent international industries to locate manufacturing units, to replace imports, any proposal to eliminate or substantially modify tax deferral of United States of America companies should they partake of any of the incentives usually offered, will not prevent industry locating there. Rather, it will only insure that the new industries are not American, as foreign-based companies will take advantage of the markets with the full encouragement of their own governments.

In conclusion, Mr. Chairman and members of the committee, we will conclude our statement with the following summary.

One. The American tire and rubber industry gnerally supports H.R. 6767 except for the granting of discretionary authority to the Treasury to oppose countervailing duties, and that provision that would allow the President to "take any action" on the "requirements for marking country of origin," as well as the threat to American selling price system.

Two. We oppose the recommendation of the Treasury Department regarding taxation of foreign source income. The Treasury's proposals appear to be at odds with the intent of the proposed Trade Reform Act and in our opinion would prove to be counter-productive to America's economic needs.

Three. Consequently, we recommend that the Treasury's tax recommendations not be considered in conjunction with the trade bill, but as a part of tax reform in general. We maintain that effective trade and adjustment assistance legislation and nonrestrictive tax legislation are the proper means of dealing with any dislocations of the domestic economy.

Four. Also, we believe that attention should be more strongly focused on the stimulation of exports through appropriate incentives rather than through the curtailment of the current status and future

growth of American international corporations which have contributed favorably to the United States and world economy.

We appreciate the opportunity to appear before the committee and to present our views on this legislation.

The CHAIRMAN. We thank you, Mr. Lovell.

Are there any questions? If not, we thank you very much. We appreciate your coming.

Mr. LOVELL. Thank you, sir.

The CHAIRMAN. Mr. C. Richard Hughes, chairman of the Import Car Committee.

Mr. Hughes, we would appreciate you identifying yourself for our record and those at the table with you.

STATEMENT OF C. RICHARD HUGHES, CHAIRMAN, IMPORT CAR COMMITTEE, NATIONAL AUTOMOBILE DEALERS ASSOCIATION, ACCOMPANIED BY FRANK E. McCARTHY, EXECUTIVE VICE PRESIDENT, AND JOHN R. RUSSELL, CHAIRMAN, GOVERNMENTAL RELATIONS COMMITTEE

Mr. HUGHES. Mr. Chairman and members of the committee, my name is C. Richard Hughes, a Toyota dealer from Ventura, Calif., and chairman of the National Automobile Dealers Association Import Car Committee.

On my right is Mr. John R. Russell, Chevrolet, Mazda and Honda dealer.

The CHAIRMAN. North Little Rock, Ark.

Mr. HUGHES. You beat me to it. He is a member of our board of directors and chairman of our Governmental Relations Committee.

The CHAIRMAN. He is a good man and I am glad you recognize it.

Mr. RUSSELL. Thank you, Mr. Chairman.

Mr. HUGHES. Mr. Frank E. McCarthy is on my left. He is our executive vice president of NADA. NADA represents some 20,000 franchised new car and truck dealers of which 10,697 handle imported cars, either as a single line or in combination with another make. Thus approximately 53 percent of NADA's entire membership is directly affected by the trade legislation being discussed here today. Attached to the statement and marked exhibit A is a statistical analysis of all import franchises in the United States as of January 1, 1973.

Let me state at the outset, Mr. Chairman, that NADA strongly believes that America's balance-of-trade problems should concern each and every member of the business community large or small. America cannot afford the perpetual luxury of being a debtor Nation; and like the individual, must also share the burden of balancing the budget. There are many well-intentioned citizens who think the way to help correct America's balance-of-payments problem is to buy nothing but American-made products. They believe that to do this would be to strengthen the economy by keeping American dollars at home.

This outlook, while full of good intentions, falls short of reality and in many ways would severely cripple certain segments of the U.S. economy. Needless to say, one such segment which would be hurt would be that portion of the automotive industry dealing with imported cars.

NADA POLICY REGARDING TRADE LEGISLATION IN GENERAL

We support a trade policy based upon a multilateral, nondiscriminatory, open world system of trade and payments. This has been the primary principle upon which trade negotiations have been based in the past and we feel this basic principle should be continued in the future. To return to the protectionism of the 1930's is a prescription for disaster. The benefits to this Nation from an open and equitable economic world are significant and far reaching and must be attained.

Any trade legislation enacted should be designed to improve the U.S. balance of payments without unduly restricting competitive markets.

ECONOMIC ROLE PLAYED BY IMPORT AUTOMOBILE INDUSTRY UNDER PRESENT TRADE REGULATIONS

In preparation for our testimony here today NADA's import car committee compiled a rather detailed study on import car dealers. I would like to take this opportunity to cite some of the economic factors of this study to illustrate the importance that the import car dealer plays in the growth process of the American economy.

The import automobile industry can be classified without question as a nationwide industry, whose dollar volume to a significant extent not only remains in the United States, but more importantly, right in the community in which the import car is sold. In 1972 for example, over 1,470,000 import cars were sold in America, comprising roughly 15 percent of the total new car sales in this country. At first glance, these figures seem to support those who would have everyone buy American in an effort to stabilize the economy. We believe that this conclusion is erroneous and not supported by the facts.

Let's examine the facts and determine to what extent import automobile dealers support the American economy.

In 1972 total retail sales of the import automobile industry amounted to over $6.8 billion; this figure includes spare parts and labor charges. Most municipalities or States levy a substantial sales tax—sometimes as much as 5 percent. Using an average of 4 percent, over $27 million in tax revenues were derived by those States and municipalities from the sales and servicing of import cars alone.

In addition to the local sales tax levied on imports, the industry paid $275 million in other taxes for 1972.

Apart from substantial reveneus derived from the import auto industry by means of taxation, the import dealer also contributes substantially to the U.S. economy in the areas of employment, advertising, and community relations. In 1972, the import car dealer on $6.8 billion of sales, paid an average of $152,000 in wages, in each dealership. In turn, these wages went back into the community in the form of payment for housing, food, recreation, taxes, et cetera.

In 1972, the average advertising outlay of an import dealer exceeded $19,000, which was distributed among the various media industries including radio, television, newspaper, and magazines. Nationwide this figure exceeded $168 million.

In 1972, the import car dealer also purchases over $70 million of domestic accessories which were installed in the import car after having been received by the dealer in the United States.

The import car dealer, not unlike the dealer handling domestically produced cars, also has a substantial investment in his business. On the average in 1972, this investment amounted to more than $145,300 per dealership.

In 1972 the import car dealers employed over 156,000 persons—this significant figure alone shows the economic worth of the import auto dealer to the United States.

The import car industry has also made other nonmonetary contributions to the United States. The import car industry began to flourish in American in 1949. In 1972, 1,470,000 imports were sold and the market expanded into a total of 32 different makes offering more than 121 different models.

This wide range of sytles, models and prices gave a new dimension to the choice available to the consumer. With the rapid rise of the imported car, one-car families could afford to become two-car families. The addition of the second car gave new meaning to the suburban life style that boomed in America during the 1960's.

This introduction of a new element of competition from abroad spurred the American automobile industry as well. Faced with new competition from smaller import cars, domestic makers quickly moved to meet this competition.

Their quick entry into the compact and subcompact market has boosted their sales and given the consumer additional choices. And what caused it? The competition offered by the imported car.

The introduction of the imported and domestic economy car into the American market also helped to forestall the energy crisis by conserving gasoline and will help to solve the problem in the future.

We strongly believe any trade legislation designed to protect American manufacturing by means of increasing tariffs and lowering quotas in an arbitrary fashion would seriously impair the freedom of choice of the consumer—a choice he now makes on the basis of his needs, his pocketbook, and his personality.

COMMENTS ON THE PROPOSED LEGISLATION

For the balance of our testimony we would like to comment specifically on the two legislative proposals being considered by Congress at present: The administration's Trade Reform Act of 1973 and the Foreign Trade and Investment Tax Act of 1973 introduced by Congressman Burke and Senator Hartke. We will limit our remarks to those sections of the bills that directly affect the import car dealer.

NADA recognizes the necessity to arm the President with adequate authority to negotiate favorable trade agreements on behalf of the United States.

We object to the provision in title I of the administration's bill that would give the President unlimited authority to increase tariffs and reduce quotas. We believe that Congress should impose a definite limitation on the President's authority to increase tariffs or reduce quotas, in both title I and title II of the bill.

Further, NADA urges that Congress set up proper safeguards to insure thaat adequate notice and full public hearings be provided all parties affected by the President's use of this authority permitted under title I. These congressional safeguards will insure that the final trade agreements are truly in the national interest.

NADA recognizes the need to temporarily restrict imports when they are the major cause of injury to a domestic industry.

We believe that it is important to allow the President to impose additional import restrictions only when the Tariff Commission finds that increased imports are the major cause of serious injury to the domestic industry involved.

Any import relief granted should be temporary so that the industry will be stimulated to become more efficient and competitive by the time the relief terminates.

NADA concurs with title II of the bill dealing with adjustment assistance that would permit the furnishing of such assistance when increased imports are found to be a substantial cause of economic injury.

The provisions as discussed above would establish a balanced and realistic U.S. foreign trade policy for the 1970's. Foreign Trade and Investment Tax Act of 1973:

Title III of the Burke-Hartke bill proposes comprehensive restraints on imports by category and country to roll back imports to the average level of 1965–1969.

According to U.S. Department of Labor statistics, title III, if enacted in its present form, would reduce the gross dollar amount of imports by $17.1 billion or 3.75 percent. This computation is figured on the 1971 dollar level of imports which represented $45.6 billion whereas the 1965–69 base period average amounts to $28.5 billion.

The average number of import cars sold between 1965–69 was approximately 819,000 units. In 1972, 1,470,000 import cars were sold in the United States. The implementation of title III of the Burke-Hartke bill would be devastating because it would reduce the number of imports sold by 45 percent.

If title III passed Congress and was enacted into law the overall results on the import car dealer would be a drastically reduced number of import cars resulting a severe loss in employment in the import car industry, increased prices to the consumer due to a direct decrease in competition, and the loss of real income to many elements of the community.

We urge this committee to reject such as extreme approach to curb the trade deficit presently suffered by the United States. We trust Mr. Chairman, that you and your committee will adopt legislative reform in the trade area—reform that will stabilize the U.S. balance of payments without destroying competitive markets.

This concludes my prepared statement. If the committee so desires, NADA would be more than willing to work with your committee staff by providing any appropriate additional information that may assist in implementing our suggestions. If you have any questions, I would be most happy to answer them at this time.

Thank you.

The CHAIRMAN. Thank you, Mr. Hughes, Mr. Russell, and Mr. McCarthy for being with us this morning.

Are there any questions of these witnesses?

Mr. COLLIER. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Collier.

Mr. COLLIER. Throughout your testimony, and I am in disaccord on some of these things, there seems to be the presumption that if the 15

percent of domestic sales of automobiles that now move into the foreign car market were lost then this would be a 15-percent gap in the economy. You don't believe that this number of people who are now buying foreign cars if they do not buy that type of car would not buy a U.S. manufactured automobile?

Mr. McCarthy. We agree with your statement, Mr. Collier. We realize that the public demand for new cars is going to be satisfied. Our point is this: If the imported car dealer were to lose its supply, therefore reducing its employment the domestic industry would not fully absorb the number of unemployed people that would result from the imported car dealer cutting back his employees.

We also think that there may be some slack in sales of cars totally because the consumer would not have the choices he has today.

Mr. Collier. I would be inclined to disagree, inasmuch as roughly 300 man-work hours go into the manufacture of an automobile, and as to the 1,500,000 foreign cars sold here recognizing the impact of employment in the dealerships and repair and so on, you can't discount the fact that if that were translated into the number of automobile workers at the factory place this would not be a loss in jobs in the overall.

Mr. McCarthy. There are two factors that are involved. One is that the domestic automobile companies for the most part are working at almost full production today. It has been the industry practice to also work overtime as opposed to hiring that many additional employees, so that I don't think that even though more cars would surely be produced in this country that at least in the immediate few years the domestic industry would be able to come near to absorbing the number of unemployed people of an import car dealer.

Mr. Collier. I think the competitive situation is to some degree healthy, but when you recognize that the sale of foreign cars has increased by 53 percent over a span of 3 years whereas the export of American cars has actually decreased, we have to face the cold reality of life in terms of the recent trend. If we are going to get an increase of another 53 percent in foreign cars on our domestic market in the next 3 years, we can't blind ourselves to what the economic impact is going to be, particularly when barriers of one type or another are set up, running all the way from financing in some of the countries that now enjoy the benefits of having their automobiles on our domestic market to the prohibition of the wider wheel based American car on a foreign road.

Certainly I am not suggesting protectionism. I am suggesting there be reciprocity and, if we are going to see this tremendous increase, gentleman, over a period of 3 years as I pointed out, with no compensatory return on the part of those countries from whom we are importing automobiles, it just seems to me that what will finally happen is quite obvious.

Mr. McCarthy. If I could I would like to add just two comments.

One is that the market share of the imports has only increased to 1 or 2 percent in the last 3 years. The total sales in the industry have increased quite a bit.

The second point is that in looking at some of the so-called restrictions that other countries have on the import of American cars it is a little bit surprising to see that there is not as much of a discriminatory aspect as appears on the surface. I think it would be worthwhile for the committee to get some information from the domestic manu-

facturers as to just what the problems are of marketing a car in another country, and if they are real problems.

For example, in many instances there may be a so-called commodity tax, for example in Japan, but that tax is applied to cars produced in Japan as well as cars produced in this country. There are several other elements in the pricing structure that I am not completely familiar with but I am aware of that do raise the price of an American car, but it is mostly something not dictated by the foreign country. It is something that the American industry does here by choice.

So that my conclusion is that this is a problem and I think that the American industry is going to have to do a better job in making their products more attractive overseas.

Mr. COLLIER. Well, I am not so certain that if they were entirely attractive we could sell the American-made car abroad for many reasons. If we were able to produce in this country an automobile entirely equal in every respect, engineering, size, and so forth, to compete with that automobile in the country in which it is marketed, I think that you know that abundant nontariff barriers would prohibit it.

So that it isn't just a question of choice. It isn't simply the fact that the American automobile is perhaps even less attractive to the foreign consumer. It is just in fact that we have not been able to break into those markets for reasons that go far beyond the choice of the consumer in that country.

I should like to make one other observation. I have many good friends who own automobile dealerships. I know that the statement presented today by the National Automobile Dealers Association does not represent a consensus of those who do not operate a foreign car franchise in conjunction with their U.S. dealership. Would you say that the vast majority of the members of the NADA subscribe to the statement set forth before the committee here?

Mr. MCCARTHY. That is correct.

We now have in our membership 53 percent of our members that handle an import either dual with a domestic or other import, or as an exclusive import. This does not take into consideration the Chevrolet dealer who has a Loafer truck which is imported, or the Ford dealer who has a Courier, which is an imported truck.

The situation has changed considerably with the automobile dealer in that more and more have large imports that didn't just 3 years ago.

Mr. COLLIER. If these are joint dealerships as such in the figures you have given us how do you divide them into employment within a single dealership where they are handling let's say the Datsun and the Toyota and an American made car?

Mr. MCCARTHY. There is no precise way to do that, but in the cases where there was an import, we took exclusive import, all imports dualed with other imports and took their total employment. On those imports dualed with the domestic we simply had to take a factor around 50 percent less in order to estimate the employment. We could not arrive at a precise figure on that point.

Mr. COLLIER. In most instances if they had a joint dealership if you took half. the fact of the matter is that an established dealer of a domestic manufactured car wouldn't be doing 50 percent of his business with a foreign car in all likelihood, would he?

Mr. MCCARTHY. It is very difficult. In many cases that is correct. We would agree with that. As far as the sales force that may be working

both domestic and import, it is difficult to prorate. I would have to admit that in one area the figure is not 100 percent precise, but I might say that the number is so large that even if you reduce it somewhat it is still an extremely significant fact that quite a few people are employed by import automobile dealers.

Mr. COLLIER. I personally don't want to oppose any legislation that would provide an orderly growth of this industry. Instead it is my point that we certainly must demand reciprocity in this field to avoid stringent import restrictions.

Thank you, Mr. Chairman.

Mr. ROSTENKOWSKI [presiding]. Are there any further questions?

Mr. Chamberlain.

Mr. CHAMBERLAIN. Yes.

I would like to pursue Mr. Collier's point here just a bit. I am impressed here with your exhibit that says that you have 17,000 import franchise dealers in the United States, and some 4,390 Japanese franchise dealers. I am wondering if you could tell us how many Vega dealers or Pinto dealers there are in Japan?

Mr. McCARTHY. I can't tell you the number, but not very many.

Mr. CHAMBERLAIN. Could you tell us how many vehicles were exported by Japan last year?

Mr. McCARTHY. I don't have the figure available now. Maybe Mr. Hughes does.

Mr. HUGHES. I don't have it with me. It is obtainable. I can get it.

Mr. McCARTHY. We will provide it for the record.

[The information follows:]

NADA has devised the following table from figures made available by the Japan Automobile Manufacturers Association, Inc., 30 East 42nd Street, New York N.Y. 10017:

1971 JAPANESE AUTOMOTIVE EXPORTS VERSUS IMPORTS

	All exports	Exports to United States	All imports	Imports from United States
Cars	1,299,351	653,695	18,551	4,633
Trucks	469,448	160,084	268	54
Buses	10,225			
Total	1,779,024	813,779	18,819	4,887

In 1972, Japan exported a total of 1,967,105 vehicles of which 623,904 went to the United States. A total of 23,650 vehicles were imported; 5,517 of these came from the United States.

The Japan Automobile Manufacturers Association, Inc. reports that exports to North America will decline in 1973.

Mr. CHAMBERLAIN. I don't have last year's figure. If the figure is available I would appreciate your providing the total value of the imports from Japan to this country and the total value of our exports to Japan for 1972. I do have, however, the 1971 figures.

I am told that Japan exported 1,299,000 plus units.

Mr. CONABLE. To us.

Mr. CHAMBERLAIN. I don't have the breakdown. I think they were probably worldwide. I am also advised that the total Japanese imports were 18,551 units. So that it is between only 1 and 2 percent of their exports that they permit in the country.

I am not opposed to the foreign vehicles coming into this country per se. Would you agree with me that if we are going to permit the Japanese vehicles in this country in this number that we shouldn't be playing on a dry field, as Mr. Collier says. We would have reciprocity,

and you ought to be able to get a Pinto or a Vega in Tokyo, hadn't you.

Mr. HUGHES. I agree with you, Congressman. I would say that if the Japanese citizen wants to buy a Vega or a Pinto he should be able to buy it.

Mr. CHAMBERLAIN. Would you tell me what the price of a $2,000 Pinto or a $2,000 Vega would be in Tokyo?

Mr. HUGHES. Yes, with one qualification there. I haven't frankly seen many $2,000 Pintos and Vegas in the United States.

Mr. CHAMBERLAIN. All right. I will go your way then—you put the price on the Pinto or Vega in the United States and let me ask you how many of those you would be able to see in Tokyo if you were standing on the corner over there.

Mr. HUGHES. Let's take a figure of $2,500.

Mr. CHAMBERLAIN. Let's take a $2,500 figure then.

Mr. HUGHES. I don't know how many I would see because I don't have the figures of how many have been imported, but I think Mr. McCarthy has some facts on that.

Mr. MCCARTHY. We looked into this very problem. For a Vega in this country. I believe, $2,500 is a realistic cost figure, but the price in Japan to the dealer is higher. There is a 6.4 percent import tax in Japan. This country has a 3 percent tax. So there is a differential of 3.4 percent.

There is a commodity tax in Japan, depending on wheelbase of 20 percent for the smaller and 30 percent for the larger. But this commodity tax is applicable both to American cars sold in Japan or Japanese cars, so that this is not discriminatory.

On transportation the differential is less than $200.

All the other elements, I don't have the exact figures on, but I suggest you get really those elements suggested by the manufacturer in this country as to suggested price. It goes into the dealer preparation, the warranty servicing, the financing and banking on the car, and I would have to say bluntly that these markups are astronomically high compared to what a domestic dealer is used to in this country.

Mr. CHAMBERLAIN. Having said all that, what is the price of the $2,500 car in Tokyo?

Mr. MCCARTHY. The manufacturer's suggested price with all these other built in items that I am suggesting don't have to be built in comes to about $7,000.

Mr. CHAMBERLAIN. But the Japanese have nothing to do with this. This is our people here?

Mr. MCCARTHY. The Japanese only discriminatory aspect that I am aware of is the difference between the 3 percent import tax in this country and the 6.4 percent in Japan, and the transportation, which is understandable, less than $200, and the rest requires further analysis of the comparative suggested prices, and it is not the Japanese Government, to my knowledge.

Mr. CHAMBERLAIN. You are saying that if it weren't for all of these things that there would be more Japanese imports from this country?

Mr. MCCARTHY. That is right.

Mr. CHAMBERLAIN. Well, I would like to have for the record at this point, if you would provide it, one, two, three, the reasons why in your judgment only 18,000 units were imported into Japan during 1971 as opposed to their 1,300,000 exports.

Mr. MCCARTHY. We will provide that if we can get the full information from the domestic manufacturer.

[The information follows:]

At first glance, the answer might seem to lie in the various taxes imposed on imported cars in Japan. There is a 6.4% customs duty imposed on all cars, regardless of size, imported in Japan.

Thus, the customs duty would be approximately $160.00 on a $2,500 American car. (This compares to about $75.00 on a Japanese car imported in the U.S.A.)

There is also a commodity tax of either 20% for the larger cars or 15% for the smaller cars. This is imposed on all cars sold in Japan, regardless of country of origin, including Japanese built cars.

Assuming that the $2,500 American car was a smaller car (with a shorter wheel-base), the commodity tax would account for $375.00 of the cost.

To this must be added transportation and insurance charges which would approximate $400.00 for the $2,500 American car. Thus, the price tag is now over $3,400 because of the duty, commodity tax, and transportation-insurance charges.

There are additional fees, charges, and profits which are made by the importer and imported car dealer. For example, the dealer's "preparation and handling" charges are about six or eight times what they are in the United States. ($50 vs $350)

NADA has been told by dealer and manufacturer associations in Japan and Europe that imported car sales could be increased if a stronger effort were made by American manufacturers to sell their cars and trucks in their homelands.

It is pointed out that increased volume would bring the cost, per-new-unit-sold, down.

However, this is easier said than done.

With only a small percentage of the total population earning less than $5,000 or $10,000 each year, the demand for new cars is extremely limited.

On a per capita basis it not only costs more to buy a car, but also to operate one.

To further complicate this problem, the imported car in Japan has an aura of luxury around it. Thus, it is aimed at a small segment of what is already a fairly small market—that is, it is aimed at the affluent individual who wants a status symbol regardless of cost, or at the business concern looking for perhaps luxury transportation for its executives.

Again, with such a narrow market and with so few dealerships in the country to supply what market there is, the result is going to be a high priced import. If an American or European manufacturer were to aggressively attack the Japanese market with increased dealerships and increased advertising, and perhaps even with a slightly modified product, then there would probably be some significant gains in market penetration by the foreign manufacturer in the Japanese market.

We do not believe that there is any indication that the Japanese government has instituted trade barriers which artifically negate sales of imports other than the import tax differential of 3.4% between what is imposed on an imported car in this country, and what is imposed on a car imported into Japan.

Mr. CHAMBERLAIN. Well, certainly you have indicated that you have reasons of your own here.

Mr. McCARTHY. Yes.

Mr. CHAMBERLAIN. I would like to have them outlined for me so that at least if you can't get all the information, I can undertake to pursue it myself.

Again, I would like to say that I am not opposed to our Volkswagens, our Fiats, our Toyotas here on our market, but I do think that if we are going to trade we ought to be doing it on a dry field, and if they are not going to permit our vehicles for sale in their countries, if they are going to find some way to discriminate against them with nontariff barriers, or what have you, that our negotiators ought to go to the table prepared to exact some concessions from them.

Thank you.

Mr. McCARTHY. May I comment that our testimony does not oppose this negotiating authority. We simply say that there should be some congressional limitation imposed on it to protect the interest of the import car dealers, that we do recognize the need to negotiate favorable trade agreements.

Mr. ROSTENKOWSKI. Mr. Vanik will inquire.

Mr. VANIK. Do you represent the total automobile dealers in this statement, or just the import dealers? Do you understand the views you express to be those of the import automobile dealers?

Mr. McCARTHY. The views are the total association. Yes; I would say there is particular emphasis on the import car dealers.

Mr. VANIK. The American car dealers don't care what they sell as long as they sell?

Mr. McCARTHY. There is a factor with regard to what kind of trade legislation this committee would come up with. Under the Burke-Hartke bill there are many limitations that would hurt the domestic car dealer.

Mr. VANIK. Would you outline the things that would hurt the domestic car dealer? We ought to have them in the record. Without rushing to the defense of that legislation, I would say we ought to have that statement verified and backed up because I don't know how making an additional million and a half automobiles in America would hurt the American dealer. He is going to sell American cars if he doesn't sell foreign cars. People want an automobile and are going to buy an automobile whether it is American or foreign. I don't know how they can be affected.

Mr. McCARTHY. We would be happy to provide that for the record.

[The following was submitted for the record:]

This question, we believe, is based on an assumption of interchangeability of dealerships and models should imported cars be embargoed. For at least three specific reasons, this assumption is incorrect.

First, new vehicles—whether domestically produced or imported—are sold on a "franchised" basis. There are approximately 5,500 American dealers who handle imported cars exclusively. The majority of these dealers would simply go out of business if their source of cars were cut off. Domestic franchises would not be offered to them in most cases because they serve the same markets as existing domestic dealers.

Second, it is not correct to assume that the 4,000 American dealers who sell both Detroit products and imports would sell an additional domestic car for each embargoed imported car. The reason for this is that, especially in the subcompact range—which probably would not be available in the United States except for foreign competition—imports and domestic models are not substitutable on a one-to-one basis.

Third, even the approximately 16,000 dealers selling only domestic cars have a stake in the deflationary and competitive influence afforded by import franchises and imported cars. We feel this is true of all Americans, but domestic dealers have a particular concern: if they could only look to Detroit as a source of supply and did not have the option of taking foreign import franchises, we think the domestic dealers' bargaining position, vis-a-vis Detroit, would be diminished and the factory-dealer struggles of the 1950's might well be repeated.

More generally, regardless of NADA's particular viewpoint—about 53% of our members handle imported vehicles—all of our members are concerned, as many other Americans are, that Burke-Hartke Bill would not necessarily improve the balance of trade position. In fact, it may well invite retaliatory action by other countries causing serious economic problems for the United States.

Mr. VANIK. I don't know that we are going to be able to bring about a reciprocity in trade. How would you feel if we had a bill that provided that our taxes would equalize those of another country, so that if they had 6 percent and we have 3 percent, somehow or other they come down to 3 percent or we go up to 6 percent. Would that be a fair provision?

Mr. HUGHES. I think that would be fair.

Mr. VANIK. You understand that that would raise the selling price of your products if they didn't come down.

Mr. HUGHES. That is right.

Mr. VANIK. What effort has your industry made to try to get the foreign manufacturers to produce in this country.

I think that the foreign automobile has done a very valuable service to this country. For example, they were first aware of the energy crisis, having operated in countries where oil and gasoline was not as abundant as ours. The technology of a more efficient automobile is, I think, something that we owe a debt of gratitude for to the foreign producer. I am distressed that the Detroit people are completely unaware; seem to be working against us as far as energy is concerned because they persist in producing an automobile that just guzzles gasoline. I am hanging on to my American automobile purchases but I can see trouble ahead for every one who is going to face the higher costs of gasoline and possibly rationing. I am worried for the future of the American auto workers.

If we can't accommodate these problems by trade, why doesn't your industry endeavor to get the foreign makers to license someone here to make their automobiles in the United States so that it would be an American product made by American workers with a foreign license? I think an American made Volkswagen or Fiat or Subaru or whatever else you have would solve a lot of problems that we have. The jobs in making it would be here. It would improve your servicing facilities and certainly make parts more available.

What are you doing about encouraging this? I am just at a point where I felt if we can't get Detroit to make us an efficient automobile, we had better somehow or other license some foreign manufacturer to come into this country and make what we are going to need. What are you doing about licensing?

Mr. RUSSELL. Congressman, the point that you raised is under consideration now. As indicated a while ago, I am a Mazda, Honda, and Chevrolet dealer, and I know that Mazda is now considering the advisability of an assembly plant in this country, and they are also negotiating and buying some of their raw materials and they do have some suppliers in the United States now.

Mr. VANIK. I think that that approach would answer a lot of the job problems and would make that product a lot more acceptable on our market and increase its salability.

Mr. RUSSELL. This is also true of Volkswagen, and some of the other foreign manufacturers who are considering assemblies in this country.

Mr. HUGHES. They are starting to investigate those possibilities.

Mr. VANIK. I think that would really provide a viable alternative to the trade problem and would still make the product available and encourage your part in the participation in the sales business.

My time has expired.

Mr. ROSTENKOWSKI. Mr. Karth will inquire.

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

Mr. COLLIER. Mr. Chairman, could you advise us so that I can get to this rollcall whether we are going to resume?

Mr. ROSTENKOWSI. It is the intention of the Chair to recess until 2 o'clock. Do you have many questions, Mr. Karth?

Mr. KARTH. Mr. Chairman, I will be very brief and it will give us all time to make the quorum call. I agree with the witness that the importation of foreign automobiles has indeed stimulated the domestic competition. I only wish, however, that it has stimulated domestic competition by the manufacture of an automobile in the United States that would be competitive to the foreign import.

The question that Mr. Collier raised and Mr. Chamberlain raised I suggest is probably the fault of the domestic manufacturer. They have gone overseas to make the kind of car that the foreigners want

and they sell it in the domestic marketplace over there, and they also import them back into the United States to compete with the other imports. So they have it going both ways. They refuse to make an automobile in this country that will compete in this country with foreign imports, vis-a-vis the Colt that they make and import from Japan, or the Opel I guess that they make in Europe and import from Europe to the United States, or the Cougar that they make in England and import back.

So that I agree with you, it has stimulated competition. Unfortunately, it has not stimulated domestic competition in terms of manufacturing a car in the United States by U.S. manufacturers. They have gone overseas to make it and then imported it back to the United States.

I would hope that the U.S. manufacturers would try to give the American people what they want by making it here in America.

I know we have a quorum call.

Mr. ROSTENKOWSKI. Thank you, Mr. Karth.

The committee will stand in recess until 2 o'clock this afternoon.

[Whereupon, at 12:30 p.m., the committee recessed, to reconvene at 2 p.m.]

AFTERNOON SESSION

Mr. BURLESON [presiding]. The committee will come to order. Our witnesses are a little bit ahead of us and that is appreciated.

The committee will now hear from Malcom S. Pray, Jr., Mr. Robert M. McElwaine, and if you wish to further identify yourselves for the record, please do and tell us whom you represent. Proceed as you plan.

STATEMENTS OF MALCOLM S. PRAY, JR. (ON BEHALF OF VOLKSWAGEN DEALERS OF AMERICA), PRESIDENT, ROBERT M. McELWAINE, EXECUTIVE VICE PRESIDENT, AND THOMAS H. BOGGS, JR., COUNSEL, AMERICAN IMPORTED AUTOMOBILE DEALERS ASSOCIATION

Mr. PRAY. Mr. Chairman and distinguished members of this committee. My name is Malcolm S. Pray, and I am president of the American Imported Automobile Dealers Association, and a Volkswagen and Porsche-Audi dealer from Greenwich, Conn.

I am accompanied by Mr. Robert McElwaine, the executive vice president of the American Imported Automobile Dealers Association, and Mr. Thomas Boggs, counsel for our organization.

Thank you for giving me this opportunity to present the views of the American imported automobile industry on proposed trade legislation now before this committee. My purpose is to give this committee some idea of the scope of this American industry, its importance to the national economy, the sensitivity of the industry to changes in the trade policies of this Nation, and the dramatic loss of employment to American citizens if restrictive trade legislation is passed.

Mr. Chairman, I have a detailed statement for the record which I would ask the committee to insert following my summary remarks.

Mr. BURLESON. Without objection, that will be done.

Mr. PRAY. This chart[1] display indicates that we employ more

[1] The charts referred to are reproduced in the study prepared by Harbridge House, Inc. which appears following Mr. Boggs' statement.

than 122 U.S. workers in our dealerships and our salaries and wages are roughly equal to those paid by Goodyear or Bethlehem Steel. Our payroll to U.S. workers exceeds $1 billion.

In terms of size, the imported automobile business in America deserves the status of an industry. Annually our imported-car dealers expend $3.9 billion in wages, taxes, profits, and expenditures for goods and services. The orange block on the chart represents our industries. We have invested over $1 billion in our businesses and the total assets of our industries now stand at $3.6 billion.

Our second chart indicates the impact of the imported car industry on the economy in terms of wages, taxes, investment, and assets. There are a number of other economic areas where the imported automobile industry has had considerable significance.

In addition to the 5,000 dockworkers dependent upon imported automobiles, many thousands of truckers and other supportive workers are employed. Manufacturers of the imported cars we sell annually purchase more than $50 million in U.S.-made components, including Pittsburgh Plate Glass windshields, General Electric headlights, Firestone tires, et cetera, which are incorporated into the finished product before it is shipped to the United States.

Another $50 million in raw materials is purchased here by manufacturers of automobiles abroad, and another $75 million is spent annually in the purchase of U.S.-made accessories for installation on imported cars by the dealers.

And finally, importers and dealers spend $175 million annually for advertising and sales promotion of their products in the United States, thus providing employment for many people in newspapers, television, and advertising agencies throughout the country.

Seven hundred million dollars is spent every year to provide employment for U.S. workers in other industries by imported car dealers, that would not be spent if our industry did not exist. The imported automobile industry principally represents 4,710 retail businesses, each independently owned and operated and representing the private investment of its owner. An additional 1,586 dealerships are at least partially supported by imports. None of these figures include cars imported from Canada by domestic manufacturers—including the Pinto and Vega—which is the single largest source of imported cars, nor do they include the so-called captive imports which are cars made by U.S.-owned subsidiaries abroad and sold here by domestic dealers, such as the Capri, the Colt, and the Opel.

These are not extreme statements, these are the facts, and we are talking about American workers.

We saw how quickly our business reacts to changed trade policies when in 1971 the administration imposed a 10-percent surcharge on all dutiable automobile imports. In the 4 months the surcharge was in effect, business for imported cars dropped dramatically. According to a survey done by our trade association, as many as 8,000 U.S. workers lost their jobs at imported car dealerships in those 4 months. No record exists of 8,000 Americans being hired by domestic dealers or manufacturers during that period.

When such changes in trade policy can have a major effect on our business, it is easy to conceive our reaction to proposals such as those contained in the Burke-Hartke bill. According to the former Secre-

tary of Commerce, Mr. Peter Peterson, the quota formula of the Burke-Hartke bill would result in a 56-percent reduction from the 1972 levels of imports of automobiles into this country. Our chart indicates this.

With the high cost of business today, there is a fine line between any businessman making a profit and showing a loss. This is particularly true in the automotive business where high competition results in relatively low-profit margins. A 20-percent drop in volume would put most dealerships in a loss position because of the fact that our overheads revolve heavily around facilities and as a result are very fixed and difficult to lower. There are few who would survive a major curtailment.

It is my estimate that passage of the Burke-Hartke bill would result in the closing of from 2,500 to 3,000 retail businesses in the United States, with a consequent loss of at least 50,000 jobs in these businesses alone. These are not extreme statements. These are facts. We are talking about American workers. It would have incremental effects on hundreds of other American businesses that also could cost the loss of thousands more jobs. What would be the additional expense to the U.S. Government and taxpayers as a result of these lost jobs through unemployment compensation?

We know that retaliation by affected countries would be swift. What further effect on U.S. employment would there be from the producers of the $50 billion of U.S. exports when foreign markets are closed to our goods?

This brings us to another reason for our industry's interest in this legislation. Like all other industries, we are also dependent on the economic vitality of this country for the security of our investment and the welfare of our employees. Proof of this lies in the fact that the sales curve for imported automobiles closely follows the sales curve of domestic automobiles. When the economy is healthy, every dealer, both domestic and imported, sells more cars. When the economy turns sour, we all suffer together.

Both Henry Ford, chairman of Ford Motor Co., and Leonard Woodcock, president of the United Automobile Workers, have made statements in favor of imported automobilies.

It has been said that imports take American jobs from domestic industry, and that the elimination or curtailment of the foreign car industry would result in creating more American jobs. This is not so. So important is this consideration, however, that the American Imported Automobile Dealers Association commissioned the independent research firm of Harbridge House of Boston, Mass., to research the net employment effect of the imported car industry on the United States.

The conclusions of Harbridge House are significant to the deliberations of this committee, and we have included the entire study as part of our written testimony for submission to this committe for the record. I have a copy here.

Mr. BURLESON. Do you wish that to be made a part of the record?

Mr. PRAY. Yes.

Mr. BURLESON. Without objection it will be included.

Mr. PRAY. Their study shows that, should the importation of automobiles from Europe and Japan be reduced by 500,000 units annually and this entire production be transferred to U.S. domestic automobile manufacturers, there would be a net decline in jobs in the United

States. This is because the increase in employment in the domestic manufacturing operations would be more than offset by losses in American workers in the retail and distribution operations of the imports. If 500,000 more domestic cars were sold, this would only amount to an average of 20 additional cars for each domestic dealership annually. How many of the 32,000 people who would be unemployed in this case would be absorbed by these domestic dealerships? It is doubtful that any would be.

The facts of life in today's economy are that: More jobs are involved in the marketing and service of an automobile product than in its manufacture. An executive vice president of the Ford Motor Co. recently stated that the total number of man-hours embodied in a car is between 65 or 70. For example, it requires the labor of 40,000 German workers to produce the 500,000 Volkswagens sold annually in this country, while the sale and service of these same 500,000 vehicles provide employment for 47,000 U.S. workers; and an established manufacturing system and an established marketing system can handle a substantial increase in volume without a proportional increase in employment.

For example, between 1966 and 1972, factory production by U.S. automobile manufacturers increased by more than 226,000 units. In that same period of time, employment of production workers declined by 4,000 jobs. Between 1970 and 1971, factory production increased by more than 2 million units, an increase of 31 percent, yet factory employment of production workers increased by only 46,600 jobs, an increase of only 8 percent.

The argument exists, won't those people displaced by a curtailment of imports get jobs somewhere else as the domestic industry picks up those sales that have previously gone to imports? The answer is no. Even assuming that the majority of these sales accrue to domestic manufacturers who produce both here and in Canada, it is doubtful that many new dealerships will be formed. A major reason is that because we have only four manufacturers of automobiles in the United States there are just so many franchises to go around and most areas of the country are adequately covered by existing dealerships. It is a well-established fact that the higher volume automobile businesses require a smaller percentage of employees per new car sold. What would become of the imported car office managers, bookkeepers, clerks, parts managers, and parts men, service managers, service advisers, foremen, and timekeepers if sales were to go to domestic dealers who already had full staffs?

The Harbridge House study presented as part of this testimony established the fact that in the years 1962, 1963, 1965, 1968, and 1971, years in which domestic production increased 500,000 units over the previous year, only a relatively small increase in employment occurred. How many people has the domestic retail business added in the last 12 months that they have been establishing record sales? Hardly a fraction of what would be lost in American jobs if the import dealers were to be forced out of business.

I would like to bring all these mass statistics down to an individual case, so the committee can see how each of the 4,700 businesses that comprise our industry affect the community in which they operate. I am a Volkswagen and Porsche-Audi dealer in Greenwich, Conn. In this capacity, I employ approximately 100 persons, with an annual payroll of nearly $1 million, spend approximately another million

dollars annually in and around Greenwich for goods and services necessary to the operation of our business, and pay State, local, and Federal taxes annually exceeding $100,000.

When one multiplies these effects by the 4,700 imported car dealerships throughout the United States, it becomes apparent that serious curtailment of this industry would cause drastic disruption in every State in our country. Volkeswagen dealers particularly have been affected by the drastic increase in prices due to the currency revaluations of recent years.

What are the benefits of the imported car industry? It is not just the worker or the businessman who benefits from imports. The primary beneficiary is the consumer, whose welfare has been measurably helped by the presence of the imported car industry.

Principally, the consumer has benefited from a wider choice in a marketing area that constitutes one of his most important purchases. This availability of greater selection has been of particular importance to the consumer in the automobile field, where the U.S. industry offers only four major manufacturers, whose products are more known for their similarities than their differences.

The spur of competition from imported products has inspired the domestic manufacturers to expand their own product lines to meet the consumer demand prompted by the availability of smaller sized imported cars. It may almost be taken for granted that but for imported cars, the small car would be unknown to Americans. The compacts introduced in the early 1960's were short lived, as they became larger each successive year because sales of small imported cars declined at that time in this country. It was only through the more recent competitive pressures of imports such as Volkswagen that Ford and General Motors were again forced to produce smaller cars such as the Vega and Pinto, and their sales speak for their success. It should also be noted that many safety features currently available on domestic cars are there because they were first offered by foreign manufacturers. The Wankel engine is but the latest example of this type of competitive pressure.

As our chart indicates, these benefits have come to the U.S. economy at the same time that profits have increased for U.S. domestic automobile manufacturers. The purple line on the chart indicates the level of U.S. auto industry profits. The green line on our chart indicates the declining level of tariffs that have occurred while these greater profits were being made.

The energy crisis of today points up the significant contribution which continues to be made by the smaller imported automobiles. Mr. William Ruckleshaus, when Administrator of the Environmental Protection Agency, estimated that reduction in the present average weight of the automobile in use in the United States to an average of 2,500 pounds (still heavier than 90 percent of all imports) would reduce U.S. gasoline consumption in 1985 to the level now projected for 1975. He further estimates this would save $2.3 billion annually in crude oil imports. This alone would go a great distance toward eliminating our trade imbalances.

Specific recommendations regarding the measures before this committee will be detailed by my associate, Mr. McElwaine. I would like to close by asking the committee to bear in mind that imports of all sorts provide many American jobs. Although I have confined my testimony to the industry I know best, the automobile business, there is

evidence that more than a million U.S. jobs are directly dependent on imports. In addition, thousands of American businesses are equally dependent on imports for their survival.

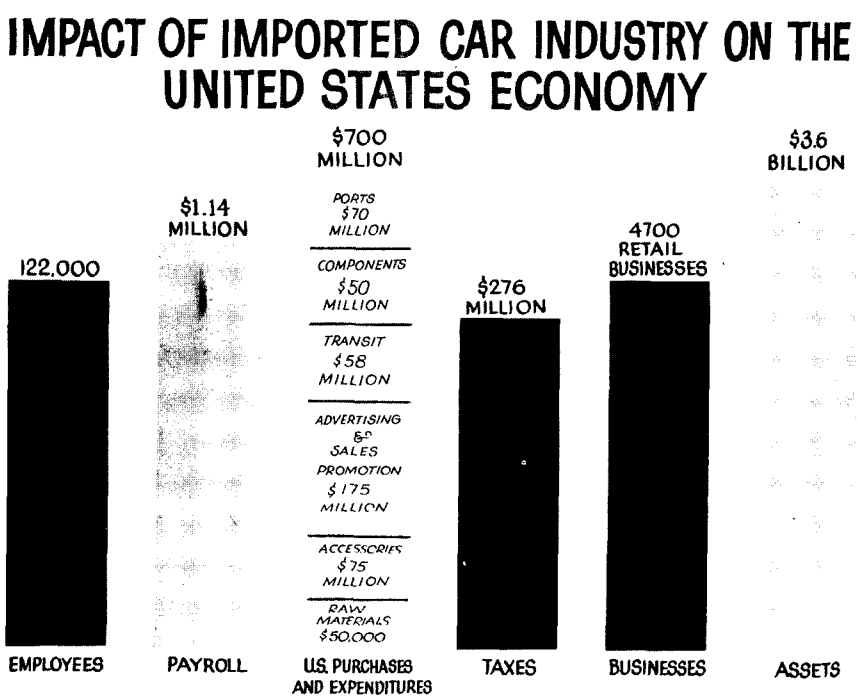
On behalf of these workers and businessmen, I ask this committee to keep us in mind in balancing the positive effects of expanding world trade against the purported negative effects of increased imports.

I am convinced that when the benefits of imports to labor, to business, and the consumer are added to the already obvious benefits of exports, it becomes clearly evident that this Nation benefits greatly from a policy of ever-expanding world trade.

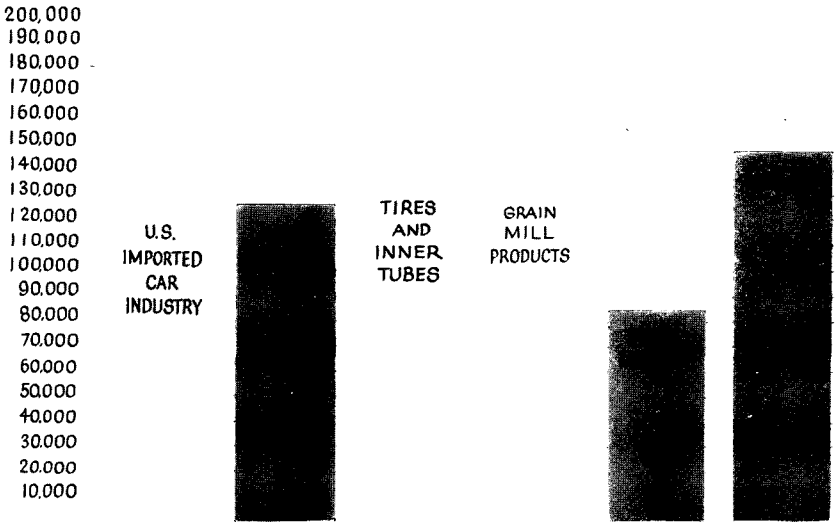
Small business is the backbone of American free enterprise and the imported car business is truly representative of the small businessman. The imported automobile dealer has spearheaded quality service in the United States and given the American public a choice.

This country was built on free enterprise and the spirit of competition, and we have led the world in improved technology and mass production techniques. I refuse to believe that America cannot meet the challenge of today's competitive world market without resorting to protective trade barriers.

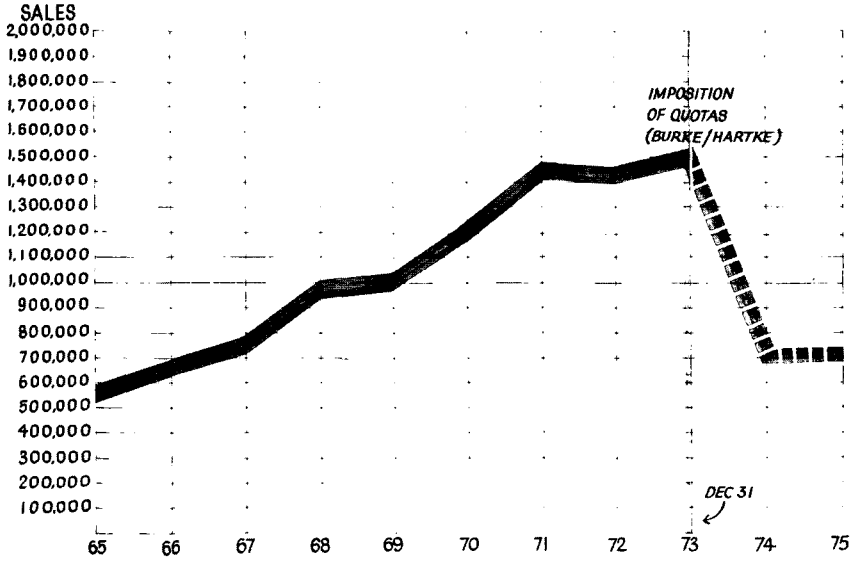
[The following material was submitted for the record:]



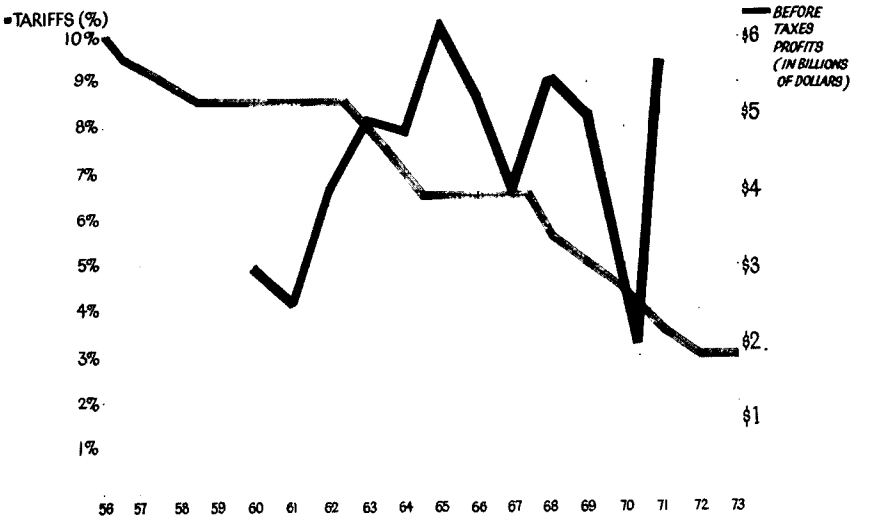
U.S. IMPORTED CAR INDUSTRY VS OTHER U.S. INDUSTRIES



EFFECT OF QUOTA FORMULAS ON U.S. IMPORTED AUTOMOBILE INDUSTRY



IMPORT TARIFFS AND DOMESTIC AUTOMOBILE INDUSTRY PROFITS



1. TRADE NEGOTIATING AUTHORITY
   --50% limitation on tariff increases

2. SAFEGUARD SYSTEM
   --fair hearings
   --revised elegibility criteria
   --limitations on quota and tariff relief

3. ADJUSTMENT ASSISTANCE
   --available for import-dependent industries

4. RETALIATION AGAINST UNFAIR FOREIGN IMPORT RESTRICTIONS
   --fair hearings
   --limitations on quota and tariff relief

5. BALANCE OF PAYMENTS AUTHORITIES
   --strike from the Bill

Mr. PRAY. May I now introduce Mr. Robert McElwaine, our executive vice president, who will comment on the proposed legislation. Thank you.

Mr. BURLESON. We will be glad to hear you, Mr. McElwaine.

STATEMENT OF ROBERT M. McELWAINE

Mr. MCELWAINE. Thank you, Mr. Chairman and distinguished members of the committee. My name is Robert McElwaine and I am executive vice president of the American Imported Automobile Dealers Association. I believe that Mr. Malcolm Pray, the president of our association, has given you a comprehensive picture of both the scope and the economic significance of our industry.

I would like to add a few figures because of questions that were raised in previous testimony. The question was asked as to the source of imported automobiles in this country. The 1972 figures as given in Automotive News shows that 541,015 imported automobiles entered the United States from Japan, 684,223 from Germany, a little over 200,000 from the countries of Italy, England, France, and Sweden, and 836,630 from Canada.

You will find in some of the figures which we give here a slight discrepancy between those detailed by the National Automobile Dealers Association this morning. I can explain those by the fact that their figures include consideration for the so-called captive imports, the Opels, Capris, Dodge products from Japan, which are sold by domestic dealers.

We have excluded them from our figures and our figures show only consideration for the exclusive imported car dealer who sells nothing except an imported product.

I would like to concentrate my testimony, however, on the trade legislation that has been submitted to the committee by the administration, the Trade Reform Act of 1973. I recognize that the committee members must at this point be surfeited with various proposals for changes in the Trade Reform Act and in the interest of time, I would like to devote my statement to a thematic exposition of the problems that we have with TRA. Our specific recommendations are spelled out in detail in the written testimony that has been submitted and I would ask, Mr. Chairman, that this be entered into the record if it may be so.

Mr. BURLESON. Your full statement will be included in the record.

Mr. MCELWAINE. Thank you. We will be pleased to answer any questions the members may have when Mr. Boggs has completed his statement. Now, our general overview of the Trade Reform Act can be spelled out in the following five major points.

1. We share the feeling of others who have testified here that the Trade Reform Act in its present form would delegate to the President authorities far in excess of those required to negotiate a new international system of trade agreements, without adequate criteria or limits.

2. We are concerned that the bill seems to be overbalanced toward import limitations, a thematic and philosophical approach that could severly handicap the coming negotiations and make it difficult for the United States to achieve the expansion of its exports the measure purportedly aims to accomplish.

3. The bill grants life-or-death power over major American industries to the President without regard for the substantial property rights involved and without provisions for due process.

In the case of the imported car industry, the President would have the power to render virtually valueless total assets of more than $3½ billion without adequate hearing rights and, indeed, in some cases with no hearing rights whatsoever.

4. The Trade Reform Act confuses trade with monetary policies and makes our whole international trade hostage to the vagaries of an international monetary system that is only precariously in balance at present.

5. The bill pays only cursory attention to the international legal obligations of the United States. It empowers the President to ignore or set aside these binding agreements acting almost entirely on his own.

Our counsel, Mr. Boggs, will develop the specifics of our proposals in his testimony. I would like to concentrate on two areas of the Trade Reform Act as they apply to our industry, basically, the safeguard procedures as outlined in the Trade Reform Act as opposed to automatic trigger mechanisms and the problems of adjustment assistance.

Now, we realize the frustrations that are inherent in escape clause actions and safeguard procedures. We know that members of this committee have many times expressed frustration over the failure to get action under such procedures. Nevertheless, we would resolutely oppose any attempt to incorporate a trigger mechanism based on a market percentage shares of foreign imports to protect U.S. industries from foreign competition. Our studies have convinced us that such sweeping and general barriers to foreign competition would have violently disruptive effects on both the U.S. and world economies and would have only the most limited justification in a certain few industries, if any.

A trigger mechanism as contained in the Trade Act of 1970 could have put quotas in effect on imported automobiles at a time when the domestic industry was enjoying its most profitable years. It would trigger new and restrictive quotas on products, such as crude oil, which are vital to our economic health. It would also trigger retaliation against U.S. exports, with disastrous economic consequences to the Nation.

We hold that safeguard proceedings should not be based on any simplistic formula but be limited in scope to a single affected industry, and that following a complaint, there should be a full and fair hearing for both sides, including the complainant industry and the import-dependent industry that would be affected by safeguard action, under the Administrative Procedures Act.

We also feel that representation of another interested party in such proceedings should be available. This other party I speak of is the American consumer who has a vital interest in imports.

We are troubled by the safeguard system in the TRA. Unfortunately, it seems designed to neutralize the law of comparative advantage. Accordingly, we submit for your consideration the elements that we believe to be essential in any safeguard system written into the foreign trade laws of the United States. We speak here primarily in our first

point on safeguards for complainants and respondents and the right to a fair hearing process in the safeguard cases.

The Trade Reform Act gives only minimal hearing rights to complainants and respondents in safeguard proceedings in the Tariff Commission. The Commission is obligated only to give reasonable notice of a hearing, hold public hearings, permit evidence to be presented, and permit parties to be heard at hearings.

There is no provision for the right to submit rebuttal evidence, to cross-examination as required for the full disclosure of facts, or to have the hearings at the Commission, coupled with the documents submitted, constitute the full record for the determination of the agency.

The net result of the act's provisions is that millions of dollars' worth of goods can be excluded and business assets valued in the billions rendered virtually valueless through a hearings process in which an importer is given 5 minutes to make an oral or written statement.

We submit that this is too rough a form of justice for parties who are moving fairly priced goods into the United States. The proper solution would seem to be that complainants and respondents should be granted the adjudicatory safeguards of the Administrative Procedure Act (APA) in any safeguard proceedings.

There are several reasons why the Tariff Commission's determination of injury should be considered adjudication:

First, an important property right is involved—importers and consumers have a substantial financial interest in the level of customs duties or qoutas that should not be decided upon without a full adjudicatory hearing.

Secondly, the facts involved in safeguard proceedings appear to be adjudicative rather than legislative in nature, since they concern parties and their activities, businesses and properties.

Finally, the Tariff Commission's actions in safeguard cases more nearly conforms to the APA's definition of adjudication than a rule.

A move to the adjudicative status at the Tariff Commission level would place all safeguard proceedings there under APA procedures such as the separation of investigative and decisionmaking functions.

Parties would have the right to present their cases or defenses by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as required for full and true disclosure of the facts. None of these changes would impose unduly onerous burdens on the Tariff Commission.

If it is decided not to place Tariff Commission safeguard proceedings under the adjudicatory provisions of the Administrative Procedure Act, it would seem that such proceedings should at least be accorded the same status given dumping proceedings under the TRA.

For dumping proceedings it is provided that hearings take place on the record, and that the transcript of the hearing, together with other papers filed, should constitute the exclusive record for determination.

It is incongruous to permit greater hearings rights for parties involved in unfair foreign competition—price discrimination as between national markets—than for parties involved in fair foreign competi-

tion, whose only "wrong" is to be too successful in the U.S. marketplace.

AIADA supports the concept of adjustment assistance for employees harmed by increases in foreign imports. We agree with the TRA's changes designed to make adjustment assistance easier to obtain, but feel that a separate program with greater benefits than those proposed by the TRA would be appropriate.

Moreover, we recommend that adjustment assistance also be made available for employees in import-dependent industries harmed by decreases in foreign imports due to Executive actions under the safeguard system. I realize that this is a concept which is somewhat new in terms of adjustment assistance but I think in recognition of the vast number of individuals who are entirely dependent on imports for their livelihood that the adjustment assistance program should take into consideration the fact that their jobs can be eliminated or destroyed by Executive action under this bill.

Adjustment assistance has generally been seen as a mechanism to recompense victims of governmental trade liberalization by distributing part of the gains from trade to them. There is an equal claim in equity for those in import-dependent industries who are the victims of governmental import-limiting actions under the safeguard system. It should be borne in mind that there are more than a million U.S. workers who jobs are dependent on imports.

The other rationale for adjustment assistance is that it spreads the losses from governmental actions. That would hold as true for those harmed by decreases in foreign imports as well as increases in foreign imports.

Adjustments due to trade dislocations for these in import-dependent industries should, then be financed through our progressive tax system, as other expenditures considered necessary by the Federal Government are financed.

In summary AIADA supports those provisions of the TRA that appear to be oriented towards expanding the ambit of trade among nations—namely, the authorities that woud permit the President to conclude trade agreements with foreign countries, grant most-favored-nation treatment to controlled-economy foreign countries, and extend duty-free trade preferences for a limited period of time for eligible articles to the less-developed countries.

We believe that Congress, however, should revise those portions of the TRA that appear to be aimed at contracting commerce among nations—namely, the provisions dealing with unlimited upward tariff adjustments in trade negotiations, safeguards for relief from fairly priced foreign imports, retaliation against unreasonable or unjustifiable foreign import restrictions, and balance-of-payments authorities for the President.

We hope that our criticisms of the TRA are taken as having been made in good spirit. We stand ready to assist the Congress in its quest to fashion a good trade bill for the United States.

[Mr. McElwaine's prepared statement follows:]

STATEMENT OF ROBERT M. MCELWAINE, EXECUTIVE VICE-PRESIDENT, AMERICAN IMPORTED AUTOMOBILE DEALERS ASSOCIATION

Mr. Chairman: My name is Robert M. McElwaine, and I am speaking to you today on behalf of the American Imported Automobile Dealers Association, of

which I am the Executive Vice-President. Mr. Malcolm Pray, the President of our Association, has given you a picture of the shape and economic concerns of our industry. Accordingly, I will focus on the trade legislation that has been submitted to the Committee by the Nixon Administration, the Trade Reform Act of 1973. In general, the American Imported Automobile Dealers Association (AIADA) supports those provisions of the Trade Reform Act (TRA) that would permit the President to conclude trade agreements with foreign countries, grant Most-Favored-Nation treatment to expand East-West trade, and extend trade preferences to the less developed countries. We believe, however, that the TRA would be improved by revisions in its provisions dealing with authority for new trade negotiations, "safeguards" for relief from fairly priced foreign imports, adjustment assistance, retaliation against "unreasonable" or "unjustifiable" foreign import restrictions, and balance of payments authorities for the President. First, we recommend that there be a limitation on the President's power to increase tariffs to no more than 50 percent of duty levels presently prevailing under trade agreements concluded pursuant to Title I of the TRA. Secondly, we recommend that the "safeguard" system contain:

—a better hearings process for complainants and respondents in Tariff Commission proceedings, including longer time limits for Tariff Commission investigations;
—revised eligibility criteria that would: (a) require that "national" industries, and not only parts thereof, be harmed by foreign imports prior to the granting of import relief; (b) retain the requirement that the foreign imports be the "major" cause of the complaining industry's distress; and (c) eliminate the confusing "market disruption" idea introduced by the TRA in the causation area; and
—stricter limitations on the scope of quota and tariff relief.

We would, moreover, resolutely oppose any attempt to incorporate a "trigger mechanism" based on percentage shares of foreign imports to protect U.S. industries from foreign competition. Thirdly, we believe that adjustment assistance should be made available for employees in import-dependent industries harmed by decreases in foreign imports due to Executive actions under the "safeguard" system. Fourthly, we believe that the President's authority to unilaterally move against unfair foreign import restrictions should be modified by:

—placing the entire provision on a cease and desist warning basis;
—establishing a fair hearings process for those in the United States who might be harmed by such Presidential actions;
—providing a set time limit for import restraints established pursuant to the President's actions; and
—requiring that the President's actions be consistent with U.S. international obligations.

Finally, we recommend that the balance of payments authorities created in the TRA be:

—based on the Most-Favored-Nation principle;
—limited to corrections of problems on the trade account;
—exempt products presently being imported into the United States in whole or in part under discriminatory trade agreements; and
—reviewed by the Congress within sixty days of the President's imposition of surcharges and/or quotas. In the absence of Congressional approval within that period, the import restraints should terminate, and in no case should the balance of payments authority in each action be permitted to continue beyond one year.

The rationale of these revisions is explained in more detail in my statement. Adoption of these revisions, we believe, will result in a better trade bill that will be more likely to bring about a more open world econnomy.

TITLE I—BASIC AUTHORITY FOR TRADE AGREEMENTS

AIADA supports the authorities that would permit the President to conclude trade agreements with foreign countries. We believe that both tariff and non-tariff barriers to trade should be removed in order to encourage an open world economy. We do not believe, however, that it is wise to permit the President to raise tariffs upwards without limit; instead, the upward duty revisions in any

trade agreement should be limited to 50 percent of duty levels presently prevailing for each commodity in question. We understand that the unlimited upwards revision authority sought is based on the desire of the Administration to convert nontariff barriers to trade into tariff equivalents, and then to reduce such trade barriers. We believe that the conversion of nontariff barriers into tariff equivalents without their simultaneous elimination would not solve anything. The strategy of the Administration resembles the discredited doctrine of *para bellum*—in order to obtain peace it is necessary to wage war. Threatening our trading partners with immediately higher duties in the hope that such barriers might later be reduced would appear to be counterproductive.

TITLE II—RELIEF FROM DISRUPTION CAUSED BY FAIR COMPETITION

The "Safeguard" System

Title II of the TRA contains a permanent delegation of authority to the President to protect U.S. industries from *fairly priced* foreign imports that are the "primary" cause of "serious" injury, or threat thereof. The Act's "safeguard" system is essentially a revised version of the present escape clause mechanism that is designed to make it easier to put into operation and more effective. The criterion of causation presently required for escape clause actions—that tariff concessions must be in major part the cause of the increased imports—is eliminated, and a lesser standard of causation is employed. The President would have the authority to:

(1) raise tariffs;

(2) impose quotas;

(3) suspend in whole or in part, the application of items 806.30 and 807.00 of the Tariff Schedules with respect to the item in question;

(4) negotiate orderly marketing arrangements; or

(5) take any combination of the above actions.

We are troubled by the "safeguard" system in the TRA. Unfortunately, it seems designed to neutralize the Law of Comparative Advantage. Accordingly, we submit for your consideration the elements that we believe to be essential in any "safeguard" system written into the foreign trade laws of the United States.

Safeguards for complainants and respondents—the right to a fair hearings process in safeguard cases

The TRA gives only minimal hearings rights to complainants and respondents in "safeguard" proceedings in the Tariff Commission. The Commission is obligated only to give reasonable notice of a hearing, hold public hearings, permit evidence to be presented, and permit parties to be heard at hearings. There is no provision for the right to submit rebuttal evidence, to conduct cross-examination as required for the full disclosure of the facts, or to have the hearings at the Commission, coupled with the documents submitted, constitute the full record for the determination of the agency. The net result of the Act's provisions is that millions of dollars' worth of goods can be excluded through a hearings process in which an importer is given five minutes to make an oral or written statement. We submit that this is too rough a form of justice for parties who are moving fairly priced goods into the United States. The proper solution would seem to be that complainants and respondents should be granted the adjudicatory safeguards of the Administrative Procedure Act (APA) in any "safeguard" proceedings. There are several reasons why the Tariff Commission's determination of injury should be considered adjudication. First, an important property right is involved—importers and consumers have a substantial financial interest in the level of customs duties or quotas that should not be decided upon without a full adjudicatory hearing. Secondly, the facts involved in "safeguard" proceedings appear to be adjudicative rather than legislative in nature, since they concern parties and their activities, businesses and properties. Finally, the Tariff Commission's actions in "safeguard" cases more nearly conforms to the APA's definition of adjudication than a rule.

A move to adjudicative status at the Tariff Commission level would place all "safeguard" proceedings there under APA procedures such as the separation of investigative and decision-making functions. Parties would have the right to present their cases or defenses by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as required for full and true disclosure of the facts. None of these changes would impose unduly onerous burdens on the Tariff Commission.

If it is decided not to place Tariff Commission "safeguard" proceedings under the adjudicatory provisions of the Administrative Procedure Act, it would seem that such proceedings should at least be accorded the same status given dumping proceedings under the TRA. For dumping proceedings it is provided that hearings take place on the record, and that the transcript of the hearing, together with other papers filed, shall constitute the exclusive record for determination. It is incongruous to permit greater hearings rights for parties involved in unfair foreign competition (price discriminaton as between natonal markets) than for parties involved in fair foreign competition, whose only "wrong" is to be too successful in the U.S. marketplace.

Time limits in safeguard cases

We are aware of no evidence suggesting that the present six-month investigation period of the Tariff Commission is too long, and we believe it should be retained. The Tariff Commission should not, as the TRA proposes, be limited to three months, or in more difficult cases, two additional months, to make its "injury" determination. The three-month period, coupled with the *prima facie* causation presumption established by the market disruption section of the "safeguard" system, could result in respondents being "railroaded" through Tariff Commission proceedings without a fair and thorough investigation.

Legislative standards

The core of any "safeguard" system would be the legislative standards that would guide the Tariff Commission and the President in the imposition of corrective mechanisms. We believe that there should be a clearly defined set of legislative standards, with respect to injury, industry, causation, and the extent of import relief. These legislative criteria are considered below.

Injury

The "serious injury" test for actual harm to a domestic industry—presently in the Trade Expansion Act of 1962 for escape clause actions—is quite property retained in the proposed TRA. AIADA contends, however, that a domestic industry should have to show serious injury *before* it can be entitled to protection, and therefore, recommends that import relief *not* be available when there is only a threat of harm from foreign imports.

Industry

The TRA requires only that there be "serious" injury to a "domestic industry". By later stating that such industry could be considered as eligible for relief if "a significant number of firms" are unable "to operate at a reasonable level of profit" the Act makes clear that such industries need not be national in scope. For example, if the automobile industry in the St. Louis area were in distress, the Act would apparently permit the national industry to obtain "safeguard" relief. We submit that such segmentation has no place in the "safeguard" system for two reasons. First, in practically every industry it would not be difficult to find unprofitable segments; in 1, for example, the Internal Revenue Service reported that 38.2 percent of all manufacturing corporations reported no profit. Secondly, segmentation permits the penalties to be imposed on those importing goods into the country to be incommensurate with the injury, as quotas and tariffs are applied on a national basis.

Causation

The TRA has a confusing causation test that tilts the balance in favor of restraints on imports. Under the Act the question is whether the foreign goods are being imported into the United States in such increased quantities as to be the primary cause of serious injury, or threat thereof. The Act later defines "primary cause" as the "largest single cause." Superimposed upon the relatively straightforward "primary" cause test is the concept of market disruption. When requested to do so, or on its own motion, the Tariff Commission may investigate to ascertain if there is a condition of "market disruption," which would be present when foreign imports: (a) are increasing rapidly both absolutely and as a proportion of total domestic consumption; (b) are being offered at prices substantially below those of comparable domestic articles; and (c) are substantial in quantity and value. If the Commission finds both market disruption and serious injury, the finding of market disruption under the Act constitutes *prima facie* evidence that the causation test has been met, i.e., that the foreign imports are the primary cause of the complaining industry's distress. The Commission,

despite the finding of market disruption, could still find that something other than the foreign imports was the primary cause of the complaining industry's distress.

The extent of the change that the TRA would effect in the present "escape clause" can not be fully appreciated without a look back at the Trade Expansion Act of 1962. That Act provided that for causation it had to be determined that increased imports were due "in major part" to trade-agreement concessions, and were "the major factor" in causing or threatening serious injury. A threefold change has been effected by the TRA in the escape clause causation criteria. First, the link to the prior tariff concession of the increased imports has been cut. Secondly, the increased imports formerly had to be the "major factor", which was often interpreted as the cause greater than all the others combined. As noted above, "primary" cause in the TRA is simply the largest single factor. And, finally, the concept of "market disruption" coupled with that of *prima facie* evidence of causation, has been added to the statutory language. It can be seen that the changes tend to bias "safeguard" proceedings in the direction of more "injury" determinations.

Which of the changes are justified? Cutting the link to prior tariff concessions would appear to be justified, as it is inordinately difficult to separate out the reason for an increase in foreign imports. Also, it was never clear whether it was equitable to cumulate very old tariff concessions, or merely to look at the most recent set of tariff concessions. The degree to which the link to prior tariff concessions has been a stumbling block under the "escape clause" can be appreciated when it is realized that 18 of the 25 escape clause decisions since the Trade Expansion Act of 1962 have been decided negatively on the basis of this principle. It should, then, be clear that cutting the link to prior tariff concessions should adequately "open up" the "safeguard" system in justified cases, and that additional changes in the causation criteria need not be made. Accordingly, the substitution of "primary" for "major" cause would appear to be unjustified.

There may be a situation, for example, in which there are ten causes of an industry's distress, the largest of which (for example, 15 percent) is due to foreign imports. Would it then be fair to let the President impose quotas or tariffs on the foreign product? Should we not insist that the foreign imports be at least a greater cause than all the other causes combined? In considering whether the latter test is more appropriate, it should be remembered that we are here dealing with fairly priced foreign imports whose only "wrong" is to be too successful in the U.S. marketplace. In this situation, if there is to be a normative bias in the "safeguard" system at all, it should be on the side of permitting competitively-priced goods to enter the U.S. market. Such goods not only satisfy the needs of U.S. consumers, but provide a badly-needed stimulus to U.S. industry. Accordingly, the causation test should simply be whether the foreign imports are the cause in major part (i.e., greater than all other causes combined) of the serious injury to a domestic industry. Finally, the "market disruption" concept should be eliminated. It adds nothing to the substance of the TRA's "safeguard" system, and definitely prejudices the importation of goods by setting up *prima facie* evidence against the importer for merely having moved substantial amounts of goods into the U.S. market. The *prima facie* evidence of causation created by the "market disruption" concept would have the effect of shifting the burden of proof to the importer, who is merely acting competitively. The burden of proof should be on the party seeking to restrain the business activities of others, particularly where, as in this area, no question of unfair foreign competition is involved.

Remedies

If "injury" is found by the Tariff Commission the President may choose one or a combination of the following remedies: tariffs of any amount, quotas, the suspension for the product in question of items 806.30 and 807.00 of the Tariff Schedules, and the negotiation of an orderly marketing agreement with a foreign country. Import relief under the "safeguard" system is to be phased out over a five-year period, with the first modification or reduction or relief to commerce within three years.

Four changes are recommended in the remedies under the "safeguard" system. First, it would seem that tariff increases should have an upper duty limit, e.g., of 50 percent of the duty presently on the product, as opposed to the unlimited power the TRA grants the President to raise the tariff to any level desired. The proposed change would make the "safeguard" system consonant with

changes proposed in the basic tariff negotiating authority in Title I of the TRA. Secondly, if quota relief is provided, it should be limited to three years in duration, with a phase-out to begin after the first year of quotas. The shorter time period for the application of quotas can be justified on the grounds that quotas constitute an absolute limitation on the amount of foreign goods that can enter the U.S. market, and, therefore, typically are a much more severe sanction against the foreign exporter. Since results could be expected more rapidly under quotas, their duration should be shorter. Thirdly, the suspension of items 806.30 and 807.00 should be eliminated as a possible remedy under the "safeguard" system. Items 806.30 and 807.00 of the Tariff Schedules provide for the exemption from U.S. customs duties for certain goods that are exported from the United States and are then reimported.

Under item 806.30 articles of metal (except precious metal) that have been manufactured or have been subjected to a process of manufacture in the United States and exported for processing, and then returned to the United States for further processing, are subject to duty only on the value of the foreign processing. Under tariff item 807.00, imported articles assembled in foreign countries with fabricated components that have been manufactured in the United States are subject to duty on the full value of the imported product less the value of the U.S. fabricated components contained therein. This duty exemption under item 807.00 is available only for those fabricated components that have not lost their physical identity by changes in form or shape abroad and which have not been advanced in condition abroad except by their having been assembled into a finished product. As opposed to item 806.30, goods imported under item 807.00 need not be processed further in the United States after reimportation to qualify for the duty exemption. For example, an American corporation with a foreign affiliate could, under item 807.00, make a car with certain U.S. parts and the tariff paid upon re-entry into the United States would only be imposed on the value added overseas. This is a preference for domestic industries that the Federal Government has granted for over forty years, and is granted by practically all other developed countries. It has been estimated that exports of U.S. components would be reduced by $180–$250 million, while imports would be reduced by only $30 to $50 million if these items were repealed across-the-board.

The reason the repeal of these items would have an adverse effect on the U.S. balance of payments is that foreign concerns would henceforth purchase component parts locally rather than import them from the United States, as there would be no tariff incentive to continue to use the U.S. component parts. Perhaps of greater importance is that extensive U.S. Government studies have demonstrated that the repeal of items 806.30 and 807.00 would reduce employment opportunities in the United States. These provisions now provide employment for about 37,000 people in the United States (i.e., workers producing U.S. materials for export to be assembled or processed abroad, and further processing imports after they have been returned). Repeal of items 806.30 and 807.00, even on a commodity-by-commodity basis, would cause more unemployment among these workers than it would "create" in the form of jobs returned to the United States. This is because these tariff items are frequently employed to maintain "rump" industries in the United States rather than permit the permanent exit of the producer from the U.S. market entirely. The presence of items 806.30 and 807.00 encourages U.S. firms to maintain component parts plants in the United States rather than move both component parts and assemblage operations overseas. The repeal of items 806.30 and 807.00, even on a commodity-by-commodity basis would, in addition, create substantial difficulties for less-developed countries, whose share of total imports entered under these provision has increased from 6.8 percent in 1966 to 22.2 percent in 1969.

Since the Tariff Commission studies and the William Commission report have pointed out that repealing items 806.30 and 807.00 on an across-the-board basis would be a serious error, it would seem to follow *a fortiori* that repeal on a piecemeal basis would also make little sense. The net result would simply be to put U.S. industries in selected product lines at a competitive disadvantage against their foreign competitors, practically all of whom permit the return of articles assembled or processed abroad with duty only on the value added. Accordingly, we recommend that the suspension of items 806.30 and 807.00 not be included among the possible remedies available under the "safeguard" system. Finally, we propose that all remedies be applied only to commodities that are not regulated by discriminatory United States trade agreements. It would make little

sense, for example, to provide for increases in imports into the United States under the United States-Canadian automotive agreement on the one hand, and limitations on the imports of foreign cars on the other.

Adjustment assistance

AIADA supports the concept of adjustment assistance for employees harmed by increases in foreign imports. We agree with the TRA's changes designed to make adjustment assistance easier to obtain, but feel that a separate program with greater benefits than those proposed by the TRA would be appropriate. Moreover, we recommend that adjustment assistance also be made available for employees in import-dependent industries harmed by decreases in foreign imports due to Executive actions under the "safeguard" system. Adjustment assistance has generally been seen as a mechanism to recompense "victims" of Governmental trade liberalization by distributing part of the gains from trade to them. There is an equal claim in equity for those in import-dependent industries who are the "victims" of Governmental import-limiting actions under the "safeguard" system. The other rationale for adjustment assistance is that it spreads for losses from Governmental actions. That would hold as true for those harmed by *decreases* in foreign imports as well as *increases* in foreign imports. Adjustments due to trade dislocations for those in import-dependent industries should, then, be financed through our progressive tax system, as other expenditures considered necessary by the Federal Government are financed.

TITLE III—RELIEF FROM UNFAIR TRADE PRACTICES

The TRA contains a broader delegation of authority than that formerly available for the President to move against unfair foreign import restrictions that hamper U.S. goods in entering foreign markets. The remedy proposed for such restraints by Section 301 of the TRA is an authority permitting the President to withdraw trade agreement concessions, and/or impose tariffs or other import restrictions on products entering the United States from countries that:

1. maintain unjustifiable or unreasonable tariff or other import restrictions harming U.S. commerce; or
2. engage in unjustifiable or unreasonable discriminatory acts against U.S. commerce; or
3. subsidize exports to third country markets that have the effect of harming U.S. exports to such areas. The President is obligated by the TRA only to "consider" U.S. international legal obligations when he chooses what remedy to apply.

We believe that the powers given to the President to move against unfair foreign import restraints should be altered in four essential respects. First, the section has a bias towards import-limiting actions in the hearings process by only permitting an opportunity "for any interested person to bring to his (the President's, ed.) attention any foreign restrictions, acts or policies" that are described as "unfair" in the section. There is no provision for the presentation of views by importers who would be adversely affected by any actions taken under the section. There should be Administrative Procedure Act adjudicatory-type hearings for all who would be adversely affected by Executive actions, or, at the least, hearing procedures as demanding as those provided for dumping proceedings by Section 310 of the TRA. Secondly, after a fair hearing has been held, a cease and desist procedure should take place preceding any remedies imposed under the section. The President could, for example, give the offending country 90 days to cease and desist from its unfair foreign import restrictions. If the country refuses to alter its policies remedies could then be imposed by the President. This procedure would warn a foreign offender, and permit it to alter its policies prior to the imposition of import restraints. Thirdly, the section has no limits on the scope and duration of Presidential actions. It would seem reasonable to: (a) limit tariff increases to 50 percent of the duty levels presently in effect on a commodity-by-commodity basis; (b) limit quotas by providing that at least 75 percent of the quantity imported during a representative period be permitted to enter the United States; and (c) provide that all import restraints imposed pursuant to the section expire at the end of one year, unless specifically renewed by the Congress. Finally, we believe that the section should require the President to act in conformity with U.S. international obligations rather than merely being obliged to "consider" them.

Balance of payments authority sought in the TRA for trade policy management is—despite Administration disclaimers—a striking departure from prior U.S. experience. We oppose such balance of payments authorities, because we consider them to be unnecessary and to have arguably perverse effects. We believe that the recent currency realignments have demonstrated that the Executive already possesses adequate tools to counter any balance of payments disequilibria. The recent turn-around on the U.S. trade account would appear to prove this point. Assuming *arguendo* that authority is to be granted to the President to correct U.S. trade problems, its relation to the law of international trade (notably General Agreement on Tariffs and Trade obligations), international economic efficiency, and the U.S. Constitution should be searchingly examined.

Only if import-restraining authorities meet the tests by which we have traditionally limited Executive authority in this country should they be granted. In general, AIADA recommends that any import restraints under the balance of payments authority be based on the Most-Favored-Nation principle, used to counter payments deficits due in major part to imbalance on the trade account, and designed to ensure a creative partnership between the Legislative and Executive branches of the Federal Government.

The Balance of Payments Authority in the Trade Reform Act of 1973

The Trade Reform Act of 1973 provides that the President may impose a temporary import surcharge and/or quantitative limitations on imports in the case of a serious United States balance-of-payments deficit, or reduce temporarily or suspend duties and/or import limitations in the event of a persistent balance-of-payments surplus. The bill provides further than an import surcharge is to be applied on a Most-Favored-Nation basis, and quotas are to be applied on a basis which shall aim at a distribution of trade approaching that which foreign countries might expect in the absence of quotas. If the President desires, however, he may impose a surcharge or quotas on a country or countries on a discriminatory basis. Import restraints under the Act are to be lifted when the President believes the objectives of the Act have been accomplished. The net result of the Administration's trade bill, then, is to permit the Executive to impose tariffs and/or quotas on a discriminatory basis, and to lift them at will. This is clearly a huge grant of authority to the Executive, whose authority prior to this Act to impose a general surcharge has been legally dubious, and whose authority to impose import surcharges or quotas selectively has been non-existent.

Some Revisions for the Balance of Payments Authority in the Trade Reform Act of 1973—The Most-Favored-Nation Principle

The Most-Favored-Nation principle is the cornerstone of the law of international trade. It simply applies whatever tariff treatment is granted to nation A to all other nations. The evolution of the Most-Favored-Nation (MFN) principle was based on a political imperative—the contrary policy encouraged retaliation and foreign trade wars. The MFN principle is expressed in the General Agreement on Tariffs and Trade (GATT) in Articles I and XIII. Article XIII (1) expressly provides that balance of payments remedies must be non-discriminatory in nature:

> No prohibition or restriction shall be applied by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation of any product destined for the territory of any other contracting party, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

It can be seen that the Trade Reform Act of 1973 deviates from the MFN principle in its balance of payments authorities by permitting the President to impose tariffs and/or quotas on a discriminatory basis. Thus, if there were a serious balance-of-payments deficit, the President could single out one or two countries for quota or tariff restraints. To merely state the authority this bill would give the Executive casts into bold relief the ruinous possibilities for foreign trade wars it would create. Would not Japan, for example, feel unfairly discriminated against if it were only one of ten equally great suppliers of the foreign product in question, and retaliate against U.S. wares entering its markets? The MFN principle insulates the trading community from discriminatory treatment, and tends to facilitate the free flow of goods and international relations. It should be retained as the sole basis for Executive action under any balance of payments authority granted to the Executive.

Standards for the balance of payments authorities

1. Criteria for the Application of the Balance of Payments Authorities.—Apart from the equity and legality involved in discriminating among nations, the question of economic efficiency must be considered. The core of the problem is that the bill would empower the President to attempt to correct balance of payments disequilibria through the inordinately crude instrument of import restraints. The balance of payments disequilibria—considered on a global or a national basis—may well, however, be due to imbalances on other accounts, such as services (non-military), government (military and foreign aid), and private long term capital. The imposition of an import surcharge may, then, be an inappropriate solution for a payments imbalance situation. It is, therefore, proposed that import restraints for balance of payments purposes be unavailable unless the net trade account is, in major part, the cause of the imbalance in the basic U.S. balance of payments. "In major part" should be interpreted to mean the deficit, if any, in the trade account must be at least fifty percent of the deficit in the U.S. basic balance. An example should help to clarify the point. In 1972 the U.S. deficit in the basic balance was $9.2 billion; the U.S. deficit on the trade account was $6.8 billion. Since the trade deficit was more than fifty percent, an import surcharge would be permissible under our proposal. In 1971, on the other hand, the U.S. deficit in the basic balance was $9.3 billion; the deficit on the trade account was $2.7 billion, or less than fifty percent of the deficit in the basic balance. Accordingly, an import restraint for balance of payments reasons would not have been permissible in 1971. The same criteria would apply to import surcharges and quotas imposed on single countries, if the balance of payments authority is made on a non-MFN basis.

It is true that our proposal would limit the application of the import restraint mechanisms in the balance of payments authorities. But this would be a healthy development, as it is well known that import restraints are a relatively ineffective mechanism for dealing with any possible balance of payments problems. This is because it is a policy tool that impacts only on import of merchandise, and does not concern itself with exports of merchandise, services, or capital flows. The relative inefficiency of import restraints can be seen when it is realized that a thirty percent surcharge would be required to get the same effect as a ten percent devaluation.

Apart from the relative inefficiency of an import surcharge in aiding the U.S. trade balance, the possibilities that import restraints would have a perverse effect on the trade balance should also be considered. Perverse effects from import restraints would be likely to arise from at least three sources. First, import restraints would probably result in a somewhat greater amount of inflation in the U.S. economy. The prices of many domestic goods are constrainted fairly closely by the landed cost of comparable foreign products. If the prices of foreign goods are raised considerably there would inevitably be "slack" in which domestic prices would be run up before imports could again come in. The higher U.S. prices could only make U.S. goods less competitive in the world marketplace, and thus diminish the strength of the balance of trade. Secondly, the application of an import surcharge would have the perverse effect of raising production costs (for U.S. manufacturers using foreign materials and parts) and thereby discourage exports, again weakening the U.S. balance of trade. Finally, the possibility that foreigners would retaliate and thereby seal off markets for U.S. exporters around the world should not be ruled out. Import restraints should, then, be used only when the balance-of-payments problem is trade-related, and, even then, in sparing amounts.

Exemptions for products under discriminatory trade agreements

The balance of payments authorities should exempt from their coverage products already moving into the United States under discriminatory trade agreements. It would be counterproductive to impose a surcharge or import quotas on commodities whose increased imports have been due to favorable, discriminatory trade agreements such as the United States-Canadian Automotive Products Agreement of 1965. Alternatively, it should be provided that any import restraint should apply equally in cases where there are discriminatory trade arrangements in force for all or a part of the commodities in question. Regardless of which solution is adopted, there should be equality of import treatment for products moving into the United States, if all or part of such products enter under discriminatory trading arrangements.

Legislative supervision of the balance of payments authorities

The legislative branch has two principal tasks in the trade policy area, as in other areas—to clearly formulate policy, and to tirelessly scrutinize its implementation. It can thus be seen that a simple delegation of power to impose import restraints to counter balance of payments disequilibria is tempting but inadequate. What is needed is a comprehensive scheme for judgment of the results of the delegation. We propose that all import restraints under the balance of payments authorities be terminated automatically at the end of sixty days if the Congress has not by that time adopted a resolution, by an affirmative vote of the majority of the authorized membership of both chambers, stating that it approves of the import restraints established by the President. Moreover, in no case should each Executive action be permitted to continue beyond a one-year period. There is precedent for this type of close Congressional scrutiny of Executive action. Thus, the President may regroup and consolidate functions, subject to a veto of the Congress within sixty days of the order. And the Trade Reform Act of 1973, itself, in Title 1, establishes a ninety-day one-house veto procedure for certain non-tariff barrier agreements negotiated with other nations in prior trade talks. As Professor Jaffe, a leading authority on the doctrine of delegation has stated: "The grant of general powers, however justified, implies a responsibility for close legislative attention to the course of administration." (Jaffe, *Judicial Control of Administrative Action* 41 (1965)) Our proposals would ensure an on-going partnership between the Executive and Legislative branches in the balance of payments authorities area.

Conclusions

In summary, AIADA supports those provisions of the TRA that appear to be oriented towards *expanding* the ambit of trade among nations—namely, the authorities that would permit the President to conclude trade agreements with foreign countries, grant Most-Favored-Nation treatment to communist countries, and extend duty-free trade preferences for a limited period of time for "eligible" articles to the less developed countries. We believe that the Congress, however, should revise those portions of the TRA that appear to be aimed at *contracting* commerce among nations—namely, the provisions dealing with unlimited upwards tariff adjustments in trade negotiations, "safeguards" for relief from fairly priced foreign imports, retaliation against "unreasonable" or "unjustifiable" foreign import restrictions, and balance of payments authorities for the President. We hope that our criticisms of the TRA are taken as having been made in good spirit. We stand ready to assist the Congress in its quest to fashion a good trade bill for the United States.

Mr. BURLESON. Thank you, Mr. McElwaine. We appreciate your contribution.

Mr. Boggs?

STATEMENT OF THOMAS H. BOGGS, JR.

Mr. BOGGS. My purpose is to set forth for the committee in summary form the specific areas of the legislation where we feel the President's Trade Reform Act should be amended. As you know, there are seven titles to the bill. We will simply address ourselves to four.

Mr. BURLESON. If you will excuse us just for a short time until we can go vote or we have other colleagues to return; we will try to have some more members here in a short time. Forgive us, please.

[A recess was taken.]

Mr. KARTH [presiding]. The committee will be in order.

I am not sure where we stopped, whether or not Mr. Boggs was about to begin his testimony or whether one of the other witnesses was still testifying.

Would those at the witness table help the Chair at this point?

Mr. MCELWAINE. I had completed. Mr. Boggs was just ready to begin.

Mr. KARTH. The Chair is delighted to welcome Mr. Boggs.

Mr. BOGGS. My name is Thomas Boggs. I am here today appearing as counsel for the American Imported Automobile Dealers Association. My purpose is to try to point out to the committee specific areas of the Trade Reform Act of 1973 as recommended by the administration, specific areas of that act which the association feels should be amended or amendments should be considered by this committee prior to the markup of the bill.

Out of the seven titles we have recommendations concerning four of them. In title I our main concern is that there is no limit posed on the President's powers to increase tariffs in these trade negotiations. In the past in the Trade Expansion Act of 1962, there was a 50-percent provision whereby the President could either lower or raise tariffs by 50 percent.

In this bill there is no such limitation. We do feel there should be one on the high side of the scale. We don't feel similarly on the low side of the scale simply because the average U.S. tariff is 5 or 6 percent, whereas back in 1962 it was closer to 15 percent and the 50-percent application in 1962 is the equivalent roughly of a 100-percent application today.

Turning to title II, this is a provision of the bill which gives us great concern. In this particular title, which is the title dealing with disruptions caused by fair import competition, not disruptions caused by unfair trade practices or export subsidies by others, or what have you, but the provisions dealing with disruptions caused by perfectly legitimate, fair, foreign competition; in this area I think we first feel, as Mr. McElwaine spelled out, that all of the procedures that take place should be governed by the Administrative Procedure Act, and not by the inconsistent procedures which are outlined in different sections of the Trade Reform Act.

I have here, and I won't dwell on it but I would like to have it inserted in the record, a summary of the provisions in the proposed Trade Act and those provisions of the Administrative Procedure Act.

Mr. KARTH. Without objection that summary will appear in the record.

[The summary referred to follows:]

RIGHTS PRESENTLY AVAILABLE IN ESCAPE CLAUSE HEARINGS COMPARED WITH RIGHTS UNDER THE ADMINISTRATIVE PROCEDURE ACT

HEARING RIGHTS UNDER "SAFEGUARD" SYSTEM NOW:

1. right to notice of a hearing;
2. public hearings;
3. permit evidence to be presented;
4. permit *parties* to be heard at hearings.

HEARING RIGHTS UNDER ADMINISTRATIVE PROCEDURE ACT ADJUDICATORY PROVISIONS:

1. right to notice of a hearing;
2. separation of functions—i.e., a fact-finder is separate from decision-maker;
3. no *ex parte* consultations with parties or other persons, unless there is an opportunity for all parties to participate;
4. right to appear by *counsel* or qualified representative;
5. right to a presiding officer who will not be biased;
6. all parties have rights to:
a. present case by *oral* or documentary evidence;
b. submit rebuttal evidence;
c. conduct such cross-examination as necessary;
7. the record, together with all documents submitted, constitutes the exclusive record for decision.

Mr. BOGGS. So you can see the comparison. And I think this will be useful for the committee.

Our second point sounds like a small technical point but it is significant. Under the President's bill it is recommended that the time be shortened, from 6 months to 3 months, to determine whether or not there has been any kind of injury caused by fair foreign competition and the need to impose any of the safeguards. That sounds like a very good provision. It speeds up the process of Government. The problem is if you couple that speedup of 3 months to another provision under the safeguard section, the market disruption provision, the Tariff Commission could come in after a preliminary finding after about 2½ months have elapsed that there has been market disruption which shifts the burden of proof to the importer to demonstrate that there has not been any market disruption. He could be faced with a 2-week period or a 10-day period or a 1-day period under this provision whereby he would have to establish that beyond any doubt that imports were not the major cause of the disruption of the American market.

We maintain that that is a very difficult burden for anybody to try to accomplish, particularly in light of the fact that statistics in this area are slow in coming in and it is very difficult to meet that kind of burden of proof in that short a period of time. So while it sounds like a technical amendment and very meaningless, it does have an impact on the import community.

The next area in the safeguards provision that gives us concern are the actual standards which you will set out to the executive branch in determining whether or not the safeguards should or should not be applied. The administration has recommended that import relief will be available if only potential injury is established.

I think we feel that actual injury ought to be shown where safeguards are used where you are talking about fair foreign competition. Second, the administration has recommended that the safeguards could be imposed if there is local injury.

We strongly feel that it ought to be a national issue and not an issue which is segmented by a particular segment of the economy which may be determined by transportation factors and not merely the other trade factors.

Third, the administration bill recommends that foreign imports be the primary cause of the market disruption or of the decline of U.S. sales by U.S. companies in the United States.

I think we would strongly suggest that the words "major cause" still be retained. If you have 10 causes the primary cause could only represent 11 or 12 percent of the reason you have a decline in the domestic situation. Second, and more importantly of the 25 escape clause cases tried under the 1962 bill, 18 of those cases were rejected. They were rejected on the grounds that there was no link established between the trade concession that was granted under the Kennedy round, or previous rounds, and the increased imports. The link requirement is eliminated in the President's proposal. I think with that elimination that you have sufficiently tightened the escape clause provisions so that to add an additional burden on import trade, which is again fair competition, of making it simply one of several causes that could be a cause

of drastic action even though it represents a small total percentage would be unwarranted.

Finally, we would recommend in the safeguard area that the market disruption test which is recommended in the bill be excluded. In addition to the sort of standards set out by the committee to the Executive which we have just talked about, we also have some concern with the remedies which are called for if a safeguard is needed.

First, we feel that if a tariff remedy is the remedy selected, there ought to be some upward limit on the level to which the Executive can go. A 50-percent limit is the one we recommend. It seems to be one which has historically been in trade legislation.

Second, if the Executive decides on a quota as a remedy versus a tariff or other method, I think it is recognized by the committee that a quota is a more drastic step than any other that could be taken. If that step is taken we would certainly hope that it is tied to a specific level of imports so you could not put a quota on that is representative of, say, one-quarter of the imports over the last 5 years.

Moreover, any quota relief should be limited in duration to no more than 3 years with a provision that after the quota is imposed that there be a phaseout after 1 year because again you are talking about safeguards from fair foreign competition.

In the remedies area we would also recommend that the elimination of items 806.30 and 807 which are suggested in the administration bill not be included under the safeguards system. I think the Tariff Commission study of 1970 and the Williams Commission report, and other documents, have indicated that these sections really benefit the balance of trade more than they deter. This is particularly true in the automobile business where the foreign automobile manufacturers use, as Mr. Pray has pointed out, and Mr. McElwaine has pointed out, anywhere from $70 to $80 million a year of U.S. components in their automobiles.

Again, talking about the remedies under the safeguards system, we have an additional suggestion which also affects automobiles. As most of you know, there is a United States-Canadian automobile agreement which allows cars to enter from Canada or go to Canada, duty-free. If any safeguards are going to be imposed because of fair foreign competition we would hope that these safeguards would not be imposed if a discriminatory trading arrangement exists between the United States and another trading partner.

Alternatively, we would hope that if such a safeguard is imposed it is imposed equally on all parties that export to the United States. Our reasoning here is that while there may or may not have been some political rationale or trade rationale for a special trade arrangement with Canada, certainly the discrimination that existed or is caused by that arrangement should not be increased as a result of a safeguard adopted because of fair foreign competition.

In title II, the only other area we would like to touch upon is the adjustment assistance area. Mr. McElwaine has indicated that the 122,000 employees of the imported automobile industry and other similar employees are employees who could be affected by trade actions of the United States.

If the United States took regressive trade action or restrictive trade action which forced some of these people out of work, they, too should

be entitled to the adjustment assistance provisions which other domestic workers are entitled to.

Moving to title III of the bill, and here we move into the provisions which give the Executive authority to deal with unfair foreign competition, we do recognize that the powers conferred here ought to be more substantial and far-reaching than those given to the Executive when it is dealing with fair foreign competition, but we point out that no action should be taken by the Executive without the adjudicatory type safeguards which are spelled out in the Administrative Procedure Act being applicable.

We would hope that the committee would insert those provisions in this title of a bill as well as the other titles of the bill. Secondly, I think as a practical matter it would be most desirable to spell out in this title, cease and desist powers to be granted to the Executive so that rather than taking a drastic step, if he determines that there is an unfair trade practice being engaged in by a foreign exporter or country, he could initiate a cease and desist type procedure to prevent the importing of that product for a 90-day period in which time either an agreement could be worked out or he could then take more drastic action.

Thirdly, the scope and duration of the Presidential action should be better spelled out in this title than it is under the President's bill. We would hope again that in this section there would be a limit on the level of increases the President could impose on tariffs on a commodity-by-commodity basis. We hope if quotas are imposed in this section there would be a limit on the amount of import restraints the Executive could impose; namely, he could not wipe out a product, but it would be related to its historic importation. We hope any import quotas be temporary, lasting no longer than 12 months, and if he wants to make it more permanent I think he should have to come back to the Congress for that kind of action.

Our final suggestion deals with title IV, which is the international trade policy management part of the bill, or the so-called Presidential powers to impose surcharges.

In this area, I think a couple of things need to be pointed out. I think, first of all, a surcharge as opopsed to another type of action taken by this country is probably one of the least effective ways of realining our balance-of-payments problems.

The actions taken on currency realinement have had roughly a 36-percent impact on Japanese automobiles coming here, and that certainly is a more effective mechanism, and probably a more appropriate mechanism, to deal with monetary problems than any kind of surcharge would be. But assuming that the Congress does feel that certain types of restrictive surcharge or emergency balance-of-payments authorities are required, we would hope that, first of all, they would only be used on a most-favored-nation basis. We would hope that the problem to be corrected would be a trade problem. If you are going to impose some kind of trade restraint in this section of the law, we would hope it would be to cure a problem which is a trade problem, not a balance-of-payment problem as spelled out in the President's bill. If we have a problem with Germany because of U.S. troops there and governmental movements of funds, it is not a reason to impose a restrictive measure on the importation in this country of German goods. I am just using Germany as an example.

We would again hope that the committee would consider exempting from coverage products presently imported in the United States in whole or in part because of some special trade arrangement.

During the last surcharge, there was no surcharge applied to Canadian automobiles. There was a 10-percent—in the case of automobiles less than 10-percent—surcharge, but that only applied to automobiles from other foreign countries besides Canada.

Again, if this type of action is going to be taken by the United States, we would hope that the Congress would restrain the President from further heightening the discrimination which does exist because of special arrangements which have previously been negotiated.

Mr. Chairman, I realize that some of these comments are somewhat technical in nature. We are preparing, and I would like to ask the committee to allow us to submit at a later date, a detailed recommendation on each of these points in legislative language, but we don't have it today. I would like to again ask if we can submit it within 2 weeks or before the committee completes its hearings.

Mr. KARTH. Without objection the record will be kept open, Mr. Boggs.

[The material referred to follows:]

SUGGESTED REVISION LANGUAGE FOR THE TRADE REFORM ACT OF 1973

1. SUBJECT: LIMITATIONS ON INCREASES IN TARIFFS UNDER TRADE AGREEMENTS.

Section 101(2) of the Trade Reform Act of 1973 is amended by striking subsection (2) and substituting the following:

> "Provide for such reduction or continuance of any existing duty, or such continuance of existing duty-free or excise treatment, as he determines to be required or appropriate to carry out any such trade agreement. Additional duties may be imposed as appropriate to carry out any trade agreement negotiated pursuant to this Act, provided that such modifications shall be limited to no more than 50 percent of the duty level presently prevailing for each commodity subject to such trade agreement, and no more than 5 percent for items not subject to duties."

2. SUBJECT: THE "SAFEGUARD" SYSTEM OF THE TRADE REFORM ACT.

a. The Right to a Fair Hearings Process in Safeguard Cases

Section 201(c) of the Trade Reform Act of 1973 is amended by inserting at the end of subsection (c) the following:

> "The determination of the Tariff Commission regarding eligibility for tariff adjustment or other import restriction shall be considered as adjudicative within the meaning of the Administrative Procedure Act (subchapter II of Chapter 5 of Title 5 of the United States Code), and shall be based upon a hearing conducted according to all the requirements of such act. All hearings shall be on the record except in circumstances of a special showing of need for confidentiality. In the absence of such a showing interested parties must be provided full opportunity for cross examination of witnesses and rebuttal of evidence presented."

b. Retain Present Time Limitations in Safeguard Cases

Delete Section 201(d)(2) entirely from the bill.

c. Legislative Standards for the Safeguard System.

(1) Injury. Section 201(b)(1) is amended by deleting the phrase "or the threat thereof" after the word "injury" in line 8 of subsection (b)(1).

(2) Industry. Section 201(b)(1) is amended by inserting "considered on a nation-wide basis" after the word "industry" in line 9 of subsection (b)(1).

(3) Causation. Section 201(b)(1) is amended by omitting the word "primary" before "cause" in line 8 of section 201(b)(1) and inserting in its place after "cause" the phrase "in major part".

d. Remedies.

(1) Limitations on increases in tariffs under safeguard actions. Section 203(a)(1) is amended by inserting after "duty" in line line 1 of subsection (a)(1):

"Provided that such increases shall be limited to no more than percent of the duty level presently prevailing for each commodity receiving import relief, and no more than 5 percent for items not subject to duties."

(2) Limitations on Quotas Imposed under Safeguard Actions.

(a) Limitations on Extent of Quota Relief. Section 203(a)(1) is amended by inserting after the word "industry" in lien 3 of subsection (a)(1) the following:

"Provided that any quantitative restraints or imports imposed pursuant to this section shall permit commodities like or directly competitve with the commodiy receiving import relief to be imported into the United States in an amount equal to at least 75 percent of the total of such commodities imported into the United States in 1972."

(b) Limitations on Duration of Quota Relief. Section 203(d)(2) is amended by inserting, after the word "section" in line 1 of the first sentence, the following:

"except quantitative restraints, which shall terminate not later than the close of the date which is three years after the effective date of the initial grant of relief under this section."

Section 203(d)(3) is amended by inserting "but excluding any quantitative restraints" after the word "agreements" in line 2 of the first sentence. A new sentence is added to follow the last sentence of subsection (d)(3) to read:

"The phasing out of any quantitative restraints imposed pursuant to this subsection shall commence no later than the close of the first year after the effective date of the initial grant of relief."

(3) Elimination of Suspension of Items 806.30 and 807.00 of the Tariff Schedules as Remedies under the Safeguard System. Strike Section 203(a)(2 entirely from the Trade Reform Act of 1973.

(4) Assurance of Equality of Import Treatment under the Safeguard System. Section 201(b)(1) is amended by adding after the first sentence:

"No domestic product shall be eligible for import relief from a like or directly competitive product if it is presently being imported in whole or in part into the United States under discriminatory trade agreements."

3. SUBJECT: ADJUSTMENT ASSISTANCE

Section 222, line 7, is amended by adding "or decreases in imports due to Presidential action under this Title" after the word "imports".

4. SUBJECT: RELIEF FROM UNFAIR TRADE PRACTICES

a. Hearings for Adversely Affected Parties

Section 301 is amended by adding subsection (d) as follows:

"No Presidential action shall be taken under this section without an opportunity for hearing the views of those who would be adversely affected by such action. Hearings conducted pursuant to this subsection shall be considered as adjudicative within the meaning of the Administrative Procedure Act (subchapter II of Chapter 5 of Title 5 of the United States Code), and shall be based upon a hearing conducted according to all the requirements of such Act. All hearings shall be on the record except in circumstances of a special showing of need for confidentiality. In the absence of such a showing interested parties must be provided full opportunity for cross examination of witnesses and rebuttal of evidence presented."

b. New Cease and Desist Procedure.

Section 301 is amended by adding subsection (e) as follows:

"All Presidential actions pursuant to this section shall be prceded by a 90-day warning period during which the foreign country or instrumentality deemed to be engaged in an unjustifiable or unreasonable import restriction or subsidy shall be given an opportunity to change such practice."

c. Limitations on Increases in Tariffs under Retaliation Against Foreign Import Restrictions.

Section 301(a)(3)(C) is amended by adding subparagraph (1):

"All duty increases adopted pursuant to this section shall be limited to no more than 50 percent of the duty level presently prevailing for each commodity receiving the benefit of Presidential responses to unfair foreign import restrictions or subsidies, and no more than 5 percent for items not subject to duties."

d. Limitations on increases in quotas under retaliation against unfair foreign import restrictions

Section 301(a)(3)(C) is amended by adding a subparagraph (2) as follows:

"Any quantitative restraints on imports imposed pursuant to this section shall permit commodities like or directly competitive with the commodities receiving the benefit of Presidential responses to unfair foreign import restrictions or subsidies to be imported into the United States in an amount equal to at least 75 percent of the total of such commodities imported into the United States in 1972."

e. Phase-outs on import relief

Section 301 is amended by adding subsection (f) as follows:

"All import restraints imposed pursuant to this section shall expire within one year, unless specifically renewed by a majority vote of the Senate and the House of Representatives within 90 days of the termination of the one year grant of import relief."

5. SUBJECT: BALANCE OF PAYMENTS AUTHORITIES

Section 401 is deleted from the bill. If it is not striken from the bill, the following alterations should be made in Section 401:

a. Most-favored-nation application

Section 401(c) is amended by omitting the remainder of the subsection following the word "restrictions" in line 6 of subsection (c).

b. Limitation on balance of payments authorities to problems on the trade account

Section 401(a) is amended by deleting the subsection (a) presently in the bill and inserting a new subsection (a) as follows:

"Whenever the President determines that special import measures are quired to deal with the United States balance-of-payments disequilibria due in major part to imbalances on the United States trade account, the President is authorized to take one or more of the following actions for such period as he deems necessary.

Section 402(b) is amended by deleting the subsection (b) presently in the bill and inserting a new subsection (b) as follows:

"For the purposes of subsection (a), (1) a serious balance-of-payments deficit shall be considered to exist whenever the President determines that:

(A) the balance of trade deficit existing in the period of four consecutive calendar quarters is the cause in major part of the United States balance of payments disequilibria during this period. The trade deficit shall be considered to be the cause in major part whenever the total balance of trade deficit is greater than one-half of the sum of the United States balance of payments deficit during the relevant time period."

c. Exemption for products imported in whole or in part under discriminatory trade agreements

Section 401(c) is amended by inserting at the end of the last sentence of the subsection:

"No import surcharge or other import restriction shall apply to products presently being imported in whole or in part into the United States under discriminatory trade agreements."

d. Termination of restraints under the balance of payments authorities.

Section 401 is amended by adding a subsection (g) as follows:

"All import restraints undertaken pursuant to this Title shall terminate automatically at the end of sixty (60) days from the date of their imposition if the Senate and the House have not adopted by then by a majority vote a resolution stating that they approve of such import restraints."

[Mr. Boggs' prepared statement follows:]

STATEMENT OF THOMAS H. BOGGS, JR., COUNSEL, AMERICAN IMPORTED AUTOMOBILE DEALERS ASSOCIATION

Mr. Chairman: My name is Thomas H. Boggs, and I am appearing as Counsel for the American Imported Automobile Dealers Association. Mr. Malcolm Pray has outlined for you the shape of the imported car industry, and Mr. Robert McElwaine has outlined the Association's major concerns with the Trade Reform Act of 1973. I would like to summarize our testimony by reducing it to the legal particulars that we believe should be incorporated into any trade bill reported by the Committee. Specifically, we recommend amendments to Title I, which delegates trade negotiating authority to the President; Title II, which establishes a revised "safeguard" and adjustment assistance program; Title III, which establishes responses to unfair foreign competition; and Title IV, which establishes balance of payments authorities.

TITLE I—BASIC AUTHORITY FOR TRADE AGREEMENTS

AIADA supports the authorities that would permit the President to conclude reciprocal trade agreements with foreign countries. We believe that both tariff and nontariff trade barriers should be reduced. We do not believe, however, that it is wise to permit the President to raise tariffs upwards without limit; instead, the upward duty revisions in any trade agreement should be limited to fifty percent of duty levels presently prevailing for each commodity in question. We do not believe that a similar limitation needs to be placed on tariff reductions since the average U.S. tariff level is at 7.6 percent, or approximately one-half the level prevailing at the start of the Kennedy Round of trade negotiations. Accordingly, the authority for unlimited tariff reductions today is equivalent to the authority granted to reduce tariffs by fifty percent in the Trade Expansion Act of 1962.

TITLE II—RELIEF FROM DISRUPTION CAUSED BY FAIR COMPETITION

The "Safeguard" System

The "safeguard" system of the Trade Reform Act of 1973 (TRA) seems designed to neutralize the Law of Comparative Advantage. We recommend amendments in the provisions dealing with hearings rights, time limits, legislative remedies, and scope of remedies available under the "safeguard" system.

(1) All "safeguard" cases should be given the adjudicatory safeguards of the Administrative Procedure Act (APA) in Tariff Commission proceedings. This would give complainants and respondents the right to present their cases or defenses by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as required for full and true disclosure of the facts.

(2) The six-month period for investigations presently available under Tariff Commission escape clause actions should be retained, rather than switching to a three-month time period, as the TRA proposes. The three-month period, coupled with the *prima facie* causation presumption established by the market disruption section of the "safeguard" system, could result in respondents being "railroaded" through Tariff Commission proceedings without a fair and thorough investigation.

(3) The legislative standards established for the "safeguard" system should be altered. It should be made clear that:

(a) *Actual*, and not merely *potential*, injury exists;

(b) *National*, and not merely *local*, injury exists;

(c) Foreign imports are the *major* (greater than all other factors combined) cause of the complaining industry's distress, rather than simply the *primary* (largest single) cause; and

(d) The confusing "market disruption" test set up by the TRA should be eliminated.

(4) Four changes are recommended in the remedies under the "safeguard" system. First, tariff increases should have an upper duty limit, e.g., of fifty percent of the duty presently on the product, as opposed to the unlimited power the TRA grants the President to raise the tariff to any level desired. Secondly, if quota relief is provided, it should be limited to three years in duration, with a phase-out to begin after the first year of quotas. The shorter time period for the

application of quotas is justified on the grounds that quotas constitute an absolute limitation on the amount of foreign goods than can enter the U.S. market, and, therefore, typically are a much more severe sanction against the foreign exporter. Since results could be expected more rapidly under quotas, their duration should be shorter. Thirdly, the suspension of items 806.36 and 807.00 should be eliminated as a possible remedy under the "safeguard" system. This is because their suspension, even on a commodity-by-commodity basis, would harm the U.S. balance of payments, decrease employment opportunities in the United States, and result in higher prices for the American consumer. Finally, remedies under the "safeguard" system should not be applied to commodities that are regulated in whole or in part by discriminatory U.S. trade agreements. Alternatively, any import limitations that are applied under the "safeguard" system should be on an across-the-board basis, and not exempt from their coverage discriminatory trading arrangements such as the United States-Canadian automotive agreement. The reason for our suggestion is to ensure that all countries exporting products subject to import restraints are treated equally under the "safeguard" system.

Adjustment Assistance

The adjustment assistance provisions should be revised to reflect a return to the system of the Trade Expansion Act of 1962, with expanded benefits, and easier eligibility requirements. More importantly, the adjustment assistance provisions should, as Mr. Robert McElwaine has noted, be expanded to cover workers and firms in *import-dependent industries.*

TITLE III—RELIEF FROM UNFAIR TRADE PRACTICES

We believe that the powers given to the President to move against unfair foreign import restraints should be altered in four essential respects. First, there should be Administrative Procedure Act adjudicatory-type hearings for all who would be adversely affected by Executive actions, or, at the least, hearing procedures as demanding as those provided for dumping proceedings. Secondly, after a fair hearing has been held, a cease and desist procedure should take place preceding any remedies imposed under the Act. If after, for example, ninety days, the foreign offender refuses to alter its policies remedies could then be imposed by the President. Thirdly, the scope and duration of Presidential actions should be altered by: (a) limiting tariff increases to fifty percent of the duty levels presently in effect on a commodity-by-commodity basis; (b) limiting quotas by providing that at least seventy-five percent of the quantity imposed during a representative period be permitted to enter the United States; and (c) provide that all import restraints imposed pursuant to the section expire at the end of one year, unless specifically renewed by the Congress.

TITLE IV—INTERNATIONAL TRADE POLICY MANAGEMENT

We oppose the balance of payments authorities sought by the Administration in Title IV of the TRA. We believe that the recent currency realignment has demonstrated that the President already possesses enough tools to check balance of payments disequilibria. If such authorities are to be granted, we propose that they be:

(a) based on the Most-Favored-Nation principle;

(b) limited to corrections of problems on the trade account;

(c) exempt from their coverage products presently being imported into the United States in whole or in part under discriminatory trade agreements; and

(d) reviewed by the Congress within sixty days of the President's imposition of surcharges and/or quotas. In the absence of Congressional approval within that period, the import restraints should terminate, and in no case should the balance of payments authority in each action be permitted to continue beyond one year.

Mr. Chairman, I realize that I have been somewhat technical in proposing amendments to the Trade Reform Act. I thought, however, that it would be useful to have before you the precise changes that we believe to be necessary in the Trade Reform Act. With your permission, we will be glad to submit detailed legal language implementing our suggestions for revising the foreign trade laws of the United States to the Committee. More than any other group, we look to these laws for guidance and support to protect our goods from those who would limit imports into the United States.

[The Harbridge House study previously referred to follows:]

THE IMPORTED AUTOMOBILE INDUSTRY:

AN ASSESSMENT OF KEY ASPECTS OF ITS IMPACT ON THE U.S. ECONOMY AND THE AMERICAN CONSUMER

Prepared by

Harbridge House, Inc.
11 Arlington Street
Boston, Massachusetts 02116

May 1973

HARBRIDGE HOUSE INC

Eleven Arlington Street, Boston, Massachusetts 02116, Telephone (617) 267-6410, Cable: HARBRIDGE BOSTON

JOHN B. SCHNAPP
Vice President

24 May 1973

Mr. Robert M. McElwaine
Executive Vice President
American Imported Automobile Dealers
Association
1129 20th Street, NW.
Washington, D.C. 20036

Dear Mr. McElwaine:

We are pleased to transmit to you our study, "The Imported Automobile Industry: An Assessment of Key Aspects of Its Impact on the U.S. Economy and the American Consumer."

In undertaking this study, Harbridge House drew heavily upon some particularly relevant aspects of the firm's consulting experience, principally:

--Consulting and management development projects undertaken for one of the "big three" domestic automobile manufacturers and for major American producers of trucks, truck engines, and automotive components.

--A broad range of marketing and distribution related services provided over the past ten years to two of the largest European automobile manufacturers.

--An extensive series of economic analyses undertaken in the transportation area, including projects related specifically to urban mass transit, air transport, railroads, barging, and the merchant marine.

All of these contributed significantly to the final form of this study.

When AIADA--along with the Automobile Importers of America, Volkswagen of America, and Mercedes-Benz--offered to sponsor this study, we agreed to undertake it only with the understanding that it would reflect our independent findings exclusively. Throughout our work on the study, the importers, distributors, and imported automobile dealers have been extremely cooperative in responding to our requests for information but have scrupulously avoided attempting to influence the objectivity we have sought to maintain.

My colleagues--Charles Baker, Margaid Ellis, Charles Rourke, and Hiroko Sakai--join me in expressing appreciation to AIADA for the assistance it provided throughout the period during which the study was under development.

Yours ~~very~~ truly,

JBS/mlg
Attachment

TABLE OF CONTENTS

		Page
I.	INTRODUCTION: DEFINING THE "IMPORTED AUTOMOBILE INDUSTRY"	1
	A. Who Is in the Imported Automobile Industry?	1
	B. Who Is Omitted from Our Definition of the Industry?	1
	C. What Related Economic Activities Are Linked to the Imported Automobile Industry?	2
II.	SUMMARY OF MAJOR FINDINGS AND CONCLUSIONS	3
	A. An Economic Overview of the Imported Automobile Industry	3
	1. In Terms of Employment	3
	2. In Terms of Independent Business Ventures Fostered	3
	3. In Terms of Investment	4
	4. In Terms of Other Measures of Economic Impact	4
	B. Net Employment Effect of the Imported Automobile Industry	4
	C. Imported Automobiles and the American Consumer	5
	1. The Character of Personal Transportation	5
	2. The Cost of Personal Transportation	6
	3. The Use of Energy Resources	6
III.	AN ECONOMIC OVERVIEW OF THE IMPORTED AUTOMOBILE INDUSTRY	7
	A. Defining the Economic Boundaries of an Industry	7
	B. Levels of Employment	7
	C. Salaries and Wages	7
	D. Independent Business Ventures	12
	E. Investment Growth	15
	F. Other Aspects of Economic Impact	15

Page

IV. NET EMPLOYMENT EFFECT OF THE IMPORTED AUTOMOBILE INDUSTRY 18

A. The Concern About Jobs 18

B. A Method of Inquiry 18

C. Estimated Employment Gains in the Domestic Automobile Industry 19

1. Jobs in the Manufacturing Sector 19

2. Jobs in the Distribution Sector 22

D. Estimated Employment Losses in the Imported Automobile Industry 25

1. Jobs in the Importer and Distributor Sector 25

2. Jobs in the Retailing Sector 25

3. Other Jobs 26

E. Summary: Total Employment Effect 28

F. Independent Businesses and Imported Automobile Volume 29

V. IMPORTED AUTOMOBILES AND THE AMERICAN CONSUMER 30

A. Introduction: A Competitive, Consumer-Oriented Economy 30

B. The Imported Automobile and the Character of Personal Transportation 30

1. The Demand for Small Cars: The "Invisible" Market Segment 30

2. Diversity of Choice and Pressure for Innovation 33

3. Putting New Cars Within the Reach of More Buyers 35

4. The Engineering of Safety 36

Page

C. The Imported Automobile and the Cost of Personal Transportation 37

1. The $2,000 Automobile 37

2. Keeping Down the Cost Per Year 38

3. The Cost of Repairs 41

D. The Imported Automobile and Its Impact on Scarce Resources 44

1. Miles Per Gallon and the Energy Crisis 44

2. Pounds Per Car and the Energy Crisis 46

APPENDIX A METHODOLOGY UTILIZED TO DEVELOP EMPLOYMENT AND INVESTMENT DATA FOR THE IMPORTED AUTOMOBILE INDUSTRY

I. INTRODUCTION: DEFINING THE "IMPORTED AUTOMOBILE INDUSTRY"

In 1972 the American public spent more than $7.3 billion in franchised establishments dedicated to marketing and maintaining imported vehicles. Of this amount $3.4 billion[1] was associated with imports of new passenger cars and parts; U.S. wages, taxes, profits, and purchases of goods and services accounted for the remainder.

If an "industry" can be identified as a fairly consistent grouping of products and services accounting for large amounts of dollar revenues, then the imported automobile business is clearly a major distribution and service industry.

A. Who Is in the Imported Automobile Industry?

In looking at this industry and assessing selected aspects of its effect on the U.S. economy, we see it as consisting of three structural elements:

(i) *Importers* — These are the national marketing companies responsible for liaison with the vehicle manufacturers and for building a national sales and service network; importers are generally owned partly or wholly by the offshore manufacturing firm.

(ii) *Distributors* — These are regional wholesaling entities utilized by some, but not all, of the importers; in some instances they are independent U.S.-owned businesses, and in others they are importer owned.

(iii) *Dealers* — These are franchised retailers; in nearly all instances they are locally owned independent businesses.

B. Who Is Omitted from Our Definition of the Industry?

"Captive" imports, the vehicles produced by offshore subsidiaries of the major U.S. automobile manufacturers, represented slightly less than 13 percent of all imported automobiles sold in the United States in 1972. Nevertheless, for purposes of this study we consider them to be outside the real bounds of the imported automobile industry. In most cases the captive imports have been introduced into the U.S. market as an interim means of offering competition to other independently retailed imported cars. Their economic effect on a per vehicle basis has not been as great as that of the independent imports because they have not had their own channels of distribution. Instead, they have been added, as supplementary products, to existing dealerships for well-established domestic brands. Throughout the study, however, when there are opportunities to isolate economic effects clearly traceable to the captive imports, we will seek to do so.

Also excluded from our definition of the imported automobile industry are imports of vehicles and parts of Canadian origin. In 1972 these represented $4.1 billion[1] at

---

[1]This figure is stated at market value in the country of origin as defined by the U.S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census, and reported in "Imports: Commodity by Country, December 1972."

import value, a total higher than imports from all other countries combined. These imports are largely a consequence of corporate and governmental decisions permitting substantial integration of U.S. and Canadian automobile production.

C. What Related Economic Activities Are Linked to the Imported Automobile Industry?

Some forms of economic activity are totally and directly dependent upon the imported automobile industry. In other words, they would not exist if the industry did not exist. These include:

- Port employment in principal ports of entry (for example, unloading and warehousing).
- Incremental exports to European and Japanese automobile manufacturers of components which return on vehicles intended for the U.S. market.
- U.S. manufacture of accessories and replacement parts for imported automobiles.

Wherever possible we will attempt to assess the incremental economic aspects of such activities.

There are other economic activities clearly related to the imported automobile industry which might exist without it or otherwise be channeled into alternative areas. For example, it is difficult to speculate whether the exports of U.S. raw materials and machinery to manufacturers who supply the imported automobile industry would diminish if the United States were not a large market for imported automobiles. Clearly they would diminish somewhat, simply because the various European and Japanese manufacturers would have lower volumes of production. However, these manufacturers might continue to buy in the United States simply because U.S. suppliers offered the best terms.

Similarly, the imported automobile industry spends large amounts on inland transportation with truckers and railroads. If the industry did not exist, at least some undefinable portion of this income would probably still find its way to these services to transport whatever additional U.S. automobiles would be produced to replace the imports.

In this study we will adopt a consistently conservative viewpoint, attributing to the industry as direct economic effects only those factors which are totally dependent upon it and clearly identifying those others which are more difficult to categorize definitively.

II. SUMMARY OF MAJOR FINDINGS AND CONCLUSIONS

A. An Economic Overview of the Imported Automobile Industry

1. In Terms of Employment

- The imported automobile industry in 1972 employed more than 122,000 persons in the United States; this figure takes into account both the importing and retailing sectors of the industry; it excludes any employment associated with the "captive" brands of automobiles produced by overseas subsidiaries of U.S. manufacturers and imported by them into the United States for distribution by their own dealers.

- During the period from 1969 to 1972 the total number of jobs in the imported automobile industry increased by 73 percent, a rate of growth considerably greater than that of its new car sales; this high degree of growth was primarily traceable to:

  — Increasing dispersion of the industry among a larger number of important suppliers.

  — Increases in the number of dealerships franchised by the well-established brands.

  — Growth in employment per dealership.

- The number of jobs provided by the imported automobile industry approximates that of such large American industries as soft drinks, tires, and advertising; it exceeds by a considerable margin industries as economically vital as tobacco and metal cans.

- The annual payroll of the imported automobile industry is $1.14 billion; probably no more than ten giant companies have a U.S. payroll as large as this.

2. In Terms of Independent Business Ventures Fostered

- There are 4,710 independent franchised businesses in the United States that are wholly dependent upon the imported automobile industry and an additional 1,586 that are partially dependent upon it.

- The 4,710 imported automobile franchisees represent 50 percent more independent businesses than are accounted for by the American motel industry or by the soft drink bottling industry.

- Since 1964 the import segment of the automobile industry has generated a net increment of more than 2,500 new independent businesses.

96-006 O—73—pt. 11——9

3. In Terms of Investment

- Total assets of the imported automobile industry in the United States exceeded $3.6 billion at the end of 1972; net investment at this time was $1.15 billion.

- Over the past three years assets have increased 30 percent per year and net investment 18 percent; as a point of comparison, the raw gross national product has grown during this same period at an annual rate of 7.25 percent.

4. In Terms of Other Measures of Economic Impact

- Among the services purchased by the imported automobile industry in 1972, the following were especially significant:

  — $70 million in port-related expenditures.

  — $58 million in vehicle transportation services.

  — $175 million in advertising and sales promotion services.

- Among the industry's 1972 purchases from U.S. manufacturers were the following:

  — $50 million for automotive components such as sealed beam headlights and alternators which are exported for installation on vehicles destined for the U.S. market; approximately $40 per imported car is represented by U.S.-made components returning to the United States.

  — $75 million in parts and accessories distributed to imported automobile dealers and installed by them on the vehicles that they sell and service.

  — $25 to $50 million in raw materials and machinery for use by the overseas manufacturers.

- Contributions to public revenues through taxation paid by the imported automobile industry approximated $276 million in 1972.

B. Net Employment Effect of the Imported Automobile Industry

1. The imported automobile industry generates at least as many American jobs as would exist if that industry were eliminated and its sales of new cars were replaced by an equal number of cars produced in the United States and distributed by American manufacturers; on balance it probably provides a net increase in U.S. employment.

2. If the sale of 500,000 new automobile units were shifted from the imported to the domestic automobile industry, our estimates show:

- No gain in the total number of jobs in the first year; this takes into account direct employment in the domestic automobile industry and related employment in its supplier industries; it is attributable to the following:

  - Relatively small amount of incremental labor associated with each incremental vehicle produced in U.S. factories.

  - General tendency toward declines in the number of jobs in domestic automobile dealerships despite increases in sales volume.

  - Relatively high degree of labor intensiveness in the imported automobile industry, due primarily to the preponderance of small- to medium-sized dealerships.

- Probable net *loss* of approximately 6,000 jobs by the second year, primarily due to a continued decline in he volume of service-related work in the imported automobile dealerships if sales of new cars continue at a lower level.

3. If sales of the imported automobile industry were to diminish by 500,000 new vehicles, 705 independent businesses, each with average annual sales of $1.2 million, would disappear in the first year; by the second year an additional 500 businesses would be eliminated.

C. **Imported Automobiles and the American Consumer**

1. **The Character of Personal Transportation**

- Without the twice-demonstrated ability of small imported automobiles to gain more than 10 percent of the total American market for new cars, it is unlikely that domestic manufacturers would ever have introduced the compact, intermediate, or subcompact models in response to the latent demand for small economy cars.

- The small car segment of the market, as represented in 1972 by economy imports, domestic subcompacts, and domestic intermediates, now accounts for nearly 30 percent of all new car sales.

- In 1972 purchasers of these small cars saved more than one billion dollars over the cost of the lowest priced standard cars; this saving was equivalent to nearly 1 percent of all expenditures for consumer durable goods.

- Imported automobiles have offered and continue to offer the consumer a wide diversity of choice including four-cylinder engines; a choice of rear-, front-, and mid-engine placement; front-wheel drive as well as rear-wheel drive; and gasoline, diesel, and rotary power plants.

- Imported automobiles have introduced to the U.S. market a large number of engineering and safety features now widely offered by domestic manufacturers; these include:

— Radial tires.

— Disc brakes.

— Three-point seat belts.

— Rack and pinion steering.

— Impact absorbing front and rear compartments.

2. The Cost of Personal Transportation

- Approximately 80 percent of the 8.3 million noncaptive brand imported cars in operation at the beginning of 1973 had original port-of-entry (P.O.E.) prices below $2,000.

- Even with the entry of the domestic subcompacts into the $2,000 price range, imports still represent 62 percent of the automobiles sold at this price level.

- Taking into account only economy imports, domestic compacts, and domestic subcompacts, the initial savings made by purchasers of these cars over the past decade compared to the cost of typical standard size cars has been on the order of $3.5 to $4.0 billion.

- The owner of a typical economy imported car or one of the domestic subcompacts saves approximately $250 per year on depreciation and fuel, even when compared to the domestic intermediate models.

- The cost of repairing an economy imported car or a domestic subcompact, if involved in a 15 mph collision, is approximately $300 less than a standard size sedan; more than two-thirds of all insurance dollar losses come from claims of $500 or less, and the repair cost advantages of small economy cars are particularly marked in this range.

3. The Use of Energy Resources

- Fuel consumption has a direct proportional relationship to the weight of a vehicle.

- If all of the small economy imported cars in operation in the United States in 1972 had been standard size domestic automobiles instead, U.S. imports of crude oil would have been approximately 90 million barrels and cost $270 million more.

III. AN ECONOMIC OVERVIEW OF THE IMPORTED AUTOMOBILE INDUSTRY

A. Defining the Economic Boundaries of an Industry

The imported automobile, itself, and the direct balance-of-payments outflow associated with it in 1972, have achieved a much higher degree of public visibility than the economic effects of the industrial structure which imports, distributes, and services that automobile. In order to develop a view of that industry *as* an industry and as an economic force, we have done three things. First, we have identified some of the economic measures that define its impact. These include:

— Employment and expenditures for salaries and wages.

— Net investment.

— Independent business entities included in the industry.

The methodology utilized in calculating these economic measures is outlined in Appendix A.

Second, to give these measures a sense of perspective, we have ranked the imported automobile industry against other more traditionally perceived aspects of American industry.

Finally, we have examined a number of peripheral economic effects of the industry such as its contributions to public revenues, its impact upon the economies of major ports of entry, its consumption of transportation services, and the local purchases and exports that it directly and indirectly generates.

B. Levels of Employment

At the end of 1972 the imported automobile industry in the United States employed 122,453 persons, of whom 92 percent were in the dealership organization and the remaining 8 percent in the importing and wholesaling sectors. These figures take into account import-associated employment in retail establishments which may sell both imported automobiles and domestic brands; they exclude, however, any employment associated with captive imports.

From 1969 to 1972 employment in the imported automobile industry increased at a considerably more rapid rate than the industry's unit sales (see Exhibit III-1). For example, while the number of units sold (excluding captive imports) rose by 42 percent from about 0.9 million to 1.3 million during this period, total jobs increased 73 percent. In effect, this represented a seeming growth in the industry's degree of labor intensiveness, especially at the dealer level where employment went from 7.0 jobs per 100 cars sold in 1969 to 8.7 jobs in 1972 (see Exhibit III-2).

A combination of different factors affecting the industry explain these rapidly rising levels of employment. For example:

EXHIBIT III-1
ESTIMATED U.S. EMPLOYMENT IN IMPORTED AUTOMOBILE INDUSTRY
AND NUMBER OF IMPORTED CARS RETAILED IN U.S.
1969-1972

	1969	1970	1971	1972
Employment				
Dealerships	63,573	77,036	102,857	112,070
Importers, Distributors	7,063	8,451	9,514	10,383
Total	70,636	85,487	112,371	122,453
Retailed Units	906,300	1,100,500	1,331,400	1,283,000

Source: Harbridge House research.

EXHIBIT III-2
EMPLOYMENT IN DEALERSHIPS FOR IMPORTED AUTOMOBILES*
1969-1972

	Employment Import Dealers	Jobs Per 100 New Cars Sold
1969	63,600	7.0
1970	77,000	7.0
1971	102,900	7.7
1972	112,000	8.7

*Where the same dealership may sell both domestic and imported brands, only the employment directly related to the imports is considered as part of the "imported automobile industry." Sales of captive imports and the employment associated with them are excluded.

Sources: NADA, "The Franchised New Car and Truck Dealer Story – 1972"; Harbridge House research.

– *Increasing dispersion of the industry* – As late as 1969 Volkswagen accounted for more than one-half of the sales of noncaptive imports; by 1972 its share declined to 38 percent. During this period Toyota doubled its unit sales and Datsun tripled its volume. This required the franchising of many new dealerships; this tendency may be expected to continue if such relatively new brands as Mazda, Audi, Honda, and Subaru are able to sustain their initial growth rates.

– *Increasing number of dealerships* – Many of the well-established brands such as Fiat, Volvo, and Mercedes-Benz are maintaining steady rates of sales increase and, consequently, continue to add new retail outlets.

– *Increases in employment per dealership* – As the vehicle population of many brands, especially those which spearheaded the rapid import growth in the entire past decade, becomes more "mature," used car transactions, service volume, and parts demands increase. Each of these creates additional jobs.

The significance of the U.S. level of employment in the imported automobile industry can be assessed by looking at a number of other sectors of the U.S. economy where employment levels are within 50 percent, plus or minus, of these levels. As indicated in Exhibit III-3, the industry has generated nearly as many jobs as grain milling, tires, or soft drinks, and it employs more people than the advertising, metal mining, or tobacco industries.

If it were possible to assess employment associated with captive imports, the number of jobs in the imported automobile industry would be still higher. At the very least, the sale of captive imports would probably generate an additional 1,250 sales jobs while total jobs linked to the captives might range from three to four times that level.

C. Salaries and Wages

In 1972 the imported automobile industry's payroll amounted to $1.14 billion, of which 90 percent was attributable to the dealer organization and the remaining 10 percent to the importing and wholesaling sectors. On a per employee basis, these translate into salaries and wages averaging $9,154 and $10,979, respectively.

One way of placing the industry's payroll in perspective is to compare it with other industries and even with large individual corporate entities.

Based upon the *1971 Annual Survey of Manufacturers* issued by the Department of Commerce, a few of the industry groupings whose 1971 payrolls were within plus or minus 10 percent of the 1972 payroll of the imported automobile industry are:

– Shipbuilding and repairing.

– Electrical lighting and wiring equipment.

– Fluid milk.

– Sawmills and planing mills.

EXHIBIT III-3
1972 EMPLOYMENT LEVELS OF SELECTED U.S. INDUSTRIES

SIC Group Code	Industry Description	Employment Level*
19	Ordnance	191,200
2011	Meat Packing Plants	181,500
3573	Electronic Computing Equipment Manufactures	177,600
532	Mail Order Houses	151,400
291	Petroleum Refining	149,500
283	Drugs	147,200
3722	Aircraft Engines and Engine Parts	141,800
301	Tires and Inner Tubes	132,500
204	Grain Mill Products	130,500
2086	Bottled and Canned Soft Drinks	126,400
	IMPORTED AUTOMOBILE INDUSTRY	122,500
731	Advertising	116,600
384	Medical Instruments and Supplies	93,400
10	Metal Mining	86,800
21	Tobacco Manufactures	71,600
341	Metal Cans	65,300
206	Sugar	52,700
374	Railroad Equipment	52,700
387	Watches, Clocks, and Watchcases	32,600

*The only industry figure which includes proprietors is the imported automobile industry figure.

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, Vol. 19, No. 7, January 1973.

— Industrial organic chemicals.

— Pharmaceutical preparations.

— Petroleum refining.

— Cutlery, hand tools, and hardware.

— Engines and turbines.

— Construction machinery.

Of all of the firms listed in the Fortune 500, only 12 industrials, three retailing organizations, and two public utilities account for as many total employees[1] as the imported automobile industry. No insurance, transportation, or financial enterprise approaches its level of employment. Although many companies do not publish total payroll data, information from the selected companies listed in Exhibit III-4 offers some impression of the economic importance of the salaries and wages paid by the industry. Because few firms separate U.S. payroll from offshore payroll, it is difficult to make the most direct sorts of comparisons. Nevertheless, it is doubtful that there are many more than 10 U.S. companies of *any* kind whose payments of salaries and wages in the United States exceed those of the imported automobile industry.

D. Independent Business Ventures

There are 4,710 independent retailing businesses in the United States that are wholly dependent upon the imported automobile industry. An additional 1,586 automobile dealerships are partially supported by noncaptive imported automobiles since they retail both imports and domestic makes. Average sales per dealership approximate $1.2 million although the variance from this average is considerable. Dealerships that sell one or two well-established brands have average sales per outlet that exceed the $2.0 million mark. At the other end of the spectrum, dealerships that sell as many as four or five of the less popular brands may have annual revenues well below $1.0 million. Revenues attributable to imports in dealerships where import automobiles are "dualed" with domestic makes may vary considerably but tend to be below the average figure.

Some insight into the relative importance of 4,710 businesses averaging over one million dollars in annual revenues, most of them created in the past decade, can be gathered by comparing the imported automobile industry with other American businesses also characterized by franchising relationships (see Exhibit III-5). For example, there are 50 percent more imported automobile dealers than independent franchised motel operators or soft drink bottlers. In a more direct comparison, the number of Volkswagen dealerships is roughly comparable to the number of Holiday Inns.

---

[1]The figures published by *Fortune* for these companies include employees based both in the United States and abroad. All employees of the imported automobile industry, as we define it, are U.S. residents.

EXHIBIT III-4
SALARIES AND WAGES OF SELECTED MAJOR U.S. CORPORATIONS

1972 Except Where Otherwise Noted

	(millions of $)
U.S. Steel	$1,997*
Chrysler	1,823
Westinghouse Electric	1,478*†
Eastman Kodak	1,403*
DuPont	1,347*†
Bethlehem Steel	1,319*†
Goodyear Tire & Rubber	1,170*
IMPORTED AUTOMOBILE INDUSTRY	1,141
Firestone Tire & Rubber	879*
Xerox	723*
Union Carbide	690
International Paper	607*

*Includes overseas payroll.
†1971 figure.

Sources: Corporate annual reports.

EXHIBIT III-5
1971 SELECTED DATA ON FRANCHISED BUSINESSES

Type of Franchise	No. of Establishments (% Independent)		Average Sales Per Establishment (000 of $)	Annual Sales Volume (000 of $)
Fast Foods	35,547	(83.2)	149.1	5,300,580
Rental Services	12,426	(84.9)	108.1	1,342,773
Hotels and Motels	3,681	(74.1)	1,069.0	3,935,056
Soft Drink Bottlers	2,700	(96.3)	1,761.5	4,756,000
Vending	5,624	(94.2)	57.7	324,599
IMPORTED AUTOMOBILES (1972 DATA)	4,710	(est.99.0)	1,200.0	7,300,000*

*Includes the import related sales volume of an additional 1,586 dealers who sell both imported and domestic makes.

Sources: *Franchising in the Economy, 1969-1971,* U.S. Department of Commerce, Office of Business Research and Analysis, Service Industries Division.

For imported automobile industry estimates, Harbridge House research.

The estimated annual sales volume of imported automobile dealers — $7.3 billion — considerably outranks the $4.8 billion of the franchised soft drink bottlers or the $3.9 billion of the franchised hotels and motels.

E. Investment Growth

From 1969 to 1972, as the number of imported automobiles sold — excluding captives — increased by 42 percent the net investment in the imported automobile industry grew by 63 percent and the industry's total assets grew by 116 percent to $3.6 billion (see Exhibit III-6).

To put these rates of growth into perspective, the gross national product, uncorrected for inflation, increased during this period at an average annual rate of 7.25 percent; net investment in the imported automobile industry, however, grew at an annual rate of 18 percent while assets grew at a rate of nearly 30 percent.

The more rapid growth in total assets than in net worth clearly mirrors the optimism of the industry and, most particularly, of its independent dealers. In effect, these local businessmen have risked borrowing considerable dollar amounts to increase the capital available to their businesses for improvement of facilities and future growth. During the period from 1969 to 1972 imported automobile dealers increased their net worth by 75 percent and their total assets by 112 percent.

During this four-year period of intensive growth for the imported automobile industry, the domestic industry and its dealers also flourished. Dollar sales of the four domestic manufacturers increased by nearly one-third, and the rate of return on shareholders' equity increased for all of them. In the cases of Chrysler and American Motors, the rate of return of shareholders' equity more than doubled.

F. Other Aspects of Economic Impact

Apart from the growing numbers of jobs, new independent businesses, and increased U.S. investments, there are a number of other economic areas where the imported automobile industry has had considerable significance. These include contributions to public revenues through taxation, port-related expenses, overland transportation, exports of U.S. products, acquisition of U.S.-made accessories, and expenditures for advertising and sales promotion. In the aggregate, we estimate that these reached approximately $700 million in 1972. Some of these are discussed below:

— *Port-related expenses* — As imported automobiles pass through the various ports of entry, stevedoring, storage, handling, security, inspection, and repair services are purchased. In 1972 these totaled approximately $70 million. Assuming that three-fourths of these expenditures were for labor, and an average labor rate of $5 per hour, we can say that approximately 5,000 port jobs were directly dependent upon imported automobiles.

— *Export of U.S. components and raw materials* — The imported automobile industry directly generates substantial exports of automobile components which are made in the United States for factory installation in vehicles specifically earmarked for the U.S. market. These vary from manufacturer to

EXHIBIT III-6
INVESTMENT IN THE IMPORTED AUTOMOBILE INDUSTRY
(1969-1972)

	Net Worth (millions of $)	% Increase	Total Assets (millions of $)	% Increase	% Increase in New Cars Sold, Excluding Captive Brands
1969	$ 705.2	–	$1,654.0	–	–
1970	828.4	19%	2,204.8	33%	21%
1971	998.0	20%	3,147.7	42%	21%
1972	1,150.0	15%	3,573.8	14%	(4%)

Source: Harbridge House research.

manufacturer, but the overall list includes alternators, spark plugs, sealed beam headlight units, batteries, and wheel bearings. Such exports represented approximately $50 million in 1972. Therefore, of the landed value of each imported automobile, approximately $40 per unit was represented by U.S.-made components returning to the United States.

The offshore vehicle manufacturers who supply the imported automobile industry also directly purchase a number of raw materials, such as magnesium and certain types of sheet steel, in the United States as well as American production machinery. These purchases apply to their total production, including the vehicles destined for the U.S. market as well as those sold in other markets. Such purchases vary annually, depending upon the market conditions for raw materials and the varying requirements for capital goods. They have ranged between $25 and $50 million over the past four years. These exports cannot be considered as wholly attributable to the existence of an imported automobile industry, although, as in most business relationships, there is a natural tendency toward the exercise of reciprocity.

- *Taxation* — Total payments of direct taxes by the different elements of the imported automobile industry were estimated at $276 million in 1972.

- *Overland transportation* — Payments by the imported automobile industry for shipments of vehicles from ports to distribution and retailing locations represented approximately $58 million in 1972.

- *Procurement of U.S. parts and accessories for sale in the United States* — In 1972 the importing organizations purchased approximately $75 million of U.S. products such as air conditioners, radios, and baggage racks for distribution to dealers and subsequent installation in the vehicles sold at dealerships.

- *Advertising and sales promotion expenditures* — The payments made by the imported automobile industry for national advertising were approximately $100 million in 1972; an additional $75 million was spent at the local level for retail advertising.

IV. NET EMPLOYMENT EFFECT OF THE IMPORTED AUTOMOBILE INDUSTRY

A. The Concern About Jobs

In the latter half of 1970 the American economy was beset by two disturbing trends: a sharp rise in the rate of unemployment and a deterioration in the U.S. merchandise trade balance. Unemployment, which had remained at less than 4 percent of the civilian labor force throughout 1969, began an accelerated climb which brought it to 6.2 percent in December 1970. During the entire year of 1971 and the first half of 1972 it hovered around that point until it began its slow descent to the 5.2 percent level recorded by the Department of Labor for December 1972.

Meanwhile, the U.S. merchandise trade balance had begun to deteriorate. This balance had been weak throughout 1968 and early 1969, but by mid-1969 it began to make a strong recovery. In the last quarter of 1970, however, this evaporated, and in early 1971 the trade balance turned strongly negative and has remained so for seven consecutive quarters.

It was natural to wonder whether one of these economic problems — namely, the unemployment one — might not, at least in part, be a consequence of the other; and, more particularly, whether the very rapid increase in the consumption of imports, especially in product areas where the U.S. market had traditionally been dominated by U.S. suppliers, might not be generating an "export" of U.S. jobs.

Quite naturally attention turned to the automobile market since it was large, extremely visible, and seemed to reflect all of the characteristics already described. As a result, whether a large and growing imported automobile industry is a net exporter of U.S. jobs became an important and germane question.

B. A Method of Inquiry

In order to provide a rational answer to this question, we developed an analysis based on the following situation:

> What would be likely to happen to total employment in the United States if unit sales of the imported automobile industry were to decline by a substantial factor — say, 500,000 vehicles — and if *all* of these sales were to be replaced by an equal number of vehicles manufactured by the U.S. automobile industry in the United States and distributed by its own existing channels of distribution?

The reasons for stating the situation in such terms include the following:

- *Accuracy of estimates* — It would be extremely difficult to estimate employment effects of very small shifts in market share between domestic and imported automobiles. Large shifts, however, provide a sounder basis for evaluating likely changes in employment.

- *Realism* — Any genuinely major changes introduced into the automobile market by governmental decree, policy shifts of U.S. manufacturers, continued changes in currency relationships, or a combination of these factors, could easily affect the market as strongly as this 500,000 unit swing. The launching of the "compacts" in the late 1950's and the effects of the alteration of excise tax policy in late 1971 give clear evidence of this.

- *Conservatism* — There are two aspects of conservatism in this situation, as stated. First, it implies that every one of the import car purchases would be replaced by the purchase of a new, incremental domestically manufactured vehicle. Because of consumer preferences and other market factors, it is probably unlikely that this would occur. Second, in calculating the employment effects on the U.S. automobile industry of such a shift, calculations must be made in terms of jobs per incremental vehicle *based on the total current mix of vehicles produced,* most of which are still quite large and relatively costly. In the real world, if such a shift were to occur, it would probably be from small economy imports to domestic subcompacts, and these have a lower total employment content than the average American-built car.

To estimate employment effects on the domestic automobile industry we have extensive empirical evidence, particularly at the manufacturing and distribution levels, from the many years when production *has* increased by large increments, often larger than 500,000 units. The employment effects of a substantial reduction in unit sales cannot be estimated in the same way for the imported automobile industry because that industry has suffered no large declines in sales since the early 1960's when it had an entirely different and much less established character. Therefore, our downside estimates for the imported automobile industry are predicated upon logical assumptions reinforced by industry experts and by the experience of some major components of the industry that have seen their actual sales trend downward.

C. Estimated Employment Gains in the Domestic Automobile Industry

1. Jobs in the Manufacturing Sector

In order to determine the number of incremental jobs that might be generated by the substitution of 500,000 domestically manufactured automobiles for an equal number of imported ones, we assessed the actual historical experience of the American automobile industry during the past eleven years. During five of those years — 1962, 1963, 1965, 1968, and 1971 — the number of passenger automobiles manufactured in U.S. factories increased by 500,000 or more units; these are the years used as the basis for our analysis.

Unit production increases were calculated by applying to factory sales[1] the net unit impact of vehicle transactions with Canada.[2] From 1966 to the present this represented an increasingly negative factor; prior to 1966 it represented an increment, although not of great proportion.

---

[1]As reported in *Automotive News,* 1973 Almanac, p.2.

[2]Deparment of Commerce, National Technical Information Service from IM 146 reports.

Industry employment associated with new passenger car production was calculated from Department of Labor statistics[1] for employment in the automobile industry. These figures were adjusted to take into account the portions of that employment associated with the production of parts and accessories for the aftermarket[2] and the production of trucks, buses, and other nonpassenger vehicles.[3]

As shown in Exhibit IV-1, incremental jobs per incremental passenger car produced ranged from a low of .025 in 1971 to a high of .044 in 1963. There is no discernible pattern to these incremental calculations. For example, in 1965, the year in which total U.S. unit production of passenger automobiles reached its peak, the actual unit sales increment over the previous year was relatively high, and yet the number of jobs generated per incremental car manufactured was also high. In 1971 the number of total units produced was nearly one million less than in 1965; however, the increment over the previous year was somewhat larger, and yet the number of jobs generated per incremental car was the lowest of all.

Averaging the experience of the five years provides a figure of .034 jobs in the motor vehicle industry per incremental passenger car manufactured.

To calculate the number of additional jobs outside the motor vehicle industry which would be associated with a production increase of 500,000 units, we consulted the input-output tables developed by the Department of Commerce for both 1963 and 1966.[4] In 1963 external inputs represented 37.4 percent of the total outputs of the motor vehicle industry; in 1966 they represented 39.2 percent.

Assuming that they might be approximately 40 percent at the present, and applying this on a proportional basis to our estimate of incremental jobs within the industry created by a 500,000 unit production increase, we reached the following estimate:

Incremental jobs within the automobile industry (manufacturing)	17,000
Incremental jobs in supplying industries	11,400
Total manufacturing related jobs	28,400

[1]As reported in *Automotive News*, 1973 Almanac, p. 23.

[2]As estimated by S.R. Nelson, "An Economic Analysis of Industry Practices and Anti-Trust Policy in the Automotive Parts Industry," Motor and Equipment Manufacturers' Association, 1970. Also based upon employment data on motor vehicle parts and accessories manufacture, Code 3714, in the "Annual Survey of Manufacturers," Department of Commerce, Social and Economic Statistics Administration, 1967-1971.

[3]As reported in "1972 Automobile Facts and Figures," (pp. 8 and 9), Motor Vehicle Manufacturers' Association of the United States.

[4]"Input-Output Transactions: 1966," Department of Commerce, Bureau of Economic Analysis, 1972.

EXHIBIT IV-1
JOBS IN THE MOTOR VEHICLE AND EQUIPMENT INDUSTRY
PER INCREMENTAL AUTOMOBILE PRODUCED

Year	Unit Production Increment Over Previous Year (in millions)	Increase in New Car Related Jobs (in thousands)	Jobs Per Incremental Unit Produced
1962	1.41	45.4	.032
1963	0.61	27.1	.044
1965	1.56	66.2	.042
1968	1.27	33.3	.026
1971	2.04	50.0	.025

In terms of total man-hours, both inside and outside the automobile industry, this amounts to approximately 95 per incremental car produced. Robert Stevenson, former executive vice president of the Ford Motor Company, recently stated: "If you add up all the elements of a car, from tires to engine, glass, seats, etc. (without counting raw material), the total number of working hours embodied in a car is between 85 and 70." The largest individual suppliers of the American automobile factories are the primary iron and steel industry, the stampings and screw machinery products industry, the fabricated metals industry, and the rubber industry. Together they represent nearly 50 percent of the external inputs to automobile production. Because raw materials represent only about 20 percent of their own output, our 95 man-hour estimate appears wholly consistent with the information presented by Mr. Stevenson.

2. **Jobs in the Distribution Sector**

It would seem only logical that just as the production of 500,000 additional passenger cars would promote additional employment among vehicle manufacturers and their suppliers, it would also generate additional employment among the dealers who sell and service their products. Nevertheless, the historical experience of the past few years would indicate that the gain, if any, would be relatively small.

During the years from 1969 to 1972 dealer employment associated with domestically manufactured vehicles and captive imports declined steadily. As shown in Exhibit IV-2, the number of new domestic and captive import cars registered in 1969, 1971, and 1972 was virtually identical, yet employment continued to decrease.

This trend seems traceable to a combination of economic factors, some of which are evident in Exhibit IV-3. These include the following:

- The total number of all automobile dealers, but especially dealers primarily distributing domestic makes, has been in a continuous decline since 1962.

- Sales of cars per dealer have been increasing during this period almost as continuously.

- Overall dealership employment, as pointed out above, has continued to drop.

The tendency of domestic manufacturers to diminish in number their small, relatively labor-intensive dealerships appears to have been the primary cause of this situation. It has also contributed to the growing preponderance of much larger dealers who can sell cars and manage their businesses in a less labor-intensive way.

Nevertheless, *would* an increment of half a million cars moving through the domestic dealerships tend to increase their employment levels? In 1971 the unit sales increase was more than twice that number, yet the number of jobs slipped by 5 percent. In 1972 unit sales increased slightly but jobs declined by 3 percent.

Despite this it would seem reasonably conservative to attribute some employment increase in the domestic dealerships to a unit sales increase of 500,000 cars. At the very least, there might be an expansion of the new car sales force to absorb this sales increment.

EXHIBIT IV-2
DEALERSHIP EMPLOYMENT ASSOCIATED WITH
DOMESTIC AUTOMOBILES AND CAPTIVE IMPORTS
1969 - 1972

Year	Total Employment*	Domestic Cars Registered (in thousands)	Captive Imports Registered (in thousands)	Total (in thousands)
1969	686,400	8,379.1	114.0	8,493.1
1970	665,000	7,152.8	112.2	7,265.0
1971	631,200	8,258.8	203.4	8,462.2
1972	est. 614,000	8,400.8	187.1	8,587.9

*Total employment figures were derived by taking the totals published by NADA for employees of all franchised new car dealerships and subtracting those calculated by Harbridge House as attributable to noncaptive imports.

Sources: NADA, "The Franchised New Car and Truck Dealer Story: 1972 Edition"; Harbridge House Research; *Automotive News,* 1973 Almanac, pp. 8 and 72.

EXHIBIT IV-3
SELECTED DATA ON AUTOMOBILE DEALERSHIPS DISTRIBUTING DOMESTIC MAKES
1962 - 1971

Year	Dealers Handling Domestic Makes Only	Dealers Handling Domestic and Imported* Makes	Total	New Cars Sold Per Dealer (All New Car Franchised Dealers)	Employees Per Dealer (All New Car Franchised Dealers)
1962	23,700	7,200	30,900	208	19
1963	28,000	2,800	30,800	227	19
1964	27,500	3,200	30,700	241	20
1965	27,100	3,200	30,300	281	21
1966	25,000	3,400	28,400	285	22
1967	24,000	3,800	27,800	269	23
1968	23,200	4,300	27,500	302	23
1969	22,500	4,500	27,000	309	24
1970	20,400	5,700	26,100	280	24
1971	17,700	7,900	25,600	331	24

*Includes both captive and noncaptive imports.

Source: NADA, "The Franchised New Car and Truck Dealer Story: 1972 Edition," pp. 30 and 37.

Because salesmen of new small cars in established dealerships are expected to average 150 unit sales per year, we estimate a job increase of approximately 3,350 in the domestic dealerships.

D. Estimated Employment Losses in the Imported Automobile Industry

The imported automobile industry suffered a substantial loss in its sales volume only once in its history, during the very early 1960's. Insufficient data exist on the industry's employment levels prior to and during that period to serve as a reliable guide to determine the effect of a similar sales reduction on the present industry.

Since the early 1960's the imported automobile industry has maintained a steady rhythm of growth; therefore, it has not offered a background against which any sort of empirical conclusions can be drawn. The only reasonable means available of assessing the impact of a 500,000 unit drop in new vehicle sales — a figure that represents 39 percent of the 1972 noncaptive volume — has been to tap the expert knowledge of specialists in automobile business management, and to do so in ways that would be unlikely to introduce bias into their answers.

1. Jobs in the Importer and Distributor Sector

Over the past four years employment among importers and distributors has grown 10 percent per year while the annual growth in unit sales of new cars has been 9 percent. The higher growth rate in employment has primarily been a function of optimism about the future as well as the fact that importer-distributor staffing relates not only to the sales of new vehicles but also to the buildup in overall vehicle population, especially in importer-distributor activities relating to mechanical service and parts supplies.

Consequently, it is unlikely that a major and fairly permanent drop of 39 percent in overall new vehicle sales would cause a proportional cut in importer-distributor employment levels. The aspects of that employment that bear upon the overall imported vehicle population would decline fairly slowly as the vehicle population itself experienced a gradual decline.

Because of this a 500,000 cut in new vehicle sales would be expected to reduce importer-distributor employment in the first year by approximately 20 percent, or a total of approximately 2,075 jobs based upon 1972 levels of employment.

2. Jobs in the Retailing Sector

The effect of a large decline in new unit sales would influence the different departments of an imported automobile dealership in various ways. The following analysis represents a summary of expert viewpoints regarding these effects:

- *Vehicle sales* — Employment would be unlikely to diminish more than proportionally and, very likely, in the short term it would diminish just about proportionally. Because salesmen are paid on a commission basis, the less productive ones would find it impossible to maintain an adequate income in the face of declining sales opportunities and would be likely to

seek other employment; the more productive ones would probably just manage to maintain their income or would accept a moderate income decline.

— *Mechanical service* — An extremely high proportion of vehicle service in imported automobile dealerships is related to relatively new vehicles. This includes repair work done under warranty, service work ordered by customers to preserve their warranty protection, and a higher degree of owner attention paid to newer automobiles. In addition, mechanics also work on new cars to prepare them for delivery.

During the first year of a large drop in new vehicle sales, service employment might not be expected to decline proportionally, but by the end of the second year the decline could be fully proportional or even greater. Actual experience during prolonged dock strikes when a four- to five-month shutdown of certain ports has resulted in a 25 percent decline in service volume at imported automobile dealerships dependent upon those struck ports supports this viewpoint.

— *Parts and accessories* — From an employment standpoint this is one of the most stable areas of an automobile dealership, both because employment levels are relatively low and because the character of the parts and accessories activity is unlikely to be affected, in the short run, by changes in new vehicle sales volume.

— *Administrative* — For some of the same reasons that employment in the service area would not diminish as rapidly as new vehicle sales, at least in the first year, it is unlikely that administrative employment would do so either. The major factors influencing the number of jobs in this area are the indivisibility of functions performed and the proportion of work associated with processing new vehicle sales.

Taking all of these factors into account and applying conservative numerical estimates to them (as shown in Exhibit IV-4), we estimate that in the first year of a new vehicle sales decline of 500,000 units, the job level in imported automobile dealerships would drop by 26,880.

3. Other Jobs

Because approximately 5,000 port jobs have been estimated to be totally dependent upon the current volume of automobiles imported into the United States, it is likely that there would be a proportional decline in these jobs if 500,000 fewer units were to pass through current ports of entry. Therefore, an import reduction of this magnitude would reduce port employment by approximately 2,000 jobs.

Also, as pointed out in Part III, overseas manufacturers of imported automobiles themselves import approximately $50 million worth of parts and accessories from the United States solely for installation on vehicles destined for the U.S. market. A reduction of 39 percent in the number of vehicles imported would be likely to affect these U.S. exports proportionally. Based upon the data contained in the *1971 Survey of Manufactures,*

EXHIBIT IV-4
ESTIMATED FIRST-YEAR DECLINE IN IMPORTED AUTOMOBILE DEALERSHIP EMPLOYMENT CAUSED BY A 500,000 DROP IN NEW VEHICLE SALES

Dealership Department	Approximate % of Dealership Employment*	Number of Dealership Jobs**	First-Year Effect of 500,000 Unit Drop in New Vehicle Sales	Estimated Job Loss
Sales	15%	16,800	– 40%	6,720
Service	60%	67,200	– 25%	16,800
Parts	10%	11,200	None	–
Administrative	15%	16,800	– 20%	3,360
				26,880

*Based upon data provided by several importing organizations.

**Based upon 1972 employment level of 112,000.

shipments per employee in the motor vehicle parts and accessories industry are $42,415. A decline in shipments of $19.5 million would affect 460 direct jobs and, based upon the input-output tables, an additional 310 jobs of suppliers to that industry, thus giving a total of 770 jobs affected.

The imported automobile industry also purchases $75 million worth of parts and accessories in the United States for installation on vehicles at the U.S. dealerships. This level of purchases would not be expected to decline proportionally with a drop in new imported vehicles sold because not all of these parts and accessories are directly installed on new vehicles before their delivery to customers. An extremely conservative estimate would be that one-half of this volume is new vehicle related, so that a 40 percent decline in new vehicle deliveries might introduce a 20 percent drop in purchases. Total direct and indirect jobs related to $15 million of these purchases would be 590.

E. Summary: Total Employment Effect

The estimated gains and losses in U.S. employment resulting from a decline of 500,000 units in the imported automobile sales volume and a transfer of this volume to domestic manufacturers and their dealership organizations is summarized below:

Domestic Employment Gain		Domestic Employment Loss
28,400	Manufacturing	1,360
—	Importing-Distribution	2,075
3,350	Retailing	26,880
—	Ports	2,000
31,750	Total	32,315

It appears that in the first year of such a shift the net employment effect in the United States would be virtually negligible. In the second year, however, the net effect on employment would be negative because service-related jobs in imported automobile dealerships would decline by approximately an additional 6,700.

On balance, it seems evident that the imported automobile industry is a net producer of employment because of its highly dispersed character and the relatively labor-intensive format of its retail outlets. The transferral of large portions of its new vehicle business to domestic manufacturers would not appear likely to create a larger number of jobs than those that would be lost.

F. Independent Businesses and Imported Automobile Volume

If the number of new imported automobiles sold were to be cut back by as much as 39 percent (i.e., 500,000 units), several probable repercussions at the dealership level could be expected. These have been characterized by the industry experts interviewed during the course of this study in the following terms:

> All imported automobile dealers would naturally seek to maintain the business volume level they enjoyed prior to such a cutback. In most instances they would be able to achieve this only by adding new franchises to their existing ones, thus being able to offer the public a wider variety of vehicles. Because all, or nearly all, of the existing imported automobile dealerships would be likely to follow this sort of strategy, and because the importers would find it counterproductive to increase the number of franchises in the face of declining sales volume, a fairly turbulent situation would result in the short term. Very likely the best established dealerships would gradually obtain new franchises at the expense of the newer, less solidly established dealerships. The latter, without their valuable franchises, would be forced out of business.

The workings of this scenario would be likely to diminish the number of independent businesses in the imported automobile industry by at least 15 percent in the first year. This would remove 705 businesses from the industry. An additional 500 businesses would be likely to disappear in subsequent years as the retailing sector of the industry adjusted to its new volume levels.

V. IMPORTED AUTOMOBILES AND THE AMERICAN CONSUMER

A. Introduction: A Competitive, Consumer-Oriented Economy

The economy of the United States has traditionally reflected the American political philosophy of freedom of choice, a choice the consumer exercises by voting with his dollars. During the past 75 years the U.S. Government has developed an increasing commitment to competition as the most effective mechanism for preserving a consumer-oriented economy. Both legislative and judicial action have continued to emphasize the precedence of consumer interests over producer interests and to create a structure which encourages suppliers to be responsive to consumer needs.

The consumer pursues his individual interests primarily in two ways:

(i) He seeks out the products or services that respond most closely to *his* perception of his needs.

(ii) He generally tends to respond to the products or services that meet those needs at the lowest cost.

In both of these respects consumer interests coincide with national interests since they serve to promote a diverse, productive, and efficient economy.

In this part of our study we will attempt to assess the role played by the imported automobile in satisfying consumer-perceived needs relating to the character and the cost of personal transportation. We will also try to assess some broader aspects of the effect of personal transportation on the public welfare, focusing largely on the utilization of scarce natural resources and on personal health, and on the influence of the imported automobile in both of these areas.

B. The Imported Automobile and the Character of Personal Transportation

1. The Demand for Small Cars: The "Invisible" Market Segment

Since 1956, when the annual number of foreign-manufactured automobiles sold in the United States first approached 100,000, 80 percent or more of the imported automobiles have been very small cars, vehicles with an overall length of between 150 and 165 inches. Exhibit V-1 shows the imported cars in the United States as of January 1, 1973, broken down into small economy imports and other imports.

Since 1956 the major domestic manufacturers have twice introduced comparatively radical new automobiles in a smaller than standard size range. At other points in the 1960's, General Motors and Ford also inserted into their product lines somewhat less innovative and relatively small models such as the Chevy II and the Maverick. All of these efforts were clearly in response to the steady and growing demand for smaller, more economical automobiles, a demand which was continually demonstrated by the continuing strength of the economy imports.

EXHIBIT V-1
IMPORTED AUTOMOBILES IN OPERATION IN THE UNITED STATES
BY MODEL YEAR, AS OF JANUARY 1, 1973
(000 of units)

	1967 and Earlier	1968	1969	1970	1971	1972	Total
Primarily Small Economy Models							
Austin	12.0	8.3	14.1	13.2	6.0	1.0	54.6
Datsun	60.7	35.8	54.3	96.8	185.2	172.0	604.8
Fiat	69.6	12.9	38.9	36.3	44.8	52.6	269.1
Honda	–	–	–	3.2	10.2	18.2	31.6
Renault	122.8	16.6	16.3	19.0	18.3	10.3	203.3
Subaru	–	–	1.8	4.1	12.8	14.2	32.9
Toyota	42.4	61.4	110.0	178.4	286.6	255.8	934.6
Volkswagen	1,886.3	518.6	529.5	562.8	522.6	489.3	4,509.1
Other Major Noncaptive Makes							
Audi	–	–	–	6.0	21.0	27.0	54.0
Austin-Healey	48.1	4.6	5.4	1.1	–	–	59.2
BMW	6.9	7.0	9.1	10.4	19.7	13.6	66.7
Jaguar	29.4	4.7	5.2	7.1	5.8	4.8	57.0
Mazda	–	–	–	2.2	19.4	47.2	68.8
Mercedes-Benz	95.4	24.5	24.6	31.9	34.8	38.4	249.6
MG	105.1	15.8	20.1	30.3	31.5	29.0	231.8
Peugeot	27.3	4.0	4.0	5.2	6.1	4.3	50.9
Porsche	27.9	6.9	7.0	13.2	17.0	18.8	90.8
Saab	34.1	9.8	10.0	11.1	13.2	12.0	90.2
Triumph	85.9	16.4	15.6	15.9	19.7	20.0	173.5
Volvo	117.3	35.9	35.0	46.8	51.2	47.7	333.9
Miscellaneous	74.1	5.7	5.4	5.5	5.5	6.8	103.0
Captive Makes							
Capri	–	–	–	15.2	55.3	82.2	152.7
Colt	–	–	–	–	28.0	30.8	58.8
Cricket	–	–	–	–	27.1	13.1	40.2
English Ford	55.8	20.1	19.0	9.6	.7	–	105.2
Opel	121.3	74.4	86.1	80.4	87.2	60.7	510.1
Rootes	49.8	2.1	2.4	1.6	.3	–	56.2
Simca	45.1	3.9	6.5	5.4	4.8	.3	66.0
Totals							
Small Economy	2,193.8	667.6	764.9	913.8	1,086.5	1,013.4	6,640.0
Other Major Noncaptives	651.5	135.3	141.4	186.7	244.9	269.6	1,629.4
All Noncaptives	2,845.3	802.9	906.3	1,100.5	1,331.4	1,283.0	8,269.4
Captive Makes	272.0	100.5	114.0	112.2	203.4	187.1	989.2
Overall Total	**3,117.3**	**903.4**	**1,020.3**	**1,212.7**	**1,534.8**	**1,470.1**	**9,258.6**

Source: *Automotive News*, April 2, 1973.

In 1959 imports for the first time accounted for more than 10 percent of total new units sold. In that year the market entry of the "compacts" — Corvair, Falcon, and Valiant — began to exert strong competitive pressures on the sales volume of imports even though the "compacts," all in the 180-inch size range, were larger vehicles. By 1962 the sales volume of imports had declined to little more than one-half of the 1959 level. The brands suffering most severely were Renault, Fiat, English Ford, Hillman, Opel, Simca, and Vauxhall, which either lacked strong dealer organizations or, in the case of the captives, had been largely supplanted at the dealer level by the domestic compacts. Between just 1959 and 1960 their unit volume dropped by 116,100 and their share of total imports from nearly one-half to approximately one-third. Significantly, Volkswagen's unit volume in the same period increased by 38 percent.

From 1961, the peak year of compact sales, total demand for relatively small cars remained fairly stable, but the factors in this stabilization were mixed. By 1966, unit sales of the compacts were less than one-half of their 1961 total, a decline in popularity caused by their physical growth, increase in price, higher operating costs, and rapid depreciation. Meanwhile, imports had nearly doubled in unit volume.

Once again in the late 1960's the domestic manufacturers found it desirable to react to the continued, strong demand for really small cars. In 1968 domestic manufacturers announced plans to build new models called "subcompacts" which they expected to compete directly with the economy imports. In its 1968 Annual Report, General Motors appraised its decision to manufacture really small cars in these terms:

> Another characteristic of the automobile market in 1968 was the continued growth in sales of imported cars, most of which are smaller than cars currently being produced in the United States. Sales of imported vehicles totaled 975,000, and accounted for 10.2 percent of all new car retail deliveries in 1968, a percentage not attained since 1959. In recognition of this growing popularity of smaller cars, GM announced in October that it will build a small car in this country to be marketed beginning in the summer of 1970 . . . It will be only a foot longer than the most popular imported economy car . . .

The General Motors' 1970 Annual Report included the following statements:

> In the United States, the demand for smaller, lower-priced vehicles continued to grow during 1970. General Motors is meeting this demand with the new Chevrolet Vega 2300 . . . and the broadened Opel line. . . .

Clearly, growing numbers of consumers have voted with their dollars for really small automobiles. Whenever the domestic manufacturers have responded to this demand, even with 180- to 190-inch models that are considerably larger than the most popular economy imports, the enormous extent of total latent demand for small cars has been clearly revealed. When the domestic manufacturers have not supplied this market segment, the strong growth in the sales of imports have demonstrated its continued presence. Because domestic manufacturers have launched small car programs only when imports have been en route to surpassing 10 percent of the total U.S. unit sales, it must be concluded that without the influence of imported small economy cars, it is unlikely that any domestic compacts or subcompacts would ever have been designed.

Exhibit V-2 shows the U.S. market for small cars — both imported and domestic — during the period from 1957 to 1972 and the number of small cars sold as a percentage of the total units registered.

One of the greatest consequences of the small car market segment created by the imports has been the diversion of funds which many Americans would probably have spent on automobiles into other channels which they consider to be of greater economic utility. Excluding small imports and the domestic subcompacts, the lowest priced cars for sale on the U.S. market in the past five years have been such intermediate models as the 180- to 190-inch Nova, Maverick, and Valiant. By 1972 the Manufacturer's Suggested Retail Prices for the simplest versions of these vehicles were in the $2,200-to-$2,600 range. In the same year the comparable prices of the subcompacts and small imports stood at $2,000. Without imports or the new subcompacts forced into existence by the imports, the more than two million consumers wanting a new small car would not only have been forced to compromise by buying a car which was at least 20 percent larger but also to spend approximately $400 more on their purchase, if they were able to afford the additional expenditure. In 1972 alone, the presence of imported automobiles and their direct influence on the market, reflected in the subcompacts, resulted in savings to these consumers of approximately one billion dollars. This saving amounted to nearly one percent of *all* consumer expenditures for *all* durable goods for that year.

2. Diversity of Choice and Pressure for Innovation

In the United States four manufacturers hold 85 percent of the automobile market. More than 20 manufacturers of imports from six countries hold the remaining 15 percent.

Domestic cars tend to bear strong resemblances to each other in size, styling, and engineering, a factor which has a logical economic base. New styling or engineering features either become common to all cars of a particular class very quickly or they are dropped. Tailfins are a prime example of this. While some shapes come and go, others like the "coke bottle" look of recent years are featured on a large number of models.

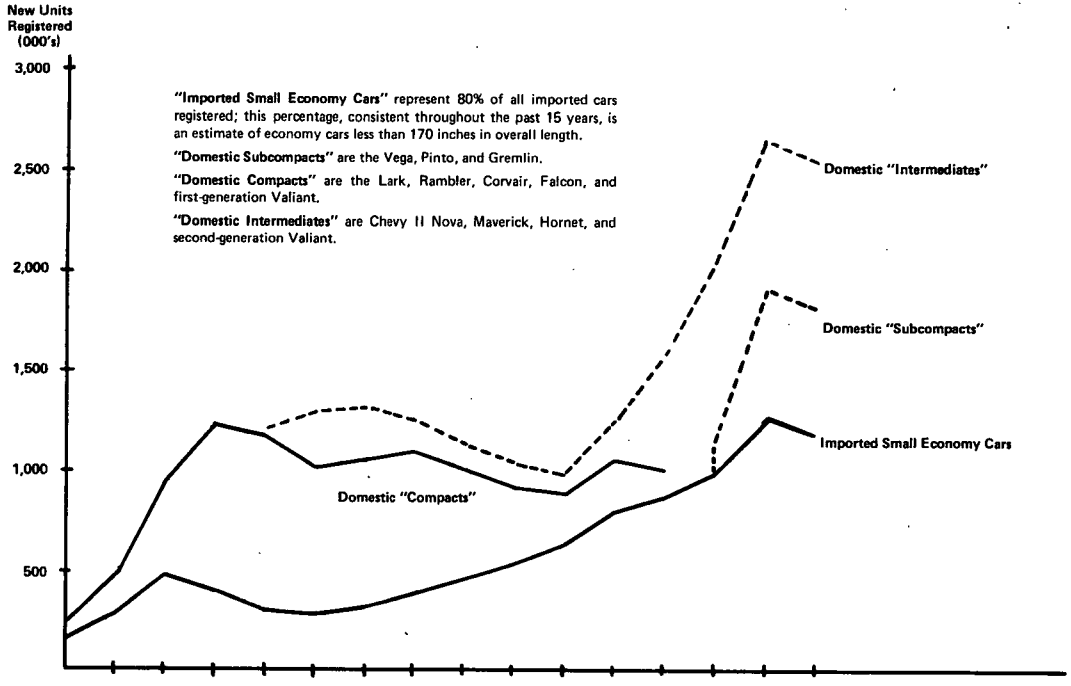
Moreover, since any new and successful idea can be quickly imitated by the competition, the possibility of maintaining any advantage gained through innovation is reduced. Both of these factors weigh strongly in favor of taking a conservative approach to innovation. This stance was taken by Alfred P. Sloan, one of the founders and chief ideologues of General Motors, and incorporated into General Motors' corporate strategy to intentionally *not* seek to become a design innovator. In his autobiograhy, Sloan said the following:

> For example, the policy we set was valid if our cars were at least equal in design to the best of our competitors in a grade, so that it was not necessary to lead in design or run the risk of untried experiments.[1]

---

[1]Sloan, Alfred P., *My Years With General Motors*, Doubleday & Company, Inc., Garden City, New York, 1963, Chapter 4, "Product Policy and Its Origins."

EXHIBIT V-2
THE U.S. MARKET FOR SMALL ECONOMY CARS
1957-1972



As % Total Units Registered	4.1	10.2	15.6	18.8	20.3	18.6	17.3	15.4	12.0	11.4	11.6	13.1	16.4	24.1	27.5	26.4

Source: *Automotive News* (various almanac editions).

Imported cars have offered U.S. consumers a larger range of alternatives and have often served to introduce new ideas in the marketplace so that domestic manufacturers have been able to avoid the risks to which Sloan referred.

The imported automobiles offered in the United States during the last decade reflect the widely differing tastes, incomes, engineering skills, and other conditions of their home markets. Their appeal to the U.S. consumer is based on the differences in size, design, and driving performance that they offer.

The choices offered by imports are numerous. They include the following:

- Most imports are powered by four-cylinder engines; only one four-cylinder domestic model was available from 1961 to 1970.
- Imports offer rear engine placement, transverse front-engine mounting, and mid-engine placement; after 1969 all domestic models were of front-engine design. (Corvair was rear-engine.)
- A substantial number of imports offer front-wheel drive; virtually all current domestic models have rear-wheel drive.
- With the exception of the Chevrolet Corvette, imports represent all of the sports cars sold in the American market.
- Imports offer a choice among gasoline, diesel, and rotary power plants.
- Bucket seats, sunroofs, four-speed transmissions, and four-wheel independent suspension were all common items in imports long before they became available as standard or optional items for domestic automobiles.
- Van-type station wagons were introduced by Volkswagen but were not duplicated and extensively promoted by domestic manufacturers until the late 1960's.
- Imports offer the only air-cooled engine.

3. Putting New Cars Within the Reach of More Buyers

Economy imports and domestic subcompacts have made it possible for the low-budget American consumer to buy a new car rather than a less reliable used car. This was not always the case, however. In 1957 an official of General Motors suggested that those people who needed a basic and cheap means of transportation should not buy a new car but, instead, should purchase a used car.[1] Inexpensive, simply designed, and durable *new* cars just did not exist in the American market at that time.

To some extent the successes of Volkswagen and, later, Renault, Datsun, and Toyota, came from their ability to provide the U.S. consumer with new car reliability and safety at prices comparable to those being paid for two- and three-year-old used,

[1]See "A Big Year for Small Cars," *Fortune*, 1957, p. 105.

U.S.-manufactured cars. The consumer who purchased a new imported car got a new car warranty which offered him a level of protection seldom given to used car buyers. In addition, because of the relatively low annual rate of depreciation of many imports, he actually saved money by buying a new import rather than a used domestic car.

4. The Engineering of Safety

Imports have pioneered in introducing new equipment and engineering technology into the U.S. market which have materially advanced automobile safety. Such innovations as radial tires, disc brakes, seat and shoulder belts, rack and pinion steering, and impact-absorbing front and rear compartments made their first appearance on imported cars.

In 1971 radial tires accounted for 62 percent of all tires sold in Europe, where they have been popular for a decade or more. The radial tire has greater strength, better roadholding on wet surfaces and under emergency-handling conditions, longer tread life, and it improves gasoline mileage. (A recent study by the U.S. Environmental Protection Agency estimated that radial tires boost gas mileage by 10 percent.) Although the radial tire is more expensive to build, its greater safety and longer life tend to offset the extra cost.

Disc brakes (front or front and rear) are standard on virtually all imported cars currently sold in the United States and have become standard on an increasing share of domestic cars. Disc brakes show much less brake fade under hard stopping conditions, thereby enabling drivers to control vehicles to a full, safe stop.

Seat and shoulder belts were standard equipment on some European imported cars long before federal regulations went into effect requiring them on all domestic and imported cars. After regulations were imposed in the United States, imports were credited with producing one-piece (three-point) inertia reel-belt designs which are currently considered to be superior to the four-point system designs offered on most domestic models. The latter involve separate lap and shoulder belts which are awkward to assemble and inconvenient to store when removed.

A group called the Physicians for Auto Safety testified in House Subcommittee hearings in 1971 on the effectiveness of three-point combination belts, noting that:

> Recent studies by General Motors demonstrate what was proven years ago by Swedish research, that the combination belts worn in cars also equipped with the new steering assembly and windshield will allow survival in crashes up to 60 miles per hour.[1]

Most imports are built with four-wheel independent suspensions, the technology of which produces the so-called "hard" ride. But together with radial tires, disc brakes, and better weight distribution in the overall vehicle design, these independent suspension designs offer a total package for exceptional steering control and emergency-handling safety.

---

[1]Subcommittee on Commerce and Finance of the Committee on Interstate Foreign Commerce, U.S. House of Representatives, 92d Congress 1st Session, Automobile Property Damage and Consumer Information Program, Vol. 1, p. 201.

National Highway Traffic Safety Administrator Douglas Toms testified in the same 1971 hearings that "tires, brakes, steering, and shocks are the four components of the automobile that contribute most to crashes."[1] By building the most advanced technology in these components into their cars, the imports have approached the issue of safety in the design of an economical automobile.

A controversy surrounds the relatively small frames and light weights of imports and the safety aspects of such automobiles since they have shown to be much more heavily damaged in head-on collisions with larger cars than the larger cars. Also, when such collisions occur, the number of passenger fatalities in the smaller and lighter cars has been significantly higher. (Similarly, of course, when a large passenger car collides head on with a trailer truck, the number of fatalities in the passenger car are certain to be greater.) This safety issue has produced several arguments for the need to make further improvements in regard to occupant packaging and vehicle crash-worthiness, as well as suggestions that small, or conversely, large cars be banned in order to reduce the size disparity of cars on the road. The smallness of many imports will inevitably remain an issue among groups concerned with 100 percent accident survival.

In the area of braking and tire safety, the National Highway Traffic Safety Administration (NHTSA) collects and publishes performance data for all new cars offered for sale each year in the United States. The NHTSA measures the braking distance of a car at a speed of 60 mph and records the ratio of the spare weight-carrying capacity of the car's tires beyond its fully loaded weight. In 1972, foreign-made cars occupied the top seven positions in braking performance and the top 16 positions in tire reserve load. An NHTSA news release, dated February 18, 1972, referred to Administrator Toms's view that "foreign manufacturers were concentrating on top performance ratings and earning them."

C. The Imported Automobile and the Cost of Personal Transportation

1. The $2,000 Automobile

Despite the effects of dollar devaluations and their impact on the prices of European and Japanese products, 72 percent of all imported automobiles sold in the United States in 1972 carried the brands of manufacturers whose most popular models had port-of-entry prices below $2,100. Fully 80 percent of the noncaptive imports were in this class.

Similar relationships existed throughout the previous five years. Of the 8.3 million noncaptive imported cars estimated to be in operation as of January 1, 1973 (see Exhibit V-1), between 6.0 and 6.5 million had original P.O.E. prices of $2,000 or less.

Domestically made cars in the $2,000 price range sold in 1972 totaled 620,000. These consisted of the Vega, Pinto, and Gremlin. Even with the growing popularity of these new models, imports still represented approximately 62 percent of the new automobiles sold in this price range.

---

[1] Ibid. p. 108.

Before the introduction of the domestic subcompacts, the importance of the imports at the lowest end of the pricing spectrum was even more pronounced. As shown in Exhibit V-3, there were no domestic models priced below $2,000 in 1966 and, by 1968, relatively few were even near the $2,000 mark.

It has already been noted that the availability in 1972 of small, economical imported cars and the domestic subcompacts that they influenced into existence probably saved the purchasers of these cars approximately one billion dollars as compared to the cost of buying even the domestic "intermediate" models. Assuming a typical difference of $400 throughout the entire last decade between the cost of small economy cars (primarily the economy imports but also including the domestic compacts and subcompacts) and the lowest priced standard domestic automobiles, the savings to the purchasers of the small economy cars during the period from 1963 to 1972 is estimated to be approximately $3.5 to $4.0 billion.

2. Keeping Down the Cost Per Year

The lowest priced Volkswagen that could be purchased in 1968, at a cost of $1,699, would bring its owner, on the average, a trade-in value of $650 in late 1972. Thus, after four years of use, the automobile retained 38 percent of its original value (see Exhibit V-4). All three of the most popular noncaptive imports in that same model year compared favorably in value retention with the lowest priced cars offered by the major domestic manufacturers. In terms of dollar cost per year, the comparison was even more favorable to the imports, although the fact that the domestic car models, on the average, were approximately 15 percent larger than the three imports must also be taken into account.

The fuel economy of most imports also saves their owners from $100 to $200 per year. On the average, cars are driven 10,000 miles a year in the United States. Economy imports are estimated to get between 20 and 30 miles per gallon, while average domestic standards get only 10 to 15 miles per gallon, at roughly 1970 conditions of fuel performance. Based on U.S. gasoline prices averaging $.35 per gallon (including $.11 tax) in 1970, the cost of gasoline for the imports (for 333 to 500 gallons) would be $116 to $175. The larger engined domestic standards, using roughly twice the amount of fuel (or 666 to 1,000 gallons) would cost $233 to $350. Combining the differences in depreciation and in fuel consumption, these factors alone would provide the purchaser of a typical 1968 economy import with an average annual saving of more than $250.

Insurance costs for collision and comprehensive coverage reflect the initial purchase price of a vehicle since rates are in part based on purchase price. Therefore, economy cars cost less to insure, other conditions (age and driving history of insured party) being equal.

Other economies are also built into many imports. For example, simplified engine designs keep repair and maintenance costs low by limiting the amount of labor required to remove or replace damaged or worn parts. Further, infrequent style changes and a maximum effort to keep the interchangeability of parts high between models helps to limit the costs of replacement parts and to reduce out-of-stock parts problems.

The new generation of domestic subcompacts, fostered by the success of the economy imports, stresses similar economies. The Vega, whose body style is expected to

EXHIBIT V-3
NUMBER OF MODELS – IMPORTS AND DOMESTICS – OFFERED,
BY PRICE CLASS, IN SELECTED YEARS

Price Class	1966		1968		1972	
	Imports	Domestics	Imports	Domestics	Imports	Domestics
Under $1,600	14	0	6	0	1	0
$1,601 - $1,800	19	0	11	0	1	0
$1,801 - $2,000	19	0	11	1	6	2
$2,001 - $2,200	11	16	13	2	9	5
$2,201 - $2,400	13	46	15	14	14	13
$2,401 - $2,600	10	61	8	50	19	8

Note: Import prices are East Coast P.O.E.; domestic prices are Manufacturer's Suggested Retail Prices.

Sources: *Automotive News:* 1966 Almanac, p. 96; 1968 Almanac, p. 57; 1972 Almanac, p. 68.

EXHIBIT V-4
TRADE-IN VALUES OF 1968 DOMESTIC AND IMPORTED
LOW-PRICED AUTOMOBILES

	P.O.E. and A.D.P. Prices*	Trade-In Value	% of Value Retained	Cost Per Year
Imports				
Volkswagen 2D Deluxe	$1,699	$650	38%	$262
Toyota 4D Corona	1,780	575	32	301
Datsun 4D Sedan	1,996	500	25	374
Domestic				
Chevy II – Nova 4D	2,252	425	19	457
Falcon Standard 4D	2,301	550	24	438
Valiant 4D	2,301	625	27	419

*Both prices are exclusive of transportation.

Source: NADA Official Used Car Guide, October 1972.

remain unchanged for five years, and the Pinto, whose early advertising emphasized its simplified engine design to make "backyard" repairs easy, are examples of the adoption of the zero-to-minimum annual design change policy that has enhanced the popularity of most imports. By keeping new tooling costs low and limiting the rate at which parts inventories become obsolete, these subcompact manufacturers expect to keep the costs of new purchases and replacement parts at a minimum.

3. The Cost of Repairs

The insurance industry is particularly concerned about the costly damage of low-speed crashes. These comprise the majority of claims — more than two-thirds of all dollar losses come from claims of $500 or less — even though the technology to reduce both the amount and cost of low-speed crash damage is readily available.

Extensive hearings have been held before House and Senate Subcommittees looking into automobile property damage and the automotive repair industry. One witness, the Insurance Institute for Highway Safety (IIHS), which conducts research on behalf of the insurance industry, has a program of low-speed crash testing which measures the cost to repair crash damage to vehicles in different size groups. The results of IIHS tests conducted in 1970, 1971, and 1972 are shown in Exhibit V-5. The small car group, which includes imports, consistently showed lower damage repair costs than the larger car group. Each of these cars was tested in forward and backward crashes at 5, 10, and 15 mph against either a barrier or the rear of an identical model. At the speed of 15 mph, the small cars — both the economy imports and the domestic subcompacts developed to compete with them — were cheaper to repair than the group of standard size sedans. On the average, they cost $175, $360, and $300 less to repair in 1970, 1971, and 1972, respectively, than the standard sedans.

A related concern among legislators and other people studying automobile damage is the rapidly escalating cost of repairs. Some evidence points to the severe shortage of mechanics and indicates that the high labor rates for available mechanics and the number of hours needed by undertrained mechanics to perform necessary repair work are responsible for the high cost. But, along with labor charges, a major component of crash damage repair bills is the cost of key crash parts — fenders, hoods, doors, quarter panels, deck lids, grilles, bumper bars, and windshields. Testimony given to the House Commerce Committee's Subcommittee on Commerce and Finance showed that between 1965 and 1969 the prices of these eight major crash components for the standard domestic models of Plymouth Fury, Chevrolet Impala, and Ford Galaxie rose by 22.5, 19.9, and 36.4 percent, respectively.[1] Over the same time interval, data for the leading import, Volkswagen, showed a cumulative decrease of 3.8 percent in crash parts prices (see Exhibit V-6). Volkswagen attributed the low prices to the company's policy of forgoing any nonessential design changes in its products and maintaining maximum parts interchangeability from year to year.

---

[1]Hearings before the Subcommittee on Commerce and Finance of the Committee on Interstate and Foreign Commerce, U.S. House of Representatives, 92d Congress, 1st Session. Automobile Property Damage and Consumer Information Program, Vol. 1, p. 334.

EXHIBIT V-5
IIHS TEST RESULTS
1970 - 1972

INSURANCE INSTITUTE FOR HIGHWAY SAFETY CRASH TEST RESULTS

	5 miles per hour		10 miles per hour				15 miles per hour, front
	Front	Rear	Front	Front/rear [1]	Front/side [1]	front/pole	
1969							
Sedans:							
Chevrolet Impala	$187.15	$195.80	$665.80	$510.25	$639.85	(1)	$1,179.50
Ford Galaxie	174.30	173.70	485.00	485.45	702.80	(1)	854.18
Plymouth Fury 1	134.35	134.40	644.15	449.00	710.80	(1)	1,049.25
Ambassador SST	305.15	352.55	814.90	595.85	641.20	(1)	823.27
1970							
Sedans:							
Chevrolet Impala	196.20	247.30	491.40	421.30	481.80	(2)	740.40
Ford Galaxie	185.80	325.25	459.05	513.45	478.35	(2)	703.10
Plymouth Fury	171.30	202.05	600.05	483.60	515.75	(2)	652.30
AMC Ambassador	309.25	100.05	615.75	813.80	521.55	(2)	819.50
Pony cars:							
Ford Mustang	160.30	147.05	400.70	615.65	402.35	(2)	661.35
Plymouth Barracuda	176.60	197.10	332.90	379.75	409.70	(2)	876.05
AMC Javelin	262.67	132.40	618.85	550.59	502.05	(2)	686.65
Chevrolet Camaro	130.10	174.00	599.35	465.60	437.90	(2)	1,052.60
Small cars							
Volkswagen	120.25	64.45	322.35	228.20	381.55	335.75	518.70
Toyota	133.70	69.30	410.94	305.57	316.34	370.03	486.88
Maverick	153.10	204.75	427.35	449.80	423.30	400.55	590.55
Hornet	204.50	193.85	508.40	590.20	591.75	474.60	636.75

[1] In the intervehicular crash tests front-to-rear and front-to-side, the figures are the cost estimates for both cars combined.
[2] Not tested.

1971 LOW-SPEED CRASH TEST RESULTS

	5 miles per hour		10 miles per hour			15 miles per hour front/barrier
	Front/barrier	Rear/barrier	Front/barrier	Front/rear [1]	Front/side [2]	
Sedans:						
Chevrolet Impala	367.90	447.00	828.50	280.50 221.05	328.85 375.30	1,170.50
Ford Galaxie	341.20	318.55	781.50	248.15 469.60	241.00 439.35	1,207.45
Plymouth Fury	202.25	266.35	633.50	201.85 246.80	247.10 306.55	870.65
AMC Ambassador	415.40	285.20	699.25	256.30 141.35	233.25 379.65	1,206.98
Small cars:						
Volkswagen	130.75	59.05	347.85	81.10 181.75	126.35 227.45	615.20
Chevrolet Vega	181.30	228.45	439.05	276.55 244.60	191.05 195.90	785.60
Ford Pinto	164.20	210.00	535.79	183.35 196.10	151.90 244.15	816.34
AMC Gremlin	121.30	286.90	576 92	253.95 137.65	172.00 329.65	830.06
Intermediates:						
Pontiac Firebird	229.00	262.60	915.25	77.00 385.60	55.40 458.70	1,142.45
Buick Skylark	427.10	226.85	880.80	305.75 190.70	354.00 174.50	1,025.80
Mercury Montego	402.11	267.35	752.49	171.50 468.13	98.85 729.50	821.90
Plymouth Satellite	98.45	256.35	289.10	161.35 241.65	120.95 523.25	729.45

[1] In the front-to-rear crashes, the price listed first for each car model is the estimated repair cost for the striking car (front-end damage); listed second is the estimated repair cost for the struck car (rear-end damage).
[2] In the front-to-side crashes, the price listed first for each model is the estimated repair cost for the striking car (front-end damage); listed second is the estimated repair cost for the struck car (side damage).

1972 LOW SPEED CRASH TEST RESULTS, INSURANCE INSTITUTE FOR HIGHWAY SAFETY

	2.5 m.p.h. rear/barrier	5 m.p.h. front/barrier	5 m.p.h. rear/barrier	10 m.p.h. front/barrier	10 m.p.h. front/rear	10 m.p.h. front/side	15 m.p.h. front/barrier
Sedans:							
Chevrolet Impala	$112.60	$153.75	$197.05	$576.65	$183.35 281.70	$173.90 719.25	$1,133.52
Ford Galaxie	20.00	402.10	242.60	917.17	285.65 423.81	341.70 598.85	1,243.30
Plymouth Fury	96.50	331.15	224.50	722.15	289.35 151.25	310.20 524.75	1,035.10
AMC Ambassador	12.00	168.25	159.10	830.50	220.00 290.40	338.65 421.65	1,095.90
Average	60.28	263.81	205.81	761.62	229.50 279.29	291.11 566.08	1,126.98
Small cars:							
Chevrolet Vega	71.70	190.90	274.45	619.20	250.53 273.75	128.35 218.30	777.41
Ford Pinto	36.80	125.20	267.50	667.05	176.55 283.10	145.92 197.50	805.25
AMC Gremlin	44.80	334.65	235.65	653.35	243.74 108.85	233.70 314.95	861.15
Toyota	8.36	251.46	214.78	657.00	206.62 388.28	209.91 328.34	872.20
Average	40.42	225.55	248.10	649.15	219.36 253.50	179.47 264.77	829.00

Note: In the front-to-rear crashes, the price listed first for each car model is the estimated repair cost for the striking car (front-end damage); listed second is the estimated repair cost for the struck car (rear-end damage). In the front-to-side crashes, the price listed first for each model is the estimated repair cost for the striking car (front-end damage); listed second is the estimated repair.

Source: Hearings before the Subcommittee on Commerce and Finance of the Committee on Interstate and Foreign Commerce, House of Representatives, 92d Congress, *Automobile Property Damage and Consumer Information Program*, Part 1, pp. 354, 355, and 365.

EXHIBIT V-6
VOLKSWAGEN CRASH PARTS PRICE DATA
1965 - 1969

Part	Model or Code Number	Price		% Price Change
		1965	1969	
Front Hood		$41.65	$35.75	(14.2)
Windshield		17.45	11.95	(31.5)
Fender		24.95	25.15	0.8
Rear Hood	7025D	23.05	23.05	–
	7025L	23.05 (1966)	23.05	–
Door	1051C	52.20	48.35	(7.4)
	1051G	48.35 (1968)	53.30	10.2
Overrider		5.35	4.15	(22.4)
Bumper Bow		12.55	9.40	(25.1)
Engine Lid Lock		3.95	2.75	(30.0)
Rear Apron		12.60	14.65	16.2
Front Panel		5.85	6.25	6.8
Hub Cap		2.50	2.65	6.0
Muffler	1051D	16.30	16.30	–
	1051G	9.95	11.50	15.6

Note: Taken all together, the Volkswagen crash parts prices showed a decrease of 3.8 percent over the five-year period from 1965 to 1969.

Source: U.S. Senate, Judiciary Committee, Subcommittee on Antitrust and Monopoly, Automotive Repair Industry Hearings, Vol. 3, 91st Congress, 1st Session, pp. 1472 and 1473.

The first car to qualify for an insurance discount on vehicles that could sustain 5 mph front impacts and 2.5 mph rear impacts without damage was the Swedish Saab in 1971. The Allstate Insurance Company offered a 20 percent rate reduction to the owners of all cars meeting this standard. A similar federal safety standard went into effect for 1973 cars, but required only that impacts at these speeds did not damage safety equipment — backup lights and headlights.

D. The Imported Automobile and Its Impact on Scarce Resources

1. Miles Per Gallon and the Energy Crisis

The greater fuel economy of imported cars diminishes the American energy crisis. The principal reason for this is the lighter weight and smaller engines of most imports. To some extent, the relatively high use of fuel by domestic motor vehicles stems from the fact that U.S. manufacturers did not have to design fuel economy into their vehicles. Until the postwar period the United States was largely self-sufficient in crude petroleum, and even when it became a progressively larger net importer on balance, the country's large overall surplus on trade items continued into the late 1960's, thus preventing high fuel consumption from being a cause for economic concern. On the other hand, Western Europe and Japan have traditionally been importers of petroleum products and, consequently, their automobile manufacturers were forced to design vehicles that would provide more miles per gallon.

A recent speech by William D. Ruckelshaus, Administrator of the Environmental Protection Agency, at the 52d Annual Conference of the Highway Research Board, contained the following revealing statement:

> Take the issue of how to get the best use of our diminishing reserves of cheap fuel, for example. Some have observed that our emission controls will decrease the efficiency of the internal combustion engine, but though controls may increase gas consumption a significant seven percent, vehicle weight and power options are even more serious wasters of fuel . . . Sheer bulk is the worst offender: an increase of only 500 pounds in car weight (say from 3,000 pounds to 3,500 pounds) can slash mileage from 16.2 miles per gallon down to 14.0 miles per gallon, a drop of 14 percent. A 5,000 pound vehicle consumes 100 percent more gas than its 2,500 pound counterpart.
>
> Let me give you something to think about. A drop from the present average weight of the automobile to a 2,500 pound maximum would reduce total gasoline consumption in 1985 to the projected level for 1975. This would reduce crude oil imports by 2.1 million barrels per day in 1985 and the projected balance of payments deficit by $2.3 billion annually in current prices.
>
> So if fuel reduction is imperative in a time of energy shortages, we should look at the whole range of factors causing a rise in consumption. If intervention is warranted we should control those factors that are least beneficial socially. We might ask, what are the social benefits of weight in cars?

(It should be noted that more than 90 percent of all imported automobiles weigh less than the 2,500-pound figure cited by the Administrator. Of the major imported brands, only Mercedes-Benz and Volvo vehicles exceed that weight.)

Recommendations in an Office of Emergency Preparedness staff study, *The Potential for Energy Conservation*, called for promoting the development of smaller engined vehicles and getting maximum energy efficiency from automobiles through low-loss tires (like radials) and optimum engine tuning. Over the longer run, the study suggested the need to set a tax on vehicle size and horsepower, based on evidence that transportation will be the second fastest growing sector in increased energy consumption over the next decade. The study noted that transportation now consumes 25 percent of all national energy, that in 1970 automobiles consumed more than 55 percent of the total transportation energy, and that automobiles are less energy efficient (passenger or ton miles per gallon of fuel) than some other modes of transportation. In discussing the role of the consumer and his demands, the study reported that: "steady increases in power and speed have caused the energy efficiency of automobiles to decline . . . Americans tend to ignore the trade-offs between fuel consumption and speed . . . [and,] therefore, the trend toward more powerful, larger, and more cars per family has been persistent."

The strongest resistance to building more powerful and larger cars has come from imports as a whole, which, by leading the domestic industry into the production of smaller cars, have helped to hold the line on the erosion of energy efficiency and even to reverse it.

The typical imported car operating in the United States during the last five years has contained a small high-efficiency engine mounted on a less than 100-inch wheelbase and has consumed fuel at the rate of one gallon every 20 to 30 miles. Larger engined domestic cars have usually realized only 10 to 20 miles per gallon.

In the last three years domestic imports of crude oil and petroleum products have risen sharply as the growth in demand has begun to outstrip discoveries of new domestic supplies. Reliance on imported oil is expected to continue and to increase. At the same time the need to conserve fuel has become more widely recognized, pointing out the significant potential economies of the lower rate of fuel consumption in the smaller engine, lighter weight imported automobile.

Data from the Department of Transportation indicate that average automobile usage in the United States is 10,000 miles per year.[1] A domestically manufactured car averaging 15 miles per gallon would consume 666 gallons of gasoline each year, while an import averaging 25 miles per gallon would use only 400 gallons. Applying the 266 gallons of fuel saved per year to the 7 million small imports in use in 1972 would show a savings of 1.7 billion gallons of fuel, or an annual savings of 40 million barrels of gasoline.[2] In terms of crude oil,[3] 90 million additional barrels would be needed to fill this extra gasoline requirement. At a cost of about $3, this would mean an outflow of $270 million, which would represent a 7 percent increase in outflows for petroleum products.

---

[1]Older cars are used less than newer cars, and "second" cars are used less than principal family cars. Many older imports are currently in use, frequently as "second" cars. The number of imports in use has grown significantly as sales of new imported cars have increased over the past 10 years.

[2]With a capacity of 42 gallons.

[3]With a 45 percent yield of gasoline.

2. Pounds Per Car and the Energy Crisis

In fomenting the design and manufacture of smaller domestic cars, imports have stimulated savings in the use of a number of resources. Because domestically manufactured subcompacts fall into the same weight range as economy imports (around 2,000 pounds), their production, if viewed as a substitute for standard size domestic cars, means a saving in the use of several basic minerals. For example, because a subcompact weighs only 50 to 60 percent as much as a standard domestic sedan, it requires 1,500 to 2,000 pounds less of material in its manufacture.

Certain mineral and organic materials are used by the U.S. automobile industry each year. These are shown in Exhibit V-7. While the resources listed are not considered to be scarce at this time, all of them require significant amounts of energy in their production. The energy required to produce one ton of product for various resources is shown in the table below:

Resource	Millions of BTU's*
Aluminum	60.8
Zinc	45.9
Steel	26.0
Copper	27.8
Nickel	6.4
Ferroalloys	17.3
Lead	11.2
Glass	17.5

*One million BTU's are equivalent to the heat content of 5.8 barrels of oil; 1,035 cubic feet of natural gas; 26.2 tons of bituminous coal; or approximately 293 kwh of electricity (at the 100 percent efficiency level of 343 BTU/kwh, although efficiency is actually lower in industrial uses.

Source: "A Study of Process Energy Requirements for U.S. Industries," *Patterns of Energy Consumption in the United States,* Office of Science and Technology, Stanford Research Institute, January 1972, p. 152.

Fossil fuels are the source of much of the energy used directly as fuel and indirectly as purchased electrical energy.

EXHIBIT V-7
MATERIALS USED BY U.S. AUTOMOBILE INDUSTRY

	U.S. Total Consumption	Automotive Consumption	Automotive Percentage
Steel (tons)	90,798,126	14,475,207	15.9
Aluminum (000 pounds)	9,037,000	737,000	8.2
Copper and Copper Alloys (000 pounds)	5,772,000	450,000	7.8
Cotton (500 pound bales)	7,598,200	145,730	1.9
Malleable Iron (tons) (1)	852,645	351,591	41.2
Nickel (000 pounds)	360,000	40,600	11.3
Rubber (long tons) (2):			
Natural	559,315	386,817	69.2
Reclaimed	199,571	115,493	57.9
Synthetic	1,917,852	1,190,779	62.1
Zinc (tons)	1,377,000	398,750	29.0

Source: "1972 Automobile Facts and Figures," Motor Vehicle Manufacturers Association.

APPENDIX A
METHODOLOGY UTILIZED TO DEVELOP EMPLOYMENT AND INVESTMENT DATA FOR THE IMPORTED AUTOMOBILE INDUSTRY

Very few reliable statistics have been developed on the imported automobile industry other than those relating to the number of retail dealerships involved in the industry. Because of this, Harbridge House found it necessary to construct basic data in order to measure key aspects of the industry's size and economic impact.

The methodology utilized for developing these data consisted of the following procedures:

1. Nine major importer organizations were contacted. These nine companies together account for the importation of 14 brands which in 1972 represented 93 percent of all of the new imported automobiles (excluding captive brands) sold in the United States.

2. All nine of these importer organizations provided employment- and investment-related statistics on their own corporate entities and on their distributors, both wholly owned and independent; they also provided all available data on port-related expenses, purchases of U.S. parts and raw materials, overland transportation costs, and taxation.

3. The same nine importers were requested to conduct dealership surveys with the cooperation of their regional distribution offices according to uniform sampling procedures formulated by Harbridge House. Sampled dealers were to be selected as follows:

   — For each geographic region in the importer's organization, he determined the distribution of total dealerships according to five dealership size classes based on the number of new units sold per year.

   — In each size class, 10 percent of the total number of dealers was selected; the selection was made on a random basis but excluded from each universe any dealers for whom the importer did not have detailed business management data.

   — Employment, investment, and other dealership economic data were collected for each dealership in the sample for as many of the past four years as the dealership had been in business; in each case the importer reported the number of new cars of his own brand sold by each dealer and the number of new cars of other brands.

4. Because of the possibility of double counting when two brands of new cars are "dualed" in the same dealership and the difficulty of isolating import-related data in dealerships where imported brands are "dualed" with domestic brands, Harbridge House applied the following techniques to the raw data.

— Employment and investment data in all "dualed" dealerships were reduced to only the proportional shares associated with the brand of the importer who included the dealer in his sample. This was done in each case by establishing a simple ratio between new car unit sales of that importer's brand(s) and total new car sales.

— After these adjustments were made, data were aggregated for all sampled dealers by importer brand. For example, in the case of Volvo, the total number of dealership jobs associated with Volvo new unit sales was calculated for the entire Volvo dealer sample.

— These aggregated figures were, in turn, proportionally expanded for each importer's entire dealer organization in relation to the total number of his new units sold for each year.

— The dealership statistics thus determined were totaled. This gave the dealership picture associated with the 14 brands marketed by the nine importers (i.e., for 93 percent of total noncaptive import car sales).

— The final step involved the expansion of these data covering from 93 percent of the imported automobile retailing segment — again, excluding captive brands — to 100 percent. In areas relating to employment, this expansion probably tended to understate actual jobs slightly since the smallest dealerships tend to be the most labor intensive.

Mr. BOGGS. We would be glad to answer questions. Mr. Pray is probably the best one to answer questions on the industry itself, and Mr. McElwaine and I will be happy to answer questions on the legislation.

Mr. KARTH. Thank you.

Mr. Burleson is recognized.

Mr. BURLESON. All three of you have mentioned the safeguards features in a manner similar to my own impression of the proposal. Being the devil's advocate you hear people sitting in your chair complaining that the safeguards which we now have. They are insulated from the procedures. They are unable to obtain any action, and they complain. Whether it is to be by the mechanism proposed in Burke-Hartke or in this proposal, they want more stringent restrictions.

How do you answer that? How do we answer it when somebody is making that contention who is sitting where you are?

Mr. BOGGS. I think first of all, Mr. Burleson, that we would support, I think we probably should have said this, we would support the general safeguard concepts of the Nixon trade proposal as opposed to the automatic trigger types of concepts of a Burke-Hartke proposal whereby you would have a commodity-by-commodity determination of whether or not a safeguard should or should not be imposed.

The No. 1 problem since the 1962 act, both in the adjustment assistance area and in the escape clause area, has been the question of being able to link the increase in imports which have caused domestic injury to the actual trade concessions which were granted by the United States. So you would have to show that a 10 percent reduction in tariffs caused x percent increase in imports and therefore you have been damaged to a certain degree.

Now, 18 of the 25 cases brought under these provisions since 1962 were turned down because of failure to show that linkage. This bill eliminates the linkage. I think that the elimination of that linkage will take care of most of the complainant's problems. But we are saying that if you eliminate that linkage you should not go any further. You should make sure that the Administrative Procedure Act protections remain and are strengthened and you should make sure that you don't make imports the only cause or eliminate the major test of imports as being the cause of the domestic disruption.

Mr. BURLESON. Thank you.

Mr. KARTH. Mr. Pettis?

Mr. PETTIS. I have no questions.

Mr. KARTH. Mr. Vanik.

Mr. VANIK. Earlier I asked some preceding witnesses the question about licensing the manufacture of foreign made automobiles so that they are manufactured in the United States.

Is your organization making any effort to urge that your manufacturers move in that direction? Because I feel that the foreign product has been a very valuable contribution. Engineering-wise it has produced an automobile that is certainly a lot more respectable from the standpoint of gasoline consumption. I have been urging the Detroit industry to move into the production of this kind of automobile.

I am very much afraid that because of the energy crisis there will be a sudden big rush to low gas consuming automobiles and some of these big overstuffed things are going to be obsolete, and I am afraid that unknowing people are going to be stuck with them.

Have you tried to get some of the foreign producers to produce in this country under license?

Mr. PRAY. Yes, sir. Mr. Rudolph Leiding, who is the president of Volkswagen, has publicly stated that it is his desire to set up manufacturing facilities in this country. Currently there are some six teams from Volkswagen studying different locations in this country. Considerable publicity has come from some of the Japanese manufacturers who are stating that they are looking into this. This is a major problem, probably, for them. We have a lot of local problems. They have to find space. They have to make peace with various unions. Fifteen years ago maybe you will recall that Volkswagen bought a plant in New Jersey with the idea of assembling in this country. There were a lot of factors that entered into it but labor was one of the major problems that presented itself.

Mr. VANIK. They tell us that they are sort of balancing out around the world; that there is some comity of discussion among labor organizations in some parts of the world so they are reaching a somewhat compatible level.

Mr. PRAY. That may be true and that may be why the climate is more set for such a move now than it was 15 years ago.

Mr. VANIK. Coupled with the effect of devaluation, that ought to stimulate it. I certainly would like to have some American made competition offered to the Detroit product because they seem to absolutely refuse to produce an automobile that is competitive with the product that you and your organizations sell. They just seem to ignore what seems to be a tremendous desire among a great many Americans to own a smaller automobile that consumes less gasoline.

Mr. KARTH. If the gentleman will yield, I think the record ought to show that U.S. automobile manufacturers have not refused to build such an automobile. They have just refused to build it in the United States. They are building it in Germany and Japan and importing it into the United States.

Mr. VANIK. Somebody who imports that must be having a good time of it. I think the rush to low gas consumption cars will be a stampede. The futures in that market ought to have a high value. It will shock some people soon that they will not be able to drive like they were accustomed to driving. I think they will be willing to give up some of their comforts for more mileage.

Mr. Chamberlain raised the question of the Japanese import tax at 6 percent and ours is at 3. Don't you think we ought to try to insist, in our arrangements on the idea of equalizing the effect of these taxes, nation-to-nation, so we don't have an import tax situation that is discriminatory against the American product?

Mr. BOGGS. Mr. Vanik, as a general principle I think we would all agree that we should have reciprocal trade provisions granted by major trading partners. But a 6-percent and a 3-percent level may well be reciprocal if the volume of trade in one direction is half the volume moving in the other direction.

The 6-percent rate may be equivalent to the 3 percent coming back. So I wouldn't say all tariffs ought to be equal on all products.

Mr. VANIK. How about automobile versus automobile? That is not all products. That is the same item.

Mr. BOGGS. Automobile versus automobile. If there really is a market in Japan for U.S. automobiles and if the Japanese granted us a 50-

percent tariff reduction on automobiles, we would then have to grant them some sort of 50-percent reduction on something else, as you know, under the reciprocal system, I would fully agree that is what we ought to do. If there is no market in Japan for those automobiles we may well be better off getting that reduction on some other American product.

Mr. VANIK. I don't think it is wise to have a lower tariff on automobiles so that you can get an advantage for soybeans. I think automobiles or anything made in America are just as important as anything grown on a farm. I like to say we ought to deal with it on an item-by-item basis so that people throughout the world can exercise a choice on the quality or price of a product, so that it is a really competitive thing, so the trade barriers or tariffs don't destroy a normal avenue of competition.

Mr. BOGGS. Let me add one thought: I think the real barrier in automobile tariffs and automobile nontariff barriers is not so much with our major trading partners who also produce automobiles. I don't think these problems are with the Europeans who have reduced their common tariff from 25 percent to 11 percent since the Kennedy round. I think it does lie with the third market areas. I think the real opportunity for the small U.S. car lies in the third markets where we are competing with the Toyotas and Volkswagens. In the bill that you have before you there is a preference section for developing countries.

Certainly I think one of the major factors that should be considered in working out those preferences for those types of countries would be a willingness for those countries to reduce their very prohibitive barriers for the importation of U.S. automobiles.

Mr. VANIK. Yes. I notice that in your statement.

Mr. BURLESON. If you will yield, I hope you will take the message to the Volkswagen officials that I have over 30,000 square miles in my congressional district in west Texas, and with a lot of other facilities, and they would be welcome to establish a plant there.

Mr. VANIK. I was talking about Cleveland.

Mr. BOGGS. Thank you, sir.

Mr. KARTH. If he took his district out of Texas I think it would be the smallest State in the Union. I think that is what he is talking about.

Mr. Duncan.

Mr. DUNCAN. I want to compliment you gentlemen for a very fine presentation. It has given me a better understanding of your industry and also what it means to the American economy.

What effect did the two devaluations have upon the sale of imported automobiles?

Mr. MCELWAINE. We have had three price increases on Volkswagens, for example, in this year, so far in 1973. The least expensive Volkswagen today is now $400 more expensive than the least expensive Pinto in the United States, which in a highly competitive market makes a substantial competitive difference.

Sales, however, until this most recent price increase of Volkswagen, were continuing at about their previous level, which would indicate that until a certain break level is reached that the American consumer is willing to pay an even higher price for, a certain segment of the American consumer market, is willing to pay an even higher price for an imported product than a domestic product where it may suit his needs better.

The change in the price of the Volkswagen since a series of revaluations of the German mark and devaluations of the dollar began in 1970 has been substantial. The increase in the smaller Volkswagen, I think Mr. Pray can give you more accurate figures on this, but I believe it went from $1,795.

Mr. PRAY. Currently a Volkswagen is $2,399 f.o.b. the dock.

Mr. DUNCAN. Before devaluation was the cost about the same between the Volkswagen and Pinto?

Mr. PRAY. Yes, sir, two devaluations back.

Mr. DUNCAN. Does any foreign government have ownership interest in an agency or dealership in this country?

Mr. PRAY. No, sir.

Mr. DUNCAN. Thank you, Mr. Chairman.

Mr. PRAY. I might make one or two comments. Volkswagen sales last year were slowed down considerable from the previous year. I happen to have some figures for the first 10 months. In 1971 through October 433,000 cars had been sold. In 1972, the same position, 364,000. That was just enough sales to put many dealers from a profit position to a loss position because as pointed out in my testimony, there is a fine line between a profit and a loss sometimes in a dealership.

One other comment to Mr. Burleson. All of the air-conditioners for Volkswagen are manufactured in Texas in a manufacturing plant that Volkswagen has there.

Mr. KARTH. Having been down there in the summer, I can understand why they make them there.

Mr. DUNCAN. I think you testified that as production of automobiles in this country is at an all-time high.

Mr. PRAY. Yes, sir.

Mr. KARTH. Mr. Brotzman?

Mr. BROTZMAN. No questions.

Mr. KARTH. Mr. Clancy?

Mr. CLANCY. No questions, thank you.

Mr. KARTH. Gentlemen, I am kind of bothered by this whole thing. I agree with you to a point and I don't know where the breakoff is. I agree that imports stimulate domestic competition. I think it is good for the consumer because it does stimulate competition and, obviously, gives them a break in price. But that doesn't mean to say that if a little of something is good that a whole lot of it is better. Today your testimony indicates that 15 percent of the U.S. market is supplied by foreign-made automobiles and that is good. Would 75 percent be 5 times better? Would 30 percent be twice as good? Where is the breakoff point?

Now, everyone who appears before this committee attests to how important it is that their particular business not be adversely affected. I am just wondering when the situation gets back. I think this committee has got to ask those kinds of questions. Everyone appearing before this committee has made lengthy and exhaustive and rather sophisticated surveys but no one who has ever appeared before this committee to my knowledge with an exhaustive survey which says "this is the break-off point and anything beyond that is bad for the United States of America."

So I am concerned about that. Let me explain that I have very little if any sympathy for the U.S. manufacturers. They are so unconcerned about this bill that to my knowledge they have not even asked to be

heard. They are not going to testify or submit themselves to cross-examination by the members of this bill.

The reason they are not concerned about this bill, obviously, is because, as has been said many times today, they have it going both ways. But when does it become bad for not only the consumer but for the value of the dollar, for the U.S. economy, for the balance of trade, for the balance of payments, for U.S. industry in superiority and the continuation thereof?

Where is the cutoff?

Mr. PRAY. Might I comment on that? You pointed out that the domestic automobile manufacturers don't do anything unless they really have to.

They saw in 1960, 1959 and 1960, that imports were selling in this country. So they came out with their compacts. But when import sales fell off for a few years in the early 1960's, they dropped their compacts. They only came back with the compacts when they saw small imported sedans taking a large portion of the market.

Mr. KARTH. I think they have it both ways. They make the efficient automobile overseas and then export it back into the United States. Then, of course, the domestically made models for the consumer who wants it.

That is not my question. My question is: When does this import thing become bad? What is the breakoff point?

You said 15 percent is good. You have done an admirable job proving your point. How about 45 percent? How about 75 percent?

When does it become bad for the United States?

Mr. PRAY. My point is that the domestic manufacturers would move before it got to be that far.

Mr. MCELWAINE. I would like to try to respond to your question, Mr. Karth, on the basis of the expression that we made in our testimony that we prefer the safeguards hearing processes to an automatic trigger mechanism for the very reason that on an industry-by-industry basis this breakoff point that you talk about is going to be vastly different. You can look at the profit picture of the domestic automobile industry——

Mr. KARTH. Let me interrupt, if you don't mind.

You also suggest that we substitute the word "actual" for potential, to determine whether or not injury exists.

Even the GATT, according to my information, recognizes "potential" which determines injury rather than "actual."

What you are suggesting to this committee in terms of language for this legislation is something that even the GATT does not recognize.

Mr. MCELWAINE. I would like to defer that for just a moment, if I may, and complete the answer to your first question on the basis that this breakoff point that you mention may vary enormously from industry to industry.

We have seen that a 15-percent shade of the market by the imported car did not materially affect the profits of the domestic manufacturers. As a matter of fact, their profits are at a long-time high, as are their sales.

Where that level of penetration of the market might become damaging to the domestic industry is something we really haven't seen yet.

On the other hand, a 15-percent market penetration in another field altogether might be very damaging and cause real damage.

This is the basis for our feeling and our testimony that there be no automatic trigger mechanisms at a certain level because what might be perfectly applicable for one industry would be inappropriate for another.

Mr. KARTH. I am still confused respecting your statement that your judgment of what constitutes market disruption is what we ought to accept.

I suppose if we asked all 25 members of the committee what was market disruption, depending on what affects his district or State, we might have 25 different answers.

Mr. BOGGS. I think one point that should be stressed again is that in those areas of the bill dealing with what we would classify as unfair competition, dumping practices, subsidy exports by other countries, I think it would be our position that the safeguards against those types of practices should be far greater than safeguards against fair competition.

The distinction between actual and potential in the fair competition area, we feel is a very meaningful one, in that it is very easy for any U.S. company to claim that as a potentail of risk from imports that don't yet exist.

If you can add to that claim that the reason for the risk is that a foreign government is unfairly going to export those goods, then we feel there is a real reason for the United States to step in and take action. Without that, I think he has to prove his case, and I think it will really have an effect on him.

Second, the percentage figures that you mentioned, that I think Mr. McElwaine has stated, I think you will probably say, whether it is good or bad in terms of the longer run prospects of the country, that we ought to import now 40 percent of our fuel supply, whereas 5 years ago the committee would have said whether we import 25 percent of our fuel supply was a bad step to take in view of national policy.

But circumstances do change. As a result of that I think you need flexible trade legislation which allows you to make an industry-by-industry and commodity-by-commodity definition.

Mr. KARTH. I think in this case you must consider the national security aspect, also.

Mr. BOGGS. One final point. The 15-percent figure for automobiles is a figure that we use because it is current. The Harbridge House study did not take a 15-percent figure. They simply took a figure of 500,000 automobiles. I am not sure whether the members have a copy of the study, on page 28, there is a chart which shows if you reduce import of automobiles by 500,000 units and produce those automobiles with production employees in the United States, it is their opinion that you would have a net reduction in U.S. employment. I fully agree with your point that this might exist for 500,000 automobiles and it might exist at 15 percent, but it might not be true a 25 percent. Under present circumstances I think it is true and for that reason we are advocating the positions we have.

Mr. KARTH. I understand your testimony and I am not going to pursue it for fear that my colleagues will kick me out for taking more than 5 minutes. I know there are other witnesses who want to be heard this afternoon. If there is any possibility that your industry might be able to make such a comprehensive and objective survey, I think this committee would be most appreciative.

Thank you very much for your assistance to us on this matter.

Mr. BOGGS. Thank you very much.

Mr. KARTH. The next witness is Ralph T. Millet, president, and John B. Rehm, counsel, Automobile Importers of America.

STATEMENTS OF RALPH T. MILLET, PRESIDENT, AND JOHN B. REHM, COUNSEL, AUTOMOBILE IMPORTERS OF AMERICA

Mr. MILLET. Thank you, Mr. Chairman.

My name is Ralph T. Millet. I am president of the Automobile Importers of America, or AIA, as it is commonly called. And with me is John B. Rehm, counsel to AIA.

With your permission, Mr. Chairman, I should like to go away from my prepared statement because a number of the points which are in my statement have already been covered by Mr. Pray in his testimony. I would like to just state that the Harbridge House report, which has been submitted for the record by Mr. Pray, in our opinion is an extremely able analysis of the imported car industry in the United States, and I urge your close study of it.

Mr. KARTH. Without objection, your entire statement will appear in the record.

Mr. MILLET. I would like to respond to a couple of questions which have been raised earlier today to try to dispel any misunderstanding that may exist on the part of members of this distinguished committee.

The question was raised earlier and you alluded to it a few moments ago, sir, when you asked if imports were stopped completely, would not employment rise substantially and outweigh the loss of employment that would be caused to the imported car industry, itself.

I think that in that connection I would like to call your attention particularly to part IV of the Harbridge House study. I would also like to mention that the production of motor vehicles is not labor-intensive and there is no proportional relationship between retail sales labor and production labor. Certainly there will be a greater loss in retail sales labor caused by the reduction of imports than there would be a gain in production employees.

This morning the statement was made that approximately 350 to 400 hours of labor go into the production of an automobile. As Mr. Pray said, and I would like to reemphasize it would appear to be more in the neighborhood of 70 to 80 or possibly 90 man-hours of labor in the production of a car. More commonly, however, the figure of 20 percent of the f.o.b. factory value is used as the amount of dollars' worth of labor that goes into a car.

The next question, which Mr. Vanik raised, and which I think should be addressed is: Why shouldn't we raise our duties to be equal to those of countries who are selling cars to the United States?

Of course, here the question really is: Shouldn't we be trying to liberalize trade and not restrain it by further raising duties? The purpose of the legislation which you have under consideration I believe is to further liberalize trade.

The key problem which you spoke to, Mr. Chairman, a moment ago is the possible disruption of American industry. There certainly has been no disruption up to now. Production has been at all time high levels. In yesterday's Wall Street Journal there was an article which

indicated they were straining to meet the current demand but still were not considering additional capital investments and greater production capacity.

Now, certainly, as you mentioned, there could come a time when disruption would occur. But I must say, frankly, that I cannot answer that question as to when it would be, but certainly there should be some adequate escape clause in the proposed legislation which would protect this country from that problem.

However, I might point out that in this same room I believe Mr. Leonard Woodcock of the United Automobile Workers stated he was not in favor of quotas or other restrictions on the import of automobiles because they would simply lead to retaliatory measures on the part of our trading partners.

The next question which came up this morning, which is a most interesting one, is why are only 18,000 imported cars sold in Japan whereas Japan exports approximately 1,600,000 cars. One million 600 thousand is their total export market, and I believe 514,000 were imported into the United States in 1972.

First, let me say that there are no discriminatory taxes or duties in Japan against imported automobiles. In fact, I would like to point out to you that Japanese duties on cars have come down from 34 percent in 1969 to 17½ per cent in 1970 to 10 per cent in 1971 and, as you heard earlier, they are now at the rate of 6.4 per cent.

There is, however, a commodity tax or what might commonly be called, as we are familiar with it, an excise tax of 20 percent on larger cars, 20 percent also on medium cars—and I think the Pinto, Vega, and Gremlin would be called a medium-size car in Japan—and 15 percent on smaller cars. But this tax applies to all cars sold in Japan, regardless of where they are manufactured, and certainly it is not discriminatory against American cars.

The question of the price of the Vega or the Pinto or the Gremlin in Japan is purely a marketing question. It is not a question of discrimination against the United States.

I think the proper answer to that question, as Mr. McCarthy said to you this morning, has got to come from Detroit. Obviously the prices are extremely high in comparison with the prices in the United States and are not justified by just the duty and transportation costs.

There was some discussion this morning about nontariff trade barriers. I must say that in the classic definition of that word, which I interpret to mean quotas and discrimination or unfair restrictions against products, there are no nontariff trade barriers against automobiles in the countries that are exporting cars to the United States.

There are taxes based on horsepower and weight, and in some cases, as alluded to this morning, on size of the vehicle. Possibly those taxes are very wise. As you know, from reading newspapers in this country, recently we have started to talk about taxes on horsepower and size of vehicles. Even Mr. Ruckelshaus, himself, when he was Administrator of the Environmental Protection Agency, stated that maybe there should be a limit of 2,500 pounds on motor vehicles, questioning whether there is a social need for the large car.

I think you should also bear in mind that one of the reasons that American cars are not sold overseas is that those cars are primarily produced for the highway system in the United States and are pro-

duced because of the fact that we have never suffered in peacetime a fuel shortage such as we are now encountering.

Consequently, Detroit has not designed cars for fuel economy as their first consideration, but they have designed cars for comfort on our interstate highway system where fuel costs are not important, or I should say have not been important.

Those vehicles are just not attractive to people in Europe or in Japan. I can speak very vividly about that because I have just returned from a visit to Sweden, where I drove for a few days and found I was paying $1.20 per gallon for gasoline. When you pay that sort of price, you don't want a large American car.

My final point refers to Mr. Vanik's question about licensing manufacturers to make small cars in the United States.

It is inconceivable to me that our highly efficient American automobile industry, which has tremendous resources, and the most capable automotive engineers in the world, cannot respond to the demand from the American consumer, and I am sure they will and will do it promptly.

It has been a very short period of time since we have encountered the crisis of energy in this country. Certainly you are all aware of the fact that Detroit takes time to change their direction, but I am sure they can, and that should be the proper answer to the competition from imports.

In regard to licensing, of course there has been some technology licensed, and there probably will be more. There have been discussions in the press about license agreements possibly between General Motors and Ford and various Japanese companies for various exhaust emission systems, but licensing is really not the answer.

It will take a long time, even if Volkswagen does decide to manufacture in the United States, before they produce cars.

Now, gentlemen, I would like to ask Mr. Rehm to speak to the technical questions of the proposed legislation.

Mr. KARTH. Mr. Rehm, if I may interrupt, and I hesitate to do this, but we have a rollcall vote on the floor. The members of this committee must attend and cast their vote like everyone else. Because of that, I am going to recess for 15 minutes and then we will carry on with your testimony.

[A recess was taken.]

Mr. BURKE [presiding]. The committee will be in order. Our witnesses may proceed with their testimony.

Mr. REHM. Thank you, Mr. Chairman.

I think Mr. Millet would like to add a few comments to what he said earlier before the recess.

Mr. MILLET. Mr. Chairman, as I diverted from my prepared statement, I left out one thing which I think I should mention. That is a brief statement about the Automobile Importers of America, which is an organization representing the majority of all the imported car companies in the United States.

There is a listing at the end of our prepared statement of all the members of the AIA. I would like to ask that the record be left open for any comment that any one of these individual companies might like to submit at a later date if that meets with your approval.

Mr. BURKE. With the understanding that the statements will be submitted before the June 15th deadline.

Mr. MILLET. Thank you, sir.

Mr. BURKE. Without objection, it is so ordered.

Mr. MILLET. Now I would like to introduce our counsel, Mr. John Rehm, who will give his statement.

STATEMENT OF JOHN B. REHM

Mr. REHM. Thank you, Mr. Chairman. In this part of AIA's statement, I should like to discuss the four serious deficiencies that AIA sees in the array of Presidential authorities contained in the administration's trade bill, or Trade Reform Act of 1973—to which I will hereafter refer simply as the bill. Broadly stated, these four deficiencies are a lack of procedural safeguards, a lack of substantive limitations, a lack of adequate criteria, and a lack of consistency with international obligations.

LACK OF PROCEDURAL SAFEGUARDS

The first deficiency is the lack of procedural safeguards. That is, some of the most sweeping powers contained in the bill could be exercised without giving affected persons any advance notice, much less an opportunity to be heard before the President acted.

For example, section 301 would authorize the President to retaliate against countries that he determines are unjustifiably or unfairly restricting U.S. exports. The retaliation could take the form of duties or quotas and could be applied on a most-favored-nation or discriminatory basis. But section 301 nowhere envisages a public hearing prior to taking such retaliatory action. Subsection (c) only provides that the President shall permit interested parties to bring to his attention the restrictions of other countries and then only if he determines it to be feasible and appropriate. This totally disregards the right of exporters, importers, consumers, and other potentially affected persons to give the Government the benefit of their views with regard to a proposed retaliatory action.

The same can be said of section 402, which provides for various adjustments of our trade agreement obligations. Before the United States withdraws tariff concessions it has granted to other countries, it should be obliged to listen to those who will be affected. Not only is this fair to such groups as importers, but it may also improve the process of decisionmaking within the executive branch.

The lack of procedural safeguards is to be found in the provisions in title I that anticipate the negotiation of nontariff barriers. The so-called prenegotiation requirements provided for in the bill appear equally applicable to tariff as well as nontariff negotiations. However, nowhere is the President required to draw up a public list identifying the U.S. nontariff barriers about which he intends to negotiate and his objectives in so doing. He has traditionally been obliged to follow this procedure in tariff negotiations, and we see no reason why the same should not hold true for nontariff barriers.

LACK OF SUBSTANTIVE LIMITATIONS

The second deficiency, and one I know you have heard about, is the lack of substantive limitations. The bill would give too many unlimited authorities to the President to increase duties to any level or

impose quotas of any degree of restriction. Section 101, for example, would authorize the President to increase duties as required or appropriate to carry out a trade agreement. In prior trade legislation, this has always been subject to a ceiling of no higher than 50 percent above the Smoot-Hawley—or column 2—rate. We see no justification for the absence of a similar ceiling, which might well be the Smoot-Hawley rate itself, given the reduction in duties that has taken place since 1930. The ceiling might have to be waived in the event that a non-tariff barrier were being converted to a normal rate of duty, but the bill could readily provide for such an exception.

Similarly, the new escape clause authority in section 203 would place no limit on duties or quotas. For duties, an appropriate ceiling, again, would be the Smoot-Hawley rate. For quotas, the bill could provide that the level should be no lower than 75 percent or 80 percent of the level achieved in the most recent representative period. The same comment about lack of substantive limitations holds true of sections 301 and 401 of the bill.

In this regard, the bill seems to overlook the important distinction between sufficient and unlimited authority. The administration argues that the President must be armed with a full panoply of powers to negotiate effectively. Even assuming this to be true, it does not follow that such authorities must be without limits. The principle of an orderly delegation of authority can be quite consistent, as we see it, with the goals of a new round of trade negotiations.

LACK OF ADEQUATE CRITERIA

The third deficiency relates to a lack of adequate criteria. Whatever minimal criteria may be required to render a delegation of authority constitutional, it seems clear that several of the key authorities in the bill come close to being blank checks. Consider section 103(c), which would authorize the President to take any action required or appropriate to carry out a trade agreement dealing with customs valuation, quantities on which assessments are made, and requirements for the marking of country of origin. The sole criterion is whether the action will be of substantial benefit to the United States, recognizing that the word "substantial" is one of the most slippery of statutory terms. Even assuming that a prior grant of authority is called for in these areas, surely the standards for taking action should be adequately expressed on the face of the bill. Otherwise, the Congress would be telling the President that he is free to negotiate and put into force, for example, any kind of customs valuation system that he wants. This would indeed be unprecedented, considering how carefully the Congress has written previous valuation statutes.

Sections 301, 401, and 402 all suffer from the same problem. The President would be free, in most situations under these very broad grants of authority, to make major changes in our trade relations with other countries on the strength of essentially subjective determinations. The criteria used in these provisions are simply too broad or too vague to constitute meaningful guides to Presidential action. Indeed, they are so broad that they could be invoked as authority for actions that were, in fact, unrelated to the ostensible statutory purposes of these sections themselves.

Section 201, which would establish the new criteria for escape clause relief, demonstrates a different inadequacy of criteria—illogic. I am referring to the concept of market disruption. This purports to be a means of satisfying the causal link between increased imports and serious injury. In fact, however, as I believe you have been told by others, it would permit that causal link to be satisfied in cases where increased imports were clearly not the primary or even significant cause of serious injury. As a result, escape clause relief could be granted even though it was not the proper remedy for the true economic problems besetting the industry and could indeed compound those problems. There is no substitute for a logical determination of the question of causality, and the concept of market disruption should therefore be deleted from the bill.

LACK OF CONSISTENCY WITH INTERNATIONAL OBLIGATIONS

Finally, we find the bill to be seriously deficient in its disregard of the international obligations of the United States. While such obligations may at times impose irksome restraints upon our freedom of action, their benefits surely outweigh their costs. Without some legal order in the international trading community, each country would be free to do what it wishes, and world trade would be constantly subject to serious disruption.

But consider what the bill would provide in this regard. The new escape clause criteria in section 201 would not be consistent with article XIX of the GATT insofar as the concept of market disruption would permit import relief to be granted when imports were not the cause of injury. Moreover, section 2(d) of the bill states that it is one of the purposes of the bill to establish a program of temporary import relief "consistent with anticipated multilateral safeguard rules being negotiated with other trading nations." But how can the United States insure that it will comply with the new international rules when it establishes in legislation a fixed position beforehand?

Section 301 is an especially glaring example of the disregard for international obligations. On its face, it says baldly that the President shall consider the relationship of retaliatory action to the international obligations of the United States.

This falls short even of paying lipservice to such obligations—and in an area of special sensitivity in international trade relations. For the danger is always present that what the United States deems an unreasonable impediment to its export trade may be considered legitimate by other countries. If so, U.S. action will simply invite counter-retaliation, and the seeds of a trade war are thereby sown.

Section 401 is even more egregious in this regard than section 301, since the use of quotas in balance-of-payments difficulties is made expressly subject to international agreements but the use of an import surcharge is not. This is presumably due to the fact that article XI of the GATT does not allow an import surcharge in such circumstances, even though it is generally agreed that this device is normally preferable to quotas. If so, the United States should seek—and would presumably succeed in obtaining—an understanding among the GATT countries that an import surcharge is a permissible tool to deal with balance-of-payments difficulties. It harms the GATT—and

thereby the United States—for one of its major provisions to be flouted by its principal members.

In short, the administration's trade bill suffers from serious deficiencies that go to the heart of the relationship, in the field of international trade, between the Congress and the President, the executive branch and the many Americans with a stake in international trade, and the United States and the international community.

No bill that purports to lay the foundation for further progress in the liberalizing of foreign trade can disregard these critical relationships. AIA therefore urges the Congress, and particularly this committee, which has such a deserved reputation for the conscientious and intelligent framing of trade legislation, to insure that these deficiencies are rectified.

Thank you, Mr. Chairman. This concludes AIA's prepared statement. We will be pleased to answer any questions that you or the other members of the committee may have.

[The prepared statements of Mr. Millet and Mr. Rehm follow:]

STATEMENT OF RALPH T. MILLET AND JOHN B. REHM, ON BEHALF OF THE AUTOMOBILE IMPORTERS OF AMERICA

Mr. Chairman and members of the Committee, my name is Ralph T. Millet. I am President of the Automobile Importers of America—or AIA as it is called, and with me is John B. Rehm, counsel to AIA. With your permission, Mr. Chairman, I should like to present the first part of AIA's statement, which is largely economic, and Mr. Rehm will present the second part, which deals with the Administration's trade bill.

AIA's primary purpose is to keep its members currently informed with respect to Federal and State laws and regulations dealing with automotive safety, emissions, and most recently, noise. On occasion—like today, AIA also comes before regulatory or legislative bodies, in order to ensure that the views of the imported car industry are heard on important issues.

The members of AIA are listed in the attachment to the statement. Setting aside the so-called captive imports made by American subsidiaries abroad, these members represent most of the automobiles imported into the United States. I would like to request, Mr. Chairman, that the record be left open for comments that any of these AIA members may wish to submit at a later date.

SIGNIFICANCE OF IMPORTED AUTOMOBILE INDUSTRY

I should like to devote my part of AIA's statement to a brief description of a domestic industry that is not usually thought of as an industry and whose significant role in the domestic economy has not been fully recognized. I am referring to the imported automobile industry, which we define to include all imported automobiles and parts except those that are produced in Canada and other foreign countries by subsidiaries of the major American automobile manufacturers. I might note, in this connection, that, of the total value of all automotive imports, more than half come from Canada.

INDUSTRY IS NATIONWIDE

What are the dominant features of the imported automobile industry? First, it is a national industry that is spread throughout the United States. The dealers, who make up most of the industry, are found in every state, and they manage substantial businesses. The Imported Car Committee of the National Automobile Dealers Association prepared an enlightening study of imported car dealers. Although this study includes both non-captive and captive imports, it demontrates how pervasive an economic factor is the dealer who sells automobiles that are made abroad. There is no doubt that he plays an important role in the economy of many American communities.

INDUSTRY IS BIG BUSINESS

Second, the imported car industry is big business by any standard. This is well documented in a study that has been prepared by Harbridge House, one of the leading economic consulting firms in the country. This study was sponsored by the American Imported Automobile Dealers Association and was funded by AIA, Volkswagen, and Mercedes-Benz.

EMPLOYMENT

Let me summarize some of the findings of this study, keeping in mind that captive imports are omitted. In 1972, the industry employed more than 122,000 persons who were engaged in importing, distributing, and selling imported cars. During the period 1969 to 1972 the total number of jobs in this industry increased by 73 percent, a rate of growth considerably greater than that of its new car sales. The number of jobs provided by the imported automobile industry approximates that of such large American industries as soft drinks, tires, and advertising. The annual payroll is $1.14 billion.

INDEPENDENT BUSINESSES

The imported automobile industry consisted in 1972 of 4,710 independent franchised businesses in the United States that are wholly dependent upon imported automobiles, and another 1,586 that are partially dependent upon them. The 4,710 imported automobile franchises represent 50 percent more independent businesses than are accounted for by the American motel industry or the soft drink bottling industry. Since 1964, this industry has generated a net increment of more than 2,500 new independent businesses.

SALES, ASSETS, AND INVESTMENTS

Total sales of the imported automobile industry in 1972 amounted to $7.3 billion, and of this amount over half remained in this country. Total assets of the imported industry exceeded $3.6 billion at the end of 1972. Net investment at this time was $1.15 billion. From 1970 through 1972, assets increased over 30 percent per year and net investment 18 percent.

FINANCIAL IMPACT

Apart from substantial and growing employment, businesses, and investments, there are other economic areas in which the imported automobile industry has a considerable impact. For example, the industry contributed a total of about $276 million in direct taxes in 1972. It paid about $175 million in 1972 for national and local advertising and sales promotion. Its expenses for port-related services, such as stevedoring, storage, and handling, and overland transportation from the ports cost about $128 million in 1972. It purchased about $75 million of U.S. products like air conditioners and radios for installation in automobiles after their importation.

STIMULUS TO COMPETITION

Not only is the imported automobile industry a big national industry in its own right, as these statistics from the Harbridge House study clearly show, it also has a significance that is disproportionate even to its substantial size. This industry has played a key role in promoting competition in an otherwise highly concentrated industry. The very presence of the imported automobile has caused the domestic producers to pay far more attention to the price, size, and features of their own products. There is a real doubt, for example, that Detroit would have produced compact or sub-compact automobiles but for the pressure that imported automobiles were able to exert.

BENEFITS TO CONSUMERS

The imported automobile industry has also benefited the consumer. It has given him a wide variety of automobiles to choose from. It has also given him products that are efficient, reasonable in cost, and relatively inexpensive to operate and maintain. As a result, the industry has permitted some Americans to own a car they would not otherwise have been able to buy and other Americans to own a second car for their convenience and pleasure.

CONTRIBUTIONS TO CLEANER AND SAFER CARS

Finally, the imported automobile industry has significantly promoted the cause of cleaner and safer cars. According to published reports of the Environmental Protection Agency, the only vehicles that have yet shown the capability of meeting the statutory 1975 emission control levels are imports. Moreover, the industry has been responsible for giving widespread effect to a number of safety features. These include radial tires, disc brakes, three-point seat belts, rack and pinion steering, and impact-absorbing front and rear compartments. The industry has also made major contributions to the Government's experimental safety vehicle program.

In short, Mr. Chairman, the imported automobile industry is providing significant benefits to the U.S. economy, and particularly the consumer. At the same time, from all evidence the domestic industry seems to be faring quite well.

It seems clear, therefore, that any reduction in automobile imports, of the kind that would be required by the Burke-Hartke Bill, would be to this country's net disadvantage. In the first place, the Harbridge House study demonstrates that an important domestic industry, upon which a significant number of Americans depend for their livelihood, would be injured. In particular, such a reduction would entail a net loss of jobs. The Harbridge House study shows that, if 500,000 fewer units were imported, a certain number of additional manufacturing and selling jobs would admittedly be created by the domestic industry. However, this number would be less than the number of jobs that would be lost by the imported automobile industry. This is due to the fact that the selling of cars is today far more labor intensive than their production and that imported car dealers hire proportionately more employees than domestic dealers.

In the second place, the curtailment of imported cars would reduce the benefits that the imported car industry has provided to the competitive health of the entire industry and to the well-being of the consumer. While more difficult to quantify, there is considerable reason to believe that these have been the greatest benefits conferred by the imported car. It follows, therefore, that the continued importation of automobiles is very much in the national interest.

Mr. Chairman, let me now ask our counsel, Mr. Rehm, to present the second half of AIA's statement.

FOUR DEFICIENCIES OF ADMINISTRATION'S TRADE BILL

Thank you, Mr. Chairman. In this part of AIA's statement, I should like to discuss the four serious deficiencies that AIA sees in the array of Presidential authorities contained in the Administration's trade bill, or Trade Reform Act of 1973—to which I will hereafter refer simply as the bill. Broadly stated, these four deficiencies are a lack of procedural safeguards, a lack of substantive limitations, a lack of adequate criteria, and a lack of consistency with international obligations.

LACK OF PROCEDURAL SAFEGUARDS

The first deficiency is the lack of procedural safeguards. That is, some of the most sweeping powers contained in the bill could be exercised without giving affected persons any advance notice, much less an opportunity to be heard before the President acted.

For example, section 301 would authorize the President to retaliate against countries that he determines are unjustifiably or unfairly restricting U.S. exports. The retaliation could take the form of duties or quotas and could be applied on a most-favored-nation or discriminatory basis. But section 301 nowhere envisages a public hearing prior to taking such retaliatory action. Subsection (c) only provides that the President shall permit interested parties to bring to his attention the restrictions of other countries and then only if he determines it to be feasible and appropriate. This totally disregards the right of exporters, importers, consumers, and other potentially affected persons to give the Government the benefit of their views with regard to a proposed retaliatory action.

The same can be said of section 402, which provides for various adjustments of our trade agreement obligations. Before the United States withdraws tariff concessions it has granted to other countries, it should be obliged to listen to those who will be affected. Not only is this fair to such groups as importers, but it may also improve the process of decision-making within the Executive Branch.

The lack of procedural safeguards is to be found in the provisions of title I that anticipate the negotiation of non-tariff barriers. The so-called pre-negotia-

tion requirements appear equally applicable to tariff as well as non-tariff negotiations. However, nowhere is the President required to draw up a public list identifying the U.S. non-tariff barriers about which he intends to negotiate and his objectives in so doing. He has traditionally been obliged to follow this procedure in tariff negotations, and there is no reason why the same should not hold true for non-tariff barriers.

LACK OF SUBSTANTIVE LIMITATIONS

The second deficiency is the lack of substantive limitations. The bill would give too many unlimited authorities to the President to increase duties to any level or impose quotas of any degree of restriction. Section 101, for example, would authorize the President to increase duties as required or appropriate to carry out a trade agreement. In prior trade legislation, this has always been subject to a ceiling of no higher than 50% above the Smoot-Hawley—or column 2—rate. There is no justification for the absence of a similar ceiling, which might well be the Smoot-Hawley rate itself, given the reduction in duties that have taken place since 1930. The ceiling might have to be waived in the event that a non-tariff barrier were being converted to a normal rate of duty, but the bill could readily provide for this.

Similarly, the new escape-clause authority in section 203 would place no limit on duties or quotas. For duties, an appropriate ceiling, again, would be the Smoot-Hawley rate. For quotas, the bill could provide that the level should be no lower than 75% or 80% of the level achieved in the most recent representative period. The same comment holds true of section 301 and 401 of the bill.

In this regard, the bill seems to overlook the important distinction between sufficient and unlimited authority. The Administration argues that the President must be armed with a full panoply of powers to negotiate effectively. Even assuming this to be true, it does not follow that such authorities must be without limits. The principle of an orderly delegation of authority can be quite consistent with the goals of a new round of trade negotiations.

LACK OF ADEQUATE CRITERIA

The third deficiency relates to a lack of adequate criteria. Whatever minimal criteria may be required to render a delegation of authority Constitutional, it seems clear that several of the key authorities in the bill come close to being blank checks. Consider section 103(c), which would authorize the President to take any action required or appropriate to carry out a trade agreement dealing with customs valuation, quantities on which assessments are made, and requirements for the marking of country of origin. The sole criterion is whether the action will be of substantial benefit to the United States, recognizing that substantial is one of the most slippery of statutory terms. Even assuming that a prior grant of authority is called for in these areas, surely the standards for taking action should be adequately expressed on the face of the bill. Otherwise, the Congress would be telling the President that he is free to negotiate and put into force, for example, any kind of customs valuation system that he wants. This would indeed be unprecedented, considering how carefully the Congress has written previous valuation statutes.

Sections 301, 401, and 402 all suffer from the same problem. The President would be free, in most situations under these sections, to make major changes in our trade relations with other countries on the strength of essentially subjective determinations. The criteria used in these provisions are simply too broad or too vague to constitute meaningful guides to Presidential action. Indeed, they are so broad that they would be invoked as authority for actions that were, in fact, unrelated to the ostensible statutory purposes of these sections.

Section 201, which would establish the new criteria for scape-clause relief, demonstrates a different inadequacy of criteria—illogic. I am referring to the concept of market disruption. This purports to be a means of satisfying the causal link between increased imports and serious injury. In fact, however, it would permit that causal link to be satisfied in cases where increased imports were clearly not the primary or even significant cause of serious injury. As a result, escape-clause relief could be granted even though it was not the proper remedy for the true economic problems besetting the industry and could indeed compound those problems. There is no substitute for a logical determination of the question of causality, and the concept of market disruption should therefore be deleted from the bill.

LACK OF CONSISTENCY WITH INTERNATIONAL OBLIGATIONS

Finally, the bill is seriously deficient in its disregard of the international obligations of the United States. While such obligations may at times impose irksome restraints upon our freedom of action, their benefits surely outweigh their costs. Without some legal order in the international trading community, each country would be free to do what it wishes, and world trade would be constantly subject to serious disruption.

But consider what the bill would provide in this regard. The new escape-clause criteria in section 201 would not be consistent with Article XIX of the GATT insofar as the concept of market disruption would permit import relief to be granted when imports were not the cause of injury. Moreover, section 2(d) of the bill states that it is one of the purposes of the bill to establish a program of temporary import relief "consistent with anticipated multilateral safeguard rules being negotiated with other trading nations". But how can the United States ensure that it will comply with the new international rules when it establishes in legislation a fixed position beforehand?

Section 301 is an especially glaring example of the disregard for international obligations. On its face, it says baldly that the President shall consider the relationship of retaliatory action to the international obligations of the United States. This falls short even of paying lip service to such obligations—and in an area of special sensitivity in international trade relations. For the danger is always present that what the United States deems an unreasonable impediment to its export trade may be considered legitimate by other countries. If so, United States action will simply invite counter-retaliation, and the seeds of a trade war are thereby sown.

Section 401 is even more egregious in this regard than section 301, since the use of quotas in balance-of-payments difficulties is made expressly subject to international agreements but the use of an import surcharge is not. This is presumably due to the fact that Article XI of the GATT does not allow an import surcharge in such circumstances, even though it is generally agreed that this device is normally preferable to quotas. If so, the United States should seek—and would presumably succeed in obtaining—an understanding among the GATT countries that an import surcharge is a permissible tool to deal with balance-of-payments difficulties. It harms the GATT—and thereby the United States—for one of its major provisions to be flouted by its principal members.

In short, the Administration's trade bill suffers from serious deficiencies that go to the heart of the relationship, in the field of international trade, between the Congress and the President, the Executive Branch and the many Americans with a stake in international trade, and the United States and the international community. No bill that purports to lay the foundation for further progress in the liberalizing of foreign trade can disregard these critical relationships. AIA therefore urges the Congress, and particularly this Committee, which has such a deserved reputation for the conscientious and intelligent framing of trade legislation, to ensure that these deficiencies are rectified.

Thank you, Mr. Chairman. This concludes AIA's prepared statement. We will be pleased to answer any questions that you or the other members of the Committee may have.

Attachment.

AUTOMOBILE IMPORTERS OF AMERICA

MEMBERS

Alfa Romeo, Inc.
Bayerische Motoren Werke AG (BMW)
British Leyland Motors Inc.
Citroen Cars Corporation
European Ford [1]
FIAT Motor Co., Inc.
American Honda Motor Co., Inc. (Honda)
Lotus Cars Ltd.
Mazda Motors of America (N.W.) Inc.
Mitsubishi Motors Corporation
Nissan Motor Corporation in U.S.A.
Peugeot, Inc.
Renault, Inc.
Rolls- Royce, Inc.
SAAB-SCANIA of America, Inc.
Subaru of America, Inc.
Toyota Motor Sales, U.S.A., Inc.
Volvo of America, Inc.

[1] It is the policy of European Ford not to participate in any joint submission.

ASSOCIATE MEMBERS

Bridgestone Tire Company of America, Inc.
Joseph Lucas North America, Inc.
Michelin Tire Corporation
Nisonger Corporation
Pirelli Tire Corporation
Semperit of America, Inc.
Toyo Tire (U.S.A.) Corporation
The Yokohama Rubber Co., Ltd.

SUBSCRIBERS

Chambre Syndicale des Constructeurs D'Automobiles (CSCA)
Van Doorne's Automobielfabrieken N.V. (DAF)
Japan Automobile Manufacturers Association, Inc. (JAMA)
The Society of Motor Manufacturers and Traders Limited (SMMT)

Mr. BURKE. Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

What is the difference between your association, the Automobile Importers of America, and the American Imported Automobile Dealers Association?

Mr. MILLET. The Automobile Importers of America, sir, is an association of companies in the United States who are importing and wholesaling motor vehicles to dealers. The American Imported Automobile Dealers Association is an association of automobile dealers who are selling imported vehicles at retail.

Mr. DUNCAN. Are some of the members of the Automobile Importers of America owned by some foreign companies?

Mr. MILLET. Yes, a number of the companies are subsidiaries of the manufacturers themselves overseas.

Mr. DUNCAN. Do you have some that are owned by governments, for example, Finland?

Mr. MILLET. Yes; for example, Renault is a government-owned company, and they have a subsidiary company in the United States which handles their import and distribution of vehicles. That is the only one I am aware of. The others are all privately owned companies in Europe and in Japan.

Mr. DUNCAN. The one that you just mentioned, is that a 100-percent owned by the Government of Finland?

Mr. MILLET. I believe Renault is wholly controlled by the French Government.

Mr. DUNCAN. How many cars do they export to the United States?

Mr. MILLET. I believe in 1972 Renault imported in the United States about 9,000 to 10,000 cars. I am not exactly sure.

Mr. DUNCAN. Do you know whether or not we exported automobiles into Finland?

Mr. MILLET. To Finland did you say, sir?

Mr. DUNCAN. Yes, sir.

Mr. MILLET. I don't know whether we have exported any cars to Finland, but Renault is a French-owned company.

Mr. DUNCAN. Do you advocate the free flow of trade from country to country both ways?

Mr. MILLET. We certainly do.

Mr. DUNCAN. How would you get a country such as Japan to change their mind on some of the barriers that we must face, not necessarily in automobiles, but other trade barriers are concerned.

Mr. MILLET. I am not really prepared to discuss how we get Japan to change their mind so far as other trade barriers.

Mr. DUNCAN. You mentioned "general trade" in your statement. I thought you might have some suggestions.

Mr. REHM. I have several thoughts that occur to me, Mr. Duncan.

First, obviously a trade negotiation does afford an opportunity at least to try to reduce the various trade barriers that Japan may impose upon a range of U.S. exports.

In addition, I believe that the United States could be more aggressive than it has been in the past in invoking various provisions of the GATT under which it could bring complaints against certain Japanese measures in the trade field and thereby put further pressure upon Japan to liberalize or remove those restrictions that are deemed to be unreasonable or illegal under the GATT.

I think it should be said, as you probably know, that Japan has recently made some significant steps in substantially reducing quotas. It still maintains, illegitimately admittedly, quotas on certain products. It has recently taken the step of permitting virtually free investment except in a small category of products.

I think it has made definite steps forward, but, as I say, in the past the United States for various reasons has not invoked the procedures of the GATT that it might have.

So, as I think about your question, which is a good one, I would say it is a combination of negotiation and invocation of certain of the mechanisms under the GATT.

Mr. DUNCAN. Do you think our negotiators should have the same authority that the negotiators of some of the other Western European countries and Japan have?

Mr. REHM. That is an interesting question. I know it has come up because I understand that is one of the key points that the administration makes.

Mr. DUNCAN. In some countries the negotiating authority to make decisions is administrative. In this country it is legislative. I wondered if you thought it should be on an equal basis.

Mr. REHM. Let me say from my understanding of the system of government in most other countries with whom we negotiate—I have in mind principally the major developed countries—by and large it is a parliamentary system. The notion of a separation of powers such as we have is simply unknown, as you know.

Therefore, I think at the outset in terms of their institutions they will have a broader negotiating mandate inherently than our executive branch will, because to negotiate, and implement the results of the negotiation, requires a delegation of authority, as you well know, either before the negotiations take place or thereafter.

So that I think inherently, as the systems of government exist, it is probably fair to say that they will have a somewhat broader mandate than we, but I am not necessarily sure that that requires that our mandate be equally broad.

During the Kennedy round of trade negotiations, in which I was fairly deeply involved, there were occasions when our ability, indeed our necessity, to say, "Well, we have to go back to Congress on this issue," had a positive value.

The Community tried to take a position that that really was a negative factor because we could not agree finally and irrevocably on the spot as to what we were negotiating, but that has a value.

The other point I would make, particularly with respect to the Community, is that there seems to be a notion, at least I have read suggestions of this in the press, that the Commission of the Community, which is its executive branch in a sense, if you will, will come to the next round of trade negotiations with a virtually unlimited mandate to negotiate, and to negotiate finally and not on an ad referendum basis.

I have not seen the mandate which has been given to the Commission and which I believe Mr. Vanik referred to earlier today. But from my own experience with the operation of the Community during the Kennedy Round and from what I know about it, I would be very surprised, indeed, if the Council of Ministers would give any kind of unlimited mandate to the Commission to negotiate. There are too many differences of opinion within the Council, itself.

There is a German position; there is a French position; there is a British position. They are often substantially at odds.

I really cannot conceive of the Commission coming to this negotiation with a very broad, virtually unlimited mandate that some people suggest they may have.

In short, to summarize my answer to your question, I would say that though there may be differences and though other countries may initially have a broader mandate. I think sometimes those differences are exaggerated and really are not as great as they actually are; and, second, as I say, the fact that the United States on occasion may have to say to the countries with which it is negotiating. "We have to go back to Congress on this," that can have a positive value in negotiations.

Mr. DUNCAN. It could have some disadvantage, too, because some of these countries will say, "Well, you can't make a decision, you have to go back to Congress, and Congress has not been known to move very fast."

Mr. REHM. No question, Mr. Duncan. I am not saying it would be all one way.

All I want to suggest is that it is not wholly negative.

Mr. DUNCAN. Thank you very much for your fine statement.

Thank you, Mr. Chairman.

Mr. BURKE. Mr. Brotzman.

Mr. BROTZMAN. I have no questions, Mr. Chairman.

Mr. BURKE. Thank you very much. The committee appreciates your testimony.

Mr. MILLET. Thank you, Mr. Chairman.

[The following was submitted for the record:]

STATEMENT OF HEAVY DUTY TRUCK MANUFACTURERS ASSOCIATION

This Association is pleased to have an opportunity to comment on the matter of Trade Reform.

Legislative history does not support the contention that the tax laws are obsolete. In 1962, when Congress reviewed the tax treatment of foreign subsidiaries of U.S. companies, it exhaustively considered major legislation with respect to controlled foreign corporations operated by U.S. companies abroad. The conclusion was reached that foreign tax credit and deferral of income of foreign subsidiaries were essential to avoid penalizing American-owned businesses by placing them at a disadvantage vis-a-vis foreign competitors, which are not subject to double taxation. Recognized, also, was the necessity for retaining earnings abroad to meet the needs for working capital and improved facilities. The Revenue Act of 1962 embodies these concepts. This legislative action was

taken not during a period of isolationism but when America was beginning to experience the growing competitive power of nations recovering from war ravaged economies.

The same Congress also enacted the Trade Expansion Act of 1962 which authorized the Export-Import Bank to expend billions of dollars, if necessary, to insure American exporters against defaults by customers. Business was urged to sell to world markets and the wartime system of "E" Awards (this time meaning exports) was re-established for outstanding export activity.

The program succeeded for a number of years with a resulting favorable trade balance. Unfortunately, several years ago that balance tipped against the United States.

The reason for this reversal was not the U.S. Tax Law but the changing nature of world's political economy and the rise of discriminatory trading areas and trade agreements.

This change began at the end of World War II and the United States played a major role in bringing it about. Initially, the General Agreement on Tariffs and Trade (GATT) signed by 24 nations in 1947, provided for the gradual bargaining down of tariffs in multilateral tariff negotiations on an unconditional, most favored nation basis. This evinced interest in an ultimate goal of non-discrimination in international trade.

However, subsequent developments, with United States acquiescence, resulted in the rise of discriminatory tariff practices. Thus, in 1973, we find that the effective merger of the European Economic Community (Common Market) and the European Free Trade Association (EFTA) combines 16 nations into an enormous preferential trading block which discriminates against non-members. In addition, members of this block have entered into treaties with countries of Africa and Asia which are also discriminatory in terms. A six nation preferential trading bloc (LAFTA) exists in South America. As nations with the help of U.S. economic aid, began developing domestic industry, they imposed import controls, licensing regulations, "local content" requirements and other non-tariff restrictions designed to favor business activities situated within their own borders.

Thus, in the early 1960's while the United States Government was exhorting American businessmen to go abroad, the manufacturer found himself faced with growing and formidable barriers to the traditional form of export; i.e. manufacture in the United States and ship abroad. He did, and still does, run into the discriminatory practices mentioned above. To help surmount these difficulties, it became necessary for him to affiliate with or re-establish foreign based facilities as an adjunct to direct export from the U.S.

The most common form of non-tariff barrier is the license requirement of many countries. Many other nations which buy from U.S. truck manufacturers require the American concerns to have a license. The licenses are very limited in number per country and give the holders in effect an exclusive advantage over other American producers which are not licensed. It would be in the best interest of the purchasing country and the American producers if such license requirements were removed and the competitive forces of the free market were to determine whose product was bought. Another non-tariff barrier is the requirement of many purchasing nations that a certain percentage of the finished product be locally produced. These and all other artificial trade barriers should be removed. This Committee could render invaluable assistance to our export program by finding the means through which these trade barriers can be eliminated in bilateral or multilateral negotations.

There is no objective proof that foreign based production costs American jobs. On the contrary, the President's Trade Reform message to Congress of April 10th, 1973, states that on balance. American investment abroad has meant "more and better jobs for American worders, has improved our balance of trade and our overall balance of payments, and has generally strengthened our economy."

The magazine *Nation's Business* reported this month that employment in United States multinational companies has increased 2½ times as fast as employment in the average U.S. domestic concern. A U.S. truck manufacturer recently said that if it did not export over 3,000 trucks a year where would those engaged in the manufacture of such vehicles find comparable, profitable employment.

Even assuming that the studies referred to by the President are optimistic the cause for any peripheral problems, if they exist, does not lie with the tax laws but with the fact that the United States is not in the dominant position it occupied at the close of World War II. The development of stronger economies

abroad, increasing foreign competitive power, has produced an attitude more analagous to that of a free agent in world trade than that of a dependent on U.S. aid. The competitor will compete.

IMPORT CONTROLS

The non-tax provisions of certain proposed legislation treat the international trade problem as one which can be solved unilaterally by the imposition of restrictions tied to an historical base, supplemented by specific quotas where found necessary.

The proponents of H.R. 62 find such controls necessary because "the torrent of imports that has already wiped out whole industries will gradually erode our industrial base." In short, by reducing our level of imports we would solve our deficit trade balance and protect our domestic industry.

Some industry spokesmen have contended that there have been what they call import surges. But we question that it is necessary to advocate a policy restrictive of imports.

Certain imports are unquestionably necessary for domestic production and a reduction could hurt us. The U.S. Department of Commerce has estimated for example, that under the H.R. 62 formula, the import of capital goods needed by American manufacturers to keep up with foreign competition would be reduced about 31% from 1971 levels.

Other imports also play an important part in the functioning of our economy. An across-the-board reduction of imports fails to take into account the effect of such a cut on various segments of our industry geared to such imports and dependent thereon. Oil is one commodity which comes readily to mind as requiring special treatment in the light of the energy crises, but there are many others.

The Department of Commerce further estimates that on an average the major exporters to the United States would lose an average of nearly 30% of such exports if H.R. 62 was enacted. A reduction of this scale is bound to adversely affect various elements of the American econmy.

Another predictable result from the dropping of imports is that removal or lessening of competitive factors would spur price increases in the United States, further fueling inflation at a time when that too is a major problem.

From the other side of the water, it is obvious that a 30% drop in shipments to the United States could and would provoke retaliatory action. In 1971, the export of American manufactured goods totaled $43,497,000,000. Retaliatory tariffs or quotas could reduce this substantially, also with adverse results to the American industry.

If it be argued that retaliation is not important because the reduction in imports will bring about a trade balance and increase domestic employment even if exports are reduced, such a position would be difficult to sustain. U.S. studies demonstrate that the job content of the domestic production that would replace imports is less than the job content of our exported goods. Confirming this is the Leontief Paradox named after Professor W. W. Leontief of Harvard who studied the subject exhaustively over twenty years ago.

But over and above the foregoing considerations, it must be concluded that H.R. 62 would represent a turning back of the clock, a negating of the efforts which our government has initiated or supported since World War II ended, in the interest of international peace and stability. Foreign trade is one, if not the most, potent mechanism for achieving peace and economic security among nations. Unilateral protectionism, on the other hand, is totally out of phase with the fact of an increasingly interdependent world.

The new legislation proposed by the Administration in the "Trade Reform Act of 1973" represents a much more realistic approach to the problem. This legislation would give the President broad powers to negotiate a reduction or removal of tariffs and of non-tariff barriers to free trade, with appropriate provision for Congressional review. This would permit him to open up foreign markets to U.S. goods and to establish a system of safeguards to protect domestic industry from the disruption of import floods or surges.

Despite the President's June 13th statement on possible short term food export controls, the Administration's announced goal is to open up world agricultural markets to make them truly responsive to market influences; to reduce the high tariffs that continue; and to eliminate the numeorus non-tariff barriers which have been discussed above.

In essence, the new legislation proposes flexibility and a course of action based on multilateral negotiations instead of unilateral restriction. Such an approach is geared to the realities of today's economic world.

H.R. 62 would, no doubt, accomplish its announced goal of discouraging American investments abroad and of limiting the flow of imports into this country. The effect, however, in our opinion would be disastrous to our exports and would hurt rather than help our domestic economy.

Mr. BURKE. Our next witness is H. Peter Guttmann, chairman, International Engineering Committee, Consulting Engineers Council of the United States.

We welcome you to the committee. If you will identify yourself and your associate, you may proceed with your testimony.

STATEMENT OF H. PETER GUTTMANN, CHAIRMAN, INTERNATIONAL ENGINEERING COMMITTEE, CONSULTING ENGINEERS COUNCIL OF THE UNITED STATES, ACCOMPANIED BY BRUCE E. VOGELSINGER

Mr. GUTTMANN. Thank you, Mr. Chairman.

My name is H. Peter Guttmann. I am a vice president and principal of Stanley Consultants, Inc., of Muscatine, Iowa, a large firm of international consultants in engineering, architecture, management and planning. I am accompanied by Bruce E. Vogelsinger, a staff representative of the Consulting Engineers Council. Today I am acting in the capacity as chairman of the International Engineering Committee of Consulting Engineers Council of the United States. The council represents 2,600 firms of consulting engineers, architects and planners, employing about 70,000 professional and technical people. About 150 of our member firms are actively engaged in providing consulting services overseas, performing professional work in this country, and getting paid in U.S. dollars from overseas sources and/or executing work in foreign countries and bringing back to the United States foreign exchange. It is estimated that at present U.S. consulting engineers in international practice earn about $250 million per annum in fees, down substantially from years past.

There are many U.S. consultants who would like to extend their domestic practice into the international marketplace, and whose expertise could make an important contribution to the world. Several areas in the President's Trade Reform Act of 1973, therefore, are of interest to us. If properly executed, the proposed Trade Reform Act of 1973 would be beneficial to our industry in particular and, unquestionably, to the economy of the United States of America in general. Services provided by consulting engineers generate the export of goods manufactured in this country. American management techniques and training programs attract foreign investors toward U.S. technology.

Specifically, we support an aggressive program of export expansion such as other nations have provided for their exporters of services and goods. As a service industry, consultants have not as yet fully benefited from the 1971 law permitting the establishment of Domestic International Sales Corporations (DISC's), and we would like to see wording in the legislation to the effect that consulting services are not only included in the intent of Congress when it passed the DISC legislation, but that the Department of the Treasury should issue interpretations to the effect whereby consulting engineers and architects

whose capital investment overseas is traditionally small, would definitely benefit from the provisions of this particular law.

We strongly support United States ability to respond to unfair competition from nationals of other countries who enjoy the assistance of their respective governments. We would like to see antidumping interpreted to also include so-called free services offered foreign consultants through the direct and indirect support of their respective governments who, for instance, exempt fees earned for preinvestment and feasibility studies from income taxes; who furnish insurances and guarantees at preferred rates or assuming risks, which the American consulting industry traditionally has to charge either as a direct cost or through the provision of contingencies.

Consulting Engineers Council of the United States is particularly concerned with the practice of foreign governments that promote the interests of their service industries in general and of their consultants in particular in the execution of studies, designs, supervision of and management of construction in the international markets. Oriented toward private enterprise, we do not look for U.S. Government subsidies; however, we are anxious for legislation to the effect that U.S. consultants can meet their foreign competitors under the same ground rules.

Our industry has the capability of making a substantial contribution to the turnaround of the balance of trade and payments. In our opinion, it is the Congress of the United States that can enable American consulting engineers to successfully compete once again in the international marketplace, by providing the President of the United States with a strong and effective trade act.

We appreciate the opportunity to appear before the committee and would be happy to provide any additional information or answer any questions that you may have.

Mr. BURKE. Thank you, Mr. Guttmann, for your carefully and well prepared statement.

Mr. Duncan will inquire.

Mr. DUNCAN. Thank you, Mr. Chairman.

I have no questions. I wish to compliment you on the statement. It makes us much more aware of the situation that actually I did not know existed in your industry. I know your statement will be quite helpful to the committee. Thank you.

Mr. BURKE. Mr. Brotzman.

Mr. BROTZMAN. I was going to comment along the same line as my colleague from Tennessee, that I think you have made the committee aware of this subsidization that does occur relative to those with whom you are competing.

I don't think the committee was aware of that particular fact. I can see where it would create quite a differential so far as your competition is concerned.

Mr. GUTTMANN. It does, and I think the Department of the Treasury and the U.S. Department of Commerce are fully aware of this and could furnish you with a lot of facts and figures.

Mr. BROTZMAN. As I say, I think you have presented your case very well, and we thank you.

Mr. GUTTMANN Thank you, Mr. Chairman.

Mr. BURKE. Mr. Kreutzer.

STATEMENT OF ARTHUR C. KREUTZER, EXECUTIVE VICE PRESIDENT, NATIONAL LP-GAS ASSOCIATION

Mr. KREUTZER. Mr. Chairman and gentlemen of the committee: I am Arthur C. Kreutzer, executive vice president of the National LP-Gas Association. We have submitted a written statement.

In the interest of conserving time, I will ask that that be incorporated in the record, and I will summarize it very briefly.

Mr. BURKE. Without objection, your entire statement will appear in the record.

Mr. KREUTZER. The National LP-Gas Association is a national trade association having as members the producers of liquefied petroleum gas—LP gas— the manufacturers of equipment and appliances using LP gas, and the distributors and dealers of these products.

The association represents 4,896 members and 40 affiliated States. NLPGA members account for approximately 85 percent of the industry's volume of business.

We believe the bill's provisions will assist in the solution of a problem we face. Section 301, chapter 1, title III would authorize the President to take appropriate and feasible action where a foreign country maintains unreasonable tariff restrictions. It also requires that the President provide opportunity for bringing such acts to his attention. With this statement we support this provision and at the same time convey the need for action to resolve an unreasonable Canadian tariff that restricts and discriminates against U.S. commerce. We believe that this bill will open the door to the solution of our problem and support it for this reason.

Our concern is with the Canadian tariff of 12½ percent on liquefied petroleum gas imported into Canada. This tariff was created in the Kennedy round of negotiations. At that time no particular attention was paid to the tariff because of its minimal impact. The movement of liquefied petroleum gas into Canada was of little consequence.

It still continues to be of little consequence, but more recently other factors suggested that we seek relief from this tariff. We have sought this relief without result. Representations have been made to the U.S. State Department. These have in turn been transmitted to the Canadian Embassy. The Embassy has in turn forwarded the matter to the appropriate Canadian agency in Ottawa. Nothing has happened. As of now the situation ends up in a need for Canadian unilateral action. This is not forthcoming, possibly due to an element of protection that exists in this tariff. The provisions of the pending bill may open the door for bilateral consideration.

The impact of the tariff will continue to be minimal. It will have little fiscal impact on Canada. Exports and imports of liquefied petroleum gases between Canada and the United States provide ample justification for Canadian action. The imports into the United States are very substantial. There is little export. Available figures indicate that between January and December of 1971 Canada exported 21,156,586 barrels of liquefied petroleum gases, propane, butane and mixtures thereof to the United States while only 96,586 barrels were imported from the United States. For the first 11 months of 1972, the respective figures were 20,956,206 barrels in export and 105,635 barrels in im-

ports. Thus, in 1971 Canada exported 229 times as much liquefied petroleum gas to the United States as she imported natural gas liquids, including liquefied petroleum gas, from the latter. In 1972 the surplus came to over 255 times the amount of NGL imported into Canada.

The projections are that Canada will recover 39 million barrels of propane in 1975 and 42 billion in 1978. Propane from Canadian refineries is indicated to grow from 5.8 million barrels in 1972 to 7.8 in 1978. The surplus of supply over demand was 18 million barrels in 1972 and is projected to be 28 million barrels in 1978. It is expected that the Canadian surplus will be available for export. Although the United States has received most of the Canadian surplus propane in the past, there is a small quantity going overseas. If this overseas shipment continues, then the United States could expect to receive up to 22 million barrels per year of Canadian propane in 1975 and 25 million barrels in 1978.

The export-import statistics for LP-gas cited above, reflected a dollar value surplus for Canada from exports to the United States of $47 million in 1971 and $60 million for the first 11 months of 1972. That surplus continues to grow at a dramatic rate. Moreover, U.S. exports have declined to less than a 100,000 barrels in 1971. In view of these developments, there seems to be no reason for Canada to maintain the 12½ percent import on LPG from the United States.

There is a free flow of other sources of energy between the United States and Canada, such as electrical powerlines, natural gas pipelines. The Canadian Embassy at an earlier date acknowledged the necessity for concept of total energy supply in a message to the U.S. Department of State. This free flow of energy sources should be expanded to include the elimination of the present Canadian import tariff. Unfortunately the minimal nature of the problem mitigates against anyone getting concerned.

H.R. 6767 offers a vehicle. The action is particularly timely as related to the energy shortage. Elimination of the tariff will permit a free flow of the LP-gas energy to meet changing conditions. It can in effect create storage during periods of lesser demands, a backup that could be utilized during periods of heavier U.S. demands. In other words, facilitate exchange arrangements between the U.S. points and Canadian points.

In summary: The referenced Canadian tariff adds nothing to the protection of her national interests. Its withdrawal would make sense in the continuing comity between Canada and the United States. There is no restriction on LP-gas movement from Canada into the United States. There is no tariff on Canadian LP-gas exported to the United States. It is equitable and in the best interests of both nations to permit free movement on both sides of the border. It is of particular and timely importance now to permit unimpaired movement of energy.

We accordingly support enactment of the provisions of section 301, chapter 1, title III of the Trade Reform Act of 1973, as presenting a vehicle that would permit this freer flow of energy.

Gentleman, I thank you for your attention.

[Mr. Kreutzer's prepared statement follows:]

STATEMENT OF ARTHUR C. KREUTZER, ON BEHALF OF THE NATIONAL LP-GAS ASSOCIATION

I am Arthur C. Kreutzer, Executive Vice President of the National LP-Gas Association. The National LP-Gas Association is a national trade association having as members the producers of liquefied petroleum gas (LP-gas), the manufacturers of equipment and appliances using LP-gas and the distributors and dealers of these products. The Association represents 4,896 member companies and 40 affiliated states. NLPA members account for approximately 85% of the industry's volume of business. Some 13.2 million customers are served by the LP-gas industry which represents a private investment of an estimated $7.4 billion segment of the nation's capital.

We have a problem and we believe one of the bill's provisions will assist in its solution Sec. 301, Chapter 1, Title III would authorize the President to take appropriate and feasible action where a foreign country maintains unreasonable tariff restrictions. It also requires that the President provide opportunity for bringing such acts to his attention. With this statement we support this provision and at the same time convey the need for action to resolve an unreasonable Canadian Tariff that restricts and discriminates against United States commerce.

There now exists a 12½% tariff imposed on propanes, butanes and other liquefied petroleum gases imported from the United States into Canada. There appears to be no justification for this Canadian duty on LP-gas.

We have made representations on this subject to the State Department which has in turn transmitted them to the Canadian Embassy. We are advised that the Embassy has in turn forwarded the matter to the Canadian agencies in Ottawa. Nothing has happened. Unilateral action is doubtful. The provisions of H. R. 6767 opens the door for bilateral consideration.

This matter is of current import as related to the energy crisis, apart from the propriety of correction of inequity. It is of assistance in meeting shifting energy requirements to facilitate free movement of liquefield petroleum gas between United States and Canada in product exchanges. There are periods wherein a transfer of United States propane into eastern Canada in return for replacement in U.S. can be made and is of value. However, the existing Canadian tariff serves as a deterrent, if not a complete block in penalizing this trade off. Admittedly the volume may be slight but every bit helps at this time of energy crisis.

As background information, and in justification of the tariff relief we seek, the following data is submitted.

THE CANADIAN NATIONAL OIL POLICY AND THE GROWTH OF THE CANADIAN OIL INDUSTRY

Since 1961 the Canadian petroleum industry has been influenced by the National Oil Policy. Let me briefly explain its relationship to our posture. This policy is directed to increasing crude production from Canada's sources in her western region.

At the inception of the NOP it was recognized that economic realities militated against marketing Canada's domestic oil in her eastern provinces centered around Montreal. Canadian oil is "landlocked" in the western provinces and transportation over long distances has an appreciable effect on price because of the high cost of pipeline transport. Oil from Venezuela and the Middle East can be imported far more cheaply than Canadian oil can be shipped to the Montreal area. As a consequence of these factors, the National Oil Policy was adopted dividing Canada into two large separate markets for petroleum. The Eastern Region, comprised of the Ottawa Valley, Quebec and the Atlantic Provinces, is supplied by imports, while the Western NOP Region (all of Canada west of the Ottawa Valley) relies on domestic product.

Two programs have been followed to achieve the objective of the NOP to increase Canadian oil production: (1) the preservation of the Ontario market for domestic crude, and (2) the encouragement of exports to the United States. By far the greatest impetus to domestic crude oil production in Canada has been provided by exports to the U.S. Of the total estimated Canadian production of 1.371 million barrels per day in 1971, 721 thousand were exported to the United States. This accounts for 53 percent of Canadian crude oil production for that year. By contrast, in 1961, the year in which NOP went into effect, the production of crude oil and natural gas liquids was at a level of 642 thou-

sand barrels per day and exports totaled 184 mb/d. The current figures reflect an increase in the production of crude and NGL's of 143 percent with a 335 percent increase in exports to the U.S.

BALANCE OF TRADE CONSIDERATIONS

As a result of the growth of Canadian production geared to U.S. economy, Canada has become a net exported of crude oil as of 1969. The deficit of oil account (including refined products) fell from 323 thousand barrels per day in 1960 to an estimated 17 thousand per day in 1971. It is apparent that Canada is quickly moving toward a surplus position in the export of petroleum on the world market. It need only expand its refinery capacity and that position will be realized. Canada already enjoys a surplus account in oil vis-a-vis the United States. By 1975 it is estimated that Canada will be operating on a surplus in its foreign trade in all crude and refined products at the rate of $350 million annually.[1]

The picture is even more favorable when comparing exports and imports of butanes and propanes between Canada and the United States. Available figures indicate that between January and December of 1971 Canada exported 22,156,586 barrels of liquefied petroleum gases, propane, butane and mixtures thereof to the United States while only 96,586 barrels were imported from the U.S. For the first eleven months of 1972, the respective figures were 26,956,206 barrels in exports and 105,635 barrels in imports. Thus, in 1971 Canada exported 229 times as much liquefied petroleum gas to the U.S. as she imported natural gas liquids, including liquefied petroleum gas, from the latter, and in 1972 the surplus came to over 255 times the amount of NGL imported into Canada.[2]

In further support of the foregoing statistics, attention is directed to the January 1971 issue of *Canada Oil/Gas DATA CHART*, an authoritative monthly bulletin containing current Canadian national statistics. On page one of that bulletin the following item appears:

"Propane is running wild in exports, while popularity on the domestic scene shows no performance. Propane entered the heavy demand winter season with a 30 percent increase in stocks over 1969, according to DATA/CHART figures. Even so, it is expected next spring should see stocks reduced to at least the low level of 1970. In the first ten months of 1970, domestic consumption dropped by 1.7 percent, while shipments to the U.S. rose 71 percent. Propane exports west of the Rockies had a respectable gain of 13 percent, while deliveries east of the Rockies jumped a phenomenal 96 percent. This area should continue to show market development for some time."

The projections are that Canada will recover 39 million barrels of propane in 1975 and 42 million in 1978. Propane from Canadian refineries is indicated to grow from 5.8 million barrels in 1972 to 7.8 in 1978. The surplus of supply over demand was 18 million barrels in 1972 and is projected to be 28 million barrels in 1978. It is expected that the Canadian surplus will be available for export. Although the U.S. has received most of the Canadian surplus propane in the past, there is a small quantity going overseas. If this overseas shipment continues, then the U.S. could expect to receive no more than 22 million barrels per year of Canadian propane in 1975 and 25 million barrels in 1978.[3]

THE NEED FOR RECIPROCITY

Declining gas reserves and the threatened overall energy shortage in the United States, together with Canada's need to rely on U.S. markets for future development of her petroleum industry, point to the necessity of establishing an entente between these nations in this vital area of foreign trade. The United States will continue to depend on Canada as a secure source of petroleum. The Department of Economic Research of the Toronto Dominion Bank, Bank, in its 1971 Edition of The Canadian Petroleum Industry—Achievement and Prospects, states:

"The greatest stimulus to the growth of crude production will be demand in the U.S., since market penetration of oil is virtually complete in Canada and likely to decline perceptibly during the next five years in response to competition from

[1] *The Canadian petroleum Industry—Achievements and Prospects*, 1971 Edition. Published by Department of Economic Research, Toronto Dominion Bank. Pp. 9, 10.

[2] U.S. Bureau of Census report, December 1971 : November 1972.

[3] "Where Will the Propane Come From" by D. N. McClanahan, Consultant, Houston, Texas at National Gas Processors Association Convention, March 27, 1973.

natural gas and electricity . . . Despite the fact that the large new Alaskan oil discoveries will probable affect Canadian exports to the United States Pacific Northwest by 1975, Canada can expect exports to rise sharply over the next half-dozen years. Export losses in the State of Washington will be small in comparison with export gains in the Mid-west and Great Lakes areas of the U.S. Total Canadian crude exports last year equalled 555,000 barrels per day, but its total can be expected to rise to over 1.2 million barrels per day by 1975. After 1975, some slowing down in export growth will probably occur, but Alaskan reserves, unless they are proven to be several times greater than those presently known, will not significantly alter Canadian oil prospects for very long." (Emphasis ours)

The export-import statistics for LP-gas cited above, reflected a dollar value surplus for Canada from exports to the United States of $47 million in 1971 and $60 million for the first 11 months of 1972. That surplus continues to grow at a dramatic rate. Moreover, U.S. exports have declined to less than a hundred thousand barrels in 1971. In view of these developments, there seems to be no reason for Canada to maintain in the 12½% import on LPG from the United States.

Recently, the United States has liberalized import restrictions on Canadian crude, providing Canada with a still larger market for her expanding petroleum industry. Reciprocity by Canada in the form of withdrawing the tariff in question would do much to insure the future cooperation between the two countries. Indeed, the need for reciprocity has been recognized by the Canadian Embassy in an earlier message to the Department of State in response to an invitation by the Cabinet Task Force on Oil Import. Acknowledging the necessity for a continental concept of total energy supply, the Embassy has stated:

"The reliance of each country on the other for energy supplies is apparent in the existing pattern of energy relations. Large quantities of electric power generated in one country are dependent on water stored in the other country, as in the cases of the Columbia and St. Lawrence Rivers. Electric power lines cross back and forth across the border in numerous places; increasing numbers of both Canadian and United States utilities are members of fully interconnected power systems in which energy circulates across the international boundary as required. In 1968 the United States exported 4.1 billion KWH of electricity to Canada and imported 3.7 KWH. A dozen natural gas pipelines cross the border. None of these delivered 1,646 MMCF/D of Canadian gas to United States markets in 1968, while three of them delivered 223 MMCF/D of United States gas to Canada (now duty free). Several major oil pipelines cross the border. In 1968 the United States imported some 500,000 B/D of Canadian oil while Canada affords an important market for high-unit-value oil product exports from the United States. The international oil and gas pipelines and power lines are not only arteries of trade of benefit to the whole national economy, but also are essential to the energy supply of the localities served in the respective countries."

A further reference was made to the coal market and the free movement of that product across the border. In light of the free movement of other sources of energy and in view of the economic realities recognized within the framework of the Canadian National Oil Policy, the present 12½% tariff on U.S. LP-gas moving into Canada is unjustified. We believe that the Canadian government should be amenable to removing this tariff.

Certainly the profits she enjoys from her trade in liquefied petroleum gases should induce Canada to lift the duty on exports of these products from the U.S. in the spirit of a quid pro quo. Such an action by Canada would be conducive to a wider range of agreements in future talks concerning a continental energy pact. Citing the Mideast crisis of 1956 and 1967 in which U.S. oil was shipped to eastern Canada with greater emergency deliveries of Canadian oil to the U.S. West Coast, J. S. Greene, minister of Energy, Mines and Resources for Canada in Calgary on February 13, 1970:

"We intend to take steps to insure that such a swapout will be feasible in the future and that Canada is never likely to be in a position of posing a greater demand on U.S. sources in the East than it can compensate for in the West. This type of arrangement whereby we bolster each other's security of supply makes good sense for both countries."

SUMMARY

The referenced Canadian tariff adds nothing to the protection of her national interests. Its withdrawal would make sense in the continuing comity between Canada and the U.S. There is no restriction on LP-gas movement from Canada

into the United States. There is no tariff on Canadian LP-gas exported to the United States. It is equitable and in the best interests of both nations to permit free movement on both sides of the border. It is of particular and timely importance to permit unimpaired movement of energy. We accordingly support enactment of the provisions of Section 301, Chapter 1, Title III of the Trade Reform Act of 1973.

Mr. BURKE. How much did you export to Canada last year?

Mr. KREUTZER. The last figures we have here, in the first 11 months of 1972 the figures of export were 105,635 barrels.

Mr. BURKE. Mr. Duncan.

Mr. DUNCAN. Has your industry been growing in numbers of employees in the United States throughout the years?

Mr. KREUTZER. The number of what?

Mr. DUNCAN. The number of employees in the United States, has it been growing in recent years?

Mr. KREUTZER. Yes. I wouldn't say that it has been growing in dramatic figures, but it has a growth rate.

Mr. DUNCAN. How many people are employed in your industry?

Mr. KREUTZER. About 75,000 to 80,000 in the distribution end.

Mr. DUNCAN. It has remained fairly stable through the years?

Mr. KREUTZER. No, sir; it has increased, but not dramatically in the last few years. Now, this is in the distribution end. It does not include the production end.

Mr. DUNCAN. Do you know how many are employed in the production end?

Mr. KREUTZER. No. It would be difficult to segregate that number because it is wrapped into the entire picture of the production of petroleum, natural gas, and in the production of byproducts.

Mr. DUNCAN. Would you say you would have more in production than you would in distribution?

Mr. KREUTZER. If you were to take all the employees engaged in the production of petroleum products, yes. As I say, it would be impossible to segregate those who are producing propane only.

Mr. DUNCAN. Thank you very much for your fine presentation.

Mr. BURKE. Thank you for your appearance. We will now have the joint appearance of Henry Katz and George P. Tateosian.

STATEMENT OF GEORGE P. TATEOSIAN, GENERAL CABLE CORP.; ACCOMPANIED BY HENRY KATZ, ENGLEHARD MINERALS & CHEMICALS CORP., AND HAROLD LEWIN, CERRO COPPER PRODUCTS

Mr. TATEOSIAN. Thank you, Mr. Chairman. I would like to make a correction. We are appearing here for copper, not for lead and zinc. I believe the change was noted and it should have been distributed.

Mr. BURKE. You are appearing here for the copper industry?

Mr. TATEOSIAN. Yes. Mr. Chairman, my name is George Tateosian and I am director of metals management of the General Cable Corp. I appear today with Mr. Harold Lewin and Mr. Henry Katz in support of H.R. 2323, the bill to suspend the duties of certain copper materials; and H.R. 2324, the bill to continue the suspension of duties for certain nonferrous scrap metals.

We believe that these bills are in the best interests of the economic and trade policies of the United States.

In addition to representing our own companies' views, we are also expressing the position of the metal merchants, copper consumers and manufacturers who are affiliated with the National Association of Secondary Material Industries (NASMI).

The industries represented by NASMI include the Nation's leading recyclers of raw materials; principal international traders in metals; major consumers of nonferrous metals; and manufacturers of metal products.

H.R. 2323—SUSPENSION OF COPPER DUTIES

The copper duty was suspended from 1966 until June 1972, when the bill to continue the suspension of these duties lapsed and the duties were then automatically reimposed. The reimpostion of the duties has created hardships for copper buyers in the United States and has directly contributed to a higher price factor for those purchasing copper products.

The United States is a net importer of copper. This country does not yet have enough capability to produce sufficient copper raw materials to satisfy its vast consumption requirements.

The United States depends upon three sources for its copper supplies: domestic mines, the recycling industry, and foreign sources. On the basis of the latest statistics, it appears that in 1972, according to the Department of Commerce, over 180,000 tons of copper-content material had to be imported into the United States in order to meet consumption and processing needs.

All statistical projections point to the fact that mine production of copper will slow down toward the end of the century as ore reserves are depleted. As it is, copper producers now have to mine lower content copper in increasing tonnages and this makes their operations much more expensive.

The first annual report of the Secretary of the Interior under the Mining and Minerals Policy Act of 1970 (Public Law 91-631) declared that the total U.S. reserves of copper amount to only 47 years' output at the 1970 rate of mine production. Some authorities say that unless changes are instituted, we will actually run out of copper in the United States by the year 2000.

Only recently, the editor-in-chief of Engineering & Mining Journal pointed out that "in 1970 I visited a mine where they're mining ore with a copper content of 0.35 percent copper. That is about 7 pounds in 2,000 pounds of rock."

Studies of recycled copper indicate that very large tonnages are available but not economically recoverable at this time. A recent in-depth study of the Battelle Memorial Institute, sponsored by NASMI for the Environmental Protection Agency, showed that only 61 percent of the copper raw materials available for recycling were being recycled. According to Battelle, approximately 967,000 tons of copper raw materials are available but are not being recycled, mainly because of economic considerations. The industry has asked for recycling incentive legislation including tax and freight rate equity, which would help stimulate the recovery of additional recycled copper.

While the recycling industry looks ahead toward a time when sufficiently recovered recycled copper can reduce U.S. dependence on foreign sources, the current situation makes it still necessary to depend on imports of copper to meet the pressing demands of copper consumers.

Duties have the effect of diverting materials. It is apparent that duties tend to disrupt the free flow of materials in international trade. This results in the diversion of certain needed copper materials—which might normally move to the United States—in the direction of other countries. Since we are dependent on imports, an intensification of this diverting process tends to put a sharp squeeze on copper supplies required by U.S. manufacturers.

It was the realization of this very fact that resulted in the passage of legislation to suspend the copper duties. In the 6 years in which these duties were suspended, there was absolutely no intimation on the part of the copper industry of any harm to the domestic industry. In 1972, because of the weaker condition of the copper market, several producers opposed the suspension of duties. At that time NASMI, in a communication to Chairman Wilbur Mills, of this committee, noted the volatility of the copper market and declared that:

> Changes in demand and supply are constantly occurring in the volatile copper market. Any sudden shift could create sharp pressure for copper raw materials by domestic users. If duties were reimposed and some of this imported material diverted, there would not be sufficient copper available for consumer use at a time when it was needed.

This statement, written about a year ago, now seems almost prophetic. Domestic consumers are in serious need of copper. The copper market has changed drastically since the beginning of this year and there has been heavy pressure exerted on producers for every available pound of metal.

In fact, some users of copper raw materials have publicly called for a control of exports, such is their concern for adequate supply. However, we believe that copper—already an international commodity—should not be restricted by duties and quotas, short of a national emergency—but rather be permitted to move in free competition as part of the normal market flow.

All indications point to a heavy copper consumption year. Permiting the inflow of copper materials without duties would benefit all domestic users. Continuation of duties might further restrict the flow of materials to the United States and divert them to other countries.

Suspension of duties can help restrain rising prices. In a period of inflationary prices, duties on copper tend to raise the price level to some degree. The less material being imported and added to the supply, the greater the squeeze by domestic users on the available supply and the more chance there is that prices will rise. The suspension of duties for copper raw materials helps to keep rising prices at the lowest possible levels.

At a time when the U.S. Government is seeking to curb inflationary pressures, any effort to maintain lower prices should be welcomed A duty on copper means that American citizens will have to pay more for the purchase of copper-content products since the duty factor is passed on by the importer and in each subsequent link in the production-distribution cycle.

The situation in copper has changed radically from what it was in mid-1972, and even those companies which last year opposed the suspension of duties would be hard-pressed to defend a position opposing suspension at a time when they themselves are quoted in the press as saying that there is an intense squeeze on copper supplies in this country.

We therefore urge the House Ways and Means Committee to approve H.R. 2323 which asks for the suspension of import duties on copper raw materials.

H.R. 2324—SUSPENSION OF DUTIES ON NONFERROUS SCRAP METALS ALSO VITAL

The House Ways and Means Committee is also considering H.R. 2324, which calls for the suspension of duties on scrap aluminum, magnesium, nickel, tin, and iron and steel scrap.

These items have been suspended from duties for 10 years, and there has been no opposition from any quarter for the continued suspension of these commodities which are needed in the United States.

There are large potential resources of aluminum, nickel, magnesium and tin raw materials available for recycling, but again, it is unfortunate that current economics does not make this recovery feasible.

The Battelle study notes that each year about 1,150,000 tons of aluminum raw materials are not being recycled; about 64,000 tons of nickel raw materials; and approximately 51,000 tons of stainless steel scrap. These represent significant portions of our annual material requirements.

Until maximum recovery of recyclable materials is possible, the United States will have to depend on a proportionate share of imports in order to meet U.S. domestic consumer requirements.

We therefore respectfully urge the House Ways and Means Committee approve H.R. 2324.

Mr. KARTH [presiding]. Thank you very much, sir. Does this complete your testimony?

Mr. TATEOSIAN. Yes.

Mr. KARTH. Are there any other witnesses at the witness table who desire to make a statement at this point? Are there questions?

Mr. DUNCAN. Thank you, Mr. Chairman.

Has the domestic consumption or demand for copper been increasing in the United States through the years?

Mr. TATEOSIAN. Yes, it has.

Mr. DUNCAN. How much is it increasing a year?

Mr. TATEOSIAN. Roughly 10 percent a year.

Mr. DUNCAN. I notice that we have about 25 percent of the world reserves in copper in the United States. Why would we be a net importer of copper?

Mr. TATEOSIAN. I do not think I can give you a simple answer to that. Reserves, first of all, are a function of cost of extracting the copper. Second, it takes many years from the time you decide to bring a reserve into production until the time it actually results in copper to the consumer.

I can cite cases of past years at not being an unrealistic kind of estimate.

Mr. DUNCAN. Is it not quality grade copper?

Mr. TATEOSIAN. The grade of copper in the reserves in many cases is way below 1 percent content of the ore. This ore can be brought up to quality copper at a price, at a cost and over a long period of refining.

Mr. DUNCAN. Has the copper industry been faced with problems because of environmental regulations?

Mr. TATEOSIAN. There are tremendous problems because of environmental regulations and restrictions and certainly these have inhibited what would have been the normal growth or expansion of the domestic mining industry.

Mr. DUNCAN. Is labor cost a factor in the importation of copper in lieu of using domestic copper?

Mr. TATEOSIAN. I do not believe so. I think that when you get down to the commodity that is actually on the market we are concerned with, the price is determined by supply and demand and not the cost that went into producing that copper.

Mr. DUNCAN. What percentage of copper is from domestic mines?

Mr. TATEOSIAN. At this point, I think about 92 percent.

Mr. DUNCAN. And foreign sources?

Mr. TATEOSIAN. Eight percent.

Mr. DUNCAN. The duty is what?

Mr. TATEOSIAN. Eight-tenths of 1 cent a pound.

Mr. DUNCAN. Does Canada and some of the other countries have a duty on copper going into these countries?

Mr. TATEOSIAN. I do not believe so.

Mr. LEWIN. They do not.

Mr. DUNCAN. Thank you very much.

Mr. TATEOSIAN. Thank you, Mr. Chairman.

Mr. KARTH. Thank you very much, gentlemen, are there any further statements you would like to make for the record at this point? Thank you very much. You have been most helpful to the committee. We appreciate your appearance.

Mr. TATEOSIAN. Thank you.

[The following was submitted for the record:]

CONTINENTAL HATFIELD,
WIRE & CABLE DIVISION,
Linden, N.J., May 30, 1973.

JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means, Longworth House Office Building, Washington, D.C.

DEAR MR. MARTIN: We wish to advise that our company fully endorses bill H.R. 2323 introduced by Congresswoman Griffiths.

Copper requirements of U.S. fabricators are not being met by domestic producers and forecasted increases in demand will cause this shortfall to widen over the next two years. A possible industry wide labor stoppage in mid-1974 would of course greatly aggravate this situation.

The import duty on copper most certainly is a factor contributing to higher prices of finished goods. Suspension or cancellation of this duty would be of definite assistance in stabilizing the copper market while having no adverse effect whatsoever on domestic producers.

Very truly yours,

A. KRAUS,
Director of Purchases.

Enclosure.

UNIVERSAL OIL PRODUCTS CO.,
WOLVERINE TUBE DIVISION,
Decatur, Ala., May 25, 1973.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means, Longworth House Office Building, Washington, D.C.

DEAR MR. MARTIN: It is my understanding that hearings on the Copper Duty Suspension Bill HR 2323 are now being held before the Ways & Means Committee. The Wolverine Tube Division, Universal Oil Products Company, would like to go on record that we suport Mrs. Martha Griffiths' Bill, HR 2323.

The Wolverine Tube Division is a major purchaser and consumer of refined copper in the United States. We operate major plants in Decatur, Alabama, and Detroit, Michigan. Even though we have operated through short periods of time when defined copper was freely available, we have lived through many more market conditions under which we must pay large premiums to obtain the copper required to operate our plants. At the present time we are forced to pay 10 to 12¢ per pound over the current U.S. Producer price of 60¢ per pound to obtain all of the copper required for our operations.

We have established positions with all of the major copper producers of North America which included three producers in Canada. We regularly import a part of our Detroit Plant requirements from our three suppliers in Canada. There have been market condititons prevailing which have made it necessary for us to curtail production in our Detroit Plant because of our inability to obtain sufficient copper for our requirements.

A study of copper markets shows that usually the United States is a net importer of copper. Even though projections suggest that new mined developments and expansion of present mine properties might eventually enable the United States to be self-sufficient in copper supply, this just doesn't happen and we have long ago given up hope that it ever will happen.

Based then on present market conditions and market conditions which generally have existed during the past 20 to 25 years, we see no justification for an import duty to be accessed on refined copper coming into the United States. We solicit your help in passing Bill HR 2323.

Sincerely yours,

W. D. SCHELBE.

Mr. KARTH. Mr. Gillis?

STATEMENT OF JOHN L. GILLIS, SENIOR VICE PRESIDENT, MONSANTO CO.

SUMMARY

(1) Competitive cost factors unique to U.S. chemical manufacture, such as pollution abatement, unavailability and high cost of raw materials and expected new testing requirements for chemical products are reasons for setting restrictions for U.S. negotiators.

(2) Section 101—The President's tariff-cutting authority should be limited to 30%.

(3) Section 103—Part (c) should be eliminated and provision made for Congressional approval of trade agreements involving customs valuation.

(4) Title I, Chapter 2—Congress should insist on meaningful consideration of effects of tariff cutting and other trade agreements and monitor negotiations closely. Provision should be made for effective government-industry liaison.

(5) Section 203—Eliminate 203(a)(2) providing authority to suspend 806.30 and 807.00 where an industry has been injured.

(6) Section 404—Limit compensatory tariff-cutting authority in Part (c) to 30%.

(7) Section 405—Eliminate entire Section which provides for allowing more imports to supply demand at reasonable prices.

(8) Measures inhibiting or penalizing operations abroad by United States firms should not be included in the Trade Reform Act.

Mr. GILLIS. My name is John L. Gillis. I am a senior vice president of Monsanto Co., am a member of the board of directors, and have responsibility for the worldwide sales of all Monsanto products.

I appreciate the opportunity to comment upon the Trade Reform Act of 1973 and other related proposals now being considered by your committee. To conserve the valuable time of the committee, a complete and detailed statement is offered for insertion in the record, and my presentation here will be in summary form.

Monsanto is the 5th largest chemical company in the United States and the 12th largest in the world. Sales in 1972 were $2.225 billion. Our employees number 57,891.

Monsanto has been an international company for 50 years. About 82 percent of Monsanto's plant and equipment is located in the United States. The balance is situated in 18 foreign countries. During these 50 years, we have studied and been deeply interested in the trade policies of the United States and other countries, factors influencing the flow of trade throughout the world, and relative competitive positions of the world's chemical industries. At the same time, Monsanto has experienced the impact of imports of chemicals and manmade fibers in the United States.

We have, therefore, expressed our views on trade policy strongly, as the record will show. Additionally, we have been in the forefront of the industrial community in aiding and supporting the U.S. Government's efforts in trade negotiations and other initiatives directed toward improvement of the strained international economic situation. Leadership and manpower were provided for the immense data-collecting effort on chemicals for the U.S. negotiators in the Kennedy round. Our chairman of the board, Mr. Charles Sommer, contributed much, I believe, as one of the President's Commissioners on the Commission on International Trade and Investment in 1971.

Our president, Mr. John Hanley, is on the executive committee of the newly formed National Council of United States-China Trade. I have just returned from China as a leader of a Monsanto team seeking to expand trade in accord with our national objectives. Additionally, all possible efforts have been made to cooperate with our country's export expansion programs.

The personal aspects of Monsanto's efforts in the area of international trade underscore our involvement and high interest in the subject.

The reason for my appearance before the committee today is prompted by concern about the Trade Reform Act of 1973 and what it portends for Monsanto. Much of this concern arises from our experience with the Trade Expansion Act of 1962 and the administration of its mandates in the Kennedy round. There are a number of signs that once again mistakes may be repeated which have been contributory to the deterioration of the U.S. trade balance and the decline of the chemical trade balance.

It must be said to you in the strongest possible terms that this committee and the Congress should not formulate and carry out trade policy without considering changing competitive conditions. They cannot be thought of as isolated—one from the other. The 92d Congress passed air and water pollution legislation which is significantly increasing our costs in the United States as compared to those abroad.

In another part of this 93d Congress, legislation is now almost finalized that will impose strict and costly testing standards on new,

and many of the existing, chemicals. No other country has the same requirements.

The U.S. energy crisis will mean less availability of competitively priced raw materials for our plants than for our counterparts around the world.

A discussion of the merits of these extremely important cost factors is not appropriate here, but they surely must be considered by the Congress as it sets limits on negotiators with a charter to complete a negotiated agreement but with no responsibility for economic effect.

The Kennedy round has been widely described as a success. There is justifiable doubt about that view, particularly with regard to the chemical sector agreements. U.S. chemical and manmade fiber tariffs were cut by 50 percent, while those of the Common Market and the United Kingdom were cut by 20 percent. This result was clearly nonreciprocal and contributed to the decline of the U.S. chemical trade balance from a peak of $2.4 billion in 1970 to below $2.2 billion last year.

We are also concerned about recent statements made by our U.S. negotiators that industrial tariff concessions will be made to obtain eagerly sought agricultural concessions. Since some U.S. chemical tariffs are still considered to be high, it would seem that this negotiation could again result in increases of chemical imports over and above compensating opportunities for exports. Before conferring authority to do this, the Congress should consider the implications of an annual growth rate of 15.8 percent for chemical imports in the last 5 years while exports grew only 8.1 percent.

Let me speak to the matter of Government-industry cooperation toward a truly successful negotiation. Our former chairman of the board, Mr. Charles Allen Thomas, went with two other major corporation chief executive officers to President Johnson to emphasize the need in the Kennedy round for the same kind of liaison used so successfully by other countries. We provided information from past negotiations showing that businessmen and trade association representatives were used by all other major countries as on-the-scene consultants to the negotiating teams. They held the prerogatives of the negotiating teams with the exception of sitting at the bargaining table.

Although the United States set up a complex consultative process, including extensive public hearings, it was in our opinion of little value as compared with that used by other countries. We must improve the U.S. system and make the next round of negotiations commercially successful. We pledge all possible efforts to help make them so.

Let me conclude now with several specific recommendations on the Trade Reform Act of 1973 and related issues.

(1) It is recommended that the President's tariff-cutting authority in title I be limited to 30 percent and that the tariff-cutting authority for compensation purposes in title IV, section 404, also be limited to 30 percent. We believe that a combination of circumstances might cause the U.S. negotiators to cut chemical tariffs deeply to gain other concessions outside the chemical area or to compensate for other trade actions taken. The limitations suggested would give adequate bargaining power in any case.

(2) It is recommended that section 103(c) be eliminated and provision made for congressional approval of trade agreements involving

customs valuation matters. For reasons explained in our written statement, it is essential that if ASP is eliminated beneficial concessions must be gained in return that can be studied and approved or disapproved by the Congress. Please be reminded that imports of chemicals under ASP have increased at an annual rate of 23 percent in the last 3 years.

(3) It is recommended that two tax measures proposed by the administration—and any other similar tax measures which would change the present tax treatment on foreign operations—not be included in this trade bill. The taxation changes referred to are those related to tax holidays and subsidiaries shipping products to the United States. The importance of manufacturing operations outside the United States to U.S. workers and the U.S. international economic position is great and the Congress must not disadvantage U.S. companies in their operations abroad.

(4) The proposed Joint Committee on Foreign Trade is an excellent move and an improvement on congressional liaison to trade negotiations in the Kennedy round through appointment of four Members of Congress as provided for by the Trade Expansion Act of 1962.

In conclusion, we recognize that the United States will proceed toward new negotiations with its major trading partners. We also believe, however, that it would be very easy to make serious and irretrievable errors. It is requested, therefore, that the legitimate views and concerns expressed here today be fully considered and that the Congress apply appropriate safeguards to avoid the serious consequences of well-meant but misdirected efforts.

I am most grateful to the committee for being allowed to relate these views to you.

[Mr. Gillis' prepared statement follows:]

STATEMENT OF JOHN L. GILLIS, VICE PRESIDENT, MONSANTO CO.

Monsanto manufactures a wide variety of products in 19 countries of the world and markets them in literally all countries. Its principal products are chemicals and man-made fibers. It is the fifth largest chemical company in the United States and the twelfth largest in the world. Sales in 1972 were $2.225 billion and is employees totaled 57,891.

Foreign plants have been owned and operated by Monsanto since 1920, but the United States remains its largest production and marketing area. About 25% of its total sales are made abroad, including both export and foreign production. Exports in 1972 provided 7% ($155 million) of these sales and foreign production 18% ($396 million). About 17.7% ($489 million) of our plant and equipment is installed outside of the United States.

NEW COMPETITIVE FACTORS AND U.S. TRADE POLICY

One of the problems the U.S. has in formulating effective trade policy is that adequate consideration is not given to all important and relevant factors. Even as Monsanto's views and concerns about the Trade Reform Act are related to the House Ways and Means Committee, the cost impact of other, recent mapor legislation should be a matter of concern to policy makers in the international economic policy area.

Specifically—the investment and manpower devoted to air and water pollution abatement is far greater than that expended abroad. The time lag and differences in economic impact of environmental cleanup are likely to persist. Additionally, pollution legislation passed by the 92nd Congress must be considered as being partially responsible for power plant and refinery construction delays and resulting cost increases that seriously threaten our ability to export and to compete in the U.S. market.

The energy problem, dealt with in fragments in so many areas of the Congress and the Executive Branch, should also be considered by the Ways and Means Committee as it develops trade policy. The energy problem is too complicated to treat here but the chemical industry finds itself increasingly disadvantaged in comparison with foreign plants in obtaining raw materials at a competitive price. U.S. trade policy and negotiations must recognize this.

As this statement is written, both the House and Senate are in the process of approving the Toxic Substances Act. This bill, in whatever form passed, will cause significant new costs for extensive testing of new products and some of the old products. Chemical producers abroad are not faced with this same threat and, again, U.S. production will be disadvantaged competitively.

Our ability to contribute to the U.S. economy—domestically and through our operations abroad—is thus affected substantially without Congressional oversight of total effect of its various efforts. It is essential, therefore, that the Congress evaluate and understand the overall effect of all its actions as it authorizes the President to effect sweeping changes in trade flows.

MONSANTO AND U.S. TRADE POLICY

As a result of its long-term international experience as an exporter and foreign producer, Monsanto is knowledgeable of the customs and trade practices of the U.S. and of other nations, and is acutely aware of the importance of U.S. trade policy on our operations and those of the chemical industry. The record will show that over the years Monsanto has responded responsibly to the requests of the Congress and the agencies of the U.S. Government for information and viewpoints as U.S. trade policy has been formulated and carried out. At all times we believe these activities have been balanced in the best interests of the country and of the 108,000 owners of Monsanto.

The ultimate use of the Congressional grants of authority to the Executive Branch will have a significant and lasting effect on Monsanto. For all of these reasons, we continue to believe that Monsanto's experiences and views should be of some value to the Ways and Means Committee as it considers the extremely important provisions of H.R. 6767.

The history of U.S. trade policy unfortunately gives us little reason to believe that the serious mistakes of the past will not be repeated under the Trade Reform Act of 1973. It is, in its most important features, very similar to the Trade Expansion Act of 1962. In its statement to this Committee on that trade bill of a decade ago, Monsanto expressed its concern that the U.S. negotiations would not result in true reciprocity and that there would not be an "offsetting gain in chemical exports to counter the injury from imports." Also, in its statement of January 14, 1964, to the Trade Information Committee. Monsanto specifically warned about the effects of non-reciprocity and how it would affect adversely the chemical trade balance.

It is not necessary to repeat for this Committee the seriousness of the almost $14 billion reversal of the U.S. balance and balance of payments problems since 1964. But, additionally, the chemical trade balance has declined from a high of $2.4 billion in 1970 to just under $2.2 billion in 1972. If the chemical trade balance had continued to grow at the 7.8% per year rate that it did during the five years before the $2.4 billion peak was reached—a not unreasonable goal—the 1972 chemical trade balance would have been a resounding $2.76 billion. The inequitable tariff cutting in the Kennedy Round of negotiations completed by the U.S. in 1972 had much to do with the shortfall of our hope and expectations.

With this preamble, Monsanto makes the following comments and recommendations with regard to the Trade Reform Act of 1973:

TITLE I.—AUTHORITY FOR NEW NEGOTIATIONS

CHAPTER 1.—GENERAL AUTHORITIES

Section 101.—Basic Authority for Trade Agreements

Assuming the Executive Branch intends to carry out reciprocal negotiations that are beneficial and will not damage the U.S. chemical industry, the Presidential authorities requested in this Section are necessary. The Congress must assure itself with appropriate safeguards that there will be a close balance of export and import opportunities.

There is particular cause for concern about tariff cutting as it is now envisioned by the U.S. negotiators if this bill is enacted into law. In the Kennedy Round, tariffs on Monsanto products were cut almost 50%, while chemical tariffs of the Common Market and the U.K. were cut only 20%. U.S. officials have stated that concessions in the future must be given by the U.S. in order to obtain eagerly-sought agricultural concessions from Europe. Also, it has been said in advance of the proposed negotiations that the higher U.S. tariffs are those which must be reduced first. This is of special interest to the chemical industry because certain chemical tariffs are still considered to be relatively high. These "peaks" in tariff rates are due to the complexities of organic chemical manufacture and the resulting significant differences in manufacturing costs here and abroad.

Under these circumstances, the Congress should not provide unlimited authorization for sharp reduction in chemical and man-made fiber tariffs. This would provide adequate bargaining power without taking the risk of a much higher growth rate of imports with consequent injury to domestic producers like Monsanto.

It is therefore recommended that the President's tariff-cutting authority be limited to 30%.

Section 103.—Nontariff Barriers to Trade

Monsanto generally supports the efforts to reduce nontariff barriers. It has provided detailed information to the government as early as 1963 on specific nontariff barriers which inhibited or blocked exports. Included was data on the trade impact of the developing border equalization taxes which are a part of the indirect tax system used broadly in Europe. It was most disappointing that the U.S. negotiators did so little about nontariff barriers in the Kennedy Round after it had been given so much information on the importance of the negative effect of nontariff barriers to U.S. exports.

Part (c) provides that the Congress authorize the President, among other things, to take any action on matters of customs valuation. This is clearly a request for Presidential authority to eliminate the American Selling Price system of customs valuation.

Monsanto has a higher proportion of its production than the chemical industry overall in benzenoid chemicals which are affected by the ASP issue. U.S. imports of benzenoids, aided substantially by 50% tariff cuts from the Kennedy Round, have increased at an annual rate of 23% in the last three years. The question which the Congress must consider is what kind of a benzenoid industry should there be in the United States—an industry which now comprises about 10% of total chemical sales. Difficulties are being experienced now with imports of benzenoids and we know that the elimination of ASP will increase the rate of imports of these products.

If the Congress decides that ASP is to be eliminated, equal concessions must be obtained to benefit the chemical industry. This will be most difficult because it is well known abroad that U.S. negotiators are eager to eliminate ASP.

If the Congress authorizes the elimination of ASP, it should be eliminated only in return for meaningful concessions by other major countries. In order to assure this, it is recommended that the Congress be given the opportunity to study and to approve or disapprove any agreement made on ASP.

It is therefore recommended that Section 103(c) be eliminated and provision made for approval by the Congress of negotiated agreements.

CHAPTER 2.—HEARINGS AND ADVICE CONCERNING NEGOTIATIONS PURSUANT TO TITLE I

The U.S. should not just reconstruct the cumbersome and complex system used in the Kennedy Round to obtain viewpoints and factual information from industry. What is needed is a workable combination of government and industry that serves the best interests of our country and avoids a further deterioration of the U.S. competitive position in the world.

The provisions in this bill for full prior investigation of the effects of proposed tariff cutting are broad—and very much like those provided by the Trade Expansion Act of 1962. Monsanto cooperated completely with this procedure in the belief that its views were to be of some value in establishing a strong U.S. position in terms of concessions gained and those conceded. Extensive product-by-product studies were made. We were in the forefront of those in the chemical

industry preparing extensive material on the effects of tariff cutting both by the U.S. and by other countries.

Monsanto's former Chairman of the Board, Charles Allen Thomas, joined two other major corporation Chief Executive Officers in urging President Johnson, face-to-face, to provide for government-industry cooperation that would make the Kennedy Round commercially successful for the U.S. We supplied a technical expert as an Advisor to the Kennedy Round negotiations. He spent a great deal of time on this assignment, including six weeks in Geneva at the most crucial period of the Kennedy Round.

The results of these efforts were disappointing. The requested concessions, sought to help increase our exports, were negated across the board by the small 20% tariff cut by the U.K. and Common Market. It was known, too, that the controlled purchases of the Japanese industry would nullify the cuts in Japanese chemical tariffs.

We were told during the Kennedy Round by the U.S. negotiators that bargaining developments could not be made available to us in the private sector but that foreign governments would likely make it available to their industrial communities. This proved to be the case and that is how we kept current on the course of the negotiations. We were also aware—and so informed our government—of private sector representatives of other countries who worked closely with their negotiators and saw confidential information supplied by the U.S. Government for use in the negotiations.

Three years after the end of the Kennedy Round, our present Chairman of the Board, Mr. Charles Sommer, was one of President Nixon's Commissioners on the Commission on International Trade and Investment Policy. We believe his experience and views were reflected in the part of its report to the President of July 1971, which strongly emphasized the need to "involve the private sector and the Congress, so as to ensure domestic consensus on U.S. objectives."

In any case, it is Monsanto's intention to cooperate fully with the negotiation process, as it did during the Kennedy Round, toward providing the best possible results for the U.S. We support the provisions of CHAPTER 2 but—

Recomend that the Congress should insist on meaningful consideration of the effects of trade agreements and other actions on the manufacturing community and monitor the negotiations closely. It should also devise procedures whereby representatives of our government and our industries can work together toward serving the best interests of the U.S. in the negotiations.

TITLE II.—RELIEF FROM DISRUPTION CAUSES BY FAIR COMPETITION

CHAPTER 1.—IMPORT RELIEF

Section 203.—Import Relief

In Part (a) (2), the President would be given the authority to suspend, in whole or in part, the application of items 806.30 or 807.00 of the U.S. Tariff Schedules as one of the measures he may take to prevent or remedy serious injury or threat thereof to an industry. Monsanto uses both of these provisions in its polishing of silicon wafers abroad and its assembly of light-emitting diodes abroad. Although these operations are a very small part of Monsanto's total sales, they are important to the company's operations and to Monsanto's U.S. workers.

It is clear that the U.S. is advantaged in several ways by the existence of these special provisions. In our operations we have a long-term potential of the continued use of unpolished silicon and diode components manufactured in the U.S. This is possible only because the additional work to make a more finished product can only be done abroad before return to the U.S. No other way is economically possible.

If the President were to reduce or eliminate 806.30 and 807.00 to solve or mitigate an import problem, the manufacture of components in the U.S. would stagnate or shrink because the final and finished product would be brought in from abroad made totally from foreign parts. U.S. workers now employed would become unemployed. It can be said further that no jobs have been lost in the U.S. due to these operations and, indeed, some have been created in producing the components.

It is recommended that SECTION 203(a)(2) be eliminated from TITLE II, CHAPTER I.

CHAPTER 2.—ADJUSTMENT ASSISTANCE FOR WORKERS

The practice of negotiating trade agreements that injure manufacturing industries and their workers and providing adjustment assistance is not realistic trade policy. This is particularly true because it is done in return for vague and often unfulfilled benefits. It appears that the U.S. is unique in this philosophy, which is perhaps indicative of why other major countres have been highly successful in the manufacturing sector while the U.S. has become an increasingly service-oriented country.

TITLE III.—RELIEF FROM UNFAIR TRADE PRACTICES

We support the provisions in this Title. The measures are consistent with the needs of our country and will be understood by our trading partners abroad as very necessary tools which are used throughout the world in a less formal way.

TITLE IV.—INTERNATIONAL TRADE POLICY MANAGEMENT

Section 401.—Balance of Payments Authority
Section 402.—Withdrawal of Concessions and Similar Adjustments
Section 403.—Renegotiation of Duties

It is essential that the President have these authorities. It has been amply demonstrated that past trade negotiations have not achieved the necessary balance in imports and exports which the U.S. now finds so crucial. There is no assurance that trade agreements or monetary initiatives will achieve the improvement in trade balance which must occur. Thus, it is necessary that the Executive Branch be empowered to take unusual measures to correct obviously distorted trade situations. The President's other authorities in this bill are not adequate to rectify present and future distortions, and the President must be empowered to act exactly as provided for in TITLE IV.

Section 404.—Compensation Authority

Authorization for the President to grant compensation to another country for a duty or other import restriction is necessary as a "housekeeping" measure. However, Monsanto has a special interest in this matter. As was explained in our comments on TITLE I, certain chemical and man-made fiber tariffs are considered to be high and are the best available bargaining material.

It must be assumed, therefore, that these tariffs would be among the first to be used in compensating other countries. The limitation of 50% reduction provided in Part (c) allows for too much tariff reduction and resulting new imports.

It is recommended that the authority to reduce tariffs in Part (c) be limited to a reduction of 30% of the existing duty.

Section 405.—Authority to Suspend Import Barriers to Restrain Inflation

The authority requested would be in addition to that already in existence to help control inflation. It is, however, a provision directed particularly at the manufacturing sector because wages and prices in the service part of the U.S. economy obviously cannot be restrained or influenced by the threat of increased imports.

Today, Monsanto is faced with significant new cost increases due to government action and new legislation. They are different—and greater—than those faced by manufacturing abroad. These new cost factors arise from (1) air and water pollution abatement; (2) new safety and health requirements; (3) rapidly rising energy and raw material costs; and (4) soon-to-be passed legislation (the Toxic Substances Act, which will put all new chemicals and a number of old ones under stringent and costly new testing standards.

The result of these new costs, in addition to the usual inflation problems, must be higher prices. Given the present mood in the country about inflation, we predict that Section 405 of this measure will be used unfairly against justifiable price increases.

If imports are encouraged due to shortage of U.S. manufacturing capacity, a growing and chronic problem, potential U.S. investment will not made due to the uncertainty of Presidential action.

It is recommended that SECTION 405 be eliminated.

TITLE V.—TRADE RELATIONS WITH COUNTRIES NOT ENJOYING MOST-FAVORED-NATION TARIFF TREATMENT

Monsanto has increased its efforts to trade with countries not now enjoying most-favored-nation treatment. Our President, Mr. John Hanley, serves on the Executive Committee of the National Council on U.S.-China Trade, and our Senior Vice President responsible for Marketing just returned from China as leader of a Monsanto team trying to broaden trade opportunities. We intend to devote considerable attention to these areas, always in accord with national objectives. The authority requested in the Trade Reform Act is necessary to allow the U.S. to continue development of trading relations with countries not now under most-favored-nation treatment. It is extremely important that Section 505, *Market Disruption,* be retained if the authority is provided to the President.

TITLE VI.—GENERALIZED SYSTEM OF PREFERENCES

A carefully formulated program of generalized tariff preferences with the developing countries is appropriate for the U.S. Monsanto expects to continue its interest in these countries, including marketing of products there and making investments when appropriate.

At the same time, it is extremely important that the safeguard measures be retained. Large chemical investments are expected in some of these countries by foreign chemical industries including petrochemcial facilities likely to be built in the oil-rich Arab countries. U.S. imports of petrochemical products now being made in the U.S. will eventually become a problem to the U.S. petrochemical industry, which is even now faced with uncertain and expensive supply of hydrocarbon raw materials. The effect on the industry and on the U.S. balance of trade and balance of payments would be significant.

It is recommended that SECTION 605—Limitations on Preferential Treatment—not be weakened.

MULTINATIONAL COMPANY ISSUES

Monsanto is well aware of the economic problems which have led the labor unions and others to be critical of foreign operations by United States-based companies. The level of unemployment, the impact of imports on certain manufacturing sectors, the balance of trade and resulting dollar devaluation and the public demand for tax reform are very real problems. It is clear to us, however, that the solutions to these problems as evidence in proposed legislation—such as the Burke-Hartke legislation—would not solve any of these problems and would, in fact, worsen them.

This issue must be spoken to in this statement although the Trade Reform Act and the President's other related proposals contain only a small number of anti-multinational company provisions. It is well known, however, that the threat of amendments of strong provisions to the trade bill is very real and the issue must, therefore, be spoken to at this time.

Monsanto has thoroughly studied its operations abroad in 18 foreign countries from the perspective of those who have so broadly criticized such operations. The result has been reported in detail to the International Trade Subcommittee of the Senate Finance Committee on December 31, 1972.

The entire substance of that report will not be repeated here. However, it shows that about 22% of Monsanto investment in each of the last five years was installed abroad. Earnings from these operations abroad have averaged about one-third of total earnings over the same period. About 25% of Monsanto sales in 1972 was made in foreign markets. Of this total, 72% was produced in foreign plants and 28% was exported from the U.S.

Exports for sales from U.S. plants amounted to 8½% of U.S. production last year and are growing at about the same rate as sales from foreign plants. Additionally, 1.2% of U.S. production are intermediate products to be further processed in foreign plants and the U.S. jobs of those making the intermediates are dependent upon this interrelationship. It is extremely important to recognize that only one-half of one percent of total sales of Monsanto products made outside the United States were imported into the U.S.

It is clear, and it has not been seriously challenged by those who have considered these facts, that Monsanto's foreign operations have been of great benefit—not only to the 4,200 U.S. employees whose jobs depend upon exports and support for our operations outside the U.S.—but to the U.S. as well.

It is not possible for the United States chemical industry to be competitive in the world without having extensive foreign investments. Only three of the ten largest chemical companies of the world are U.S. firms. Foreign-owned multinational chemical companies are widely invested abroad and the largest German chemical company expects that one-third of its world-wide sales will be produced by foreign subsidiaries within five years' time, compared to about one-fourth at present. If the United States inhibits its multinational companies, it will result in serious deterioration of the international economic position of the U.S.

The Administration has proposed three changes in taxation which would affect some multinational companies, including Monsanto. They are that—

(1) U.S. shareholders would be taxed on future undistributed earnings of a controlled foreign corporation engaged in manufacturing or processing activities where the corporation makes new or additional investment and is allowed a foreign tax holiday or similar tax incentive with respect to such investment.

(2) U.S. shareholders would be taxed on the future undistributed earnings of a controlled foreign corporation where the corporation makes new or additional foreign investment in the manufacturing or processing of products exported to the United States market, if the income from such investment is subject to foreign corporate tax significantly lower than in the United States.

(3) Where a United States taxpayer has deducted foreign losses against United States income, such losses would be taken into account to reduce the amount of foreign tax credit claimed by such taxpayer on foreign earnings in later years.

Following are Monsanto's views with regard to the first two tax proposals:

(1) The change in taxation for foreign operations which have been allowed tax holidays or other tax incentives on investment would be punitive to U.S. firms and would seriously affect the overall competitive position of Monsanto in comparison with other—and much larger—foreign multinational chemical corporations. Such companies will continue to enjoy tax advantages and U.S. firms would thus be subjected to higher tax burdens. The net effect will be assumption of investment opportunities by the foreign companies. This will have a deteriorating effect on our marketing operations in foreign locations, thus decreasing U.S. exports, as well as U.S. marketing presence in other countries. Another negative result to the U.S. will be a drying up of earnings and repatriated dividends, which some economists believe will help our future U.S. balance of payments position more than any other single factor.

(2) The second proposal which would penalize corporations which export to the United States would affect Monsanto only in operations where items 806.30 and 807.00 of the U.S. Tariff Schedules are used. This operation was described above. It seems clear that reduction of the competitive strength of these operations can have only one result. The U.S. investment in such operations will decline and the U.S. jobs which produce the components for assembly abroad will be lost—or at the least stop growing. Identical finished products will be made and imported from abroad—without the U.S.-made components now being used.

It is recommended that the Congress not include tax or other measures in the Trade Reform Act of 1973 that would inhibit or penalize foreign operations of U.S. firms.

Mr. KARTH. Thank you, Mr. Gillis.

The committee is adjourned until 10 o'clock tomorrow morning.

[The following was submitted for the record:]

STATEMENT OF C. D. SIVERD, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, AMERICAN CYANAMID CO.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Cyanamid endorses the comments and recommendations submitted to the Committee by the Synthetic Organic Chemical Manufacturers Association and the Manufacturing Chemists Association.

2. While the President should be given broad powers to negotiate on behalf of the United States, he should be required to do so within criteria set by the Congress and be accountable to the Congress consistent with the constitutional obligation of the Congress to regulate foreign Commerce. The proposed Congres-

sional Joint Committee on international trade recognizes this constitutional requirement and can provide a desirable check and balance.

3. The proposed Act should recognize that environmental control standards of the United States and other countries from which products would be imported into the United States must be a factor in determining international tariffs and trade policy between the United States and other nations. Higher capital investment and production costs resulting from required environmental controls are definite factors in competitive trade.

4. Current laws and practices governing the taxation of foreign source income should be retained without change to avoid penalizing American business by placing it at a disadvantage with respect to its foreign competitors .

5. The Executive branch of government should be required to seek and use the advice of expert representatives of American business, industry, labor and agriculture in the preparation for and in the forthcoming trade and tariff negotiations. It is vital that negotiations of both tariff and non-tariff barriers be truly reciprocal in contrast to the outcome of past negotiations.

American Cyanamid Company (Cyanamid) is a diversified pharmaceutical and consumer-oriented company which operates in four market segments, namely, consumer, medical, agricultural and chemical. In addition, the company has more recently entered the land development and building business.

Cyanamid sales in 1972 were $1,358,852,000. While our principal market is the United States, there has been a continuing demand for Cyanamid products and technology throughout the world. As a result, some 28% of company sales were made in more than 125 countries outside the United States.

Our company employs more than 41,000 persons. We operate 64 domestic plants in 29 states and 64 sales offices.

Outside the U.S., we have 43 manufacturing plants in 20 countries and 51 sales offices and research laboratories in 32 countries. We manufacture and market overall some 2,500 products.

Over the past fifteen years, the dollar flow to the United States as a result of Cyanamid's export sales and the dividends, royalties and interest received by Cyanamid from foreign sources was $1.2 billion. During this same period foreign operations have contributed some $289 million to Cyanamid's net after tax earnings.

Our direct foreign investment has had a strong pulling effect on Cyanamid's exports which in 1972 were in excess of $80 million, some two-thirds of which were sent to the company's subsidiaries abroad in the form of intermediates and raw materials. Jobs for 1,200 U.S. production workers are provided by these foreign sales along with an additional 800 management positions in the U.S. including jobs in research and development. Our foreign operations are staffed primarily by local personnel.

Cyanamid's involvement in domestic and international business with the knowledge and experience gained therefrom make it clear that there is a vital need at this time for negotiations of both tariff and non-tariff barriers to be truly reciprocal if they are to benefit the United States and the other nations involved.

This can be accomplished only if both sides come to the negotiating table with a willingness to recognize the realities of doing business and a readiness to participate in hard and mutually fruitful bargaining.

The United States must be ready to make concessions, but only in return for equal benefits to the United States. Past experience has demonstrated that our national policy of free trade has not led to fair trade for the United States.

Cyanamid endorses the statements submitted before this Committee by the Manufacturing Chemists Association and the Synthetic Organic Chemical Manufacturers Association.

CONGRESS AND THE PRESIDENT

We endorse in principle the proposed Trade Reform Act of 1973. While the President should be given broad powers to negotiate on behalf of the United States, he should do so within criteria established by the Congress and be accountable to the Congress. The constitutional power to regulate foreign commerce is vested in the Congress. Accordingly, the proposed Congressional Joint Committee on international trade is consistent with the constitution and can provide a desirable check and balance.

In developing the guidelines for trade negotiations through passage of enabling legislation, the Congress should be mindful that while nations may become trading partners, the individual trading units of those nations, i.e., the business corporations, are severe competitors. Even as the negotiating nations seek an increase in

overall trade through elimination of barriers through common agreement, the negotiators must obtain a hard and reciprocal agreement based on the hard facts of existing and anticipated competition.

Congress should seek realistically to stress and not impair the competitive position of U.S. business concerns in the market place if American industry is to maintain a fair competitive relationship.

It is to this effect that Cyanamid offers some comments and recommendations on particular aspects of the proposed Trade Reform Act and suggested related legislation.

ENVIRONMENTAL CONTROL STANDARDS—A FACTOR

Cyanamid believes that until international standards are developed with regard to environmental control related to manufacturing processes, individual nations will impose varying degrees of restrictions on local industry.

Pollution control has received heavy emphasis in the United States during the past few years and U.S. industrial organizations are having to bear greater financial burdens than many of their overseas competitors. Higher capital investment and production costs resulting from required pollution controls are becoming definite factors in competitive trade. For example, Cyanamid through 1971 made capital expenditures for pollution control equipment on a cumulative basis of about $58 million and, in 1972, such expenditures were $11 million more. The costs of operating this equipment and of Cyanamid's 1972 pollution-control research were $11 million. And, large expenditures for pollution control will continue. These factors will become far more significant during the life of the trade agreements to be negotiated at the next GATT round. As some nations place more emphasis on this facet of the quality of life than others, there will be differences between production processes and costs of companies operating in different countries.

We believe that in drafting trade legislation Congress should indicate that marked disparities between pollution control standards and resultant costs should be considered and allowances therefor made to bring about comparative equity between the foreign and domestic producers.

TAXATION OF FOREIGN INCOME

As previously noted, foreign operations have contributed $289 million to Cyanamid's net after tax earnings over the last 15 years. More than 50% of subsidiaries' earnings have been returned to the United States as dividends. Both United States and foreign income taxes have been paid on the dividends. However, a portion of foreign subsidiaries' earnings has been retained as working capital and for additional plant facilities to permit the subsidiaries' business activities to grow and insure a strong competitive position for Cyanamid's products in foreign markets.

Our studies indicate that if the United States tax laws were changed to impose tax currently on the entire unremitted earnings of foreign subsidiaries, Cyanamid's additional tax payments would approximate $4 million annually. Of this amount, it is estimated that approximately $2 million would be paid to foreign governments as withholding taxes and only $2 million would be paid as additional United States taxes. This is because sound business practice for Cyanamid (and presumably for other companies similarly situated) would undoubtedly dictate that the entire earnings of foreign subsidiaries actually be distributed as dividends in order to satisfy in full the ultimate liability for both foreign and United States taxes on such earnings rather than pay penalty taxes to the United States on unremitted earnings.

Payment of the dividends and the increased foreign and United States taxes on those distributed earnings would necessitate additional methods of financing foreign operations or, alternatively, the financial condition of foreign subsidiaries would deteriorate and with it, their ability to maintain or expand market positions.

We feel that the Treasury proposal for taxing currently the U.S. shareholders of so-called "Foreign Tax Haven Manufacturing Companies" should not be adopted. While this would be a limited exception to the tax principle that unremitted earnings of foreign subsidiaries are not taxed currently, it does involve an unwarranted tax penalty. It impinges on the determinations by foreign governments of the appropriate level and method of taxation within their geographical boundaries and could well induce them to raise the income and withholding taxes paid by United States interests. Also, the proposal would include as tax

incentives foreign countries' provisions for accelerated depreciation and investment allowances as well as grants for plant construction. These are widely accepted provisions in the tax laws of many countries to modify the burdensome corporate tax rates otherwise applicable generally in the foreign jurisdiction and not to attract plant investment without regard to the business purpose and necessity of such project.

Application of such a provision to foreign tax incentive operations will constitute a penalty on United States companies doing business in competition with foreign-owned companies which will benefit from such tax incentives. Other countries recognize the basic international taxation principle that the country where income is earned has the primary right to levy the appropriate tax on income earned within its borders. We submit that it is unreasonable for the United States to place a tax penalty on U.S. companies operating in tax incentive countries. To the extent that such a provision discourages foreign subsidiaries from use of foreign tax incentives, there will be both short-term and long-term reductions in United States tax revenues from distribution of dividends from subsidiaries.

The United States system for taxing foreign source income has been developed over a period of some 50 years in an attempt to achieve equity, consistency with principles of international taxation, and to serve as a sound base for a pattern of double taxation conventions with other countries. We are concerned that the current proposal to extend taxation on unremitted earnings would introduce an inequity into our system of taxing foreign income and impair tax relationship with other countries.

The President's statement of April 10 in submitting the Trade Reform Proposal should be given the fullest emphasis in connection with any consideration of changing the United States system for taxing foreign income:

"Our existing system permits American-controlled businesses in foreign countries to operate under the same tax burdens which apply to its foreign competitors in that country. I believe that system is fundamentally sound. We should not penalize American business by placing it at a disadvantage with respect to its foreign competitors."

BUSINESS GOVERNMENT COOPERATION

Cooperation between industry and government within the member nations of the GATT demonstrated clearly the effectiveness of the foreign negotiating teams in past sessions of the GATT. This was in contrast with the lack of such a relationship on the part of the United States.

This mistake cannot be repeated. Government agencies concerned with the negotiations and preparation therefor should be required under the proposed Act to actively seek and use the advice of expert representatives from business, labor and agriculture on the several tariff and trade subjects and products to be considered for negotiation at the GATT.

American Cyanamid Company appreciates the opportunity of submitting its views and recommendations to the Committee on Ways and Means on this subject which is of vital concern to our economy and our company.

STATEMENT OF CARL A. GERSTACKER, CHAIRMAN OF THE BOARD, THE DOW CHEMICAL CO.

GENERAL POSITION

The Dow Chemical Company generally agrees with the testimony of Mr. Fletcher Byrom, who appeared before the committee on behalf of the Manufacturing Chemists Association, but wishes to emphasize and enlarge upon certain points. Basically, we feel the Congress should grant broad authority in trade matters to the President, but not without definite limits and balances.

BALANCES TO PRESIDENTIAL AUTHORITY

We support the formation of a Joint Congressional Trade Committee and the appointment of "Congressional Trade Advisors" to be members of the U.S. negotiating team.

We also urge that the bill be modified to make industry advice not merely available to the President but mandatory. Likewise we support modifications in

the bill to provide for mandatory labor advice to the President through the appointment of a Labor Trade Advisor to the negotiating team.

INDUSTRY TRADE ADVISOR

We propose that a series of industry consultations be provided for under supervision of the Commerce Department and the Office of the Special Trade Representative; and we urge that these consultations be coordinated by the appointment from the chemical industry of an Industry Trade Advisor who along with other Industry Trade Advisors would be a member of the negotiating team.

BALANCING OF CONCESSIONS

Because of injury to the chemical industry in previous negotiations, because of the structural complexity of the industry, and because it is vital to preserve the technological leadership of the U.S. chemical industry and its substantial positive contribution to the U.S. balance of payments, we urge the inclusion of a specific provision for the balancing of trade concessions within given product sectors.

MULTINATIONAL COMPANIES

We fear that the enormous contributions of the multinational companies to understanding and prosperity in the world are in danger of being injured, and we urge that measures be adopted to penalize "regressive" multinationals (who destructively exploit unusual economic situations) but also to encourage "progressive" multinational companies fully conscious of their economic and social obligations both at home and abroad.

OTHER PROVISIONS

We urge that the President's tax proposals, as well as the provisions for dealing with inflation, be considered separately from the Act.

Provision for most-favored-nation treatment should be made for countries not presently eligible. We also support provisions for preference for lesser developed countries, without reverse preferences, and the expansion of positive incentives for U.S. exporters such as DISC.

I. SUMMARY

The Committee has already heard testimony on behalf of the chemical industry from Mr. Fletcher Byrom, speaking for the Manufacturing Chemists Association. Mr. Byrom's testimony on May 21 generally coincides with the viewpoint of Dow Chemical on this subject, but we would like to emphasize and enlarge upon certain points.

There is general agreement on the part of industry, labor, and government that the time has come to update U.S. foreign trade policy. Changes in the world's trade climate, monetary situation, and economic and political relationships can now be met only through the development of new policies and new ways of implementing these policies. Such new policies are critically needed because they will be important building blocks in the structure of peace that this nation seeks to build in the wake of our Vietnam involvement.

If we can build a new international economic order we can improve immeasurably the chances for peace and stability in our world. This can be accomplished with the help of this bill, we believe, if it is specifically designed with the purpose of expanding, not contracting, international trade, and we believe the Committee should keep this uppermost in mind.

II. BASIC AUTHORITY

We support the view that Congress should grant broad authority in trade matters to the President but urge that such authority not be granted without specific limits nor without Congressional review and other appropriate balances. The authority should basically empower the President:

To negotiate changes in tariffs and non-tariff barriers;

To effect minor housekeeping adjustments;

To correct disruptions caused by legally permissible but excessive imports;

To resolve payments crises; and

To correct unfair import competition.

III. BALANCES TO BASIC AUTHORITY

We believe this basic authority should be balanced in several ways:

1. Joint Congressional Trade Committee

We applaud the proposal to form a Joint Congressional Trade Committee to perform a watchdog function over major trade negotiations and to oversee the development and application of U.S. foreign economic policy. This committee should also serve useful functions during the formal review of negotiated trade agreements by the Congress, which we support, and provide a vehicle for keeping the Congress informed on trade matters, especially during lengthy, complex trade negotiations.

2. Congressional trade advisor

We also support the appointment of one or more official "Congressional Trade Advisors" to be delegates to and members of the U.S. trade negotiating team, such appointments to be made by the Joint Congressional Trade Committee.

3. Industry trade advisor

The chemical industry was seriously abused in the course of the Kennedy Round negotiations; in effect, concessions were made that were injurious to the U.S. chemical industry, in return for rather ephemeral European concessions on agricultural products. It is our opinion that this occurred because of a lack of industry advice to the negotiating team, and we feel such a lack should not be allowed to recur.

We urge support of a three-level consultation with industry, supervised by the Commerce Department and the Office of the Special Trade Representative: first, informal meetings with key industry executives on objectives and strategy; second, informal meetings with technical experts from individual industry sectors to develop specific facts and data; and third, formal industry advisory groups at two levels—a senior policy avisory group, and a technical advisory group able to pinpoint precise U.S. negotiating interests in specific sectors and products.

This three-level industry consultation system should be coordinated by the appointment from the chemical industry of an Industry Trade Advisor who, along with other Industry Trade Advisors, should be a key delegate to and member of the U.S. negotiating team.

We strongly urge that provisions for such consultation be included in the Trade Reform Act of 1973.

Specifically, H.R. 6767 should be modified so that industry advice is not merely available to the President but mandatory, structured along the lines outlined here; and Industry Trade Advisors should be present at the negotiations equipped with this advice, as full members of the negotiating team.

Suitable safeguards and relief from the restrictions of Anti-Trust and other legislation, including the Federal Advisory Committee Act, should be provided for these groups of advisors in the Act.

4. Labor trade advisor

We also support modifications in the bill to make it mandatory for the President to seek appropriate advice from labor as well, both before and during negotiations. This should be accomplished through the appointment of a Labor Trade Advisor to the negotiating team. The function of such an advisor, and the supporting consultative system, would be roughly parallel on the labor side to that outlined above for industry consultations.

IV. BALANCING OF CONCESSIONS

We have already referred to the history of unequal and trans-sectoral concessions under which the chemical industry suffered during the Kennedy Round. We urge that the Trade Reform bill include a provision for the balancing of trade concessions within given product sectors. This is important to the chemical industry for several reasons:

The industry was hurt (as mentioned) in previous negotiations;

The structural complexity of the chemical industry, with literally hundreds of products interdependent upon each other in the production process, makes the industry generally, and small plants in affected products specifically, highly vulnerable to certain kinds of concessions;

The necessity for preserving the technological leadership of the U.S. chemical industry is highly important; because of this leadership the industry is one of the two or three largest *positive* contributors to the U.S. balance of payments, and loss of this technological leadership would be a blow not only to the U.S. chemical industry but to the U.S. balance of payments. The connecting link between technological leadership and a positive balance of payments in a given industrial sector must not be underestimated. This is most apparent in the high technology sectors of industry, and the chemical industry is a classic example. Where chemical technology lags, chemical exports lag, and where chemical exports lag, chemical technology usually lags. Injury to chemical export potentials are eventually reflected in technological progress because substantial exports are necessary to support the heavy research base necessary to a continuing technological advantage.

V. MULTINATIONAL COMPANIES

Multinational companies are the best and most effective mechanism yet devised for moving technology about today's world. The fluidity of movement achieved by these companies in this respect is unrivaled.

It is sometimes unrecognized, however, that technology is a two-way street, and there is often a reluctance to admit that U.S. technology, dominant in most areas in the post-World War II era, has now been overhauled and in many cases surpassed by the technology of other nations. Technology brought into the U.S. provides jobs here just as U.S. technology often provides jobs in other nations.

Multinational companies also provide the most efficient device for translating technology into jobs—both for translating foreign technology into U.S. jobs, and for translating U.S. technology into foreign jobs. Such companies add their own process creativity to inventions of whatever origin and contribute to the well-being and prosperity not only of the U.S. but of the world. In the United States the multinational company is particularly adept at applying the American genius for applied technology to foreign inventions, for example.

It should be recognized, further, that the patent system in many other nations is such that the export of U.S. technology is in the long term almost inevitable; if not exported, it will most likely be stolen, legally; in most countries a U.S. patent not used in that country can after some years simply be taken over and used in that country by some other person.

In brief, increased investment abroad, for the use in those countries of U.S. technology, means more jobs in the U.S. as well as in the host countries, and any attempt to halt this process would hurt the U.S. more than any other country.

In the world chemical business, eight of the world's 10 largest chemical producers are non-American. Bowing out of the world's chemical markets would simply concede these markets to non-Americans with no advantage whatever to the U.S., and this would be the case if U.S. chemical companies were barred or seriously deterred from investing abroad. Indeed, we calculate that about 5,000 of our U.S. employees—one out of six—is dependent upon our exports from the U.S. and our business involvement around the world.

Increased investment abroad means jobs in this country because it means more exports. We therefore feel that the U.S. should provide the maximum in export incentives—at least matching the incentives of the other leading trading nations.

The welter of words being spilled on the subject of trade and its related problems is threatening to obscure another key fact about multinational companies: that multinational companies are to date the only effective way we have found to integrate the economies of nations in a way which helps develop understanding and prosperity and peace. Indeed, we are now in the early stages of building economic bridges between the classic capitalist economies and the centrally planned or "socialist" economies—an astounding development—through the multinational companies.

Such activity should be supported by Americans of whatever political or economic persuasion.

But let me respectfully submit that your Committee must distinguish carefully between what I would call the "progressive" multinational companies—those, such as Dow, fully conscious of their obligations, both economic and social, in both the host and their home countries—and what might be called "regressive"

multinationals—those which exploit unusual economic situations in a destructive fashion for their own ends.

We would support—and I believe industry at large and the general public would support—measures that restrict the destructive or regressive actions of a small handful of offenders among the multinational companies. What we must avoid, however, is any legislative action that would injure or destroy the true advantages of multinational companies in the effort to eliminate these scattered abuses.

VI. FOREIGN TAX PROPOSALS

We urge that the President's foreign tax proposals be excluded from the Trade Reform Act, in good part because it would seem more appropriate that your Committee consider these proposals as part of the major tax bill you are scheduled to develop later this year. Trade and taxes are both highly complex subjects; we suggest that the tax proposals be taken up separately once the Trade Reform Act has been completed.

The President's Economic Message proposed that no basic change be made in the present U.S. tax treatment of foreign profits, and we concur in this.

However, in respect to countries that offer tax-related incentives or tax holidays, we do not see sufficient justification for the Administration's proposal to tax the income from investments in such countries. If foreign countries encourage investments in particular sections of their country through such tax-related incentives this should not justify taxation in the U.S. Indeed, such a tax provision would only benefit the foreign competitors of U.S. companies, since it would inflict a financial handicap on U.S. companies not inflicted on the companies of any other nation.

An additional problem is the vague and confusing wording of this proposal. The cloudy definition of what may be considered a tax-related incentive for this purpose, plus the discretion granted to the Treasury Department to except incentives in particular situations, would make it impossible for taxpayers to plan with any certainty in such situations.

It likewise seems to us that provisions for authority to deal with inflation should be the subject of separate legislative actions.

VII. DESIRABLE PROVISIONS

There are three other provisions that we favor:

1. We feel that a provision for most-favored-nation treatment should be made for countries not presently eligible for it. This is desirable as an aid in the process of economic integration.

In the same way, we favor (2) a provision for safeguards against disruption by imports: (3) a provision for preferences for lesser developed countries, with appropriate definition of terms and restriction of eligibility; and (4) the retention and development of positive incentives for U.S. exporters, such as the DISC legislation.

VIII. CONCLUSION

We appreciate the opportunity to comment on H.R. 6767 and would be pleased to expand upon any portion of this submission if the Committee wishes.

We particularly emphasize the necessity of a *Chemical Industry Trade Advisor* as part of the composition of the U.S. trade negotiating team and the advisability of balancing any concessions within product sectors.

We view as especially dangerous any provisions that would injure the ability of the so-called multinational companies to make their maximum contribution to the U.S. economy, and to world peace.

STATEMENT OF EDMUND T. PRATT, JR., CHAIRMAN AND CHIEF EXECUTIVE OFFICER, PFIZER, INC.

The Administration's proposed Trade Reform Act of 1973 is intended, we understand, to seek the continued expansion of international trade and investment, in an open system but with fairness and equity for the United States and other countries as well. We endorse this objective, and accordingly we support, in general, the Administration's recommendations on trade.

In direct opposition to the objective of the Trade Reform Act of 1973, however, the Department of the Treasury announced on April 10, 1973 tax proposals to

accompany the proposed trade legislation—proposals which would increase United States taxation on foreign source income by taxing additional undistributed earnings (beyond Subpart F income) of American-owned subsidiaries abroad and, in certain instances, by reducing the amount of foreign income and withholding taxes that can be claimed as credits against the United States tax.

In our view, the tax proposals would further diminish, rather than enhance, fairness and equity for the United States in its economic and financial relations with other countries. In the President's message of April 10, 1973, transmitting the Trade Reform Act of 1973 to the Congress, it was stated: "We should not penalize American business by placing it at a disadvantage with respect to its foreign competitors." But this is exactly the effect that the tax proposals would have.

For the most part, the major foreign competitors of American companies already operate under much more liberal tax rules than do United States firms. Many countries levy no tax at home on any foreign source income of their companies, or the foreign earnings are taxed at much reduced rates. Noforeign country is known to tax its nationals on the undistributed earnings of their foreign subsidiaries. And the Treasury's recommendations, if enacted, would add further to the competitive disadvantage of American companies with foreign firms.

The Treasury's proposals, fortunately, are limited to certain situations so that they are not as sweeping as the tax sections of the Hartke-Burke bill. The Treasury's rationale, however, is essentially the same.

The additional United States tax that Pfizer would pay as a result of the Treasury's proposals could vary from year to year and is difficult to estimate, but the effect would be clearly adverse.

The proposal of most importance to Pfizer has to do with the taxation of the parent company on "future undistributed earnings of a controlled foreign corporation engaged in manufacturing or processing activities where the corporation makes new or additional investment and is allowed a foreign 'tax holiday' or similar tax incentive with respect to such investment".

A problem with the Treasury's proposal is that it does not define a country which is considered to offer investment incentives. The Treasury, in fact, would be granted the authority to determine which foreign practices constitute incentives, and a definition could be so broad as to include most countries of the world.

The Treasury's proposal is said to be designed to counter the effect, so far as American companies are concerned, of foreign investment incentives. But the proposal is much more far-reaching, because once an American company became subject to the taxation of the undistributed earnings of a foreign subsidiary, those earnings would continue to be taxed by the United States, "whether or not the foreign tax incentive continues to apply".

Although the Treasury Department refers to investment incentive programs of foreign governments as often "unwarranted and undesirable", every state in the United States, according to the Department of Commerce, has a program similarly to attract foreign and domestic investment.[1] For example, *The Wall Street Journal* reported on April 18, 1973 that "German corporations now have more capital invested in South Carolina than anywhere else in the world except Germany". Thus, a question surely arises about the logic of our government's enacting tax measures to discourage American companies from participating in incentive programs abroad while we, too, have such programs to attract foreign investment in the United States.

An assumption in the Treasury's proposal seems to be that investment incentive programs of other governments cause American companies to make investments abroad that otherwise would take place in the United States, but the fact is that the proposal would not increase American investment at home. Pfizer, like many other American firms, has invested abroad, because investment in the United States is not a practicable alternative. For example, in order to compete in the European Economic Community we have to manufacture in the area, since it is not economically feasible to participate in the markets of the EEC countries solely with exports from the United States. Thus, if we had not constructed plants in Ireland, we would have had to place them in some other EEC country, but under less attractive conditions. In the event the Treasury's

[1] "States Providing General Assistance, Incentives, and Special Services to Industry", a table, listing states and major features of their programs, issued by the Office of International Investment, Domestic Investment Services Division, Department of Commerce, Washington, D.C.

proposal were enacted, foreign-owned companies that invest in Ireland would have a major competitive advantage, as compared with Pfizer, in the EEC.

Another Treasury proposal is intended to curb "runaway plants" which are said to go abroad to take advantage of significantly lower foreign tax rates and to produce for the American market. A so-called "runaway plant", however, may be one which, if it remained in the United States, would be closed anyway because of competition from lower cost imports produced abroad by foreign-owned enterprises. Thus, the effect of the Treasury's proposal again would be to give a further competitive advantage to Japanese or European companies, within the United States market and to the detriment of American-owned foreign subsidiaries, while not retaining or increasing investment in the United States by American companies.

The fact is that few products of American-owned foreign subsidiaries, including those of Pfizer, are sold in the United States. In short, the import problems in the United States are due to shipments by foreign-owned firms abroad, not American-owned foreign subsidiaries. This situation has been made abundantly clear in recent analyses, both private and official, including the *International Economic Report of the President*, March 1973. It seems clear, then, that import problems should be dealt with by various means other than increased taxation of American companies.

In brief, both of the proposals discussed above would accomplish exactly what the President said, in his message accompanying the Trade Reform Act of 1973, that the United States should avoid: "If we restrict the ability of American firms to take advantage of investment opportunities abroad, we can only expect that foreign firms will seize these opportunities and prosper at our expense."

The Treasury's recommendations demonstrate the urgent need for international agreement on the tax treatment of companies of the major industrial nations, and the Administration has clearly recognized this need. For example, in the *International Economic Report of the President* (March 1973), it is stated: "We believe that the developed nations must work for generally accepted rules against unfair tax competition, whether intended or unintended, and we have been using the OECD forum to seek the development of such rules. Greater international cooperation also is needed in dealing with international tax avoidance and evasion and in achieving uniform enforcement of provisions of internatioal concern." Also, in the President's message on the Trade Reform Act of 1973, reference is made to the same need: "It may well be that new rules and new mechanisms will be needed for international investment activities. It will take time, however, to develop them. And it is important that they be developed as much as possible on an international scale."

We agree, in general, with the Administration's efforts, through international negotiations, to achieve a reformed international monetary system and a more open and equitable world trading system.

But we also believe that, in the national interest, the Administration should press for international cooperation on the tax treatment of multinational companies, and until such agreement is achieved, that the Congress should refrain from imposing further tax handicaps on the competitiveness of American companies.

The record shows that the returns from American business operations abroad are now an indispensable element of strength for the United States payments position. Moreover, as informed analysts have pointed out, it is in an increase in the contributions of these operations to the balance of payments that the best hope lies for meeting the projected increasing import needs of the United States, particularly in the field of energy. In the circumstances, it is evident that United States policy should be directed to measures that will assist rather than obstruct American business operations abroad. Because the Treasury's proposals would have the latter effect, we submit that they are contrary to the basic international economic interests of the country.

[Whereupon, at 5:10 p.m., the committee adjourned, to reconvene at 10 a.m., Friday, June 1, 1973.]

TRADE REFORM

FRIDAY, JUNE 1, 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. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Our first witnesses are now at the desk. If you will identify yourself, Mr. Moos, and those with you, you will be recognized.

STATEMENTS OF EUGENE MOOS, PRESIDENT, BOARD OF DIRECTORS, JOSEPH FOSS, AND PROF. JEROME ALAN COHEN, EAST-WEST TRADE COUNCIL; ACCOMPANIED BY FRED A. GIPSON, COUNSEL, AND G. W. FINCHER

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

It is a pleasure for us to be before your committee today. I would like to introduce the gentlemen at the head table with me. On my immediate right is Joseph Foss, president, General Tire International. Seated next to him is G. W. Fincher, who is a senior vice president of General Tire International. On my left here, immediate left, is Prof. Jerome Cohen, who is director of East Asian legal studies, Harvard Law School. To his left is Fred Gipson, counsel to the East-West Trade Council, and a member of the Berry-Gipson law firm.

The CHAIRMAN. We thank you, and you are recognized. We appreciate your bringing Fred along.

Mr. MOOS. A quick word about my own personal background before I give my statement. I am a wheat grower from the State of Washington, immediate past president of the National Association of Wheat Growers, and presently serving as an international trade fairs representative.

With your permission, Mr. Chairman, I would like to give the highlights of my statement, not giving all of it, and would ask that the full statement be included in the record.

The CHAIRMAN. Would you like for the statement and the material appended to it to appear in the record as though you had delivered it in its entirety.

Mr. MOOS. Yes, sir.

The CHAIRMAN. Without objection, that is the way it will appear.

Mr. MOOS. Mr. Chairmen and members of the committee, I am pleased to have this opportunity to appear before you today on be-

half of the East-West Trade Council. My name is Eugene Moos and I am president of the board of directors of the East-West Trade Council. The council is a nonprofit organization whose membership includes U.S. businesses, associations, academics, and interested individuals. Our membership to date is approximately 150, with 100 of those being U.S. businesses either involved in, or deeply interested in, trade with the U.S.S.R., the countries of Eastern Europe, and the People's Republic of China. PRC. The council is financed solely from its membership. We are submitting for your information a complete list of our membership and our board of directors. We believe they represent an impressive cross section of U.S. interests deeply committed to expanded East-West trade. The main activities of the council include a bimonthly newsletter, sponsorship of symposiums on East-West trade, and efforts to gain increased trade opportunities for the United States in those countries through advocacy both in the Congress and the administration for policies which promote East-West trade.

The East-West Trade Council strongly supports the title V provision in H.R. 6767 which authorizes the President to negotiate most-favored nation, MFN, status with those countries not now receiving such status. Granting MFN to those countries in Eastern Europe not now receiving MFN and to the People's Republic of China would, we believe, be a positive step toward normalization of both economic and political relations with those countries. Our agreement with the U.S.S.R. already concluded has promised MFN status and Romania has been assured every year since 1969 that MFN status would be forthcoming. The continued increase in trade with those countries depends heavily, in our opinion, on the granting of MFN status. We also strongly support that provision in title VII which repeals the Johnson Debt Default Act—an act which has caused considerable problems in our ability to trade with the Soviet Union and most other countries in Eastern Europe.

As the committee well knows, the U.S. balance of payments has grown increasingly worse in the past several years. Traditionally, our favorable balance of trade has served to help offset the dollar outflow caused by other U.S. policies. Since 1971, however, our trade balance has turned unfavorable for the first time in this century. The United States, quite frankly, has not kept pace with the aggressive export policies of other nations.

While there is no doubt that trade policies of other countries have affected adversely the U.S. export position, I think it would be unrealistic to blame our deficit totally on others. Certainly the increased interest and aggressivesness of U.S. firms, coupled with the longer term affects of the world currency readjustments, points toward a more optimistic trade picture in the near future. In order to meet the challenge, however, there is no doubt that the United States must aggressively compete for all world market possibilities.

We have in the past left the U.S.S.R., the countries of Eastern Europe, and the People's Republic of China, PRC, to our trade competitors. Whether or not the political necessity of that decision was relevant at its inception is no longer the question—what is important now is that there is no longer any reason to default in the Eastern markets. The political thaw of recent years and the increased inter-

relationships on all levels between the United States and the socialist countries, make those past restrictions relics which hang around the necks of U.S. exporters and importers and serve no useful political or economic purposes.

The U.S.S.R. and other Eastern European countries, for example, in 1971 did $20 billion worth of trade with the Western nations and Japan. That was more than 30 times the U.S. trade with the socialist countries. The total U.S. share of the trade with Eastern European countries, excluding the U.S.S.R., in 1971 was only 5 percent of those countries' total trade with the West.

The story in the People's Republic of China has been, of course, one of total prohibition on U.S. trade until restrictions began to be lifted in 1971. Yet, in the past 2 years there has been a tremendous increase in trade with the socialist countries, indicating, we believe, the great scope of potential trade with those countries. Total exports from the United States to the U.S.S.R. have jumped from $162 million in 1971 to $547 million in 1972. Imports from the U.S.S.R. likewise showed an increase from $57 million in 1971 to $96 million in 1972. In 1972 the United States enjoyed its largest trade surplus with any single country with the Soviet Union, $451 million.

Exports to the other Eastern European countries have also increased, from $222 million in 1971 to $271 million in 1972. Exports to the People's Republic of China went from zero in 1971 to more than $60 million in 1972, and the sale of $150 million worth of aircraft, wheat, and corn to the People's Republic of China for 1973 delivery will further increase substantially People's Republic of China trade this year. The charts which follow indicate both a dramatic increase in trade between the United States and the socialist countries and also show the miniscule portion of trade the United States conducts in that market as compared to other Western countries.

[The material referred to follows:]

TABLE 31.—FREE WORLD TRADE WITH THE U.S.S.R. AND EASTERN EUROPE[1]

	Free world (billions of U.S. dollars)[2]		United States (millions of U.S. dollars)[3]	
	Exports	Imports	Exports	Imports
1950	1.1	1.3	27	80
1951	1.2	1.4	3	64
1952	1.2	1.3	1	40
1953	1.1	1.2	2	36
1954	1.5	1.5	6	42
1955	1.8	1.9	7	56
1956	2.1	2.3	11	65
1957	2.6	2.6	86	61
1958	2.6	2.7	113	62
1959	3.0	3.0	89	81
1960	3.6	3.6	194	81
1961	3.8	3.9	134	81
1962	4.1	4.1	125	79
1963	4.5	4.6	167	81
1964	5.4	5.3	340	98
1965	4.8	6.0	140	137
1966	6.6	6.7	198	179
1967	6.8	7.0	195	177
1968	7.3	7.7	215	198
1969	8.3	8.4	249	195
1970	9.7	9.3	354	226
1971	10.1	9.9	384	223
1972	(4)	(4)	818	320

[1] International Economic Report of the President.
[2] Exports are f.o.b. and imports, in general, are c.i.f.
[3] Exports and imports are f.o.b.
[4] Not available.

TABLE 32.—U.S. FOREIGN TRADE WITH EASTERN EUROPE, THE U.S.S.R., AND CHINA[1] (COMMUNIST COUNTRY TRADE)[2]
[Millions of U.S. dollars]

	U.S. exports			U.S. imports		
	Eastern Europe	U.S.S.R.	China	Eastern Europe	U.S.S.R.	China
1950	25.9	0.8	45.7	42.2	38.3	146.5
1951	2.8	.1	0	36.3	27.5	26.5
1952	1.1	(3)	0	22.7	16.8	27.7
1953	1.8	(3)	0	25.6	10.8	.6
1954	5.9	.2	(3)	30.5	11.9	.2
1955	6.7	.3	(3)	38.8	17.1	.2
1956	7.4	3.8	0	40.8	24.5	.2
1957	81.6	4.6	(3)	44.5	16.8	.1
1958	109.8	3.4	(3)	45.0	17.5	.2
1959	81.9	7.4	(3)	52.2	28.6	.2
1960	154.9	39.6	0	58.2	22.6	.3
1961	87.9	45.7	(3)	57.8	23.2	.4
1962	105.1	20.2	(3)	62.5	16.3	.2
1963	143.9	22.9	(3)	60.2	21.2	.3
1964	193.5	146.4	(3)	77.7	20.7	.5
1965	94.8	45.2	(3)	94.7	42.6	.5
1966	155.8	41.7	(3)	129.0	49.6	.1
1967	134.9	60.3	(3)	135.7	41.2	.2
1968	157.3	57.7	0	139.7	58.5	(3)
1969	143.7	105.5	0	143.6	51.5	(3)
1970	234.9	118.7	0	153.3	72.3	(3)
1971	222.2	162.0	0	165.5	57.2	4.9
1972	271.5	546.8	60.2	224.6	95.5	32.3

[1] Exports are f.a.s. and imports are f.o.b.
[2] International Economic Report of the President
[3] Negligible

Mr. Moos. The one U.S. export that consistently holds a favorable position in the balance of trade is agricultural products. U.S. agriculture has been and continues to be our most dependable export. In 1972 when the total U.S. trade balance showed a $6.8 billion deficit, U.S. agriculture enjoyed a $2.9 billion favorable balance. In March of this year, agricultural exports reached a record $1.4 billion, which shows an increase in the past three quarters, U.S. Department of Agriculture statistics on a fiscal year basis, of 73 percent over the same three quarters last year, for a 1972–73 quarter total of $3.72 billion.[1]

The biggest reason for the increase in U.S. agicultural exports has been the increased trade with the socialist countries. Exports of agricultural products to the U.S.S.R. rose to $589 million in the July–March 1972–73 period—up from only $82 million in the same period in 1971–72. Of this, wheat accounted for $337 million. Exports of corn also doubled, however, to $125 million and soybeans totaled nearly $100 million. Agricultural exports to other Eastern European countries rose 92 percent to $227 million in the July–March 1972–73 period. The 1972–73 figures show only direct sales, since transshipment sales are not yet compiled—sales would be considerably higher if transshipment sales were included.

Direct exports to the People's Republic of China for the July–March period were $90 million, $39 million in corn, $34 million in wheat. The large increase in agricultural exports to the socialist countries make those countries our fastest growing market, and is a welcome contrast to our continuing difficulties in significantly increasing exports to the EEC.

While agricultural production is on the increase in the great majority of Eastern countries, the crop failures in the Soviet Union and

[1] U.S. Department of Agriculture, Economic Research Service statistics.

the failure to meet many production goals in other Eastern countries indicate that large imports from the West will be necessary for the foreseeable future. In addition, increased uses of agricultural technology, fertilizers, and irrigation increases the potential for U.S. agricultural equipment and technology sales to those countries. In the past, agricultural product trade has been the biggest U.S. seller in the socialist countries. For example, three-fourths of the total exports to the Eastern European countries, excluding the U.S.S.R., in 1972 consisted of agricultural products, but the United States sold only $39 million worth of machinery and equipment—less than 1 percent of the total machinery imports of Eastern Europe. The United States can and should break into the growing market for equipment, machinery, and technology on all levels.

The goals of increased production in the socialist countries provide an opportunity for greatly increased sales, a fact already demonstrated by recent deals made between U.S. firms and the socialist countries. There is also every indication that agricultural product exports will increase substantially in the next few years. The long-term opportunity for U.S. agricultural exports to the U.S.S.R., for example, is indicated by publicly stated intentions of the Soviet Government to increase the animal protein component of their national diet by 25 percent as part of the current 5-year plan.

The figures noted in the charts on the following pages show the increase in overall agricultural exports and imports with the U.S.S.R. and the Eastern European countries, and the People's Republic of China.

[The material referred to follows:]

TABLE 11.—U.S. AGRICULTURAL TRADE WITH THE U.S.S.R., SELECTED COMMODITIES, 1968-69—1972-73[1]

[In thousands of dollars]

	1968-69	1969-70	1970-71	1971-72	Estimated, 1972-73
U.S. exports (total)	9,368	17,763	12,363	136,799	1,041,000
Animals and animal products	9,336	17,525	11,182	8,951	10,000
Hides and skins (including furs)	7,819	17,514	11,080	8,589	0
Grains and preparations	18	0	2	126,634	886,000
Wheat	6	0	1	731	658,000
Feed grains	1	0	0	125,903	228,000
Fruits, nuts and preparations	11	193	1,068	1,206	1,000
Almonds	0	193	1,056	1,125	(2)
Vegetables and preparations	0	0	108	0	0
Vegetable lecithin	0	0	108	0	0
Oilseeds and products	1	0	0	3	0
Soybeans	0	0	0	1	144,000
Cotton, raw (excluding linters)	0	44	0	0	0
Other	2	1	3	4	(2)
U.S. imports (total)	1,967	548	3,013	3,060	(2)
Animals and animal products	1,057	365	2,665	2,853	(2)
Hides and skins (including furs)	237	148	2,378	2,740	(2)
Grains and grain preparations	0	0	0	0	(2)
Fruits, nuts and preparations	3	0	1	0	(2)
Vegetables and preparations	22	44	46	81	(2)
Mushrooms (dried, whole)	22	44	44	81	(2)
Spices	0	0	20	0	(2)
Wines	0	0	3	3	(2)
Tea (crude or prepared)	2	0	0	8	(2)
Drugs (vegetable origin)	445	(3)	159	23	(2)
Licorice root	436	0	129	0	(2)
Cotton linters	317	48	0	0	(2)
Essential oils	112	89	111	91	(2)
Other	9	2	8	1	(2)

[1] USDA, Economic Research Service.
[2] Not available.
[3] Negligible.

TABLE 18.—UNITED STATES: AGRICULTURAL TRADE WITH EASTERN EUROPE, 1970–72 [1]
[In millions of dollars]

	1970 exports			1971 exports			1972 exports			Imports		
	Direct	Trans-shipments	Total	Direct	Trans-shipments	Total	Direct	Trans-shipments	Total	1970	1971	1972
Czechoslovakia	9.3	12.1	21.4	27.8	6.5	35.3	39.4	(2)	(2)	2.5	1.9	1.1
East Germany	12.2	13.9	26.1	19.4	7.0	26.4	11.6	(2)	(2)	0	.2	.2
Poland	50.4	.2	50.6	62.3	.9	63.2	79.9	(2)	(2)	52.5	49.6	64.6
Northern countries	71.9	26.2	98.1	109.5	14.4	123.9	130.9	(2)	(2)	55.0	51.7	65.9
Bulgaria	5.4	0	5.4	1.1	0	1.1	1.6	(2)	(2)	1.7	1.8	2.3
Hungary	20.2	0	20.2	18.9	0	18.9	10.5	(2)	(2)	3.3	4.5	5.7
Romania	27.8	9.9	37.7	37.0	1.6	33.6	44.8	(2)	(2)	1.1	1.7	5.3
Yugoslavia	42.3	2.0	44.3	86.2	6.2	92.4	95.7	(2)	(2)	26.6	31.1	32.2
Southern countries	95.7	11.9	107.6	138.2	7.8	146.0	152.6	(2)	(2)	32.7	39.1	45.5
Total	167.6	38.1	205.7	247.7	22.2	269.9	283.5	(2)	(2)	87.7	90.8	111.4

[1] USDA, Economic Research Service.
[2] Not available.

TABLE 19.—UNITED STATES: AGRICULTURAL TRADE WITH EASTERN EUROPE, BY COMMODITY. 1969–72
[In millions of dollars]

Commodity	1969	1970	1971	1972
Exports:				
Soybean meal[1]	34.0	63.0	49.4	[2] 53.5
Soybeans[3]	14.2	20.2	18.4	[2] 9.9
Soybean oil	0	15.9	27.7	28.0
Soybean products	48.2	99.1	95.5	91.4
Feed grains[3]	41.3	44.4	82.0	[2] 60.2
Wheat[3]	0	9.8	43.1	[2] 31.5
Grains	41.3	54.2	125.1	91.7
Cotton	10.3	12.5	8.4	15.1
Hides and skins	12.8	14.6	19.0	50.8
Tobacco	2.0	1.1	2.1	3.7
Inedible tallow	0.7	4.5	4.4	1.5
Donations relief or charity	3.6	2.0	0.9	0.1
Other	4.3	17.7	14.5	29.2
Total	123.2	205.7	269.9	283.5
Imports:				
Hams and shoulders, canned	47.0	52.2	49.9	66.6
Other canned pork	8.6	8.4	7.2	5.5
Canned pork	55.6	60.6	57.1	72.1
Tobacco	11.2	11.6	15.8	11.1
Spices[4]	2.2	2.7	1.3	1.0
Hops	2.6	2.1	1.5	3.7
Cheese	1.7	1.5	1.7	2.3
Feathers and downs	1.5	1.1	2.0	2.7
Other	8.7	8.1	9.3	18.5
Total	83.5	87.7	90.8	111.4

[1] Includes interzonal trade unless otherwise indicated.
[2] Direct shipments only.
[3] Includes transshipments unless otherwise indicated.
[4] Largely paprika, poppyseed, sage, and caraway.

Source: USDA, Economic Research Service.

U.S. AGRICULTURAL EXPORTS TO THE PEOPLE'S REPUBLIC OF CHINA—QUANTITY AND VALUE BY COMMODITY, JULY–MARCH 1972–73

Commodity	Unit	July–March	
		Quantity (thousand)	Value (thousand)
Wheat, unmilled	Megaton	542	$34,004
Corn, unmilled	do	573	38,977
Barley, unmilled	do	0	0
Oats, unmilled	do	0	0
Soybeans	do	0	0
Oil cake and meal	do	0	0
Cattle hides, whole	Number	10	244
Other			13,850
Total			87,075

Mr. Moos. The great ability of U.S. agriculture to compete in the markets of Eastern Europe and the Soviet Union has been aided by the various credit arrangements through which agricultural exports are financed. The CCC credits, for example, have increased the competitiveness of U.S. agricultural exports. The further normalization of credit lines, the granting of most-favored-nation status, the loosening of archaic export controls, coupled with the positive long-term effect of currency realinements, can help to make all U.S. products more competitive.

The importance of agricultural exports to the American farmer is perhaps more crucial than most people realize. While trade is only a very small percentage of total U.S. GNP, to the farmer export trade is a large and evergrowing part of farm income. In 1972 approximately $20 out of every $100 of farm income was derived from agricultural exports. Approximately 70 million acres in the United States were devoted to agricultural exports, one-quarter of the total U.S. acreage in agricultural production.

The percentages of total agricultural exports devoted to the U.S.S.R., the countries of Eastern Europe, and the People's Republic of China are becoming a larger and larger portion of those figures. The U.S.S.R. alone was the third largest export market for U.S. grains in the July–March 1972–73 period. Recently, also, an estimated 500,000 bales of U.S. cotton were sold to the People's Republic of China through a third country, and such sales are continuing to route U.S. agricultural products to the socialist countries. While 1972–73 transshipment figures, sales through third countries, are not yet available, based on known sales and past experiences, the total agricultural sales to the socialist countries will increase significantly over 1971–72. The U.S. Department of Agriculture estimates that in 1972–73 there will be over $1 billion worth of agricultural exports sold to the U.S.S.R. alone. The U.S. farmer, whose productity and technology make him the best in the world, will continue aggressively to seek out and sell in the opening markets of the Eastern countries.

The political ramifications of MFN have and will continue to have a very real effect on the United States ability to sell in socialist countries. The continuing increase in agriculture sales and the great potential, just now being realized, in manufacturing and technology sales, depends in great part on the granting of MFN to those countries not now receiving such status. Although only a portion of goods coming from the socialist countries not having MFN status are subject to a higher tariff, the fact of discrimination has been a psychological barrier to increased trade. It is not a misplaced assumption, in our opinion, that the recent increases in trade of all kinds with the U.S.S.R., the countries of Eastern Europe and the People's Republic of China have rested on the promises for and expectations of, removal of discriminatory treatment by the United States on the goods of those countries.

Continuing to withhold MFN is rightfully considered as placing those countries in a second class category. The political as well as economic consequences of the refusal to grant MFN status has been detrimental to the United States in all respects. We respectfully urge the committee to eliminate this competitive disadvantage by granting the President authority to negotiate agreements granting MFN authority to those countries not now receiving such status.

Mr. Joseph Foss, president of General Tire International, will, at this time, give the committee his thoughts on the potential for increased manufacturing and technology sales to the U.S.S.R. and the countries of Eastern Europe.

The CHAIRMAN. Mr. Foss, we are glad to recognize you, sir.

STATEMENT OF JOSEPH FOSS

Mr. Foss. Mr. Chairman and members of the committee, I am pleased to have this opportunity to appear today in my capacity as president of General Tire International Co. and as a member of the board of directors of the East-West Trade Council. The council, a nonprofit U.S. corporation receiving dues from only United States members, has approximately 150 members, 100 of which are business firms, doing business with the U.S.S.R., the Eastern European countries, and the People's Republic of China. A list of the council's membership and board of directors is submitted herewith. I am privileged to appear as a part of this panel on behalf of the council for the purpose of stating our support for the granting of most favored nation status, MFN, to the U.S.S.R., Romania, the other Eastern European countries, and the People's Republic of China.

The American business community supports the normalization of our trade relations with the U.S.S.R., the Eastern European countries, and the People's Republic of China. For too many years we have had our hands tied while the Canadians, West Germans, the English, the French, other European countries and Japan have been selling their products, equipment and technology to the socialist countries. Recent developments have created a better atmosphere both in the socialist countries and in the United States and we are now beginning to make progress in expanding our trade.

One example is the agreement which we at General Tire International Co. recently entered into with Romania for the design and construction and production supervision of a $75 million modern manufacturing plant to make radial tires at Floresti, Romania. This will result in the sale of U.S. machinery and initial technical service valued at approximately $35 million. This project is the largest single industrial manufacturing venture to be negotiated by Romania with a Western company.

A fact of significance in this agreement is that this is the first Romanian tire factory to be fully equipped with U.S. machinery since the end of World War II. They have been buying their products, equipment and technology from Europe and elsewhere for many years. This is an example of the potential of new business available in the socialist nations for the U.S. companies and their workers.

An interesting feature of the arrangements which we have with Romania is the option to enter into a joint venture and to take an equity participation in the tire factories which are to be built. General Tire has had considerable experience in this type of minority participation in socialist countries and our experience has been most favorable.

I visited Romania early last month in connection with General Tire's agreement to build this tire plant. In talking with Romanians, from top government officials to factory technicians, I was particularly impressed by their sincere and obvious interest in doing business with the United States. The quality of American technology and machinery is held in the very highest regard. This puts us in a favorable competitive situation versus European competitors who have dominated supply to these countries.

The additional potential business available in Romania was obvious to me during my visit. These people have a vast demand, not only for tires and tire technology, but there are unlimited possibilities for further penetration in many other fields including various in which General Tire is involved. However, to be able to buy more goods and services from the U.S.A., the Romanians need to increase their exports to our country. They find it difficult to be competitive in the absence of most favored nation status.

Recent examples of other commercial arrangements with Eastern Bloc countries include the following:

1. In February Combustion Engineering Inc., C. T. Tyler Division, announced a contract valued at $30 million to supply automatic molding machine systems to produce engine blocks and automotive castings at the Kama River truck plant.

2. Gillette Co. recently announced an agreement with a Yugoslavian company for the joint production of stainless razor blades and metal tape measures.

3. In March, Control Data Corp. announced conclusion of a joint venture arrangement with Romania for the manufacture of computer peripheral equipment.

These are but a few of the recent sales of major significance to the socialist countries, and I mention them as examples of the potential new business available in the socialist countries for U.S. companies and their workers. We can, if given the opportunity to compete in an atmosphere free from some of the political policies of 1951, recapture much of this market that we have lost over the last 20 years.

While we have had dramatic increases in our trade with the socialist countries in the last 3 or 4 years, we are still below our pre-World War II levels. The Tariff Commission's 1972 staff report titled "United States East European Trade" indicated that prior to World War II, U.S. trade with the Socialist countries represented less than 3 percent of total U.S. exports or imports. In the years following the withdrawal of MFN treatment in 1951, the level of trade decreased to approximately 1 percent. The Tariff Commission staff report set forth that merely "to have achieved the same degree of importance that existed prior to World War II, for example, U.S. trade with Eastern Europe in 1970 would have had to amount to about $1.3 billion in exports and $1 billion in imports, or about five times the volume actually realized."

The low and inadequate level of trade is reflected by the following figures:

[The material referred to follows:]

U.S. TRADE WITH THE U.S.S.R. AND EASTERN EUROPEAN COUNTRIES 1966–72

[In thousands of dollars]

Year	Exports	Imports
1966	197,737	171,022
1967	195,258	171,228
1968	215,024	196,621
1969	249,286	190,763
1970	353,320	215,505
1971	384,225	223,017
1972	816,463	319,736

Mr. Foss. The fact the figures reveal an increase in the level of trade is encouraging, and the favorable balance of trade is certainly welcome in light of our overall trade deficit. In this regard, I believe the United States will continue to have a favorable balance of trade with the Socialist countries.

We know, for example, that the U.S. balance of trade with the U.S.S.R. has traditionally run heavily in favor of the United States. The Department of Commerce has estimated the balance in our favor to be generally at the ratio of 3 to 1 and predicts a surplus in the coming years of at least a few hundred million dollars each year. Russia and the United States are two of the largest trading nations of the world, yet ironically Russia represents less than 1 percent of our external trade. The latent opportunities for vastly increased business with Russia are untold.

The nature of this trade is also important. Former Secretary of Commerce Peter G. Peterson commented in October of 1972 on the trade agreement with the U.S.S.R. and the nature of our trade with the U.S.S.R. and said:

> The goods we are likely to export to the Soviet Union are products like machine tools, earthmoving equipment of various kinds, consumer goods, grain products, which are characterized by what the economists call "high labor intensive products." In plain language—jobs.
>
> On the import side, we plan to import substantial amounts of raw materials which we need; clean energy, I might emphasize. But here, again, with low labor content. So I think it is safe to predict that in addition to having a favorable balance-of-trade surplus, the evidence I think is very persuasive that we will have an even more favorable balance of job surplus.

Mr. Peterson's observations regarding our trade with the U.S.S.R. are, to a considerable extent, true of our trade with the Eastern European countries.

One aspect of East-West trade is the opportunity of cooperation between the East and West in meeting their respective energy demands in the coming years. The technology of the West and the natural resources of the East make them obvious and compatible partners.

Major sales of western petroleum technology are announced almost daily. Studies of the Bureau of East-West Trade, U.S. Department of Commerce, indicate a high potential for the sale of a wide range of petroleum related equipment to the East, particularly to the U.S.S.R. and Hungary. Recently TRW signed a major agreement with the U.S.S.R. amounting to at least a $20 million contract for the sale of oilfield equipment; GE signed an accord which is expected to lead to GE's participation in developing U.S.S.R. gas and oil fields; and similar sales by other companies have been made in Romania and Hungary.

Mr. John McLean, chairman and executive officer, Continental Oil Co. and chairman of the National Petroleum Council Energy Study Committee, has said that "Russia will be the only major world power in the coming decade that will be self-sufficient in energy resources." It is estimated that the U.S.S.R. has 12 out of the top 20 largest gas fields in the world. In developing this industry, the U.S.S.R. has already been cooperating with Western European countries and has, for example, a long term contract to supply gas to France and West Germany.

I believe the International Economic Report of the President was correct in stating that: "Large joint ventures particularly in raw materials of which the U.S.S.R. possesses large resources, such as natural gas and petroleum, are potentially an important product of the new commercial relationship."

To realize the full potential of East-West trade, I believe the United States must develop a policy of trade with regard to the Socialist countries. The cornerstone of this trade policy should, to the degree possible, be equality of treatment for these nations. There are, of course, certain limitations which relate to our national security, but not to the degree that the American businessman has been restricted in the past several years.

To achieve equality of treatment, legislation such as title V of H.R. 6767 is needed which would authorize the President, subject to congressional veto, to enter into bilateral commercial agreements providing MFN treatment to the products of countries heretofore denied such treatment whenever he determines that such agreements with such countries will promote our best interests.

There are any number of arguments which can be made in support of title V of H.R. 6767. One obvious argument is that the political climate between the East and West has changed appreciably since the passage of the Trade Agreement Extension Act of 1951 which directed the President, in section 5 of the act, to withdraw or suspend MFN to all countries under the control of international communism. Yugoslavia was, as we know, exempt on the basis of not being under the control of international communism.

Many of the same factors which led President Eisenhower to grant MFN to Poland in 1960 are now present in our relations with Romania, the U.S.S.R., and the other Eastern European countries. Poland was granted MFN after becoming a party to GATT and after it had signed an agreement for the settlement of $40 million worth of claims of U.S. citizens against Poland. In recent months, our Government has signed a trade agreement with the U.S.S.R. which is contingent on the granting of MFN. The United States has signed an agreement with Hungary settling financial claims of the United States totaling approximately $18.9 million. Romania has joined GATT, has signed a bilateral agreement with the Overseas Private Investment Corporation, OPIC, authorizing the U.S. Government Corporation to insure and finance projects, and has negotiated agreements for Export-Import Bank credits and become a member of the World Bank and the International Monetary Fund. The President in 1969 promised MFN for Romania. Important negotiations with Czechoslovakia on a consular treaty and certain economic matters have been in progress. A series of visits by the highest representative of our Government and the governments of the Socialist countries have been taking place.

In this regard, I would like to add here a few words confirming the considerable help and encouragement which General Tire received from our own Government in negotiating our agreement in Romania. Very real cooperation and support came from: Export-Import Bank; Department of Commerce; U.S. State Department; U.S. Embassy in Bucharest; and OPIC, Overseas Private Investment Corporation.

During my visit the Romanian officials specifically mentioned to me the favorable impression made upon them by the support given by

these Government entities. This cooperation clearly helped to facilitate the success of our negotiations.

This committee is, of course, aware that section 231 of the Trade Expansion Act of 1962 denied Presidents the discretionary authority that President Eisenhower had with regard to Poland. Therefore, without legislation such as title V, the changes that have occurred in the world cannot be economically recognized.

A second argument in support of title V is that the denial of MFN as a policy directed at the socialist countries has had an uneven impact on the socialist countries. This has created hard feelings beyond that which would be expected from a consistent policy that is evenly applied. Mention has already been made of the fact that Poland has MFN and the other socialist countries, excepting Yugoslavia, do not have, even though some of the countries have met the exact same conditions which led to Poland receiving MFN. Furthermore, because of the nature of their imports to the United States, the denial of MFN has fallen harder on some countries than others. The Tariff Commission staff report, referred to earlier, discusses this question and provided the following information.

[The material referred to follows:]

PERCENTAGE OF U.S. IMPORTS SUBJECT TO SUBSTANTIAL DISCRIMINATION, BY SPECIFIED EAST EUROPEAN COUNTRIES

Country	1951	1966	1970
U.S.S.R	22	4	10
Czechoslovakia	68	56	73
East Germany	53	27	85
Hungary	56	36	43
Bulgaria	84	29	17
Romania	2	37	42
Poland	37		

Mr. Foss. However, perhaps the strongest argument for MFN authority under title V is that the granting of such authority is in our best interest. The denial of MFN to the socialist countries is an impediment to broadened trade. It is symbolic and real, as the Tariff Commission staff report reveals, to the socialist countries and as long as we maintain discriminating tariffs on their goods, East-West trade will never reach the desired level. We cannot realistically expect the socialist countries to continue to purchase U.S. products in large quantities if we do not give them an equal opportunity to sell in the United States.

It is also symbolic to many American businessmen. Symbolic of an abnormal market situation that requires more resources to penetrate. This will not necessarily deter companies such as General Tire International, Control Data, and other large firms, but many of our smaller and medium size companies are discouraged by, without knowing all the details, what they consider to be an abnormal market situation.

In developing a sensible trade policy with the socialist countries, there are a number of other items which need attention. The relaxation of our export control procedures which were accomplished by the 1969 and 1972 amendments were welcomed particularly since most of the items we were previously refusing to license were being sold to the

socialist countries by West Germany, Japan, or other competing nations. The American businessman is now hopeful that the congressional sentiment favoring relaxed procedures will be reflected in the administration of the 1972 amendments.

Important also is the repeal of the Johnson Debt Default Act. Within the general provisions of title VII of H.R. 6767, repeal of the Johnson Debt Default Act is called for. On behalf of the East-West Trade Council, I would like to state our support for this provision repealing the Johnson Act. That act prohibits loans to, and purchases or sales of securities of, any foreign government in default of debts owed to the United States, with the exception, as of 1945, of members belonging to the IMF and the World Bank. Bulgaria and Albania are not considered in default of payments and Romania and Yugoslavia are both members of IMF. This act has been particularly severe on the Socialist countries since the governments themselves conduct the business.

There have been opinions by past Attorneys General which have placed in doubt the scope of the Johnson Act. One such opinion would seem to exempt a financing arrangement from the act if it is directly tied to a specific export transaction and make the act applicable to general purpose loans. In any event, the Johnson Act is just one more barrier facing the businessman doing business with the Socialist countries and the repeal as called for in H.R. 6767 will be welcomed by the business community.

Before closing, I would like to address myself briefly to the problems which have arisen over the Soviet exit tax. I recognize that certain members of this committee have cosponsored the act for freedom of emigration in East-West trade. I also understand the concern over this issue which prompted the attention of Congress. I do hope that documents which the Soviets have produced indicating a suspension of all education taxes and pledging that Jewish Soviet citizens will be allowed freer emigration in the future will be viewed favorably by the committee. To the extent that we can, we should separate trade matters from political questions. This, of course, is not always possible, but I think a general relaxation of tensions can be increased by further economic cooperation among the great powers.

H.R. 6767 represents an important and significant first step in formulating a trade policy with Romania, the U.S.S.R., the other Eastern European countries and the People's Republic of China. Ambassador Averell Harriman, at a Washington, D.C., symposium on national policy trends in East-West trade sponsored by the East-West Trade Council, discussed the necessity of setting aside old ineffective policies and said:

> It just doesn't make any sense for us to try to think that we are interfering with the operations of the Soviet Union in Eastern Europe because we are trying to restrict it. The idiotic people who talk about our preventing the economic development, preventing the military development of the Soviet Union because we are restricting business is a lot of nonsense. And we ought to get it out of our systems. They can buy practically everything they want from Europe and Japan in the areas, except for those restricted items, and it is nonsense that we don't join in that trade. It is ridiculous. It is not only that it creates an atmosphere which is not in our interest but also a mutual atmosphere of suspicion. With the result, we are losing trade which we ought to be getting.
>
> But this idea that because we are trading with them, we are doing them a favor is ridiculous. We are doing ourselves a favor. We need that trade.

I respectfully urge the committee to report favorably the provisions of H.R. 6767 removing certain barriers to broadened East-West trade.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Foss.

Mr. MOOS. Now I would like to have Professor Cohen discuss the prospects of trade with the People's Republic of China.

The CHAIRMAN. We are glad to recognize you, Professor Cohen.

STATEMENT OF PROF. JEROME ALAN COHEN

Mr. COHEN. Thank you, Mr. Chairman, and members of the committee. I think I will just informally summarize my remarks.

I have just returned from my fourth trip to China in the past year, this time to participate in the Canton Trade Fair. It has left me with some vivid impressions which I can share with you later.

At this time I thought I would summarize my support for H.R. 6767. It is obviously going to help our trade with the People's Republic of China, and I think it is in the national interest. I think if the President authorizes MFN treatment to China it will not only help our consumers, it is obviously going to help our processors of goods, commodities, and components that will come from PRC. It will also help our export-import people.

More important than that, it was stressed to me at the fair by the Chinese purchasers of capital goods how important it is that the United States do what it can to correct an already frightening disproportion in our balance of payments with China. As you know, in 1972, two-thirds of our $93 million trade with China consisted of U.S. exports to China. This year we are estimating trade will go up five times to roughly $500 million. The estimate is that over 80 percent of that trade will be exports from the United States to China.

Now the Chinese purchasers of equipment and machinery and other officials said to me very frankly—

> We want to purchase large amounts of capital equipment from the United States. But we are worried about our trade balance. We need all the help we can get. We know you are not going to have a balanced trade with us, but we are frightened at the great disproportion that is developing.

They are waiting to see what we are going to do about it. It is obvious that MFN will be of some assistance.

MFN is hardly the only factor involved. There are a great many factors we have to deal with—perhaps you will be interested later in talking about them—if we are going to adjust the trade of two very different political and economic systems that have been long separated.

MFN is a very important political symbol to the Chinese. For 20 years we refused to do any trade with them after the Korean war. In the past, in the 19th century, the Western Powers exacted by force unilateral MFN treatment for our exports to China without granting China a reciprocal treatment and the United States benefited from this. It is a very important political symbol.

Secondly, I would like to comment on the Freedom of Emigration Act. I have been out of the country the last month. I don't know the extent to which the Freedom of Emigration Act continues to be a live issue. To the extent it is I think it would be useful to direct some attention to its applicability to China, for plainly the act does apply

to China because China is a nonmarket economy country that plainly restricts emigration.

If the Freedom of Emigration Act were to be passed in its present form it would deal a devastating blow to United States-China reconciliation. It would deny us and the Chinese the benefits we have alluded to of MFN. More important, it would deny government credits or government credit guarantees to the China trade, perhaps even more important at a time when American firms are now investigating a variety of ways of cooperating with the Chinese in indirect investment in China.

The Chinese so far refuse to tolerate what the Romanians and others in Eastern Europe have tolerated, which is foreign investment of a direct kind. But at a time when we are talking about indirect forms of cooperation, such as cooperation in oil exploration, that is vital to the United States and Japan as well as other countries, this act as it presently reads would prevent production sharing agreements that could be subject to government investment guarantees. So, investment guarantees represent another very important factor.

Finally, the act would prevent the United States from even making a commercial agreement with the Peoples Republic of China, and that commercial agreement is already being talked about between the United States and China in a very preliminary way, but it is No. 2 after the settlement of private claims on our agenda. Without a commercial agreement trade with China is going to be rather indirectly inhibited.

Now all other countries competing for the China trade are going to use these instruments, MFN, credits, investment guarantees, commercial agreements. If we are precluded from using these instruments it is going to be a very significant setback to American commerce and business. So, I think we need more attention to the implications of the Freedom of Emigration Act for our trade with China.

I notice that we don't deny the benefits of trade to market economy countries. In other words, nonsocialist countries that also restrict emigration. There are many countries unfortunately all over the world that restrict emigration to a very large extent. Yet we don't inflict sanctions on them in economic terms.

Now I think it is important to note that the Peoples Republic will not be moved to relax its emigration laws by the denial of these economic benefits, and it will only harm our political and economic relaxations with China if we insist on doing so.

I would be happy to answer questions about the Canton Fair and the China trade generally if there is any time. In the meantime, let me express my appreciation for the opportunity to express my views to you.

[The prepared statement of Prof. Jerome Cohen follows:]

STATEMENT OF JEROME ALAN COHEN, CHAIRMAN OF THE CHINA COMMITTEE, EAST-WEST TRADE COUNCIL

Mr. Chairman and members of the Committee I am happy to have the opportunity to testify briefly in support of Title V of H.R. 6767, The Trade Reform Act of 1973, and to comment upon the Act for Freedom of Emigration in East-West Trade.

Let me say at the outset that my comments are derived from both academic and practical concerns. I have long been a student of Chinese affairs, and in

recent years have written and lectured about legal and economic aspects of Sino-American relations. I have also negotiated with trade representatives of the People's Republic of China (PRC) on behalf of American firms and have just returned from the spring session of the Chinese Export Commodity Fair in Canton.

I want to express my strong support for H.R. 6767 because of the favorable impact that passage of this legislation is likely to have upon our trade with China and our national interests. By authorizing the President, subject to appropriate safeguards, to extend Most-Favored-Nation treatment to imports from countries that do not now receive it, Title V of the bill will make it possible for the United States to significantly expand its trade with China.

Obviously, granting MFN treatment to imports from China will benefit American consumers by substantially reducing the cost of a variety of Chinese commodities. Similarly, it will aid American manufacturers who wish to process Chinese raw materials. American trading firms will also benefit from an increase in the volume of imports from China.

Moreover, the extension of MFN to China should help to increase American exports to that country. Although China does not insist on maintaining an evenly balanced relationship with each of its trading partners, it has become concerned about developing a gross and long-run imbalance in its trade with the United States. For example, at the recent Canton Fair, officials who were charged with the responsibility for negotiating China's acquisition of foreign machinery frankly said, "We would like to purchase large amounts of capital equipment from the United States, but we are worried about our balance of payments. What are you going to buy from us to help us pay for our purchases? We don't say that you must buy from us as much as you sell to us, but we would like you to make a good-faith effort to do what you can to correct the existing situation."

Current figures plainly reveal the basis for this concern. In 1972, Sino-American trade totaled $93 million, but we exported approximately twice as much as we imported. Although 1973 may witness a five-fold expansion of trade to almost $500 million, over 80 percent of this great leap forward will consist of China's purchases from us.

Unless we take affirmative steps to facilitate the entry of Chinese goods to American markets, it is quite likely that Peking will try to reduce the growing imbalance by purchasing less from us than it otherwise would. We must bear in mind that many of China's purchases from us to date could have been made from other countries. If we do not wish to lose future orders, whether for airplanes, telecommunication equipment, cotton, or grain, we ought to grant Chinese goods tariff treatment equal to that conferred on most other countries.

This is not to say that the advent of MFN alone will suddenly reverse the present trend. MFN is only one of many problems that need to be solved as the very different, long-separated Chinese and American economic systems seek to adjust their institutions for doing business. How property claims, frozen assets, Food and Drug Administration requirements, contract provisions, banking arrangements, credit terms, dispute resolution facilities, shipping, airline and trade agreements, and a host of other matters are handled will also have an impact on both the volume and the balance of Sino-American trade.

Yet MFN is an important factor. It is also a highly visible symbol of our good will, about which Peking is understandably sensitive for historical reasons. Not only did we discriminate against Chinese goods in the past by continuing to ban all trade with the PRC for almost two decades after the end of the Korean War, but in the nineteenth century, after the European powers used armed force to exact MFN treatment for their exports to China without granting China reciprocity, the United States also shared in the benefits of this unequal arrangement for many years.

If the proposed trade bill is enacted, the President will be able to negotiate extension of MFN treatment to China on a fair basis. The fact that the People's Republic is a state-trading, socialist state will preclude us from obtaining a meaningful reciprocal MFN concession from it, but the Executive Branch should be able to obtain other appropriate trade concessions from Peking in exchange for granting MFN. The fact that Peking and Washington have not yet established formal diplomatic relations should not prevent a conclusion of a bilateral commercial agreement in one form or other.

I would like to confine my remaining remarks to the Freedom of Emigration Act. It (1) prohibits the extension of MFN to "any non-market economy country" that denies its citizens the opportunity to emigrate or imposes significant

financial impediment to emigration; (2) prevents such a country from receiving United States government credits or credit or investment guarantees; and (3) precludes the President from concluding any commercial agreements with such a country.

As its principal sponsors make clear, this proposal represents an effort to persuade the Soviet Union to terminate its so-called "education tax" and other obstacles to free emigration that have worked particular hardship on Jews wishing to leave the U.S.S.R. Nevertheless, although public discussion is focused on the impact of this proposal on Soviet-American trade, the language of the proposal is not limited to the U.S.S.R. but embraces every "non-market economy country" that restricts emigration.

Furthermore, neither the proposed statutory language nor the statements of its sponsors limit the applicability of the bill to situations where a non-market economy country discriminatorily restricts emigration on the basis of race, religion, ethnic origin, or other similar factors. Rather, the Act appears to ban MFN treatment and other commercial benefits if the countries in question restrict emigration for any reason whatever. Although sponsors of the Act frequency allude to the right to free emigration enshrined in the Universal Declaration of Human Rights adopted by the U.N. in 1948, the Act itself even goes beyond the Declaration, which subjects the right to emigrate "to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democracy society."

In these circumstances the Freedom of Emigration Act would necessarily apply to the PRC. It is a non-market economy country that plainly restricts emigration, although its restrictions are not designed to discriminate against any racial, religious, ethnic, or other sub-group of its society, nor do they appear to have such a discriminatory effect.

Adoption of the Freedom of Emigration Act in its present form would deal a devastating blow to the gradually developing, vitally important Sino-American reconciliation. It would deny both our country and the PRC the previously mentioned benefits of MFN treatment for Chinese products.

More important—virtually unknown to the American public, it would prevent our government from directly or indirectly extending credits or credit guaranties to the PRC at a time when the PRC is at long last considering accepting credits from Western countries in order to increase substantially its purchases abroad.

It will also prevent our government from in any way guaranteeing American investments in China. Although the PRC is not likely to permit direct foreign investments in familiar forms such as wholly-owned foreign subsidiaries or joint ventures, it is currently considering a variety of propositions for indirect investments that have been put forth by American and other foreign firms. Firms eager to cooperate in extracting China's mineral wealth have suggested production-sharing agreements to the PRC. Yet before obligating itself to spend millions of dollars drilling for oil, for example, under such an agreement, any American company would presumably wish to obtain a U.S. government guaranty against subsequent Chinese interference with what would be tantamount to an investment in China. But the Freedom of Emigration Act would not permit such a guaranty.

Finally, the Act would also prevent the President from even concluding a commercial agreement with the PRC, despite the fact that a bilateral agreement is badly needed to establish an appropriate framework for trade. Negotiation of a trade agreement is high on the Sino-American agenda because both sides realize the great contribution that it can make towards facilitating trade by settling a number of pending problems.

MFN, credits, investment guaranties, and commercial agreements are all instruments which the world's other industrialized countries are prepared to employ in competing with us for the China trade. If we deny ourselves these instruments, we will lose out on a significant share of that trade and damage our political relations with the PRC.

No adequate reason has been advanced for applying the Freedom of Emigration Act to the PRC, and indeed little attention has been devoted to this aspect of the Act. In the existing circumstances, it would make no more sense to apply the Act to China than to the many market economy countries that enjoy MFN and other commercial benefits despite their severe restrictions upon emigration.

In any event, even if free emigration from China is an objective we sincerely

wish to achieve, continuing denial of mutually beneficial economic advantages is surely not going to pressure Peking into yielding. The PRC will only regard such an attempt as an unfriendly gesture that is both politically and economically foolish.

The CHAIRMAN. Thank you, Professor Cohen.

Is there anyone else at the table who desires to make a statement? Mr. Moos?

Mr. Moos. I don't believe so.

We will be happy to answer any questions which you or the committee might have.

The CHAIRMAN. We thank you gentlemen for very fine statements.

Are there any questions of the witnesses?

Mr. BURKE. Mr. Chairman.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. Professor Cohen, in view of the type of government that they have in China, how are we going to establish the value of goods that originate there and are imported into the United States?

Professor COHEN. The value, I take it, is established for our purpose in commercial dealings, sir. In other words, in negotiating a contract for x amount of anything people have to attach a price to it. The Chinese don't use a market to arrive at that price, of course, because they are a socialist country, but in dealing in foreign trade they do attach a price, and through the normal buying and selling haggling in commerce American traders agree to buy so much of Chinese goods at a specified value. It is the international market rather than the domestic market which will set the price.

Mr. BURKE. What I am concerned about is the dumping practice that some of our own trading partners have been indulging in over the past 10 years. How can we know whether or not they are dumping goods in this country below the value that they would be in China?

Professor COHEN. Of course this is not a problem that is unique to China, as you know, Congressman Burke. The problem arises with every nonmarket economy. I think the Chinese are quite sensitive to what world prices are on various commodities, and we would have that as a guide plus what we know generally about labor costs in China, the progress of the Chinese economy. Although it is harder to estimate whether there is dumping or not with a socialist country, I think it is quite possible to know whether or not the price charged is reasonable.

Let me say the recent Canton Fair suggests the opposite problem. Not that prices are going to be so low, but prices have recently been jacked up very high by the Chinese and many American businessmen are finding them too high to be attractive. It is conceivable in the future we might face this problem, but I assume we would use the same techniques vis-a-vis Eastern Europe and the Soviet Union.

Mr. BURKE. I am for encouraging this trade. I think it will be a good thing for the country. This is one problem that I think does bother the members of the committee on how they are going to establish a value of the goods that are coming over here, particularly some of the labor sensitive industries that have been disrupted in this country as a result of imports.

Professor COHEN. Of course the President's bill is complete with a variety of safeguards, including congressional monitoring and control. I think in the current stage of Sino-American relations it is quite unlikely that the Chinese, who are very sensitive to this problem, and who do not want to do anything to disrupt this important political reconciliation with the United States, will do anything economically that will prejudice our political relations with them. Later, if the situation were to change, there are ample provisions in the bill to meet that situation.

Mr. BURKE. Of course I recognize the Chinese people as being the greatest merchants in the world. I don't know who can outtrade them. I think it is good that we have them promoting this trade.

I think at the same time we have to be sure that there are certain safeguards in the legislation to make sure that we are not in too bad a position.

The CHAIRMAN. Mr. Conable.

Mr. CONABLE. I think it is pretty important that we be realistic about the prospects for China trade and the extent of it. "Oil for the lamps of China" was the rallying cry at the turn of the century. The theory was that if everybody in China bought a few drops of oil we would have a great market there. I don't think there is any reason to believe that the market there is more than potential, even now with changed conditions in China, and I would hate to see us alter our position in expectation of a dramatic amount of trade there, however wise it may be to make long-term plans and to try to increase our contacts with the Chinese people in whatever ways possible.

I do not see anything in your statement that would run counter to this feeling I have that we had better be somewhat restrained in our expectations. Isn't that right?

Professor COHEN. Mr. Conable, that is an excellent point. Ironically, a recent twist of history may make it so that our slogan is "Oil for the Lamps of America and Japan."

Even though this year's trade will be five times what last year's was, and will go up to roughly $500 million, unless China can find new foreign exchange possibilities the trade is likely to level off perhaps at a few hundred million dollars higher than the 500 in the next few years.

Now oil represents one of the—no pun intended—untapped possibilities for this trade. If indeed as the United Nations Economic Survey of 1968 suggested, there are in the East China Sea, as well as internal China, oil deposits equal to that perhaps of the Persian Gulf. If the Chinese are flexible enough in cooperating with America and other industrialized states, in acquiring the technology to tap that oil we may find a very vast increase in China's ability to purchase from abroad, and that would transform the terms of the China trade.

Thus far China is self-sufficient in oil. She has begun to ship extra oil to Japan in an attempt to persuade the Japanese not to invest in the Soviet Union's oil projects. But without getting at the undersea oil and without Western help, she is very unlikely to have sufficient foreign reserves to increase the trade considerably.

Mr. CONABLE. Isn't it true that the great bulk of her foreign reserves come from Hong Kong at the present time from sales of food and water to the refugees from Red China?

Professor COHEN. She has been running from $700 to $800 million a year in surplus. That has enabled her to purchase capital equipment as well as grain from the Western countries and Japan. But that is limited.

Now, the big question is, besides the one I have mentioned, is she willing to cooperate with Western firms in getting at oil and other mineral resources. A further question involved credits. To what extent will China be changing her attitude to taking credit from various countries? There are signs of an important change. How great we cannot say.

Mr. CONABLE. It is interesting to me that China's anti-imperialism has made a major exemption for Hong Kong in the light of Hong Kong's contribution to her balance of payments.

Professor COHEN. Of course the Chinese point out that Hong Kong is Chinese territory and the day will come when it will revert to China, the new territory at least.

Mr. CONABLE. Certainly, however, it is a splendid imperial jewel in the navel of Red China.

Professor COHEN. Yes, and she gets a great deal politically and commercially out of her relations with Hong Kong.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. Mr. Chairman, I will be brief because I realize we have 15 more sets of witnesses today.

I want to ask Mr. Foss some questions about how you do business in Romania, because I am not familiar with the method. Apparently when you go there you go under the blessing of OPIC. Do you take OPIC insurance with you, is that right?

Mr. Foss. Hopefully, yes.

Mr. GIBBONS. You have not gotten it yet?

Mr. Foss. At the present time we have not.

Mr. GIBBONS. Maybe these questions are all premature. Do you have a plant there now, or are you just planning it, contemplating a plant?

Mr. Foss. What we have at the present time is an agreement to build a $75 million tire complex in Romania. It is being built for the Romanian Government, the Ministry of Chemical Industries. We are supplying the overall engineering, design, construction supervision, and product technology.

Mr. GIBBONS. Whom will the plant belong to? Will it belong to you?

Mr. Foss. No, the plant will belong to the Romanian Government, although we do have a tentative agreement or understanding with the Romanian Government to acquire an equity participation in the plant if at a later date it proves mutually beneficial to them and to ourselves.

Mr. GIBBONS. I would assume under your system of bookkeeping you would eventually make a profit out of this deal. Would your profit stay in Romania or would you bring it back?

Mr. Foss. Our profits will result from our engineering and technical services and our design services. The profits will be brought back to the United States.

Mr. GIBBONS. In other words, it will be taxed in this country?

Mr. Foss. That is correct.

Mr. GIBBONS. Thank you.

The CHAIRMAN. Are there any further questions?

Mr. Brotzman.

Mr. BROTZMAN. Will you be paying taxes in Romania?

Mr. Foss. There are no taxes on our property for this project in Romania.

Mr. BROTZMAN. Thank you.

Mr. Foss. The full amount of our profits, if you care to classify them as such, will be taxed in the United States.

The CHAIRMAN. Mr. Karth.

Mr. KARTH. Thank you, Mr. Chairman.

Mr. Foss. There will be no foreign tax credit.

Mr. KARTH. Mr. Moos, will there be any correlation between agricultural exports and associated products like fertilizers and increased domestic prices for agricultural products?

Mr. Moos. Are you referring to the Socialist countries now?

Mr. KARTH. I am referring to all exports. Is there any correlation between agricultural exports and associated products like fertilizers which are already in short supply and increased domestic prices of agricultural products? Is there any correlation between these two?

Mr. Moos. Are you referring to the importation of fertilizers?

Mr. KARTH. No. I am referring to the exportation of fertilizers. Is there any correlation between the exportation of agricultural products and fertilizers, for example, and the domestic cost of agricultural products?

Mr. Moos. Certainly the increasing demand for food in the other countries of the world has increased our opportunity for exports. That increasing demand has prompted those countries to try to develop their own technology of agricultural products which results in the purchase of fertilizer and other agricultural productivity type products from the United States.

Mr. KARTH. Is there any correlation between our exporting those things and the domestic price of agricultural products?

Mr. Moos. The foreign demand of course is just another part of the competitive demand in our marketplace. I think perhaps what you are referring to is what influence has the Russian's purchases, for instance, had on the price of grain in the United States? That demand of course has increased the price of grain in the United States. As other countries of the world attempt to raise their standard of living by better nutrition, if they can't produce it themselves, if they are buying it on the markets of the world, if they buy it from the United States, it is going to put competitive pressures into our domestic market.

Mr. KARTH. How much have those wheat transactions increased the price of that product here in America?

Mr. Moos. That is pretty difficult to judge. You don't know whether the present increases in prices are completely due to the Russian wheat sales or to the expanded demand around the world.

Mr. KARTH. I am sure it is difficult for you to make that estimate.

Let me ask you this question. If we export to the degree that you and some other people think we can export agricultural products, how much do you think that will increase the domestic price of agricultural products?

Mr. Moos. I would have to speculate.

Mr. KARTH. Do you have any ballpark figures you might like to give for the consideration of the committee?

Mr. Moos. No; I really would not want to speculate as to what the increases might be in the domestic market price relationships. Certainly there will be some increase in domestic prices if the foreign demand is such as to put pressure on the productive capability of American agriculture.

Mr. KARTH. The foreign demand is great because the world is hungry?

Mr. Moos. Right.

Mr. KARTH. Obviously we can't produce enough to satisfy that demand.

Mr. Moos. No.

Mr. KARTH. How many acres of comparable good agricultural land is not in production today?

Mr. Moos. The estimate was that there would be somewhere between 50 and 70 million acres that had been diverted under existing farm programs.

Mr. KARTH. That is not our best land though, is it?

Mr. Moos. No. The way the farmers operate they tend to divert some of their marginal land, if it is at all possible.

Mr. KARTH. What percentage of our good land is not today in production that we might be able to put into production which would not materially affect the domestic price?

Mr. Moos. Perhaps about 10 percent.

Mr. KARTH. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions of the witnesses?

If not, we thank you again for bringing to us your testimony.

Mr. Moos. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Paul M. Deac, executive vice president, National Confederation of American Ethnic Groups.

We will be glad to hear you; if you will identify yourself for our record we will recognize you, Mr. Deac.

STATEMENT OF PAUL M. DEAC, EXECUTIVE VICE PRESIDENT, NATIONAL CONFEDERATION OF AMERICAN ETHNIC GROUPS

Mr. DEAC. I am the national executive vice president of the National Confederation of American Ethnic Groups.

Mr. Chairman, we, the National Confederation of American Ethnic Groups, representing a broad-based leadership coalition of some 41 nationwide cultural, civic, fraternal, and religious organizations dedicated to the progress and well-being of U.S. citizens of continental European and Asian ancestry, appreciate the courtesy of being admitted to testify in favor of the President's proposed Trade Reform Act of 1973.

We have studied this proposal carefully from the viewpoint and interests of middle America—meaning primarily the workingman and woman—and found it sound and worthy of our support.

To us in the Confederation, this measure, if approved by Congress, will mark another step toward world peace through expanded world trade. To America's working masses this can and should mean

greater prosperity and, therefore, more economic security. We stand four-square behind legislation which promises to, here I quote from the President's message to Congress:

Provide more and better jobs for American workers.

Enable American consumers to get more for their money.

Expand trade and increase prosperity for United States and its trading partners.

Reduce world tensions and strengthen peace structure.

But we are also concerned with the need for a new and more equitable world economic order wherein the American taxpayer and consumer will no longer be expected to carry other less enterprising nations.

We shall continue to oppose:

Rapid increases in imports that disrupt our economy and deprive American workers of their jobs.

Unfair competitive practices of other nations.

United States imbalance of payments and the lag in dealing effectively with the evils of inflation at home.

Our Confederation welcomes our Government's readiness to avail itself of the new and vast trade opportunities brought about by the President's successful trips to Peking and Moscow, although some of our affiliates have serious reservations about the end result of this sudden shift in our relations with other nations.

We recognize that in the past economic rivalries and conflicts nearly always ended in open warfare, with all the heartbreaks, death, and devastation war implies. And, we are happy to observe that the nations of the world are now moving away from solving economic and political differences by force of arms. Negotiation is replacing confrontation on the world scene. This is one more reason why we must equip our Government to negotiate effectively with the other nations of the world.

Thanks in part to heavy injections of American aid to nations with war-shattered economies and to new and developing nations, new economic patterns have emerged; new economic energies are at work which we must take into account.

We hear much talk about the strains and stresses in world economy, but we believe these difficulties can, and will be overcome if our own leaders rise to meet these new challenges. The time is ripe for an equitable solution of world problems without recourse to arms, because most world leaders have come to realize that economic interdependence, not isolationism, shared economic leadership, not dominance by one nation over another, are the only fair and workable solutions to the complex problems brought on by the atomic age.

More and more people are aware that a broad variety of trade barriers in this and other countries cost us several billion dollars every year in higher consumer prices and inefficient utilization of our resources. The administration's proposal is designed to correct this situation.

We will not take the committee's time to dwell in detail on the many objectives of the administration's bill, as these are amply illustrated in the President's message to Congress, but there is one provision which is of special importance to ethnic Americans. We are referring to the most-favored-nation authority which the President is asking of Congress.

Our Confederation favors legislation giving our President authority to extend most favored nation status to any country when he con-

siders such a move in the best interests of our Nation. The clause giving the House or Senate veto power for a period of 3 months guarantees against any abuse of this power.

But, since this particular measure will benefit the Soviet Union primarily, and Romania secondarily, would not this be an opportune moment for the United States, using its strong bargaining position, to insist on a liberalization of Soviet policy in Eastern Europe, meaning a free movement of people and ideas—not just merchandise—across ideological frontiers? For, so far as we know, the Russians have given no indication that they may anytime in the future abandon their police state or colonial policies toward their East European neighbors. If Soviet leader Leonid I. Breshnev, who is scheduled to visit the United States in the near future, really believes in detente, he should find no difficulty in giving the world such assurances. We in the Confederation feel there can be no real peace so long as one nation arrogates the right to interfere in the internal affairs of another nation.

Should opposition to Soviet Russia prevent approval of the administration's trade reform bill, despite the Soviet Government's willingness to repay its wartime lend-lease debt to this country, we should like to recommend that President Nixon's commitment to Romania be considered apart. Reason: Our trade balance with Romania is overwhelmingly in our favor. We already sell twice as much to that country as we buy from her.

Poland and Yugoslavia already enjoy most-favored-nation status. We believe it is only fair that a country that has made such courageous strides toward independence should be encouraged and helped by freedom-loving America. So much more so that with the President's visit to Bucharest in 1969, and since, that fast-developing country has lost no opportunity to demonstrate its faith in and friendship for America and Americans. Such a gesture on our part may encourage other countries, Hungary, Bulgaria, Czechoslovakia, and others, to emulate Romania.

Romania is a developing country which possesses a wide variety of minerals and other natural resources—a challenge for U.S. investments. It also represents a rich market for American know-how, advanced industrial equipment, and finished, sophisticated, industrial products. Recently, Romania signed a $40 million contract with Boeing Aircraft Corp. for passenger planes. It is going into partnership with the Control Data Corp. for the manufacture of computers. Its fast-growing economy and the higher living standards to which the Romanian people aspire are creating new needs daily.

There is growing competition among Western nations, and others, for the Romanian market. Japan, recently, gave Romania preferential status as a developing country. Trade is important to us too, if we are to keep our greatly expanded economy humming and our citizens working. Our question is, why should not America compete with other nations for this potentially rich market which is beckoning to us? We talk about fuel shortages here. Romania has plenty of natural gas and oil reserves which could be exploited for the mutual benefit of our two countries. This is something for our Government and our big oil and gas companies to think about and examine closely before crying wolf.

We urge you, Mr. Chairman, to consider these possibilities and to give due consideration to a developing nation that seeks our friendship and is eager to engage in a mutually advantageous business with the United States.

Thank you, Mr. Chairman.

Thank you, gentlemen.

[The following material was received for the record:]

PARTICIPANT ORGANIZATIONS AND DELEGATES

Name of organization and delegates

1. Lithuanian American Council; Dr. Kazys Sidlauskas, Dr. John B. Genys,
2. National Federation for Chinese Culture and Heritage; Mr. George Young, Dr. Robert K. W. K. Loo, Mr. T. L. Tsui.
3. American Hungarian Federation; Hon. Albert A. Fiok.
4. Federation of Americans of German Descent in America; Dr. Austin J. App.
5. Hungarian Reformed Federation of America; Hon. Albert A. Fiok.
6. Slovak League of America; Dr. Joseph Pauco.
7. China Institute of America; Dr. Richard Hsu.
8. Nationalities Movement of Greater Cleveland; Mr. Joseph Bosilievic.
9. World Federation of Cossack National Liberation Movement; Lt. Col. Nicholas G. Nazarenko., Mr. Alex O'Werrch. Mr. Teodor F. Moshowoi.
10. Central Council of Polish Organizations of Pittsburgh; Mr. Anthony Studnicki, Mrs. Sophia Studnicki.
11. Thai American Alliance; Mr. Watana Keovimol, Mr. Anek Sirivich, Mr. Csareon C. Vathama, Mr. Suvich Sirivich.
12. Polish National Alliance, District 8 (Western Pennsylvania); Mr. Joseph C. Swider.
13. Byelorussian Congress Committee of America; Dr. Vitaut Kipel.
14. Organizations for Defense of Four Freedoms for the Ukraine; Mr. Michael Spontak.
15. Central Council of French and Frenchspeaking Societies in U.S.A.; Mr. Noel Pinault.
16. Italian American Coordinating Council; Mr. Vincent A. Greco.
17. Italian American Coalition (30 organizations); Mr. Vincent A. Greco.
18. Association for Chinese Heritage and Culture; Rev. Paul Szto, Dr. F. Richard Hsu, Mrs. Hsing Chow, Mr. C. T. Wu.
19. First National Polish American Revival Movement Conference; Mr. Zygmunt Nowicki, Mr. Alex Ostoia-Starzewski.
20. Pittsburgh Chapter–NCAEG; Mr. Joseph C. Swider, Mrs. Alice Stocker.
21. New York Chapter–NCAEG; Dr. Ivan Docheff, Mr. Michael Kocka, Mr. Aristide Nicolaie.
22. New Jersey Chapter–NCAEG; Dr. Otto Blazsek, Dr. Deszo Benyo, Mr. George Korduba.
23. Washington Chapter–NCAEG; Mr. Miroslav H. Gregory, Mr. Herbert J. Stone, Mr. Detlef Schlesiger.
24. Armenian National Committee; Dr. Hratch Abrahamian.
25. Croatian Federation; Mr. Joseph Bosilievic.
26. Estonian American National Council; Mr. Gerhard A. Buschmann.
27. Association for Study of Nationalities (USSR and Eastern Europe), Inc.; Mr. Paul Fenchak.
28. Hungarian Scouts Association; Mr. Victor Fischer.
29. Ukrainian American League; Mr. Michael Hanusiak.
30. American Italian Congress; Prof. John N. LaCorte.
31. Ukrainian High School (New Jersey); Mr. Myron Leskiw.
32. Ukrainian Melody Hour; Mr. Roman V. Marynowych.
33. Americans to Captive Nations, Inc.; Mrs. Mariana Mohylyn-Blume.
34. Kossacks National Representation, Inc.; Mr. Michael P. Moschaew.
35. Byelorussian Institution of Arts and Sciences; Mrs. Zora Z. Kipel.
36. German American National Congress; Mr. Detlef Schlesiger.
37. Heritage Groups Division, Republican National Committee; Mr. Laszlo Pasztor.

38. Women's League of Organization for Defense of Four Freedoms for Ukraine; Mrs. Daria Stepaniak.
39. Association of American Hungarian Academicians; Mr. Leslie Toth, Mr. Frank Veress.
40. New Jersey Association of American Ethnic Groups; Dr. John B. Tsu.
41. Circulo de Cultura Panamericano; Dr. Oscar M. Villarejo.

The CHAIRMAN. Thank you, Mr. Deac.

Are there any questions of Mr. Daec.

Mr. Collier.

Mr. COLLIER. I have just one question.

Mr. Deac, I think you have made an excellent statement.

There is one area that I find somewhat inconsistent that you might want to comment on.

Mr. DEAC. I am sorry, I can't hear you.

Mr. COLLIER. I say there is one area that I find somewhat inconsistent that you might want to clarify or comment on. You say that the United States in the course of its bargaining should use its position to insist on a liberalization of Soviet policy in Eastern Europe. In the closing sentence of the same paragraph you say that no real peace can be achieved as long as one nation arrogates the right to interfere in the internal affairs of another nation.

Mr. DEAC. That is correct. But we are referring to the Soviet Union's foreign policy here, not its internal policy, and that concerns us, and we have every right to question it as they have every right to question our foreign policy, because this governs world relations. If we were to attack the internal affairs of the Soviet Union we would be interfering. Does that answer your question?

Mr. COLLIER. Thank you, sir.

The CHAIRMAN. Are there any further questions?

Thank you again, Mr. Deac. We appreciate your testimony.

Mr. DEAC. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Lee.

Is Mr. Lee present?

The secretary general of the League of Free Romanians.

STATEMENT OF BARBU NICULESCU, SECRETARY GENERAL, LEAGUE OF FREE ROMANIANS

SUMMARY

The Trade Reform Act of 1973 is a well-timed initiative to determine a flexible and prompt answer to pressing world trade problems confronting the U.S.A.

U.S.A. in search for new world economic rapports and balances, through a more dynamic and efficient system, in order to deal expeditiously with the new problems they raise.

Substantial improvement in our international economic system, through a new era of progress and prosperity for all the nations of the world.

In granting the most-favored-nation status to any socialist country, the U.S. Congress should ask for the necessary adjustment in their respective legislations, in order to make them compatible with normal trade relations.

Some present socialist legislations constitute political blackmail, intimidation and pressure tactics against an important segment of American citizenry, of Eastern European descent, for their anti-communist activity, who are going there for trade and family reasons.

The MFN status should be used as part of a U.S. general policy of helping and stimulating the progressive opening of the socialist societies.

The President should suspend or withdraw the application of MFN status to any such country which does not respect the international rules for free world

trade, or which commits abuses against the sovereignty, integrity and the right of self-determination of other nations, through brutal military force.

The U.S.A. should intensify trade relations with Soviet Russia, while steadily asking for and encouraging the independence of its satellities.

In the case of Romania, where Soviet control has been eliminated since 1960, the U.S.A. must offer immediately a solid and continuing economic support, in order to protect its independence.

The MFN status will secure for the Soviets huge and more liberal U.S. financial credits and technology.

The U.S. trade with Romania, which is a country in the process of development, shows a constant and growing favorable balance of payments.

If the Soviet tariff status will continue to receive resistance in Congress, I recommend either to make use of Section 504 (paragraph a, point 2) of the proposed Trade Reform Act (page 56) or to act on the three prior separate Bills sponsored earlier this year and to give Romania the MFN status.

Based on previous Romanian membership in the GATT (General Agreement on Tariff and Trade), together with the United States, Poland and Yugoslavia, under which Romania assumed the same duties, similar to those required under a MFN bilateral agreement, qualifies it for MFN status.

All Americans should support the President and the Congress in their complementary duties for advancing the cause of freedom, independence and peace among nations through world trade and prosperity.

Mr. NICULESCU. Mr. Chairman and members of the committee, my name is Barbu Niculescu. I am the secretary general of the League of Free Romanians.

The CHAIRMAN. We appreciate having you with us and you are recognized.

Mr. NICULESCU. Thank you, sir.

1. The Trade Reform Act of 1973 is a well-timed initiative to determine a flexible and prompt answer to pressing world trade problems confronting the United States.

As an American citizen aware of the new world economic configuration, I consider the President's Trade Reform Act of 1973 an urgent and necessary legislative proposal.

The elements of world economy have changed drastically in the last few years and are now in the process of searching for new rapports and balances.

It is appropriate that the changes on the economic scene be encountered here by a more dynamic and efficient system in order to deal expeditiously with the new problems they raise.

The bill is advancing a series of urgent proposals to meet the new world trade situation. Under the scrutiny of Congress, with the possible technical improvements, which debate will ensure the President's act, is responding to a pressing necessity. Supporting it I express a general opinion of Americans who are aware of its importance and who are interested in trade here and abroad.

2. In granting the most favored nation status to any socialist country, the U.S. Congress should ask for the necessary adjustment within their respective legislation in order to make it compatible with normal trade relations.

Particularly relevant to the projects I am associated with is title V of the act which deals with special tariff treatment, mentioned on page 12 of the bill, which states:

> The proposed legislation would grant the President authority to extend most favored nation treatment to any country when he deemed it in the national interest to do so.

And further:

This new authority would enable us to carry out the trade agreement we have negotiated with the Soviet Union and thereby ensure that country's repayment of its lend-lease debt. It would also enable us to fulfill our commitment to Romania and to take advantage of opportunities to conclude beneficial agreements with other countries which do not now receive most favored nation treatment.

3. United States concern over freedom of movement and emigration legislation in Soviet Russia.

In the case of the Soviet Union, the U.S. Congress has succeeded to start a dialog on matters related to emigration, which forced the Kremlin to recognize the necessity of a "detente" and which of course is yet to be implemented. It is hoped that a similar procedure would be also followed with some other Eastern European countries.

Obviously, such legislations do create international tensions which could be easily interpreted as political blackmail, intimidation and pressure tactics against each other or/and against an important segment of the Western citizenry with different political convictions and who are going there for trade or family reasons.

I do recognize the general concern over this problem, but as stated by the President, I do not believe that a policy of denying MFN status to any Socialist country is a practical way of dealing with it. As a corrective solution the President should have the authority to suspend or withdraw, in whole or in part, the application of MFN treatment, title V, page 102.

It is my conviction that a normalization of trade relations with Soviet Russia and Eastern European countries is highly desirable if this is conceived as part of a general policy of helping and stimulating the progressive opening of these closed societies, through prior consultations and bilateral agreements. Likewise, all abuses committed by such nations against the sovereignty, integrity and the right of self-determination of the smaller nations, through brutal military force or self-arrogated "protective doctrines," must be corrected through bilateral agreements, prior to MFN status.

4. The Soviet overall control over Eastern European countries, amounting to more than 100 million people.

It is known that some of these socialist nations have been forced to their present status of Soviet controled countries through military force. It is also known that in all these countries there is a growing aspiration for more independence from Moscow. There is no other Western policy at present to support this trend than intensifying trade relations with Russia, while steadily asking for and encouraging a liberalization of their policies.

In the case of Romania, where the detachment from Soviet overall control has been achieved in the last few years, after the withdrawal of the Soviet troops in 1960, it would be a far cry from reality to believe that its efforts for independence would succeed without solid and adequate help from the United States and other Western countries.

5. The United States has a favorable balance of payments with Romania.

The trade experience during the last few years with Romania, which is a country in the process of development, shows a favorable U.S. balance of payments. In 1971 the United States imported from Romania goods amounting to $25 million and exported to Romania goods in value of $65 million, against 1972 which shows $35 million

in imports and $70 million in exports. Based on firm trade agreements for 1973 U.S. imports will be almost the same, while the exports will rise to about $100 million.

This increased U.S. favorable balance of payments will benefit the American economy on one hand, and the growing Romanian exports through equal tariff treatment will create, on the other hand, larger dollar reserves which will enable Romania to buy more American equipment necessary for its economy.

6. Soviet interest in obtaining the MFN status.

From a closer look at the nature of the Russian economy, one can learn that the Soviets are not in dire need of obtaining equal tariff treatment, until their industry and technical capacity will become competitive with the United States in the field of food, sophisticated consumer goods, and superior technological equipment. Until then and for a long time to come Soviet Russia will continue to import them from the United States and other Western countries with economic and technical high level.

For example, the Soviet products, such as fuel, nonferrous metals, precious metals, different minerals, energy resources, and some groups of heavy mechanical equipment for industrial and construction uses, which they are producing, are not affected by the U.S. tariff. Their interest is purely for political prestige, which will secure them huge and more liberal Western financial credits and technology.

7. Need for U.S. Congress separate tariff consideration for Romania.

As the MFN status for Romania is tied to the comprehensive trade bill, H.R. 6767, and if the Russian emigration policy will have become a continuous controversy in Congress, the solution is, either the President make use of section 504, paragraph (a) point (2) or the Congress act on the three separate bills sponsored earlier this year: S. 1085, H.R. 1931, H.R. 2034, and give Romania the MFN status.

Section 504, states that the President may extend MFN treatment to a foreign country which has become a party to an appropriate multilateral trade agreement to which the United States is also a party, which is the case with Romania. In 1971 Romania became a member to the General Agreement on Tariff and Trade, GATT, to which the United States is also a member, together with Poland and Yugoslavia, and which in 1971 supported Romanian membership. Under this agreement Romania assumed duties which are similar to duties assumed under a MFN bilateral agreement, if granted.

Based on this special circumstance Romania can become eligible for MFN status like Poland, which already received MFN status, in view of its previous GATT membership.

In this line the role of Congress is paramount. Its voice is representing the conscience of a great democracy and that of world opinion.

I feel it is a duty for all Americans to support the President and the Congress in their complimentary duties for advancing the cause of freedom, independence, and lasting peace through world trade and prosperity.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you for your very fine statement.

Are there any question of the witness?

Thank you.

Our next witness is Dr. Emanuel Merdinger. If you will please identify yourself for the record you will be recognized.

STATEMENT OF DR. EMANUEL MERDINGER, FOREST PARK, ILL., ACCOMPANIED BY RAIDIE P. MERDINGER

Dr. MERDINGER. I am Dr. Emanuel Merdinger. My professional associations are with the Illinois State Academy of Science, whose president I am. I am professor adjunct at Loyola University, Stritch Medical School, and professor emeritus of Roosevelt University in Chicago.

The CHAIRMAN. We are glad to have you with us and you are recognized, sir.

Dr. MERDINGER. Mr. Chairman and esteemed members of the Ways and Means Committee, it is a real pleasure for me to have the opportunity to appear before you and to express my opinion in association with this project of commercial law. I appreciate it first of all because it favors American industry with an increase of exports. This project will contribute also to an increase in jobs for American citizens and to an international exchange of values resulting from the sale of products made by Americans.

The necessity of developing international cooperation of reciprocal advantage is generally recognized as one of the major realities of the world of today. This necessity requires a realistic adaptation of juridic instruments. The main difficulty appears to be to reconcile general principles that are universally valid, and which we should use in a world more complex than ever before. In this complex world realistic solutions must consider the differences among nations and their mutual interests. In my opinion this law will satisfy the demands of everyone.

For the support of my view I emphasize chapter V of the legislation which deals with the most-favored-nation treatment for the socialist countries.

Trade with these countries is recognized as having great potentials for American export. This has not been exploited sufficiently. I refer especially to Romania.

As an American scientist I had the opportunity to do research at the Romanian Academy of Science in 1971–72. From my own investigation and discussions with Romanian scientists and others I am convinced that both the Government and the scientists are greatly interested in the development of commercial and political relations with the United States.

Romania was the first socialist country to be visited by an American President. Romania has undertaken a number of measures to facilitate trade with the United States by legislating guarantee of American investment there, and has assured the activities of American companies.

On these bases trade has increased from $31 million in 1966 to $100 million in 1972. There is a great possibility of tripling these figures if the most-favored-nation status is given to Romania.

Also on these bases transactions were made with Boeing, General Tire, and Control Data Corp.

Romania has natural resources which would bring advantages to both countries in a joint venture.

A major difficulty of realizing these possibilities is the lack of most-favored-nation status for Romania.

I wish to underline that the most-favored-nation treatment for Romania would not affect unfavorably the balance of payments because it would increase the export of American goods to Romania.

Besides the pure economic interest I think, Mr. Chairman, that Congress should support the development of trade relations with Romania also for political reasons.

I believe that because of the courageous stand which Romania has taken for the independence of all nations, and because of her friendship for the United States, she merits our support. Romania should be counted among our best friends, especially in her area of the world. We should cultivate her friendship and strengthen her development and independence. Our opportunity lies in granting Romania most-favored-nation status.

Thank you very much, Mr. Chairman, and honorable Members of Congress.

The CHAIRMAN. We thank you very much.

Dr. MERDINGER. I forgot to introduce my wife who was with me for 9 months in Romania and is a professional registered nurse, and may be able to answer some questions.

The CHAIRMAN. I am glad you remembered to do that. I get in trouble when I don't.

Mr. Collier.

Mr. COLLIER. Thank you, Mr. Chairman.

I don't have any questions, but, Doctor, had you not introduced your wife I assure you I would have. It is nice to have both of you here before the committee.

Dr. Merdinger is a man of great talent and is one of my most distinguished constituents.

It is good to have you here today, Doctor.

Dr. MERDINGER. Thank you, Mr. Congressman.

The CHAIRMAN. We thank you both for being here.

We appreciate your statement.

Dr. MERDINGER. Thank you.

The CHAIRMAN. Our next witness is Mr. Albert Schwartz.

Mr. Schwartz, if you will identify yourself for the record, we will be glad to recognize you.

STATEMENT OF ALBERT SCHWARTZ, PRESIDENT, SCULPTURED TUBING, INC., CHICAGO, ILL.

Mr. SCHWARTZ. I am Albert Schwartz. I am president of the Sculptured Tubing Inc. of Chicago, Ill.

The CHAIRMAN. We are glad to have you, sir. You are recognized.

Mr. SCHWARTZ. Thank you very much.

Mr. Chairman and honorable members of the Ways and Means Committee:

On April 25, 1973, I expressed my desire to appear as a witness before your committee in reference to the most-favored-nation treatment, particularly with respect to the Socialist Republic of Romania. Considering the time allotted to me for June 1, 1973 for my oral presentation, being only 7 minutes, I shall follow the instructions given to me by your honorable offices and present my written résumé as brief as possible.

I have been established in Chicago, Ill., for over 30 years, all this time in metallurgy and furniture business. Together with my family for 25 years we owned Consolidated Metal Products Co., employing between 180 and 200 employees.

In 1968 the above-mentioned company was sold, and for the past 5 years we own the Sculptured Tubing, Inc., which is a completely new development for metal processing.

I am well acquainted with the metallurgical market in the United States and have had many transactions with a company named Abbey Etna Machine Co., located in Perryburg, Ohio. This company is known nationally and internationally as manufacturers of heavy equipment for making metal pipes and tubing of all sizes.

In 1969 I signed a contract with Abbey Etna Machine Co., to go to Romania and begin negotiations, as requested by the Romanian Government, to buy a complete installation for manufacturing various types of pipe and metal tubing.

Before starting the project I communicated with our State Department inquiring what the status was selling U.S. equipment to Romania. I was advised that everything was in order and was encouraged to negotiate with them.

During the period of 1969 through 1972 I made 26 trips to Romania and on the majority of these trips I was accompanied by two or three engineers representing the Abbey Etna Machine Co. We designed and redesigned blueprints and material per their demands. All this work had to be done in advance as it is modern equipment controlled by high frequency. After all our work was done and negotiations with their engineering and technical department, our proposal was accepted and the grant total was around $7 million. Considering the Romanian Government has no hard currency, their transactions are preferred on a barter system. We were prepared to accept certain merchandise to be sold in the U.S. market by us, of course, merchandise that was short during that period in the United States, such as aluminum steel and other metal products.

Romania not having the benefit as a most favored nation treatment, the taxes for import in the United States for the above merchandise was and still is completely prohibitive. So we could not find buyers to absorb all these high taxes. The same buyers are importing at present similar merchandise from other countries with the benefit of the most favored nation treatment.

By the end of 1972, not being in a situation to absorb the excess taxes on imports, we lost our contract. A Western European company has taken over the project, having the benefit of all the work done by us. This has cost the Abbey Etna Machine Co. and myself over $200,000 and lost time. By losing that amount of money, our Government has lost part of it too, and the benefit of keeping our industries busy.

Considering that I speak the Romanian language and have acquired the experience to transact business with the Romanian Government, I was chosen by a group of wood furniture manufacturers to go with them in the near future to Romania with the purpose of importing wood and wooden furniture parts which we have a big shortage of at the present time.

The companies interested in the above transactions are: Forest Products of Morristown, Tenn.; the Shelby Williams Industries Inc.,

a division of RCA of Morristown, Tenn.; Laminite Plastics Corp. of Morristown, Tenn.; and the Duchess Furniture Co. of Florence, Ky., a division of National Service Industries. The combination of these companies employ over 6,000 employees, and to get wood now and in the future from Romania means keeping all of these people working and our industries will have the benefit of selling other products to Romania.

As an American citizen, I take pride and am very thankful for this opportunity given to me by your committee to appear before you, and hope that my request will be taken under favorable consideration.

The CHAIRMAN. We thank you, sir, for bringing your views to the committee and certainly they will be considered by the committee.

Are there any questions of Mr. Schwartz?

Thank you, sir, very much for coming to the committee.

Mr. SCHWARTZ. Thank you very much.

The CHAIRMAN. The chairman of the National Captive Nations Committee, and president, Ukrainian Congress Committee of America is our next witness.

We are glad to have you with us, sir. If you will identify yourself for the record we will be glad to recognize you.

STATEMENT OF LEV E. DOBRIANSKY, CHAIRMAN, NATIONAL CAPTIVE NATIONS COMMITTEE, AND PRESIDENT, UKRAINIAN CONGRESS COMMITTEE OF AMERICA

Mr. DOBRIANSKY. My name is Dr. Lev E. Dobriansky, professor of economics, Georgetown University, and, as you indicated, president of the Ukrainian Congress Committee of America, and chairman of the National Captive Nations Committee.

The CHAIRMAN. We are glad to have you, Dr. Dobriansky.

Mr. DOBRIANSKY. Thank you, Mr. Chairman.

Mr. Chairman and members, I am grateful for this opportunity to present the views of the two national organizations it is my privilege to head and for myself, as concern titles I and V of the Trade Reform Act of 1973. As long-time advocates of a realistic poltrade policy toward the Soviet Union and other totalitarian Communist States, we maintain that, with regard to title I, strong authority be vested in the Presidency for new negotiations and, in connection with title V, that the most favored nation treatment be denied at this time to the Soviet Union.

Within the time allowed and concentrating this testimony on the latter, it will emphatically be shown that the provisions of the two titles in the act are inextricably woven with the poltrade concept and, significantly, unchanged structural essentials that I elaborated to this committee back in 1955.[1] For, substantially, while we are considering more liberalized trade with the Soviet Union almost two decades after, nothing really has changed in the broad politico-economic context except our increasing comparative disadvantage in this context, and quite modestly I would appreciate to be shown evidence provided by Government or private sources that this is to the contrary.

INDISPENSABLE BACKGROUND LESSONS

In very concise terms, there are several indispensable background lessons of history which appear to be overlooked in this whole current discussion of liberalized trade with the U.S.S.R. Just as in the cases of persons, if a nation cannot profit from the lessons of its past experiences, it may well be destined for some disaster, particularly for one that is an open society, highly resourceful, and known worldwide for its standards of freedom and human rights.

One indisputable lesson is that our trade with totalitarian powers, such as Japan, Nazi Germany, and Fascist Italy, did not serve the interests of world peace but rather contributed by the real aid given, to the furtherance of their aggressive designs which led to World War II. If acute caution is not exercised today, this lesson can well apply to the militaristic U.S.S.R. whose bid for global supremacy remains undiminished.

To support this generalization with essentialist documentation gathered in a study I made in 1965 at the Department of Commerce, which after almost 30 years still held such data in classified wrap, I respectfully request that the short chapter on "The Russian Trade Trap" in my recent book, be printed as part of this testimony.[2]

The CHAIRMAN. Without objection, it will be included in the record.

Mr. DOBRIANSKY. Thank you, Mr. Chairman.

[The material referred to follows:]

---

[1] See trade agreements extension hearings, H.R. 1, pt. 2, 1955, pp. 2333–2356.

[2] Ch. 9, "The Russian Trade Trap" of "U.S.A. and the Soviet Myth," the Davin-Adlar Co., 1971.

9 THE RUSSIAN TRADE TRAP

"The grizzly bear is huge and wild; He has devoured the infant child. The infant child is not aware it has been eaten by the bear."

A. E. Housman

IN A WAY, we, the U.S., are like the infant child. On the scale of psycho-political warfare, "peaceful co-engagement," "competitive coexistence" or whatever you wish to call it, in comparison with the Russian totalitarians we are grossly inferior in the critical areas of diplomatic maneuver, propaganda, ideological vision, totalistic thinking, long-run planning, espionage, political initiative, and sheer national will. We are like the infant child, being devoured piece by piece in world leadership and not being aware of it. When you view it in quiet perspective, our record for the past fifty years is scarcely a laudable one: military victory in two World Wars and yet a lost peace after each; a clear-cut opportunity in both wars to end the menace of traditional Russian imperialism and in each a lost one; complete military supremacy after World War II, only to be politically squandered in relatively few years; a disease-like erosion of national will begun in Korea and perpetuated in Cuba and Vietnam; and a persistently unrealistic policy toward the USSR, based on fear, ignorance, and degrees of romanticism. As mentioned before, our strength has always resided in military power backed up by our economy, but this is only one formidable factor in the

type of struggle we're engaged in, and at that a hamstrung one in environments such as Vietnam, Korea, Cuba, the Middle East and elsewhere.

The late Senator Everett M. Dirksen, the eloquent and venerable statesman from Illinois, has highlighted in a nationwide magazine the above discrepancy between Red political warfare in the area of trade and our typical commercial attitude seeking gain and "normalization" with regimes whose trademark is continual abnormalizing for the enemy, which means U.S.[1] "It's time," he wrote, "we demanded political concessions from the communist-bloc nations in return for our economic favors to them." Ascribing this position to me, the Senator was in effect adopting a suggested poltrade policy, which in essence is a politicalization of an economic instrument. The Russians and their Red offspring make great use of it; why shouldn't we, at long last. In other words, in this area it is time for us to grow up if we're not to be devoured eventually.

The subject of East-West trade is an involved and in parts a technically intricate one. It embraces a whole gamut of topical aspects, ranging from resource allocation in the USSR to West European and Japanese exploitation of the East European market.[2] The major and most important ones will be mentioned here and evaluated in terms of our working interpretation of the USSR and the Red Empire. In the compass of this chapter the reader should be able to discern the real essentials underlying this issue. Even the Russian rape of Czecho-Slovakia hasn't deterred many in this country from pressuring for more trade with the Red regimes of Eastern Europe.

Although cold war evidence of Russian and Red syndicate aggression against the Free World accumulates daily, the

[1] "Needed: A Realistic East-West Trade Policy," *The Reader's Digest*, June, 1969, pp. 129–133.

[2] For a useful inventory of all the arguments on the subject, see Samuel F. Clabaugh and Edwin J. Feulner, Jr., *Trading With The Communists*, Washington, D.C., 1968.

pressure for the swift buck in East-West trade remains unremitting.[3] Moscow's material support of totalitarian Hanoi, its triggering of the Israeli-Arab war, and indirectly, through Cuba and the Communist Party in the U.S., its political warfare exploitation of the American civil rights movement, leading to organized insurrection in our cities, make little impression on those who would beef up the Red economies to commit even greater and more disastrous cold war aggressions. To repeat, the Cold War is not at an end; on the contrary, it is more intense and complex than ever before, and trade is a vital part of it. If they knew what is being shipped to the Red Empire as "non-strategic materials" under our Government's irrational policy, the American people would be both horrified and rebellious.

Developments since World War II in the area of Free World trade relations with the expanded totalitarian Red Empire can be intelligibly reduced to a few essential and determining points. These are: (1) a repetition of errors committed in the prewar trade with the totalitarian Axis powers; (2) an almost total indifference to our past economic contributions to the imperium in imperio, namely the Soviet Union; (3) a grave limitation in general understanding of Red economic strategy in the Cold War; (4) a consequent lack of appreciation concerning the discernible outlines and inroads of Red trade aggression; and (5) the absence of a rationally appropriate and effective Free World trade policy to cope with the implicit dangers and threats of Red economic strategy and aggression. A thorough examination of all outstanding literature on the subject discloses the presence of one of any combination of these basic, ultimate points.

[3] e.g. "Policy Paper on East-West Trade," *New York Regional Export Expansion Council*, New York, 1969.

A New Generation of Errors

In our thinking on East-West trade the one conspicuous oversight is the lessons taught by our experiences with totalitarian economies prior to World War II. Except for a few references here and there, it would appear from current discussion that no such experiential background existed. What in essence is transpiring is a new generation of errors, characterized by a basic repetition of self-legitimized mistakes which, with new actors and a different setting on an old stage of imperialist totalitarianism versus freedom, yield substantially the same lines and sounds.

"Trade for peace," "trade to change the attitudes of the people," trade to reduce the power of domination and influence by the totalitarian state over another, trade to re-orient a totalitarian economy from heavy capital goods production to more consumer goods activity and also toward multilateral world trade as against economic autarchy with bilateral trade sieves, trade because other democracies are profitably indulging in this with the totalitarian states, and an inability to define precisely the nature of a "strategic item"—these dominant rationalizations and aspects marked the period of the '30s as they do now. They were employed to justify Free World trade with the totalitarian Axis powers of Nazi Germany, Imperial Japan, and Fascist Italy as they are now in relation to the totalitarian economies in the extensive Red Empire.[4] Supposedly, there were "good and bad Fascists" then as there are now "good and bad Communists."

Back in 1965, when I researched a good deal of this, I found to my amazement that there hadn't been a single book published on this subject of trade with the totalitarian economies of the '30s. Many contain a chapter or two with regard to one or the other, but none covering all three in an inte-

[4] See my piece on "Historical Lessons in U.S.-Totalitarian Trade," *The Intercollegiate Review*, Philadelphia, Pa., November-December 1966.

grated study. Worse still, for my purposes, the Department of Commerce had to declassify certain reports and data on our trade with Japan—some 24 and more years later! The footnoted article contains some of this information.

In the welter of discussion on East-West trade the striking similarities between the '30s and now deserve incessant re-emphasis. As will be shown below, the present Cold War context with all its subtleties, evasiveness, and calculated maneuvers makes the present situation an even far more perilous one. The awareness shown, for example, by the AFL-CIO Executive Council should be generalized. Referring to business deals with Communist governments, the Council has clearly stated: "It is not true that in such deals 'the only thing that matters is profit and competitive advantage.' This practice of doing 'business as usual' with the Nazi and Fascist dictators proved disastrous before World War II. 'Business as usual' with Communist dictators will certainly be no less disastrous." [5]

Some of the ideas suggested here have received only minor emphasis in current discussion. For example, a nationally known columnist has observed, "But if, as in the 1930s, the private greed supersedes the interests of the people as a whole, the world may again see a global conflict. For it was the failure of the embargo on oil against Mussolini in 1935 and the flagrant indifference of the nations of Europe to the plea of President Roosevelt in 1937 for a 'quarantine' or economic embargo against Hitler that brought on the very conditions which made World War II inevitable." [6] Quoting a *Chicago Tribune* editorial, he observes further, "Although grain is not usually classified as 'strategic material' in the sense of arms and ammunition, it certainly becomes strategic when our enemies are hungry and can't feed themselves."

That our experience before World War II must be recalled

[5] "Statement on East-West Trade," *AFL-CIO Executive Council*, Bal Harbour, Florida, March 1, 1965.

[6] David Lawrence, "Trade With West Bolsters Reds," *Syndicated Column*, October 1965.

over and over again with a necessary dimension of thought conveying the new context of protracted cold warfare is further underscored by much limited thinking in liberalizing trade with Eastern Europe. For example, a commission established by President Johnson to report on the subject well demonstrates this with its unrealistic and narrow conception of what constitutes "strategic trade" in the contemporary context. It states in its report to the President, "we rule out from these considerations any kind of strategic trade that could significantly enhance Soviet military capabilities and weaken our own position of comparative military strength."[7] Although this represents an improvement over the difficulties of thought encountered in the thirties, when far more than just scrap iron was shipped to the Axis powers, to think that strategic trade is related solely to military capability sufficiently indicates a conceptual insularity concerning the psycho-political content of the Cold War. Red propaganda employed in programs of subverting governments in the Free World, notably in Asia, Africa, and Latin America, doesn't place stress on the military powers of the USSR or even Red China but rather, and almost entirely, on the rapid economic advances of "the socialist countries."

It is noteworthy, too, that the commission virtually disregards the interrelated complexity of modern industry and agriculture, which is even more so now than in the thirties. The shipment of oil facilities, chemical plant structures, transport means, plastic and synthetic processes, high-grade fertilizers, various types of machineries for even consumer goods production, and valuable intangibles of managerial organization and talent cannot but have either direct or indirect beneficial influence for Red military capabilities. In terms of waging a psycho-political cold war, i.e., paramilitary capability, such measure of aid is absolutely unques-

[7] *Report to the President*, Special Committee on U.S. Trade Relations With East European Countries and the Soviet Union. The White House, April 29, 1965, p. 1.

tionable. But this perhaps more important factor escapes the understanding of not only the President's commission but also of most analysts of the subject.

Moreover, on the bases of developments over the past thirty years and an examination of all current output on East-West trade and the new Cold War dimension, it is no exaggeration to conclude and argue that up to this point we have developed an outlook of military preparedness toward the Red challenge which we did not have toward the Axis threat. But, as of now, we still are fully exposed to cold war Pearl Harbors because of our fundamental unpreparedness in cold warfare, which embraces economic weapons as well as all others. These cold war Pearl Harbors may occur in the Dominican Republic, Brazil, Sudan, Thailand, anywhere in the Middle East and numerous other areas in the Free World. Ironically, the leading economic powers of the Free World would in some indirect way be contributing to these outbreaks by beefing up the Red totalitarian economies through indiscriminate liberalized trade. In this broader framework of understanding, wheat shipped to the USSR so that it could meet its cold war commitments to Egypt, Cuba, and several other states is itself clearly a strategic item.

When one recounts how much the Red Empire expanded after World War II with inferior resources, one dreads to think about the long-term prospects of the empire's Cold War operations, equipped with superior resources supplied in part by the Free World. Strangely enough, most analysts ignore the cumulative long-run record and concentrate exclusively on separate annual statistics of either absolute or percentage amounts. Yet, in the case of grain, for example, it requires little imaginative thought to contemplate what the possible consequences might have been had the Red Empire been deprived of 40 million metric tons which it obtained from the Free World in the short period of 1960–64. There is no end in sight on this yet. In the sphere of complicated industrial equipment, the same perspective should apply on

both the military and cold war scales. Over the years of the '30s, the Axis powers acquired sizable amounts of economic aid for their war plans.

Now, for a moment, let's consider briefly the substantial economic contributions made by U.S. in the past to the Soviet Russian empire wherein our chief enemy resides today.

Anastas Mikoyan, the past nominal head of the USSR, once said, "A modern Communist is one who has the zeal of a Bolshevik and the practicality of a capitalist." If the record of U.S. economic contributions to the development and power of the Soviet Russian empire is any guide, Mikoyan's "modern Communist" began operating in the early '20s. There seems to be almost a cyclical pattern in our economic assistance to the growth and protection of Moscow's empire, as well as to the permanent captivity of numerous non-Russian nations in the USSR. In the 1920s, then the '30s, then in the '40s, our efforts worked to the benefit of the regime. Now again in the '60s and '70s, many would have this repeated for diverse, intentional and unintentional reasons.

In 1921, when the new Soviet Russian empire was being formed amidst famine and chaos, the American Relief Administration pursued its good, humanitarian intentions of feeding, clothing, and sheltering the people, but being an unconditional project, its expenditures of over $40 million also assisted the entrenchment of the imperio-colonialist Soviet Russian regime.[8] This was the first case of good intentions pursued in a void of political exactions that led to wrong ends. Woodrow Wilson's principle of national self-determination inspired nation after nation in the Tsarist Russian empire to establish its independence; then American economic assistance from 1919 on indirectly helped the Soviet Russian regime to destroy these independent nations.

The second case was the trade and all the contacts, peace, understanding, good will, and profits we pushed at the end of

[8] See Sister Marie Jerome Wilkerson, *The United States Contribution to the Soviet Economy*, Marquette University, Milwaukee, 1958, p. 53.

the '20s and in the '30s. By 1928–29, American industrial and electrical equipment, steel, dies, tools, oil refinery facilities and a host of other essential items poured into the USSR, along with basic American know-how and supervisory skill.[9] U.S. exports jumped from $62 million in 1926 to $136 million in 1930, then receded slightly in 1931, slumped heavily in 1932–34, and moved steadily upward to about $87 million by 1940.[10] Strong business pressure was exerted in 1932 and '33 to have the U.S. recognize the USSR, arguing that this step would lead to a substantial increase in exports. As we all know, this recognition was given in 1933, and in 1935 we entered into a bilateral commercial agreement with the USSR, the latter promising to import from us at least $30 million of goods annually.[11]

In his testimony on East-West trade, Secretary of State Rusk admitted all this. He observed: "Even before we recognized the USSR diplomatically, the Soviet trading company, Amtorg, operated widely in the United States, and American engineers and private corporations helped to build industrial plants and installations in the Soviet Union." [12] What the Secretary failed to point out is that this basic economic assistance was extended at a time when the first Five Year Plan was launched, when Moscow had embarked on an imperio-colonialist program of crushing the forces of non-Russian nationalism within its empire, when a man-made famine of staggering proportions was already in the making. In this whole period the percentage of U.S. exports going to the USSR was never more than 4.3 per cent but of what enormous incremental value it was to Moscow and its empire.

[9] S. G. Bron, *Soviet Economic Development and American Business*, New York, 1930, p. 48.

[10] U.S. Department of Commerce, *Foreign Commerce Yearbook*, Washington, D.C., 1931 thru 1939.

[11] Arthur D. Gayer and Carl T. Schmidt, *American Economic Foreign Policy*, New York, 1939, p. 242.

[12] *East-West Trade*, Part I, Committee on Foreign Relations, United States Senate, 1964, p. 3.

The third case of substantial American contributions to the Soviet Russian empire doesn't require any elaboration. Under lend-lease, U.S. exports to the USSR shot up to $1.3 billion in 1942, or about 17.6 per cent of our total exports. Our assistance totaled some $11 billion for our survival, to be sure, but also without political foresight and acumen. While we were expending parts of this toward the close of the war and even beyond, Moscow was already launching its Cold War against the West. When we finally became aware of this, lend-lease was terminated in 1947, and in 1949 the Export Control Act was passed. U.S. exports to Eastern Europe dropped from $120 million in 1948 to $2.6 million in 1951. Since the early '50s, U.S. trade with the USSR in what are euphemistically called non-strategic items grew at a slow rate, but in 1964 trade between the Free World and the Empire amounted to over $8 billion, with the United States participating to the tune of only $300 million and our West European allies to that of about $5 billion.

With regard to the unquestioned strengthening of the USSR, no one has raised the crucial point of such trade and aid contributing to the imperio-colonialist hold of Moscow over the dozen captive non-Russian nations in the Soviet Union. The United States, advocate of the freedom and independence of all nations, can scarcely maintain its historic principles by blindly trading with the USSR, Soviet Russia's primary empire, in effect reinforcing its imperio-colonialist reins over approximately 125 million non-Russians. Our sad record of the past may be explained away on grounds of ignorance and shortsightedness; today, there is little excuse for ignoring the effects of expanded trade with the USSR on the captive nations in the USSR. This even applies to the U.S. Chamber of Commerce resolution which calls "not only for freer trade with the Communists on non-strategic items, but also for tightening Free World export controls on products or material contribution to the 'build-up of Communist war-

making potential.'"[13] Some, however, "want to repeat the massive transfer to them of Western technology which took place in the thirties and early forties."[14]

Beefing Up the Red Empire

The past twenty years of developments surrounding the issue of trade with the Red Empire lend themselves to an intelligible patternization of dominant trends and phases, in terms of both volume and controls. Bearing in mind the experiences of the '30s, it is remarkable how easily the natural instinct to exchange, veritably the economic side of the instinct for peace, can be exploited to advance the strategic objectives of the Red economies. It is also startling to observe how few pay any heed to our substantial economic contributions in the past to the build-up of the USSR imperium in imperio.[15]

Some who do recognize this past record rationalize it away on the basis that selective trade now would not contribute nearly as much because it would constitute a small percentage of Red gross product, estimated over $500 billion, and that in time the Red economies will develop their own respective economic capabilities. But, then, the basic question still remains, "Why are they so anxious to indulge in trade with the industrial Free World?" What in this rationalization is overlooked, too, is the fact that the global goals, commitments, and cold war operations of the USSR in particular and the entire Red Empire in general are more positive, expressive, and costly today than they were decades ago. In

[13] "Chamber Backs Red Trade Expansion," *The Washington Post*, Washington, D.C., April 30, 1964.

[14] "Trade with Soviet Russia," *Congressional Record*, May 4, 1964, p. A2227.

[15] See "Five Perspectives On East-West Trade," *East-West Trade*, Part II, Hearings, Committee on Foreign Relations, U.S. Senate, 1965, pp. 94–104.

effect, the industrial Free World is being called in to expedite these for the far-flung empire.

Control policy over the period logically bears an inverse relationship to volume of trade; a hard policy with many extensive controls means less trade, a soft policy with fewer qualitative and quantitative controls conduces to more trade. Three distinct phases punctuate the post-World War II period. Immediately after the war, in 1945–47, Western trade with the USSR and the "satellites" was on the increase, this exclusive of residual lend-lease deliveries and UNRRA operations. By 1948 controls were instituted by the U.S. and its Western allies to curb the shipment of goods important to the empire's military strength.

This early control picture from 1948 to 1953 was reflected statistically in the decline of exports and imports concerning the empire, whether one views them on the basis of the OECD (Organization for Economic Cooperation and Development) countries, the Free World, or the United States alone. OECD exports to the empire declined from $1.1 billion in 1948 to $770.8 million in 1953, imports from $1.2 billion to $934.1 million.[16] During the same period, total Free World exports decreased from $1.9 billion in 1948 to $1.3 billion in 1953, imports from $2 billion to $1.6 billion. U.S. trade dropped in exports from $269 million in 1947 to $1.8 million in 1953, imports from $154 million in 1947 to $46 million in 1953.[17]

A new trend followed this early period, thus initiating the third phase. The year 1954 may rightly be accepted as the starting point of a period of liberalization or breakdown in controls which has continued to the very present, with forces and pressures seeking a marked relaxation, particularly in the U.S. The end of the Korean War, the death of Stalin, the

[16] *Annual Trade Statistics*, Department of Commerce.

[17] *Direction of International Trade*, United Nations, 1948; Statistical Bulletins, Foreign Trade, Series A., OECD, 1953.

bilateral and multilateral control stings felt by the empire, and a deceptive policy of peaceful coexistence resurrected by Moscow account for this change. COCOM (Coordinating Committee) lists were successively subjected to review and scaled down markedly in 1954, 1958, 1963, and 1964. In conformity with COCOM rules on individual country privilege, the U.S., however, had maintained its extensive control lists until recently.

The consequences of the soft multilateral control policy are plainly evident in the statistical data. OECD exports to the empire jumped from $770.8 million in 1953 to $2,481.4 million in 1960, and $2,972.4 million in 1963; for the given years its imports from the empire also rose from $934.1 million to $2,448.8 million and $3,150 million. Total Free World exports to the empire increased from $1,389 million in 1953 to $4,425 million in 1960 to $5,173 million in 1963; imports showed equally significant increases from $1,631 million to $4,462 million and $5,389 million, respectively. By virtue of a discrepancy in controls, U.S. exports to the empire rose only from $1.8 million in 1953 to $194 million in 1960 and $167 million in 1963; imports also increased from $46 million to $84 million and $85 million for those years.

Since 1962 powerful pressures have been generated in the U.S. for relaxed export controls. While the campaign progresses, numerous disquieting features of slipshod control administration have been emerging, as though to reinforce the campaign. In addition to renewed pressures for U.S. wheat sales to the USSR, clearances have been given for the sale of advanced technologies, specialized machinery and equipment, and industrial plants, products and data to the empire. Of the far too many examples that can be mentioned, a few should be observed here as being typical of the present trend, notably from the viewpoint of strategic materials.

In July 1965, for example, the Department of Commerce issued an export license for the shipment of over $3 million of chemical woodpulp to the USSR. This good is ultimately

used in the production of tires, both passenger cars and trucks for both military and economic build-up uses. Another license issued that month was for over $2 million worth of grinding machines to the USSR, also important militarily and economically in the transport industry. A license for the export of polystyrene to the USSR was also issued, despite the fact that the item enters critically into the manufacture of explosives, demolition blocks, nonmagnetic mines and the like. In addition, much technical data and a broad assortment of advanced machineries are being released to Rumania, Czecho-Slovakia, Hungary, and Bulgaria without certain knowledge as to their end use. Moreover, many of the clearances give every indication of prototype purchasing by the Red regimes.[18] Through July 31, 1965, the Export-Import Bank had authorized 83 commercial credit guarantees to Red states, totaling some $66 million. The 1966–67 clearances are abounding and incredible, including steel mill components, computers, missile guidance devices, industrial chemicals, converting machinery, magnetic tape units, Boron isotopes, aircraft equipment, and wide assortments of machineries.

To complete this picture in outline form, it should be emphasized that Red exports consist largely of raw materials, food, fuel, and finished natural products for imports that are chiefly of highly developed finished industrial products, whole plants, and new technologies, such as chemical processing plants, oil refineries, synthetic rubber plants, electronic computer parts, research laboratory equipment and so forth.

Given a long-run cold war viewpoint, in the 15 years of the 1950–1964 period Free World exports to the Red Empire have totaled some $49 billion, and in 1965 they well exceeded the $50 billion mark. Although total imports from the West make up only a little over 1 per cent of USSR's gross product and about 2 per cent of the combined gross product

[18] *Export Control*, 73rd Quarterly Report, 3rd Quarter, 1965, Department of Commerce, pp. 4–5, 19–20.

of the other East European Red States, and despite the even lower aggregate significance of this trade for Western Europe and the United States, over time this trade is substantial for the build-up and cold war potential of the Red Empire. And in any given year it bears disproportionate significance for selected Red industrial targets; trade between the Red states of Eastern Europe and the Western industrial countries was about $3.5 billion each way in 1964, or a total trade turnover of approximately $6 billion. Up to that time, it grew over the decade by nearly 10 per cent, exceeding the rate of growth in the overall trade of the Western industrial states. For Western European countries this trade has averaged about 3½ per cent of their total trade, for the United States scarcely 1 per cent.

Since the mid-'60s, the trend in overall trade has been markedly upward. In 1967, exports from the industrial West to Eastern Europe rose to $4.2 billion and imports to the West to $4.5 billion. Total East-West trade increased by 24 per cent over 1966. In 1968, U.S. exports to Eastern Europe amounted to $216.8 million and imports from the area $198.4 million. With growing West European trade in the area, the clamor for more U.S. business there has increased on the theory that the Red regimes are acquiring capital goods anyway from the West European economies. We'll weigh this theory, another vintage of the '30s, in the last section.

Those overemphasizing small U.S. proportions as justification for more liberalized trade demonstrate their insufficient grasp of Red economic strategy in the Cold War. Regardless of the façades of "increasingly independent" Yugoslavia, Poland, Czecho-Slovakia and Rumania, this strategy is substantially no different from the past totalitarian economic strategy of the Axis powers, with stress on overall self-sufficiency, accelerated build-up by overcoming current deficiencies, and controlled trade and foreign exchange operations. Again, in essence, the errors of thirty years ago are being repeated

again. Some 50 per cent of all trade between the empire and the Free World is accounted for by the COCOM countries, predominantly the West European ones (non-European are the U.S., Canada, and Japan). In relation to the Red Chinese sector of the empire, Free World trade has also increased since the early '50s, rising from $740 million in 1953 to $1,505 million in 1963.[19] West Germany, Japan, Great Britain, France, Italy, and Canada show up in the figures as the leading traders with the Red Empire, taking into account all sectors.

When talking about "strategic items," one need exercise only a minimum of common cold war sense in assessing these typical reports: (1) according to Moscow, USSR trade with developed capitalist nations rose 15 per cent in 1964, chiefly in industrial products (by them, total USSR foreign trade increased more than 75 per cent since 1958, to about $15.3 billion, of which about 70 per cent was with other parts of the empire; in 1967, total turnover was over $16 billion, of which about 60 per cent involved the empire); (2) Swedish firms contracted to supply Red China with heavy duty trucks valued at $30 million, apparently at the time the most important single industrial contract between Red China and a Western country[20]; (3) Fiat, the Italian auto manufacturer, is constructing an $800 million plant in the USSR, aiming to produce 600,000 cars a year and by 1972 hopes to produce 900,000 vehicles annually under license in Eastern Europe; (4) Bonn and others are seriously responding to the March, 1969 Budapest declaration of the Warsaw Pact leaders on "the necessity to implement thorough joint East-West efforts major projects in power engineering, transport, water and air space . . . ," which a redirection of East European resources from military, police, and cold war enterprises could easily

[19] *A Background Study On East-West Trade,* Committee on Foreign Relations, United States Senate, 1965, p. 67.
[20] *Toronto Globe and Mail,* Peking, June 7, 1965.

solve alone. Similar items abound monthly and add up to sizable absolute amounts yearly, at least in the light of their significance for Russian economic strategy.

Russian Economic Strategy

As stressed at the outset, there have been grave limitations in general understanding of Russian and Red economic strategy, which is part and parcel of overall Cold War strategy as directed mainly by Moscow, the chief power center of the Red Empire, and to a lesser degree by competitive Peiping. Also as indicated above, this strategy is not new, though it enjoys a considerably broader framework than prevailed prior to World War II at the hands of the Axis powers which did not command the resources now at the disposal of the Red totalitarians.

The elements of this economic strategy, which even lends itself to diagrammatic exposition, include accelerated economic growth, relative self-sufficiency, overcoming short supplies, selective bilateral trading, sustaining cold war commitments, inroads into the underdeveloped areas, East European industrial assistance for the USSR, increased productivity and fulfillment of plans, acquisition of latest technology, data, and managerial ability, Russian exploitation of the empire, concentrated deficit payments in gold, and a growing integration of the empire—all interrelated and oriented to serve the consummate goals of political subversion, takeover, and empire expansion. All of these fundamental elements fit into a working pattern of operation in which the industrial Free World countries are to play their vital, assisting role.

Many salient points in this deficient understanding, in not perceiving the situation as a whole, can be elaborated upon. Whether we recognize it or not, our past valuable assistance contributed heavily to the economic and military build-up of Soviet Russian imperio-colonialism, the effects of which have

been felt by the West since. Today, under the illusion of fostering the "independence" of East European "satellites," we are being pressed to strengthen the extended Soviet Russian empire largely through trade with its outer integral parts. It is not generally recognized that an extraordinarily high percentage of USSR imports from its Red partners in Eastern Europe is made up of industrial equipment and machinery. Rising significantly over the recent period, this machinery component represented 39 per cent in 1958, but 45 per cent in 1963 and above since then, with greater overall trade. Thus, when one reads "Present trends toward decentralization of the economic systems of the Eastern countries deserve a positive response from the West," he cannot but wonder about the politico-economic vacuum such statements are conjured up in.[21]

Thirty years ago statements of intention and aims issuing from the Axis powers were virtually ignored and even scoffed at. It is quite evident that today similar Red statements are not read or understood. They well support the facts presented here. Just to cite a few examples, it is well to recall the Marx-oriented statement of Lenin, "When the time comes to hang the capitalist class, they will compete with each other to sell us the rope." This typifies today the American business clamor for a greater share in the East European market. Khrushchev clearly stated in 1959, "We will soon need a large amount of equipment which must be designed and produced anew. It would also be expedient to order a part of this equipment in capitalist countries, primarily the United States, West Germany, and Britain." In 1959, during his visit here, he spoke quite frankly, "Some thirty years ago when our country started building a large-scale industry, good economic contacts were established with leading United States firms. Ford helped us build the motor works in Gorky. Cooper, a prominent American specialist, acted as a consult-

[21] *East-West Trade,* Committee for Economic Development, New York 1965, p. 18.

ant during the building of the hydro-electric power station on the Dnieper, which in those days was the biggest in the world. Your engineers helped us build the tractor works in Stalingrad and Kharkov. Americans, along with the British, were consultants during the construction of the Moscow subway." He also stated he wanted more, following this up to the end of his reign: "We need to study all the best achievements, the best foreign experience, and apply this ourselves in order to obtain higher labor productivity." [22]

One of Khrushchev's successors, Premier Kosygin, has continued this strain by indicating the USSR's desire to "link the long-term economic planning with foreign trade prospects to expand the Soviet market for western goods and the production of Soviet goods for export." [23] In the Red trade campaign in the Middle East and Southeast Asia, the Czechoslovak Statistical Institution observed fifteen years ago: "Czechoslovak participation in this expansion of trade is not guided by purely practical considerations. It follows a plan carefully drawn up in accordance with political considerations." [24] The director of the Department of Circulation of Goods in the Rumanian State Planning Commission stated it plainly: "We put great emphasis on modern techniques. We do not purchase equipment from abroad unless we are convinced that it is at the top of the world in technology. We find that the United States, West Germany, France and Great Britain make the finest equipment and we want to procure it. This accounts for the increase in our trade with the West." [25]

An East German economist sheds light on another dimension, eventual military and political concessions by the West: "The fact that not only the working people but a substantial

[22] *East Europe*, October 1964, p. 40.
[23] *New York Times*, December 10, 1964.
[24] *The Observer*, December 11, 1955.
[25] *Congressional Record*, November 12, 1965, p. A6427.

section of the bourgeoisie in Western Europe want closer economic relations between the two systems opens up broad opportunities for supplementing the political struggle for peaceful coexistence with economic struggle. The creation of a nuclear-free zone in the centre of Europe, renunciation by Bonn of nuclear armaments and the policy of revenge, and peaceful settlement of all outstanding questions, could create a favorable climate for closer economic collaboration between all the European countries." [26] Here a Communist writer gloats, "During 1964, big holes were torn in the remaining barriers against free trade between Socialist countries and U.S. Allies. The volume of such trade spurted forward at an accelerated rate. A further shift in domestic views put a majority of American business in favor of East-West trade." [27]

These statements are sufficient to indicate the primary factors at work in this issue. Discussion about laws, patent rights, copyrights, outstanding indebtedness and the like, is of secondary importance and suggests a blind willingness to trade with the empire. If we believe, for example, that more liberalized trade would contribute to peace, the growing independence of the "satellites," and a fairer share for American business, then an easy resolution of these secondary problems should take effect, with the Red regimes doubtlessly accommodating it in no small degree.[28] Prior to its recognition by us in 1933, the USSR repudiated debts to the U.S. valued at about $628 million. During World War II, the USSR received approximately $11 billion in U.S. lend-lease aid. By pillage, preparation, and expropriation, Moscow collected over $30 billion worth of property in Germany and elsewhere. All this did not deter us in 1951–52 from a ne-

[26] Karl Domdey, "Economic Contacts Between the Socialist and Capitalist Countries of Europe," *World Marxist Review*, November 9, 1965, pp. 9–14.
[27] Victor Perlo, *New World Review*, December 1964.
[28] For a good example of this, see "East-West Trade Bill of 1969," *Congressional Record*, April 24, 1969, pp. H3074–H3082.

gotiating figure of $800 million for Moscow to settle its debts. It balked with a counter-offer of $300 million.[29]

If we should disregard the content of Red economic strategy and plunge into a haphazard, liberalized East-West trade, some nominal settlement of outstanding obligations may be expected or the Johnson Act may be repealed. Concerning patents and copyrights, the trade-eager Russians have already demonstrated their civility by becoming the 68th member of the Paris Convention for the protection of industrial property. This "concession" is not without several subsidiary advantages to the Russians, such as buying the complex know-how along with the patent, obtaining foreign exchange from the sale of its own patents, and continued difficulties we would encounter in finding out how our patents are being used in the closed society of the USSR. Moreover, with the dubious argument of increasing their purchases here, the Russians would seek the elimination of what they consider a discrimination against their exports to us, namely withholding the most-favored-nation treatment from their exports.

Exclusive concern with these secondary problems cannot but abet the objectives of Red economic strategy, for it reinforces the underlying assumption of liberalized trade. In 1955, Khrushchev illumined the essence of Red totalitarian trade when he said, "We value trade least for economic reasons and most for political reasons." It appears rather naive for many Americans to believe that trade with the empire is a peace-contributing, normalizing agent. Trade has been and will continue to be an essential weapon in the arsenal of Red economic warfare. The outlines of Red economic strategy thus are clear for all to see: (1) acquisition of the best of Western technology in its broadest sense to augment productivity, accelerate economic growth, and reap surpluses for intensified Cold War operations; (2) furtherance of the em-

[29] *Special Study Mission to Europe, 1964*, Committee on Foreign Affairs, U.S. House of Representatives, 1965, p. 8.

pire's integration on the bases of national division of labor and a heightened intra-empire trade facilitated by products from the Free World; (3) marginal penetration of the markets in the underdeveloped areas, also indirectly assisted by Free World industrial trade and leading to political involvements designed for eventual takeover, and (4) playing off one Free World industrial competitor against another with the aim of advancing political divisions among allied Free World nations.

Mikoyan, the skilled Armenian trader and former President of the USSR, confirmed the foundation of this strategy when in 1961 he indicated how the industrial part of the Free World was to assist: "It will be necessary to make wide use of foreign trade as a factor for economizing in current production expenditures and in capital investment, with the aim of accelerating the development of corresponding branches." In short, whether by direct trade with Moscow or indirectly through the parts of the CEMA network (Council of Economic Mutual Assistance) meaning Bucharest, Warsaw, or Prague and others, the West is to enable the empire to leap over years of research and development cost so that it may be strengthened to pursue more rapidly its global objectives. As Czecho-Slovakia showed, the "independence" of any of these "satellites" is a patent hoax.

A Positive Poltrade Policy

What goods are strategic? From the analysis given here it becomes clear that virtually no goods for export to the empire are non-strategic. Its cold war economies thrive on fertilizers, food, transport facilities, plastics, clothing, etc. as they do on imported technological data, heavy machinery, and military weapons. As a vital instrument of the Red States, trade covers deficiencies in the economy, influences policies of less powerful states, affords channels for acquiring useful infor-

nation, permits industrial espionage, has wide propaganda uses, allows for psycho-political penetrations of countries and their dependence on the empire without having to go "communist," and gradually leads to a displacement of Western influence in the areas, primarily through political agitation for socialism, nationalization, and the imitation of totalitarian economic plans. In sharp contrast to normal, standard Western practices, the Red trading mechanism embraces all of these factors—ingredients of economic warfare.

One of the striking aspects of East-West trade discussion is the confusion surrounding the definition of "strategic materials." Either the discussant prattles the term with no precise definition offered or he defines it solely in terms of military weapons, disregarding the intermeshed military-political-economic mix in a totalitarian economy oriented fundamentally toward Cold War goals. It cannot be said that the Reds, like the Nazi and Fascist totalitarians, haven't time and time again specified their desires, methods, and aims. As another example, Eugin I. Cortemiev, deputy chairman of the USSR Committee for Inventions and Discoveries, frankly told a National Association of Manufacturers conference in New York that for the latest and best technology, "We are prepared to conclude not only separate license contracts but also permanent agreements on the exchange of patent rights and technical information between your companies and us." [30] An examination of the reports by a U.S. business mission to Poland and Rumania, shows a hungry appetite by the Red regimes for American techniques. Concerning the Polish, "They are very much interested in any form of cooperation with U.S. computer manufacturers, peripheral equipment manufacturers, and U.S. producers of integrated circuits, measuring and testing instrumentation." [31] The same applies to the Rumanians. American businessmen are quite

[30] "U.S. Technology Sought in Soviet," *The New York Times*, June 12, 1965.

[31] Thomas P. Collier, "Poles Enter Electronic Age," *International Commerce*, November 15, 1965, p. 14.

capable of meeting this demand, but they also make clear their inability to determine the politico-strategic importance of such trade.

Clearly, our failure to recognize the varying strategic character of all goods, consumer and capital, to the planned cold war economies of the Red Empire has bred a series of policy failures that render our posture irrational and self-defeating. Inadequate food, for instance, does not exactly bolster a Red regime's relations with the underlying populace in terms of exacted productivity, stoic acquiescence, and reduced frictions and resistance, all of which have their impact on the overall strength of the state. Our basic failure to face up to the broad strategicity of goods has accounted for the little pressure exerted on our allies to restrict their trade with the empire, the little discipline we've displayed with our own recent exports, our own violations of the Battle Act during the Korean War and since, and the rash of Free World trade with Red China while the U.S. defends the sovereignty of South Vietnam. The proliferating anomalies in the vital situation are logically traceable back to this basic failure.

The problem is not as complex as the confused thought on strategicity would make it appear. Chemical plants, for example, are a top priority item in Red import demand. Missilery, space technology, munitions, agriculture, and general industry depend heavily on such plants. Strategic? As a restricted study by the Center for Strategic Studies at Georgetown University discloses, our Manufacturing Chemists Association knows they are and, despite naive State Department urgings on Rumanian trust as to use, the group has consistently shown a reluctance to support their export to the empire. The oil offensive of the empire is a story in itself, an excellent example of empire integration through the Friendship Oil Pipe Line and also economic aggression. Strategic? The American Petroleum Institute knows it is and has opposed exports of oil processing facilities to the empire. These

cases can be multiplied along the entire spectrum of economic goods entering into a planned cold war economy.

What can we do? On the basis of given evidence, the first thing is to recognize soberly the absence of a rationally appropriate and effective Free World trade policy toward the Red Empire. Second, to urge a complete embargo, such as exists against Red China, North Korea, North Vietnam, and Cuba, or to advocate freer trade with Eastern Europe because our allies indulge in it, or because of accidental gestures on the part of the "satellites," is in the present situation an extreme course disproportionate to our strategic cold war needs. It is obviously not entirely true, as the President's Commission maintains, that "The United States has three alternatives. It can leave things as they are. It can eliminate this disparity through action across the board that would bring U.S. trading practice into line with those of our allies. Or it can modify its practices selectively and on a country-by-country basis." [32] In reality, there are two other alternatives --a complete embargo and selective country-by-country trade on the basis of political concessions; in other words, the latter being a poltrade policy with the same approach as the commission's third alternative but with a different and realistic, cold war political basis.

The poltrade policy has these five dominant characteristics: Cold War realism, freedom instrumentation, a via media approach, a formula for maximum flexibility and consistency, and a structure for positive Free World action. The first characteristic has been reflected throughout this analysis. Its content constitutes the very foundation of this poltrade policy. It refutes as illusory the basic assumptions and major reasons given for liberalized trade with Eastern Europe and emphasizes the Red economic strategy, the aggressive nature of Red trade, the vital distinction between Red states and the underlying captive nations, Red empire au-

[32] Op. cit. *Report to the President*, p. 5.

tarchy and integration, and the self-defeating character of unconditional Free World trade with the empire.

Indeed, the more one contemplates the clear-cut benefits of unconditional trade to the Red totalitarians, the more concerned one becomes about the acute vulnerabilities of the Free World. The trade issue cannot be divorced from "wars of liberation" and a host of other interrelated phenomena. Even this would be indicatively pertinent: "We have evidence," disclosed the Venezuelan Minister of the Interior, Gonzalo Barrios, "that Venezuelan Communists have been getting money from the Soviet Union, using the Italian Communist party as a vehicle. The Venezuelan Communists recently asked for additional funds designed to organize a large-scale subversive plan." [33]

Freedom instrumentation is the second characteristic, meaning the full use of trade as a means of sustaining and expanding freedom. Liberal trade advocates argue in terms of freedom, too, but their false notions about the weaning process and evolution have already been noted. With cold war realism, we should scarcely hesitate or fear utilizing trade as a freedom weapon just as the Red regimes manipulate it as a weapon for conquest. Vague rhetoric about bridges of understanding, contacts with peoples, and exchanges of ideas could hardly forge such a weapon for freedom. In the present-day context only trade predicated on specific political concession values, involving even pecuniary subsidy, can guarantee such a weapon. The one striking fact that seems to be ignored by our easy trade advocates is that for some time now the USSR, under heavy pressure of self-imposed demands on its relatively limited resources, has not had the capacity to serve adequately the needs of other East European Red regimes. Naturally, the escape valve is broader but regulated East-West trade.[34]

[33] *AP*, Caracas, Venezuela, April 12, 1965.
[34] e.g. Malcolm Rutherford, *Financial Times of London*, June 25, 1969.

The Red regimes would not, of course, find this poltrade policy to their liking. Early in 1965 the Polish premier, Josef Cyrankiewicz, already "warned the West not to demand political or ideological concessions in exchange for increased trade." [35] He seemed to forget that the empire desperately needs this trade, not we. On the Free World side, former Chancellor Ludwig Erhard of West Germany issued another type of warning when at the 13th Congress of the Christian Democratic Union he bemoaned the fact that some Western nations are "competing with each other to give the Communist East long-term credits without getting any political concessions in return." Short-term credits are also important, and on this basis West Germany has led the others in East-West trade. It cannot be emphasized too strongly that the United States leads in overall technological development, and it is this fact which places it in a unique position to determine how far the Red regime can partake of it. As one editorial has aptly put it, "Actually almost anything the Russians buy in the West is strategically important, because of the backwardness of their economy and their desperate need for Western technological assistance." [36] Bedazzled by Moscow's concentrated Potemkinist display of military rocketry, space explorations, and propagandized military strength, most Americans, even on the highest official levels, are unaware of the basically underdeveloped economy of the inner Soviet Russian imperium.

Another important characteristic of the poltrade policy is its via media approach, a general avenue between a complete embargo and free trade, yet participating in their negative and positive natures in unlimited possible combinations of bids and offers. The approach would be sharply differentiating, in breadth and depth far more so than that of the present policy. The reasons for this are an awareness of the general strategic character of all goods for the Red cold war econo-

[35] *Reuters*, Leipzig, East Germany, March 1, 1965.
[36] "East-West Trade As A Weapon," *The Chicago Tribune*, June 2, 1969.

mies and their varying degrees of strategic importance, and of the different political conditions existing in various parts of the empire in terms of oppression, persecution, special restrictions, and opportunities for internal pressure. These are the two broad bases for the operation of the poltrade formula, which would proportion trade bids to political concession bids; in short, fusing economic values with political values.

Much is uncritically made of Yugoslavia as an example of wisdom in our present policy, for $3.5 billion in U.S. assistance are chalked up its "independence" from Moscow, about 70 per cent of its trade being done with the West, and a cozy association with Free World economic organizations. Yet it's extremely difficult to perceive the political values of this pragmatic wisdom. From viewpoints of ultimate survival and ideological hue, Belgrade's interests are inextricably tied up with Moscow's and, just to mention one example, Tito's record of condemnations against U.S. action in the Congo, Vietnam and the Dominican Republic and concerning Cuba, constitutes ironic compensation of the most indescribable type. Belgrade trades with Havana and, despite its negligible power on the global scale, has played for the empire a unique role of diplomatic broker. Also, the thought of Yugoslavia setting a pattern of profitable practice for others in the Red Empire, and to the net advantage of the empire, seems to elude many. This pattern was formed not by design but rather by necessity of response to internal and external problems. In any case, the wisdom of our policy toward Yugoslavia has worked against the freedom of the various nations in that totalitarian state, as its broadened application certainly will against those in Rumania, Poland, Hungary and others. Tito may have his recurring squabbles with Moscow, but in the last analysis the survival of his regime depends on continuing Soviet Russian power.

Turning to the poltrade formula, one can see that it would be practicable and adaptable for all changing circumstances.

Scaled to priorities of political consideration, the formula allows for long-term and short-run credits, as well as cash payments. It deals in producer, capital goods and consumer goods, as well as managerial ability, organization, and technological data. In sharp contrast to present U.S. policy, it advances a principle of consistency in that its application would be directed at the Asian sectors of the empire as well as the European and Latin American. The avid use of the formula would produce considerable politico-propaganda values, since all trade transactions would necessarily be tied to specified political items. Bids for specific political concessions would make the latter integral parts of the economic valuation process just as much as Red bids for machines and so forth. It certainly would not allow us to be baited in the competitive jungle on the supposedly pragmatic basis that if an item, e.g. a computer, is available to the Red regimes elsewhere, it should be allowed for export.[37] This is tantamount to saying if others make regular attendance at a brothel, this is justification for us to do likewise.

Moreover, application of the formula would unambiguously work in behalf of the captive nations; it would not accommodate without real cost the empire's economic plans; it would uphold the efficacy of our foreign aid program by relating Red subversive efforts in the underdeveloped areas to trade offers; and it would provide U.S. with an effective leverage to solve the problem of unconditional West European trade with the empire and reorient much of this trade toward intensified intra-Free World trade. A vigorous and well-planned poltrade policy with alternative advantages for our allies and a consuming emphasis on trade for freedom would find few, if any, Free World nations seeking to help the empire unconditionally, particularly as concern savings in intangible values of time and costs of research and development. The significant fact here is that since World War II,

[37] e.g. Rowland Evans and Robert Novak, "Liberalizing of Export Act Is Given Chance as Trade Eclipses Ideology," *Syndicated column*, July, 1969.

we have never taken the leadership in this kind of Free World control over trade with the Red empire. With our power, it wouldn't be difficult to propagate such action.

Steps in applying the formula would in general be simple, methodical, and in graded order: (1) as in present policy, military weapons and space technology would face complete embargo; (2) most advanced producer goods, technology, managerialism and data would be proportioned to poltrade bids of the highest value, entailing free elections, enforcement of the national self-determination principle, the opportunity for political party pluralism, and the satisfaction of legal obligations in World War II treaties; (3) trade in less advanced producer goods, engendering the set-up of whole factories and organizational plans, would call for proportionate poltrade values in the order of dismantling the Berlin Wall, Russian, Czech, etc. exodus from Cuba, the withdrawal of USSR troops from Hungary and other captive areas, a vastly expanded cultural exchange program, proven Red support of subversion in Vietnam, etc.; (4) trade in consumer goods would also be differentiated on scales of recency, quality, and quantity and proportioned in terms of prevailing conditions and acts of religious oppression, slave labor employment, civil suppression, unjust arrests and imprisonment of Free World citizens, atrocities, the need for rehabilitating political prisoners and so forth.

These are the four general categories of poltrade application into which further specific poltrade bids would be fitted as developments and circumstances demand. Another manifest advantage of such constant predication is that the real cause of our foremost problems today will be kept in the forefront of world attention and thought. Except for a complete embargo and its justifying reasons, this is not the case with the other alternatives; indeed, they submerge these causes into temporary oblivion. Again, the argument that the empire would refuse to trade under such poltrade conditions misses the whole, crucial point of trade as a weapon for real

freedom and the tremendous leverage possessed by the West. Pursuit of the present course means endowing the Red economies with intangible values of shortened time and reduced real costs of development without, in this dimension, receiving anything in return except the spurious satisfaction of believing that dispersed contacts would lead to "greater understanding" and "evolution toward peace." Also, in the cold war context, to literally aid them to undermine us in time and everywhere is the height of folly, a fact that can easily be impressed on our allies. Rationally, a quid pro quo is demanded in these dimensions and can only be realized through advanced bargaining for counterpart, intangible freedom values. If the Red states are desperately in need of this trade, as they indicate to be, the best test of their determination is this quid pro quo approach.

As mentioned earlier, the formula's application would, of course, receive detailed treatment in relation to each Red state. If Hungary, for example, seeks Free World trade, in addition to the items stated above there are the genocidal abortion laws, the case of Cardinal Mindszenty, the reduction of the Iron Curtain, release of political prisoners, freedom of assembly for the Petofi Circle and others and a reciprocal distribution of U.S. literary output in Hungary. The same detailed treatment can be applied to any other Red state. To settle, as some "high Administration official" suggests, for "Soviet goodwill in defusing the East-West German impasse over holding West Germany's presidential election in West Berlin; Soviet help in searching for the victims of the U.S. flying Pueblo . . . ; Soviet goodwill in trying to find some workable peace formula for the Middle East . . ." means to settle for hollow appearances at the complete sacrifice of substance.[38] How easily a "high Administration official" can be duped. Doubtless, in enforcing our idea, the to-

[38] Warren Unna, "Nixon Opposes Freer Red Trade," *The Washington Post*, June 30, 1969.

talitarian regimes will cry about "interferences in internal affairs," their "national sovereignties" and the like, but these protestations are thoroughly arid in the light of history, the empire network, the basic solidarity of the entrenched Communist Parties, and the international Red conspiracy.

Lastly, the structure of positive Free World poltrade would to a notable degree be erected by the initiative and leadership of the U.S. and its poltrade policy. Though the structure should be built concurrently with the adoption of the policy, unilateral U.S. action would itself become a constructive, efficient cause for the moulding of the institution. The objective is, of course, a unity of action primarily with our West European allies, and there are numerous leverages of favor and disfavor to apply for such unity. The present lack of such unity is to a great extent ascribable to our own failure in providing the necessary leadership in the Cold War, over and beyond the military umbrella and foreign aid. A new, concentrated initiative by us should aim at the formation of a NATO Council on Free World Trade. The move would undoubtedly infuse a new life of working partnership in the Atlantic community. To maintain, as one senator has, that the Cold War is over and that trade restrictions are no longer in order is indicative of the folly of our present thinking.[39]

The Council's prime function would be a multi-lateralization of the poltrade policy. Free World countries, such as Japan, would be included as associates. Japan has been pushing its trade with the empire (Japan's 1968 trade with it increased 15 per cent over 1964 and amounts to less than 7 per cent; about $400 million with Red China, jumping 60 per cent over 1964, $30 million with North Korea, and small amounts with North Vietnam). With this economic power assembled, in the ratio of 3 to 1 to the entire Red Empire, the

[39] Sen. Warren G. Magnuson, "Introduction of The East-West Trade Relations Act of 1969," *Congressional Record*, May 27, 1969, p. S5768.

so-called Communist economic offensive would become a sterile exercise as the Free World market, particularly in the underdeveloped areas, becomes in every sense a true, free market. The new structural framework would, with qualification, accommodate the inclinations of our allies as expressed, for example, in a resolution by the six-nation Common Market Assembly stressing "the political and economic importance of trade relations with state-controlled trade, in particular with neighbor countries of East Europe, and the desirability of developing them"—yes, toward genuine freedom. Canadians selling $403 million of wheat to Red China, Italians buying natural gas from the USSR, Greeks selling wheat to Bulgaria, and multiplying day-to-day reports on unconditional Free World trade with the empire would receive an entirely new assessment under the sway of a rational poltrade policy.

Only thirty years ago we substantially committed the same trade mistake with another breed of totalitarian powers. This time it is even worse because of the cold war subtleties involved and the trained capacity of the enemy to compound the use of his relatively inferior resources. In the final analysis, the requirements of the present situation are a firm understanding of Red economic strategy, the launching of a poltrade policy to counter this strategy, and a national will to see it through. Frequent comments on the current disunity, the alleged ambiguity of strategic materials, and "our allies are trading with them" are only convenient rationalizations for less than firm action in behalf of expanded world freedom.

President Calvin Coolidge, who showed more long-run insights than some short-sighted historians credited him with, stated at the beginning of the USSR as an imperial state that "Our Government does not propose to enter into relations with another regime which refuses to recognize the sanctity of international obligations. I do not propose to barter away for the privilege of trade any of the cherished rights of humanity. I do not propose to make merchandise of any Ameri-

can principles."[40] Those seeking the swift buck—directly or by U.S. Government guarantee—are merchandising our principles. Let's see what more Coolidge said about principles—in our concluding chapter.

[40] *Annual Message to Congress*, December 6, 1923.

Mr. DOBRIANSKY. The second essential lesson of trade with totalitarian powers is the prime politicoeconomic utility of trade for the entrenchment of the regime, the suppression of internal pressures, and assisted implementation of its ultimate political goals. Anastas Mikoyan, whose trade mission here during World War II succeeded in pilfering our atomic secrets, eloquently expressed the essence of this when he said, "A modern Communist is one who has the zeal of a Bolshevik and the practicality of a capitalist." Purely economic factors of comparative advantage, relative costs, demand elasticity and the like are of subordinate importance in this politicoeconomic mold of fixed thought. The fixity of this thought applies to Brezhnev's policy as it did to Khrushchev's and Stalin's, with trade as a sieve to technologically bolster the U.S.S.R. economy, overcome its planned deficiencies, and indirectly facilitate its top priorities of expansive military strength, a deepened dependence on the other COMECON economies upon it, and the progressive flexing of political muscle in targeted areas of the free world.

Viewed in this easily, empirically substantial light, what is trade really becomes aid to the most tyrannical regime, taken in all its successions, in this century. Current illusions about a growing economic interdependence with the U.S.S.R. indicate a shallow grasp of both the nature of the U.S.S.R. economy and the empire texture of the state as a whole. The major and dominant economic trends in the U.S.S.R., with continued heavy emphasis on capital goods production and the military, the repressive consolidating process dictated and engineered by Moscow among the numerous non-Russian nations in this imperial complex, and the unrelenting push for some forms of "integration" of the satellite economies with that of the U.S.S.R. point toward a relative self-sufficiency that leaves little room for any meaningful interdependence with the West. To obtain grains when needed, to acquire the best of technology free of R. & D. costs, and for some period have all this paid with low interest loans guaranteed by taxpayers of adversary States is a neat formula for the operation of the trade sieve, especially when strategicity, as reflected in the Kama River truck works, becomes increasingly blurred.

THE POLTRADE CONCEPT

Perfectly consistent with this necessary overall view is the poltrade concept which I advocated several years ago in hearings before the Senate Foreign Relations Committee [1] and which Senator Dirksen later advanced.[2]

Briefly, the concept calls for trade in return for political concessions. As an expression of this, the President in his latest state of the world message to Congress emphasizes the point on linking "the expansion of economic relations with improved political relations." [3]

When one reduces all this to basic perspectives and analysis, the question of how much Moscow, our chief enemy, will gain in technological and economic returns to strengthen both its empire reins and bid for global supremacy becomes a very fundamental one. It

[1] East-West Trade. Hearings, pt. II, pp. 94–104.
[2] Senator Everett M. Dirksen. "Needed: A Realistic East-West Trade Policy." The Reader's Digest, June 1969, pp. 129–133.
[3] U.S. Foreign Policy for the 1970's: Shaping a Durable Peace, 1973, p. 33.

is almost self-evident that the real price for Moscow's acquisition of much needed grains and initial technology was our honorable ground withdrawal from Vietnam.

The further question is how tall a price will we be caused to pay as Moscow bolsters its sagging economy at little cost to its continued military buildup, now the largest in the world, and all sorts of intrigues and entanglements in the Free World? This real politico-economic price can be measured by having its economy shored up, indirectly facilitating its current consolidation process within, inadvertently discouraging opposition forces of freedom within its empire, and providing for greater access for its operatives in our environment than we could possibly have in its its totalitarianized arena.

CONCLUSIONS AND RECOMMENDATIONS

On the basis of this holistic outline the following conclusions and recommendations can be drawn:

1. Except for certain swift-buck operators, to view trade with the U.S.S.R. in terms of exchanges of what they possess in return for what we have is the acme of simplism. At that, Mr. Chairman, I would say they have relatively little to offer us. In the pattern of totalitarian power, both of the past and present, trade is a politico-economic instrumentality with broad societal impact and ramifications for that power.

2. In what is really a period of the confrontation of negotiations—a diplomatic tool of cold warfare long known to totalitarian powers—a poltrade policy constantly linking economic and political factors and considerations is imperative particularly in relation to the empire within an empire, the Soviet Union.

3. For this area as well as others, it is strongly recommended that title I and its authority for new negotiations be supported, but not without structural provision for a congressional watchdog committee to oversee the execution of this centralized power. The episode last year on grain deals with the U.S.S.R. was example enough of the lag in governmental surveillance over private initiatives.

4. In this context of "U.S.-U.S.S.R. Trade, At What Politico-Economic Price?", it cannot be too strongly emphasized that, even by its own admissions, the U.S.S.R. is not like any other state. Contrary to the ugliness already shown by the ignorance of several of our businessmen, the U.S.S.R. is definitely not a nation-state, and on rational grounds of accurate terminology the MFN classification is itself scarcely applicable.

The U.S.S.R. is made up of many compact nations, such as Lithuania, Ukraine, Georgia, Azerbaijan, and so forth, and fundamental issues of human and national rights are as applicable to them, not as so-called minorities but real national entities, as they are to Soviet Jewry. And the determining and important fact that the U.S.S.R., the Ukrainian SSR, and the Byelorussian SSR are signatories to the 1948 U.N. Universal Declaration of Human Rights, which conveys specific international obligations, offers no justification for Moscow's use of the traditional and specious argument on "non-interference in the internal affairs" of inner empire. Article 13 of the declaration underwrites the right of everyone to leave his country; and

5. In view of this basic fact and cognate matters of violation and injustices on the international plane, it is strongly urged that the MFN status—better a separately established most favored multinational state status—be denied at this time to the Soviet Union. There are scores of human rights violations in the despotic state of the Soviet Union, but just taking those of international import as based in the declaration itself and to which the Soviet Union is a party—such as emigration, the reunion of families, and the elimination of extortionate Soviet duty taxes on relief packages sent by Americans to the Soviet Union—sufficient cause exists for this denial at this time.

Promises and even statutory abolition of such devices as the exit tax are not enough for granting this status to a totalitarian state that has at its disposal multiple alternative means of human repression. To demonstrate the freedom of this state, Khrushchev and others have called for freer emigration.[1] An element of this feeling exists in the Soviet Union and should be tapped.

Moreover it should be pointed out that in terms of market potentiality for Soviet products here, far more essential factors are determining than a MFN status.[2] The demand appears to be more honorific on the part of the arch disciminators than economic in substance. We gave them an unjustified political parity in Moscow last year; there is no reason to donate an economic one this year without reciprocal concessions.

Mr. Chairman and members, 40 years ago while a manmade famine raged in Ukraine and elsewhere in southern Russia, costing the lives of at least 7 million people, we, in our ignorance then, were pressing for more trade and negotiations with this despotic state, and contributed heavily to its industrial foundation. Now, 40 years later, we are following the same routes but not in ignorance of the oppression of Soviet Jews, the mass arrests of Ukranian intellectuals, the widespread Russification and cultural repressions in the Baltic states, Ukraine, Turkestan and elsewhere in the Soviet Union. We, too, have come to know the instrumentalism of trade in the broader politico-economic framework that involves fundamental issues of national security, human rights, and freedom. The occasion now is to act positively on this knowledge in behalf of these goals.

The CHAIRMAN. We thank you, sir, for your very fine statement.

Are there any questions of the witness?

Yes, Mr. Collier.

Mr. COLLIER. Doctor, you indicate—and certainly there is no area for argument—that our expanding trade with the Soviet Union—I am not using your exact words—would bolster their economy and strengthen the position of the incumbent regime. However, in the event that we did not trade with the Soviet Union, looking at the world as it exists today, wouldn't the Soviet Union be in a position to expand trade elsewhere in the world so that the same result would be achieved in terms of their economy and the entrenchment of the existing regime, whether we traded with them or not?

Mr. DOBRIANSKY. Let me say this. I know what you are driving at,

---

[1] "Khrushchev Remembers." 1970, pp. 522–525.

[2] See Gregory Grossman, "U.S.-Soviet Trade and Economic Relations: Problems and Prospects." ACES Bulletin, spring 1973.

Congressman. This has been brought up in this argumentation over the years; namely, if we don't trade with them someone else will and get the benefit of it.

I submit that is on fallacious grounds in this sense, that consistently—and this can be easily documented—it is stated by their representatives that "We are primarily interested in your technology." Now what kind of technology? Really it is the most sophisticated advances that even the Japanese economies and the Western European economies cannot offer. Consequently we have to be on guard here.

Let me also state I am not against trade with the Soviet Union. The poltrade policy advocates trade with the Soviet Union, but adjusted to these political refinements. I firmly believe that in a sense you have had the first demonstration of it in the way that we are allowing for more liberalized trade with them in order for us to have withdrawn from Vietnam. In my judgment Moscow had us by the tail there right along with the consequences of the divisive situation in the United States.

The next point I would like to make here is about their capacity for trade. Now it is true that you have had an increase in that trade with the Western European economies over the past 10 years, but it is also quite true, aside from inflationary bulges, that it has more or less reached that plateau up in the range of $6 or $7 billion. I doubt very much there will be any further expansion there.

They are anxious to get in the areas of computers, petrochemicals, many machine tools, and even take the Kama River truck works, where do you differentiate? This is to be the largest truck works in the world once it is established. How much of that will go into its military capacity which continues to expand? How much of that will go into what we consider peacetime occupations? So that, in summary, they are confronted and have been, by an acute pressure of resources. They are in the meantime disinclined to redirect their resources from the military and the heavy goods into the consumer goods, which they could readily do for the increase in their standard of living and the like. As a consequence, over the past few years in terms let us say of COMECON development, they have been unable to provide Romania, Poland and the other countries within Central Europe with the necessary technologies and thus allow them to engage in freer trade with the West; and they are now in the same position.

Mr. COLLIER. Do you think, Doctor, we should assume this same position or posture with every nation in the world where ideologically we disagree or where such things take place that we do not agree with, such as nationalization, as has happened in South America? Do you think, for example, that we should assume exactly the same position with Chile where we have a Communist leader there, Allende? Do you believe this should be our policy without exception where we are dealing with totalitarian leaders?

Mr. DOBRIANSKY. No. You mentioned Chile. That still is in a state of developmental flux. It is not a totalitarian state of the nature that you have in Cuba or any of the states from the Danube to the Pacific.

Mr. COLLIER. He certainly is totalitarian. He is a Communist. He admits he is. Lock, stock, and barrel, is he not.

Mr. DOBRIANSKY. He is directing them in that area. With regard to

the state as a whole I think there are still indications that there may be a toppling of the regime somewhere along the line.

Mr. COLLIER. We not only have no restrictions on trade, we still have the investment of our Peace Corps in Chile.

Mr. DOBRIANSKY. Yes; but within Chile you still have the opportunity, which Chileans have taken advantage of, to protest, to strike, to express themselves, which you have not had by and large in any of the totalitarian states.

So, in answer to your question I would say primarily this poltrade concept would be applicable more so to the Soviet Union and to some extent to the Peoples Republic of China, and in a graduated way, let us say, to Poland, to Romania, and other states within Central Europe, because the main power is, when you look at it in real terms of power bipolarity, the Soviet Union.

Now we could even apply the same thing in a fashion to Cuba and to Chile. I see no reason why we should apply it to other totalitarian states in view of the fact that they will not really affect our national security. This would be more related to our national security and the direction primarily to that of the Soviet Union.

Mr. COLLIER. Thank you, sir.

The CHAIRMAN. Mr. Karth.

Mr. KARTH. Thank you, Mr. Chairman.

Dr. Dobriansky, let me see if I can summarize in one sentence or two what you have said. You are suggesting that the Soviet Union has spent the last 30 years or so putting together an almost total emphasis incidentally on building one of the most awesome military war-making machines in the history of mankind.

Mr. DOBRIANSKY. That is correct.

Mr. KARTH. And it has done so by assigning its very best brains, most of its human, industrial, and monetary resources to this end, and as a result of that they have had to restrict industrial development of consumer-required items, including food. By giving most-favored-nation treatment, and by selling these kinds of products to the Soviet Union we are bailing them out of their dilemma, is that what you are saying, sir?

Mr. DOBRIANSKY. Yes.

Mr. KARTH. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Conable.

Mr. CONABLE. Mr. Collier has asked the basic question that I wanted to ask, but, Dr. Dobriansky, let me ask you also—you did not say this directly, but you certainly implied it strongly—the current atmosphere of détente is illusory and part of the historic pattern of détente and freeze which has characterized the Russian policy toward the West generally. Is that what you are saying?

Mr. DOBRIANSKY. I wouldn't say it is illusory, but it has a cyclical character. You had a sort of détente beginning in 1932, 1935, 1936, and actually you had interrelated factors of trade, diplomatic negotiations and the like. We made heavy contributions with regard to their industrial foundations at that time. Actually people like Dr. Sutton and others, who have looked into this, hold that most of their technology is American-made and has been.

Mr. CONABLE. There is some hope in this country, of course, that the Russian people would constitute a market for consumer goods. Is your position that this is not a likely possibility, that that kind of evolutionary marketing within Russia is unlikely to occur? It certainly would be to our advantage to have the Russian people get more of the things they want because the pattern of such development is that the more they get the more they want, and therefore the greater the possibility of a chain of dependency if the basic Russian economic machine is not directed toward the development of consumer goods in the course of this process.

Mr. DOBRIANSKY. Definitely. Again, on the basis of past experience within the Soviet economy, you do have a vast potential market there. But by the same token there is still the Communist Party, totalitarian control, the top priorities that it has set and continues to pursue. You will get Pepsi-Cola thrown in and numerous other products, I mean as window dressing, but substantially those in the regime would not allow for that expansion of consumer production.

I mean they have the industrial wherewithall, the resources, for the cultivation of their own consumer goods market, and they have followed a carrot-stick approach in this sense over the past 10 years, allowing for more and more shoe production, textiles, and the like. But when one looks into the production of these goods they are steadily shoddy.

The Russian people, as well as the non-Russian people, who make up half the economy in the Soviet Union, themselves have been disinclined to buy these goods. As a consequence you have had a cumulation to about 45 billion rubles of savings on the part of these peoples an expression of hope that possibly somewhere along the line they can avail themselves of better goods.

But my position here is that Moscow has never stated—and there has been no indication—I have followed this carefully—that they are interested in our consumer goods.

Mr. CONABLE. Thank you.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. Actually what you are telling us is be careful.

Mr. DOBRIANSKY. Extremely so.

The CHAIRMAN. Any further questions?

If not, we thank you, sir, for your very fine statement.

Mr. DOBRIANSKY. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Mr. Beck.

Mr. Beck, if you will identify yourself for our record and those at the table with you we will be glad to recognize you, sir.

STATEMENT OF HUBERT PARK BECK, CHAIRMAN, RUSSIAN DOLLAR BONDHOLDERS COMMITTEE OF THE U.S.A., ACCOMPANIED BY NELSON BENGSTON, SECRETARY, AND MALCOLM ANDRESEN

Mr. BECK. Mr. Chairman, members of the committee, ladies and gentlemen:

I am Dr. Hubert Park Beck, speaking as the elected chairman of the Russian Dollar Bondholders Committee of the United States of America which I have been since its formation in 1964. Also, I am

professor of education at the City College of the City University of New York, and have a degree in economics, government, and history from Harvard University. I have visited some 10 cities in Russia and have observed the Russian scene since the twenties.

With me is the secretary of the committee, Nelson Bengston, who also has been elected to that position. He is vice president of Bengston & Co., Inc., a small investment securities firm in New York City. Also with me is Malcolm Andresen of New York City, an owner of Russian dollar bonds and a member of our executive committee. Our committee has no employees, no payroll, no overhead expenses and all who serve the committee do so as volunteers donating their skills and expertise.

About 3,000 U.S. citizen-taxpayer-investors own Russian dollar bonds according to our estimate. These bondholders, most of whom are of modest means, live widely scattered among the 50 States of the Union and we are here on their behalf. Many have inherited a few of these old Russian dollar bonds and held them for a full generation in the hope of getting back what their parents or grandparents paid for them during World War I.

Gentlemen, this Ways and Means Committee and the Congress are the court of last resort for these bondholders. Through our committee they are pleading with you to correct a great injustice that has continued for over half a century. The Russian dollar bondholders have received no payments of interest due from Russia and no repayments of capital due from Russia since 1919. The executive branch of our Government has failed us. Only you, the Ways and Means Committee, and the Congress, have the power to compel the Soviet to honor its defaulted Russian dollar bond debt. Let me explain briefly why we now must call on you as our last hope for help.

First, a bit of history. As part of the imperial German onslaught in World War I, crack German troops were driving ever deeper into Russia in 1916, a year before America's entry into that war. As a means of financing Russian resistance and strengthening the Russian Armies, American citizens, in July of 1916, lent $50 million to that country, accepting Russian dollar bonds in return. Six months later, in December of that year, the Russian effort against the German Armies was bolstered by a further American citizen loan of $25 million for a second issue of Russian dollar bonds.

In February of 1917 the Czar was overthrown and on November 7, 1917, the Communists seized control of the government. For 3 years after issue interest on these bonds was truly paid. However, the new Communist Government of Russia—after deserting its Allies by signing a separate peace treaty with the Germans at Brest-Litovsk—repudiated these bonds and this repudiation has continued up to today, and the Russian Government has never been willing to recognize the well-established principle under international law that a successor government which acquires the assets must also assume the legitimate debts of the predecessor government.

In the 1920's this serious default and repudiation was one of several important roadblocks against American recognition of the Soviet Government. However, in 1933 President Franklin D. Roosevelt developed negotiations with the U.S.S.R. to the point where their Commissar for Foreign Affairs, Maxim Litvinov, came here to Washington to nego-

tiate recognition of his government. According to an historical account by Arthur Krock in the New York Times of March 27, 1972: "In exchange for recognition, the U.S.S.R. assented to what the State Department—and apparently President Roosevelt—considered iron-tight agreements, one of which was, to repay Russian debts contracted by Czarist Russia, within a range of $75 to $150 million." Unfortunately, that understanding miscarried and the agreement that was finally signed with Commissar Litvinov on November 16, 1933 in Washington merely states that it was "preparatory to a final settlement of the claims and counterclaims."

Since no such final settlement was later forthcoming, the Congress became increasingly irritated over this and the defaults of other foreign nations. Consequently, in 1934 the Congress passed the Johnson Debt Default Act, 62 Stat. 744; 18 U.S.C. 955, which President Roosevelt signed into law. Such act forbids the floating of loans in the United States by defaulting nations. Today this very Johnson Act stands in the way of the administration's program for granting long-term American loans to the Soviet Union.

Gentlemen, the Russian Dollar Bondholders Committee today in this room, publicly charges that the administration is proposing to jettison a bargaining chip specifically designed by the Congress for dealing with the Russians, namely: The Johnson Debt Default Act of 1934.

Readers of the President's 50-page proposed Trade Reform Act of 1973 must go all the way to page 49 before discovering the following feature: "The Johnson Debt Default Act is hereby repealed." Title VII, section 706(g). They will further note that the April 10, 1973 17-page Message of the President on the Trade Reform Act fails to make any mention of this extraordinary abandonment of the great leverage inherent in the Johnson Act.

We ask the Congress to prevent the administration from throwing away America's most powerful weapon for obtaining justice for the long-neglected Russian dollar bondholders. Instead of following the President's suggestion of quietly repealing the Johnson Act, we urge the Congress to strengthen it. We recommend that the Congress specify that no credits of any kind, governmental or private, may be extended to nations in default of legitimate debts to American citizens or the American Government unless, and until, a satisfactory settlement has been reached of all such debts.

From time to time, the Russian Dollar Bondholders Committee and other concerned parties have urged the State Department to push for settlement of the Russian dollar bonds. Always, the reply has been the same: "Now is not the time." Gentlemen: Today is the time and the Ways and Means Committee is the place The initiative must be yours. The State Department reflecting only the administration's viewpoint has been of no help. It is you, gentlemen, who now have the ultimate power and the immediate duty to see that justice is achieved for the forgotten owners of Russian dollar bonds. We strongly urge that you do it through retaining and strengthening the Johnson Debt Default Act.

Our committee concedes that the President and Dr. Kissinger deserve great credit for placing our relations with both Russia and China on a more realistic and business-like basis. However, we are a nation and a culture that frequently go all-out in intensity, and some

would say too far, when we change momentum or direction. Our committee believes this administration is going too far when it recommends to Congress that most-favored-nation treatment be given to the U.S.S.R. before that country has regained the credit-worthiness that will only come when it has conformed to international law by negotiating and settling its legitimate debts as the successor government. We urge the Ways and Means Committee to recommend to the Congress that settlement of the Russian dollar bonds should be negotiated before most-favored-nation treatment can be granted to the U.S.S.R.

I now bring your attention to the work of the Foreign Claims Settlement Commission of the United States for two reasons. One reason is that over 800 Russian dollar bondholders participated in its program in 1958–59. The second reason is that here is an agency in the executive branch of our government whose findings and conclusions—as far as the U.S.S.R. is concerned—point in the diametrically opposite direction to that which is enunciated by the administration in its proposed Trade Reform Act of 1973. The Foreign Claims Settlement Commission report to Congress on the Soviet claims fund program which terminated on August 9, 1959 certified 1,925 awards to U.S. nationals, who filed claims against the Soviet Union as successor government amounting to about $130 million. The award money was distributed according to a legislated formula since there was only about $9 million in the Soviet Claims Fund. Such fund resulted from the so-called Roosevelt-Litvinov assignment of certain Russian assets seized by the U.S. Government at the time of the Russian Revolution. Therefore, unpaid awards of $121 million against the U.S.S.R. in favor of U.S. citizens and corporations are on the books of this U.S. Government agency which is a part of the same executive branch now recommending that Congress sanction huge credit-guarantees to the Soviet Union.

Finally, I must earnestly point out that the repeal of the Johnson Act and the extension of long-term credits and most-favored-nation treatment to the Soviet Union would have ramifications far beyond the plight of United States-Russian dollar bondholders. Such actions would clearly constitute a waiver by the U.S. Government of the important requirement of international law that a successor government in consideration of acquiring the assets of its predecessor must assume the latter's valid outstanding obligations.

We live in troubled times and changes of government by revolution and coup d'etat occur with too great frequency in many parts of the world. The United States, despite its present balance-of-payments difficulties, continues to be the world's greatest creditor nation and it would be exceedingly detrimental to our national interest if the more recent and future revolutionary regimes began following the Soviet precedent of refusing to assume the valid debts of predecessor governments.

It is interesting to note that a number of post-World War II Communist regimes in Eastern Europe have begun negotiations to settle the external debts of their predecessor governments.

Likewise the countries of South America, with more than their fair share of revolutions, have in general observed international legal principles and have not attempted to repudiate the obligations of prior governments.

The underlying reason for this observance of legal niceties on the part of the East European Communist Governments and the Latin American Republics is not based on moral or ethical considerations but it is because of the very practical fact of knowing that unless such debts are assumed no further credit will be forthcoming.

The Soviet rulers ever since the Russian revolution have believed that their system of government was so powerful and so self-contained that they could with impunity disregard the rules of international commercial comity. They were certain that the desire of U.S. businessmen to trade with the Soviet Union would eventually cause their debt repudiation to be forgotten. Yet here we are today in the anomalous situation of the Soviet Union wanting desperately to trade with us in order to obtain, for example, wheat, computer technology and automation know-how. But with the Soviet Union thus appearing hat in hand as the supplicant, this administration of bargaining chip fame is proposing most-favored-nation treatment and the granting of long-term credits to Russia without lifting a finger to force the Soviet Government to settle its long-standing defaulted obligations to American citizens.

The conclusion seems inescapable that if the Congress should pass the trade bill as proposed by the administration and make possible the extension of long-term credits and most-favored-nation treatment to the Soviet Union, the repercussions among debtor countries would be profound and clearly contrary to the national interest of the United States.

To sum up: Gentlemen, the continued existence of the Russian dollar bond debt, if not settled now, is destined steadily to undermine the relationship between the two countries. If Congress should pass up this great and most promising opportunity for achieving a complete settlement of financial claims against the Soviet Union, the results can only lead to disaster. Consider where the administration policy would lead.

A repeal of the Johnson Act and/or handling the U.S.S.R. most-favored-nation treatment on a silver platter certainly would be a clear invitation to other nations to default on their debts owed to rich Uncle Sam. Any country having difficulty in paying its foreign obligation would thus be encouraged to default. Likewise, it could be expected to request further loans for Washington and from Wall Street on the excuse that the Soviet Union, even though in default and repudiation, had obtained similar loans.

The Congress knows how eager some on Wall Street are to grant foreign loans and thereby realize large profits. Above and beyond any individual or corporate desire for quick profits, it seems to me, is the fact of the interdependence of nations and the need to strengthen the sanctity of agreements.

In this spirit, the Russian Dollar Bondholders Committee respectfully urges the Ways and Means Committee and this Congress to keep and strengthen the Johnson Debt Default Act. Also, we urge this committee and this Congress to add a provision to the proposed Trade Reform Act specifying that most-favored-nation treatment shall not be granted to, nor shall it continue in effect with any nation while that nation is in default of its debts to the U.S. Government or to U.S. citizens. Let this Congress demonstrate that it is not weaker than the Russians when it comes to taking a strong negotiating stance

The CHAIRMAN. Thank you, Mr. Beck, for your statement.

Are there any question of Mr. Beck?

Mr. BURKE. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Burke.

Mr. BURKE. As I understand you, there are 3,000 of these people who hold these bonds.

Mr. BECK. That is correct.

Mr. BURKE. You are looking for settlement of $121 million.

Mr. BECK. We are looking for settlement totally of $75 million.

Mr. BURKE. $75 million.

Mr. BECK. That is the face value, sir, of the outstanding bonds plus, of course, interest, accumulated interest, since 1919.

Mr. BURKE. That brings it up to $130 million.

Mr. BECK. A good deal more, sir.

Mr. BURKE. That would mean about $40,000 apiece for each one of these people who inherited these bonds.

Mr. BECK. Secretary Bengston knows these figures more than I, sir.

Mr. BENGSTON. I have been down here with the Foreign Claims Settlement Commission so I know this picture a little better than our chairman, who is an academic person who doesn't get to Washington as much as I do, on this subject anyway.

We estimate that number, sir, of 3,000-dollar-bondholders. It is an estimate. It is based on the fact that a little less than one-third of the bonds were involved in the Foreign Claims Settlement Commission's adjudication and that was 880 people according to their list of bondholders. So we figured that 880 were one-third, then the three-thirds would be at least three times that number. The reason I say at least three times that number, sir, is that the larger bondholders would know about it, it was advertised in the Wall Street Journal and the New York Times, but the little bondholders would not necessarily know about it, sir. Therefore, that is why we come to the figure of 3,000.

Now 3,000 bondholders own 75,000 of the bonds. That is $75 million worth, each bond being $1,000. So it means that the average holding was 25 bonds.

Now these bonds have ranged in price in the last 2 years from $10 up to almost $100 a little while back. Now they are about $50. But if they were $10, you understand, sir, the bondholders average stake was on the order of 10 times the 25 bonds that each one owned. So that would be $250. If you take the largest number of dollars that the bonds have been worth in recent years, sir, which is about 3 or 4 months ago, and now they are half that price, it would be 10 times that much, $2.500 would be the stake at the moment that the person has.

We are hoping they will be paid off, of course. Most of these folks who are small bondholders are hoping to get back the money that their fathers or grandfathers put into these bonds way back in World War I.

Mr. BURKE. More than likely their grandfathers or great-grandfathers. It will be quite a windfall for them if it goes through. I say it would be wonderful for them. I would like to be one of those fellows to receive the good news that I am getting $25,000 back on these bonds when my grandfather bought these and they have been lying in the box all these years.

Are you people authorized to make some kind of offer on what you will settle for?

Mr. BECK. Mr. Bengston will be glad to speak to that.

Mr. BENGSTON. Our little organization is not trying to do anything like that. We are just trying to inform Chairman Mills and you folks. The organization that does that settling is called the Foreign Bondholders Protective Council. Now they have been doing that. They are not governmental, but they consult with the State Department. They have been doing this, sir, since 1932, I believe.

They have negotiated with 40 different countries. I am talking about the Latin American countries that Professor Beck mentioned, and also the European countries that are now the East European countries. They have negotiated something on the order of $4.5 billion worth of bonds that have been in default with all these 40 countries. They are experts. The president is a very eminent man that I am sure many of you know, George Woods, who was chairman of the International Bank, you may remember. He is now—a volunteer, of course—the president of the Foreign Bondholders Protective Council.

It is their job to deal with the foreign government. It is our job to deal with our own Government. We have accepted this small responsibility with our small committee.

Does that answer your question, sir.

Mr. BURKE. Yes, it does.

I was wondering if they had made any offer to settle say at 25 cents on the dollar.

Mr. BENGSTON. Mr. Woods has been discussing things with the Polish Government.

Mr. BURKE. If you are trying to get dollar for dollar back with interest, it must make it quite difficult to negotiate.

Mr. BECK. Congressman Burke, this is a very key point. I am delighted you bring it up. There were many debt defaults in the 1930's. That was one of the reasons for the Johnson Debt Default Act. The U.S. representatives, and this was set up as a quasi-government organization, have held religiously to the fundamental principle that the whole sum of money that was borrowed must be repaid, that these bonds are not going to be sold, given up at a discount, even though the foreign governments would like to do that, and they sometimes go into the free market in the United States and pick up some of these bonds. For example, a settlement has been reached with Poland just some months ago.

Now there is good reason to believe that Poland is actively buying these bonds in the market now at around 30 percent of the face value because those that they don't buy up will have to be paid at 100 percent under the proposed settlement which is now in progress.

We have tried to insist that the bonds be fully paid. The debt be fully paid off even though interest sometimes is compromised in order to see there is no half repudiation by paying 50 cents on the dollar.

May I say also that the British have a similar committee which also insists similarly on a 100-percent settlement of the capital.

Mr. BURKE. I am not opposed to what you have been saying. I was just trying to get some information

Thank you very much, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

If not, we thank you, gentlemen, for your statement.

Mr. BECK. Thank you, sir.

The CHAIRMAN. Our next witness is Mr. Fletcher.

If you will identify yourself for our record we will be glad to recognize you, sir.

STATEMENT OF ALLAN L. FLETCHER, LEONIA, N.J.

SUMMARY

If the United States extends Import-Export Bank credits to all Communist as well as non-Communist developing nations, and ends its military involvement in Southeast Asia, the Soviet Union will accept comprehensive international disarmament inspection, and both China and the Soviet Union will join in disarmament negotations.

The United States will thereby not only terminate the Cold War, but will minimize the prospects for future revolutions, and facilitate the relaxation of internal controls in existing Communist countries.

The Committee on Ways and Means should therefore broaden the pending legislation authorizing Import-Export Bank credits to the Soviet Union to include The People's Republic of China, Chile, Cuba and any other developing country that might "go Communist" in the future.

Mr. FLETCHER. Mr. Chairman, my name is Allan Fletcher, Leonia, N.J. I happen to be executive editor and vice president of an organization called Academy Communications which is engaged in international medical news communication.

My presence here, however, has more to do with a background as a one-time U.S. and U.N. correspondent for the Soviet news agency, Tass, and it is against that background that I wish to speak today.

The CHAIRMAN. We are glad to have you, sir, and you are recognized.

Mr. FLETCHER. Thank you, sir.

Briefly, some concern has been expressed here, properly, as to the economic returns to this country if we were to extend Export-Import Bank credits and most-favored-nation status to the Soviet Union and the countries of Eastern Europe, and most-favored-nation status to the People's Republic of China, since the balance of trade tends to be so one sided.

I should like to suggest that this legislation be seen in a somewhat larger context and that the basis of our bookkeeping be also enlarged. I see the present bill, H.R. 6767, as a companion piece to the amendments to the foreign economic aid bill recently proposed by the House Foreign Affairs Committee. If these proposals can be seen for the moment as a unit and both could be extended to all Communist, as well as non-Communist developing nations, and if we finally terminate once and for all our military involvement in Southeast Asia, then in the basis of an ideological analysis I am profoundly persuaded that the Soviet Union will accept comprehensive international disarmament inspection and both China and the Soviet bloc will join in common disarmament negotiations with the United States and NATO.

The economic returns on this bill then could be measured in the billions of dollars by which we might be able to reduce our military budget and the accompanying reduction of imports essential to the military posture.

Furthermore, I am persuaded that this policy will also substantially reduce the prospects for future revolutions and facilitate the relaxa-

tion of internal controls in existing Communist countries, and the external controls they exercise over neighboring countries.

The rationale for these statements is based both in my personal experience as a former U.N. correspondent for Tass and on extensive correspondence and consultation with responsible parties in this country and the Soviet Union. It is summed up in the document that I have submitted for the record, since it cannot be adequately summarized in this brief presentation.

I would urge that the Committee on Ways and Means arrange through its own devices to confirm that the Soviet and the Chinese response to such a broader proposal would indeed be as I suggest, and if that be the case, that the pending legislation be amended to authorize long-term, low-interest credits not only to the Soviet Union but to China, Cuba, Chile, and any other developing country that might in the future choose the Communist approach to the problems of industrialization.

By so doing, it can shorten by years the current efforts to achieve disarmament.

Thank you, sir.

[Mr. Fletcher's prepared statement follows:]

STATEMENT OF ALLAN L. FLETCHER, LEONIA, N.J.

CREDITS HELD KEY TO PEACE AND INTERNAL RELAXATION OF COMMUNIST STATES

Mr. Fletcher speaks on his own behalf. His observations, however, reflect exchanges with, among others, Mr. Philip Kluztnick, former U.S. Ambassador to the United Nations Economic and Social Council; Mr. David Rockefeller, president, Chase Manhattan Bank; Barbara Ward, Professor of International Economic Development, Columbia University, and advisor to the Vatican; and Mr. Yuri Zhukov, associate managing editor of Pravda, member of the Foreign Policy Committee of the Supreme Soviet, and official Soviet commentator on foreign affairs.

Mr. Chairman, I hope you and the members of this Committee will forgive a rather wide-ranging discussion that may at times seem outside the purview of the Committee. Your function is not, of course, to establish a foreign policy for the United States, yet this bill, and the orientations implicit in it, are so central to our foreign policy that it is impossible to discuss it without examining larger aspects of our international posture—particularly, of course, our orientation toward the so-called Communist nations—not merely the Soviet Union, but Communism in general.

This country is in the course of a more or less pragmatic adjustment to the fact that Communism is here to stay, and that somehow we must learn to live with it and do business with it. Neither this country nor the Soviet Union can afford to allow the nuclear arms race to continue unchecked, and the dangers inherent in that race threaten both sides—as well as all other nations—with common destruction.

It is in this framework of cautious antagonism that this legislation is currently being viewed, by both its advocates and its opponents. I respectfully suggest that there is another view, more likely to produce an early accord between the United States and the Soviet Union, to ease the tensions between the Soviet Union and the People's Republic of China, and to permit the international agreement essential to comprehensive disarmament.

For many years now, we have equated the war against Communism with a war against the Soviet Union, and later, China. It has been a contest in the historic tradition of great power politics, with all the trappings of Metternichian maneuver and intrigue. In our commitment to the battle, we have accepted, in essence, the Communist perspective expressed with such exquisite simplicity by the late Nikita Khrushchev, when he said: "We will bury you." That Khrushchev

meant this ideologically rather than literally is quite beside the point. We, in turn, have responded with equal determination that "they" shall *not* bury us, either literally or ideologically.

Because of the simple *obviousness* of this relationship, it may come as something of a shock to face the fact that both sides have been operating within a frame of reference that history has declared invalid. It is, I think, time we had a new look at old truths.

MARXIST ANALYSIS DISCREDITED

Let us, briefly, go back to the God-head. We know that Karl Marx, the father of it all, was convinced that the conflicts inherent in the free market system would bring about the downfall of capitalism. He saw this as happening because industrialization brought workers together in large groups, where they would learn to act in unison against their exploiting 'capitalist masters'. He saw the middle class as being wiped out by cyclic depressions, and forced to become allies of the proletariat. He saw this volatile mass, with 'nothing to lose but its chaims', becoming the explosive base for revolution, to be seized upon and guided by a politically alert body of Communist ideologues, the 'vanguard of the proletariat'. The destruction of capitalism in the industrial countries would finally liberate the colonies from exploitation, and the world would then join together in the happy fraternity of universal Communism.

We see that, by definition, this revolution had to come about in the highly industrialized nations. Instead, the first Communist state came into being in a country barely entering the industrial revolution.

For a variety of reasons, this anomaly did not discredit the theory in the eyes of its advocates. The very fact that it opened new frontiers of social organization in a situation that warranted new frontiers was its largest commendation. Marx had been vague about the nature of the new society once the old was swept away, and that gave large latitude for new experimentation. Centralized power was a useful tool for the planned allocation of scare resources, and was certainly in keeping with the Marxist heritage. Marxist emphasis on leadership of the proletariat seemed somehow apropos, more because a working class had to be brought into being than because one existed and was coming to power. So Lenin papered over the cracks in the ideology with the observation that the Russian revolution had 'broken the capitalist chain at its weakest link', and the Soviet leadership continued to look for, and encourage, the expansion of the revolution into its 'true' home—the industrialized heartland of western Europe.

It was this 'Marxist' orientation that led the Russians to misread the situation in China, thereby helping to cause the abortive revolution of 1927, and thereafter leading them to underestimate and resist the role of Mao Tse Tung, who after 1927 began to look to the peasantry rather than to proletariat as the political base for revolution. Yet Mao, too, considered himself a Marxist, for reasons that need not be elaborated here, and it was around these matters that the seeds of the great ideological conflict between them were sown.

There are many who are unfamiliar with the ideological aspects of this conflict and tend to belittle them, and took to more traditional causes for the hostility between these two nations. I shall comment further on this in a few minutes, but for the moment let us turn from ideology to history.

The first so-called Communist revolution, we see, surprised its own ideologues, and took place in a nation on the verge of the industrial revolution. The second surprised them again and occurred in a nation still in the thrall of feudalism. Subsequently we have seen 'Communism' come to power in Cuba, and show varying degrees of potency in other developing countries—I emphasize, developing countries.

At this juncture, its major thrust is in Southeast Asia, where it is extending across Europe and Asia that continuum that marks the path, not of the Communist revolution, but of the industrial revolution. Instead of proving, historically, to be a successor to capitalism, Communism has shown itself to be a straight-line extension of the process of industrialization that started in England in the late 1700's.

ROSTOW'S ANALYSIS INADEQUATE

I am sure you are all familiar with Dr. Walt Rostow's book, The Stages of Economic Growth. In it, he correctly outlined the step-by-step expansion of industrialization, of approximate 40–50 year intervals, across the national bound-

aries of western Europe. When he came to the Soviet Union, however, he laid aside his scholarly objectivity and concluded that Communism was a "disease" of Russia's transition to an industrial state.

Since Dr. Rostow turned out to be one of the major architects of the Southeast Asian policy from which we are now trying to extricate ourselves, it is worth taking a closer look at this 'disease' which our bombs are trying to cauterize in Cambodia. The question is, is the therapy appropriate?

That the Russian approach to industrialization was a change from the traditional pattern is obvious, but it might have been more appropriate for Dr. Rostow to observe that, after 150 years of evolutionary development of the industrialized society, it would have been unintelligent and therefore unhuman for men not to have made certain broad observations as to the fundamental structures of the industrial state, and to have set about attempting to create one without the customary dependence on large-scale foreign investment. Such dependence, after all, carried with it problems of foreign economic and political control which no nation, ourselves included, has ever really enjoyed.

So the Russians, in effect, looked at the prototype of the industrial state in western Europe, and saw that they would need electric power, steel, improved rail and road transport, and other elements of what had, by that time, been sorted out as the "infrastructure" of the contemporary state, and they mobilized their manpower and set about building their new society—an industrial society.

To mobilize manpower on this scale, it takes more than mere planning. It takes a large dream—and the Marxist dream of a new world in the making was appropriate for this; it takes fear of the outsider—and the myth of the "final conflict" between capitalism and socialism lent itself to this; and it takes internal control. This, of course, ranges from closed borders to security police.

It is this basic pattern that has extended itself across China and now down into southeast Asia. It makes the bombing of Cambodia obsolete, if nothing more. You do not halt the industrial revolution by bombing it.

My point is, gentlemen, that what we call Communism does not inherently threaten the existence of the free world; it does so only to the extent that the misplaced Marxist myth is interwoven into the fabric of a nation engaged in self-industrialization, and that the myth becomes the basis for its foreign policy.

U.S. POLICY SHOULD BE BASED ON REALITY, NOT MYTH

Can we, then, sort out myth from reality?

The Russians themselves have shown us the way. Marx posits a life-and-death struggle between capitalism and socialism. But each time there has been an easing of hostilities between the United States and the Soviet Union the needs of reality have supervened over the assumptions of theory and the Russians have asked for economic and technological assistance—in the 1930's, in the 1940's after World War II, in the late 1950's, and now again the '70s.

Each rejection has thrown them back, sooner or later, on their Marxist mythology and has led to renewed hostilities and to the reinforcement of internal rigidities. If we can move to meet the real needs, however, the mythological ones can become more remote.

If capital and technology are being made available on terms acceptable to a developing country (and yes, the Soviet Union must, in a large sense, still be considered part of the underdeveloped, or at least the not-yet-fully-developed, world) then the pressures for maximized exploitation of its own manpower—and the resulting domestic curbs, and controls on emigration—become less essential to its development.

If this capital and technology are being made available by the presumptive "enemy", then the expectation of "final conflict" becomes incongruous and the basis for xenophobic fears is removed. Only with the removal of these fears can it become possible for such a nation to accept the concept of adequate inspection of military capabilities which is fundamental to any significant disarmament.

So the extension of Export-Import Bank credits and the granting of most-favored-nation status is in a very direct sense the key to inspected disarmament.

SINO-SOVIET RIVALRY

The picture, however, is not quite that simple. It is, I believe, obvious that the Soviet Union cannot disarm—cannot even accept significant reductions in armaments—so long as it has reason to fear China.

I indicated earlier my conviction that, while the overt bones of contention between the Soviet Union and China are historic—matters of boundaries and jurisdictional claims—the fundamental motivation for the conflict is ideological—part of the rivalry between them for leadership of the developing world. It is my further conviction that if the ideological rivalry could be composed, the other matters would be amenable to easy resolution.

And this country, gentlemen, holds the key to resolving that rivalry. It is the same key that would open the closed Soviet society. It is the key that you hold here in your hands.

The People's Republic of China has already indicated that it is not interested in accepting long-term credits from this country. Its reasoning is obvious. If the Soviet Union does receive such credits, China believes this would strengthen her own leadership of Communist movements in the Third World, since we, the United States, are using our aid in those countries as anti-Communist leverage.

AND A SOLUTION . . .

Let me, then, challenge your imaginations, gentlemen. What if we were to adopt a policy that would extend Import-Export Bank credits to any developing nation that required them, regardless of the path it might choose to achieve industrialization?

I believe I have made a case for the fact that it has been the absence of such assistance that lies at the root of many of the less desirable aspects of the so-called Communist state. Its availability, on the other hand, would not only modify those characteristics, but remove the central focus of Sino-Soviet rivalry—since that rivalry derives from offering the "one true way" to liberation from "capitalist-colonialist-imperalism". If we have "liberated" all the Third World nations to the point that, so far as we are concerned, they are free to revolt, reform or remain retrograde, then we shall have removed the fundamental underpinnings of that rivalry and opened the way to a new relationship between them. Only then can we anticipate the possibility of multi-national inspected disarmament. This seems to me a proposition worth considering.

. . . AND SOME CONSIDERATIONS

A. On U.S. investments

Let us for a moment, therefore, examine some of the ramifications of such a policy for ourselves.

First, there is the question of what, if anything, the U.S. stands to lose if it should accept Communist and non-Communist modes of development with equal hand. Primarily, of course, this raises the question of our direct private investments in the developing countries, and the extent to which they may be subject to expropriation without adequate compensation.

I believe our experience in Chile, particularly, underscores the need for a reassessment of our policy of demanding *immediate* as well as adequate compensation, since it is obviously the pressure of economic necessity, as well as simple nationalism, that drives a country to nationalize foreign properties. If we were to permit longer-term compensation, predicated on economic growth, we would undoubtedly have less difficulty in arriving at satisfactory settlements. And this, I believe, would be true of out-and-out Communist governments as well as any others, if they knew that substantial assistance toward their own industrialization programs hung in the balance.

Since our total direct investment in developing countries in 1971 was some $23 billion, and since, what with joint stock ventures and other mechanisms for involving host country ownership, it seems improbable that *all* of this would be subject to nationalization under even the most drastic circumstances, it would appear that we might, at worst be weighing the cost of losing some $8 or $10 billion in direct investments—which might well be recoverable on a long-term basis—against a continuing arms budget of some $80 billion a year. This seems a not unfavorable balance.

B. On the "Communist Bloc"

Second, there is the political question. Do countries that might "go Communist" necessarily become political allies of either the Soviet Union or the People's Republic of China? I think the answer is self-evident. With economic assistance from this country, such nations are able to exercise independence from either of the Communist "mother countries". While they might well not become our own committed allies, they will have gained freedom of decision. And that, I think, is one of our national aspirations: to win countries into a Free World.

And finally, there is the interesting question as to whether, by offering economic and technical assistance to developing countries that "go Communist", we do not encourage the spread of Communism.

The history of the 20th century would seem to suggest that so-called Communist revolutions take place when feudal governments are unwilling or unable to move rapidly enough to carry through the profound economic and political reforms necessary to meet the rising expectations of their people.

It may be that by ending our anti-Communist commitment, one or several such regimes might be toppled by internal forces. But it seems equally probable that the net long-term effect will be to encourage an acceleration of reform, a deepening of democratic process, a hastening of economic transformation, that can only be welcomed by the advocates of evolution.

COMMUNIST ACCEPTANCE

It is not inconsequential to ask how the Communist mind would react to all this. Locked in its semi-Marxist semi-underdeveloped-nation frame of reference, would it accept our actions in a way that would permit a drawing together of the world, or would it go off on some other unpredictable tangent, so that these efforts I have outlined, if undertaken, would prove fruitless?

I can only say that among the many resources of Marxist philosophy there is a major precept toward which objective reality would seem to drive its adherents. There is the well-known syllogism that every thesis gives rise to its own antithesis, and that from their conflict emerges synthesis. So even the most dedicated Marxist, of either Soviet or Maoist persuasion, could find an acceptable, and I believe, inevitable ideological path for entering into a new world relationship.

That, gentlemen, is my hypothesis.

I said in the beginning that my observations can be confirmed. One authority in a position to do so—Mr. Leonid Brezhnev—will be in this country later this month. I respectfully request that this Committee arrange to submit to him the following question:

"If the United States were to cease all military activity in southeast Asia, and arrange to extend Import-Export Bank credits, not only to the Soviet Union, but to the People's Republic of China and any Communist or non-Communist government requesting such financing, based only on reasonable economic considerations, would the Soviet Union accept comprehensive international inspection as a premise for nuclear and conventional disarmament?"

I also respectfully request that this same question be submitted to the second authority in a position to substantiate or disprove my analysis, Chairman Mao Tse Tung.

I do not believe you will get prompt on-the-spot replies, for these matters go to the heart of Communist perspectives, and will require thorough consideration. But I would hope that this Committee might withhold final action on this bill until responses can be obtained, so that the appropriate broadening amendments may be added. The slight delay might well save years of the most difficult negotiating.

Thank you.

The CHAIRMAN. We appreciate your statement and suggestion to us, Mr. Fletcher.

Are there any questions of Mr. Fletcher?

Thank you very much. Your fuller statement will appear in the record at the conclusion of your oral statement, without objection.

Mr. John Nelson Washburn.

Mr. Washburn, if you will identify yourself for the record, you will be recognized.

STATEMENT OF JOHN NELSON WASHBURN, WASHINGTON, D.C.

SUMMARY

In the light of the honest gratitude expressed October 4, 1943 to President Franklin D. Roosevelt in the White House by the Soviet Union in the person of Andrei Gromyko on becoming Ambassador to the country providing enormous Lend-Lease aid to the U.S.S.R., and in the light of the increasingly dishonest and

propagandistic treatment accorded in the literature, theater arts and media of the U.S.S.R. to a mellow wartime comedy exploring the feasibility of postwar Soviet-American trade written by the well-known Ukrainian Soviet playright and statesman Oleksandr E. Korniichuk, recently deceased, it is respectfully submitted that United States-Soviet trade in accordance with The Trade Reform Act of 1973 can be conducted with honor only if Most-Favored Nation Tariff Treatment for the U.S.S.R. in the U.S.A. can be conditioned upon a clearly visible Soviet commitment to honesty in connection with United States Lend-Lease aid to the U.S.S.R. in World War II expressed forcefully to citizens of the U.S.S.R. annually on May 9 from 1974 through 2001, the year of the final installment in Soviet payments to the United States under the Lend Lease Settlement of October 18, 1972.

In order to ensure such an unchallenged Soviet commitment to honesty about Lend Lease as would be achieved through republication of Gromyko's speech of October 4, 1943 in both *Pravda* and *Izvestiya*, where it appeared October 6, 1943, Section 502(a) should be amended by adding at the end after "national interest": "as already evidenced by specific appropriate acknowledgment by the Governments of such countries to their own peoples of receipt and effective use of military aircraft and material delivered under lend-lease during World War II to the Soviet Union."

Mr. WASHBURN. My name is John Washburn, Washington, D.C. I am an international lawyer. I would like to commence my statement on page 2, the first summary was given in response to the committee's suggestion that there be a summary statement. So if I might begin with page 2.

The CHAIRMAN. With the knowledge that it will be put in the record as delivered in its entirety.

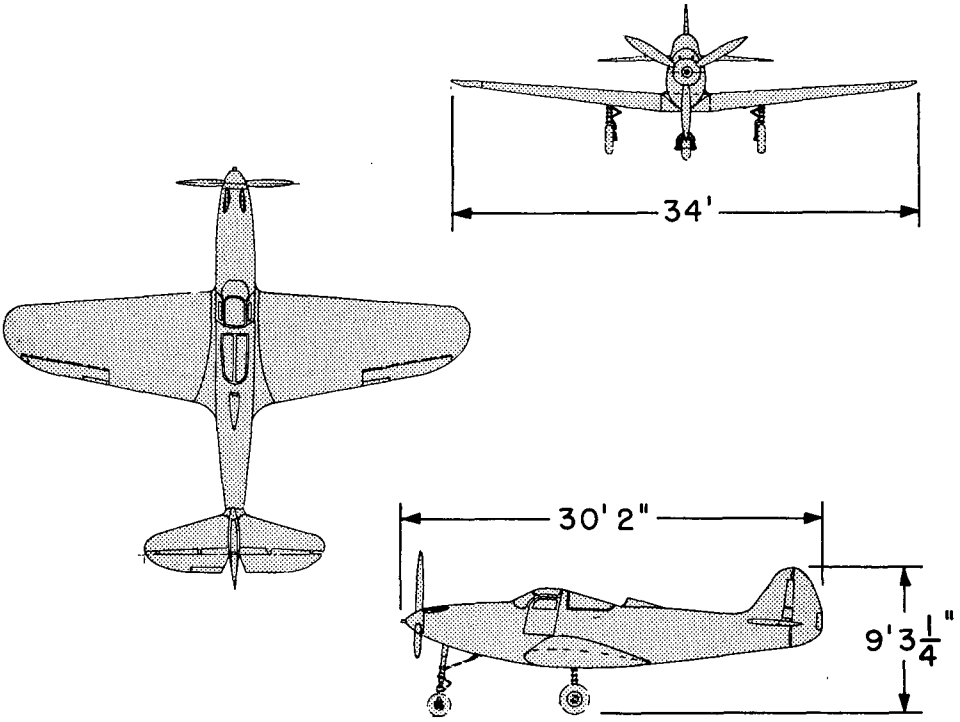
Mr. WASHBURN. Might I submit for the record not only the the October 9, 1943, Department of State Bulletin's full statement of Andrei Gromyko's speech, but also the October 6, 1943, full statement of Pravda and Izvestiya newspapers of the Soviet Union's Communist Party and of the Soviet Government, respectively, a full statement of that very important speech of October 4, 1943, for your record.

The CHAIRMAN. Without objection, that will appear in the record at the conclusion of your statement.

Mr. WASHBURN. Thank you very much, sir. I shall proceed.

I am going to discuss Airacobras, and I would like the members of the committee to see the photograph of the P–39 Airacobras that Bell Aircraft Corp.—now Bell Aerospace Co.—supplied me with, so that you have a feeling for what we are discussing now.

[The photograph referred to follows:]



Mr. WASHBURN. In connection with airplanes mentioned October 4, 1943, by Andrei Gromyko, it will be recalled that during 1942–43, according to data issued by the Office of the Chief of Military History, Department of the Army, in 1952, exactly 1,161 of the nearly 10,000 Bell Aircraft Corp. P–39 Airacobras produced in the United States in World War II were delivered already assembled to the Soviet Union in the Persian Corridor by the U.S. Army.

In his book Lend-Lease: Weapon for Victory, prepared in the summer of 1943, Edward R. Stettinius, Jr., Director of the Lend-Lease Administration, wrote:

> Around the middle of 1942, the first P–39 Airacobras began to arrive from the United States and they immediately became very popular with the Red Air Force. Captain Eddie Rickenbacker told me when he returned from Russia this summer that he had visited two Red Air Force squadrons on the Orel Front equipped entirely with the P–39s. One young fighter pilot with whom he talked had 27 Nazi planes to his credit—Folke-Wulfs and Messerschmitt 109s. The P–39 could outdive and outfight either one of them, the pilot told him.

Ukranian playwright Oleksandr E. Korniichuk, also known by the Russian spelling of his name—Aleksandr Korneichuk, was Deputy People's Commissar of Foreign Affairs of the U.S.S.R. from March 23, 1943, to February 3, 1944. Then, pursuant to the Soviet Union's governmental reorganization plan enacted February 1, 1944, Kornichuk became the first People's Commissar of Foreign Affairs of the Ukrainian S.S.R., serving from February 5 to July 13, 1944, under Nikita S. Khrushchev, Chairman of the Council of People's Commissars of the Ukrainian S.S.R. While officially occupied with the conduct of Soviet foreign relations in 1943–1944, Korniichuk wrote "The Mission of Mr. Perkins to the Land of the Bolsheviks"—

hereinafter referred to simply as "Perkins' Mission"—a comedy exploring the feasibility of postwar Soviet-American trade. Its existence was reported July 8, 1944, in the Soviet press, and July 11 in the New York Times; in both reports the author was said to be Aleksandr Aidar, a pseudonym for Korniichuk.

Perkins' Mission was first performed on August 18, 1944, at the Shevchenko Theater in Kharkov. In this initial Ukrainian-language production Perkins the Chicago businessman was pitted against anti-Soviet Chicago newspaperman Mr. Page. In the initial Russian-language production of "Perkins' Mission," which had its premiere in one of the best theaters of Kiev, capital of the Ukraine, the reactionary traveling companion of Mr. Perkins was a villain by the name of Mr. Hemp. The switch of names on stage accorded with the text of the first of the first major Russian translation of "Perkins' Mission," which appeared in a Moscow journal's July–August 1944 issue actually printed in November of 1944.

In a change of plans announced December 2, 1944, the Theater of Satire rather than the Maly Theater was ordered to stage Moscow's sole production of "Perkins' Mission." William H. Lawrence, Moscow correspondent of the New York Times, attended the premiere December 14, 1944. His report stated:

> Much of the second act is taken up with sarcastic remarks about the Allies' delays in establishing a 'second front' while the Soviet Union was bearing the main brunt of the war.

The mellow mood of Korniichuk's wartime Ukrainian comedy dealing with the world situation as of the autumn of 1943 and completed before the June 1944 Allied cross-Channel invasion, had been transformed on a Moscow stage dedicated to satire, into a sour propaganda piece studded with sarcasm about the second front. Five months before V–E Day, anti-American sarcasm of the cold war type was injected into the heart-to-heart conversation in act II between the very fat 60-year-old American millionaire and the equally rotund 60-year-old manager of a Soviet hogfarm in the Ukraine. This new question and answer sequence was provided:

> CHUMACHENKO. Why the Hell did you delay the second front for so long?
> PERKINS. Frankly, the second front is a matter of strategy. It's clearer to military personnel * * *

As the wartime and postwar Soviet anti-American propaganda campaign was escalated, publishing houses of the U.S.S.R. which issued newer editions of Korniichuk's collected plays shamelessly undertook to doctor passages in the text of earlier Ukrainian and Russian-language versions of "Perkins' Mission." Missing in the lines of Chumachenko in act II of the 1944 Russian text and also the 1947 Ukrainian text, for example, were four sentences testifying to the deadliness of P–39 Airacobras in the hands of Soviet combat pilots. Proof of the deletion is provided by the truncated 1956 Russian text with "Kobre" out, and the truncated 1950 Ukrainian text with "Korbi" removed, both of which have been set forth, together with the corresponding honest text published earlier and an English translation of the honest texts containing the four compromising sentences.

Page 5 contains the evidence of the four sentences deleted.

[Page 5 of the statement follows:]

(3171)

English Translation of the 1944 Russian Text and 1947 Ukrainian Text

PERKINS. Do you know how America is aiding you? Do you value our aid?

CHUMACHENKO. We know about it and we value it highly. I have a son who flies one of your "Cobras". He praises it very much. He writes that in it he shot down ten German airplanes. I am much obliged to you for it. In our country every citizen knows that America is our friend.

PERKINS. Miss Down, make a note of that. America must

THE DISAPPEARING "COBRAS"

HOGFARM MANAGER CHUMACHENKO'S RESPONSE TO MR. PERKINS' QUESTIONS ON LEND LEASE (followed by Perkins' line ordering his secretary to record this response of Chumachenko which, Perkins states, America should know about)

1944 Russian Text

ПЕРКИНС. Вы знаете, как Америка помогает вам? Вы цените нашу помощь?

ЧУМАЧЕНКО. Знаем и весьма ценим. У меня сын летает на вашей «Кобре». Очень хвалит. Пишет, что сбил из ней десять немецких самолетов. За нее вам благодарствую. У нас каждый гражданин знает, что Америка наш друг.

ПЕРКИНС. Мисс Даун, запишите. Америка это должна знать.

1956 Russian Text

Перкинс. Вы знаете, как Америка помогает вам? Вы цените нашу помощь?

Чумаченко. Знаем и ценим. У нас каждый гражданин знает, что американский народ — наш друг.

Перкинс. Мисс Даун, запишите. Америка это должна знать.

1947 Ukrainian Text

Перкінс. Ви знаєте, як Америка допомагає вам? Ви цінуєте нашу допомогу?

Чумаченко. Знаємо і дуже цінуємо. У мене син літає на вашій корбі. Дуже вихваляє вашу корбу. Пише, що на неї накрутив уже десять німецьких літаків. За них вам спасибі. У нас кожний громадянин знає, що Америка наш друг.

Перкінс. Міс Даун, запишіть. Америка про це мусить знати.

1950 Ukrainian Text

Перкінс. Ви знаєте, як Америка допомагає вам? Ви цінуєте нашу допомогу?

Чумаченко. Знаємо і цінуємо. У нас кожний громадянин знає, що американський народ наш друг.

Перкінс. Міс Даун, запишіть. Америка про це мусить знати.

Mr. WASHBURN. Compromising sentences about P-39 Airacobras in a lend-lease context need no longer be deleted in "Perkins' Mission," because the play itself is not published. For the past 17 years "Perkins'

Mission" has been relegated to oblivion in this manner. Buried in the process were other important lines of Chumachenko besides those concerned with the P–39 Airacobras. The most vulnerable today, although they were not tampered with in any text published between 1944 and 1956, were Chumachenko's assurance that the Soviets would pay their lend-lease debt to the United States in full, subject to a precise accounting of the amount of aid extended. They would pay "down to the last kopeck", declared Chumachenko, because "for us honor is more precious than money." Had this buried offer as yet unrescinded ever come to the attention of the United States negotiators of the Soviet-American Lend-Lease Agreement of October 17, 1972, signed at Washington, D.C., the Soviet Union might not have succeeded so easily in winning approval of its offer to settle its $11.1 billion world war lend-lease debt for roughly 7 cents on the dollar.

Playwright Oleksandr Korniichuk died at age 67 after a long illness on May 14, 1972. The principal Soviet obituary in Literaturnaya Gazeta of May 17 was an impressive document bearing the signature of many Soviet notables headed by Leonid Brezhnev. Given special mention in that obituary were thirteen Korniichuk plays, but "Perkins' Mission" was not included. Meanwhile, the New York Times, which had no reason whatsoever to ignore Knorniichuk's wartime play on U.S.-U.S.S.R. relations, which it had once reported and reviewed, chose in its wisdom to print an obituary on May 16, focusing on two of his prewar plays unconcerned with the United States, a country Korniichuk visited several times—unpleasantly in 1946 and pleasantly in the 1960's.

PROPOSED AMENDMENT TO SECTION 502(a) OF TITLE V OF THE ACT

It is respectfully submitted that section 502(a) be amended by adding, after the concluding words "the national interest," this phrase:

as already evidenced by specific appropriate acknowledgment by the Governments of such countries to their own people of receipt and effective use of military aircraft and material delivered under lend-lease during World War II to the Soviet Union.

RATIONALE FOR THE PROPOSED AMENDMENT

The proposed amendment concerns Title V: Trade Relations With Countries Not Enjoying Most Favored Nation Tariff Treatment. The formulation supplied above seeks to insure the conduct of United States-Soviet trade with honor at least through the year 2001, when the final intsallment in Soviet payments to the United States under the lend-lease settlement of October 18, 1972 will have been completed. The language of my proposed amendment should buttress and safeguard the Presidential determination under section 502(a).

Why is such a safeguard either necessary or desirable? Because what has happened to the P–39 Airacobras lend-leased to the U.S.S.R. in World War II, and what is now happening to the massive grain shipments from U.S. ports to the Soviet Union, must never be allowed to happen again. Otherwise, U.S. aid to, and trade with, the Soviet Union becomes dishonest and conspiratorial.

Judging by Order No. 103 dated May 9, 1973, signed by the U.S.S.R.'s Minister of Defense Marshal Andrei A. Grechko, the Soviet

Union in its annual commemoration of victory over Nazi Germany refuses to mention or even allude to the Soviet-British-American Allied coalition which made the victory possible. If my amendment were to be incorporated in section 502(a), most-favored-nation tariff treatment for the U.S.S.R. would continue to obtain only when such xenophobic military orders had been balanced off by printing, on the same page in the same Soviet newspapers the May 9 order, and the Gromyko-Roosevelt exchange of speeches of October 4, 1943, or simply by republication of the Gromyko speech alone. Inasmuch as 121 million people in the U.S.S.R. today were born after the end of World War II, their knowledge of it could come only from what they see published, or hear and see staged, filmed or televised. Republication in Pravda and Isvestiya of Gromyko's October 4, 1943 speech should be facilitated by Gromyko's promotion late in April 1973 to membership in Soviet Communism's inner sanctum, the Communist Party Central Committee Politburo.

It might even be helped by the fact that Soviet Foreign Minister Gromyko is on record as having accused Americans of hoping to "expunge real events from people's memory," in his speech of April 3, 1971 at the XXIV Congress of the Communist Party of the Soviet Union, and accordingly might wish to avoid the embarrassment and ignominy of a future American accusation that he himself hoped to expunge real events from the memory of the peoples of the Soviet Union who lived through World War II.

[The following was supplied for the record:]

[From the Department of State Bulletin, Oct. 9, 1943, vol. IX, No. 224, pp. 245–246]

PRESENTATION OF LETTERS OF CREDENCE BY THE SOVIET AMBASSADOR

(Released to the press October 4)

The remarks of the newly appointed Ambassador of the Union of Soviet Socialist Republics, Mr. Andrei A. Gromyko, upon the occasion of the presentation of his letter of credence, October 4, 1943, follow:

MR. PRESIDENT: I have the honor to present to you the letter of credence by which the Presidium of the Supreme Soviet of the Union of Soviet Socialist Republics accredits me to you as Ambassador Extraordinary and Plenipotentiary of the Union of Soviet Socialist Republics, and also the letter of recall of my predecessor.

In presenting you with the letter of credence, I feel it my duty to state that the peoples of the Soviet Union entertain for the American people feelings of friendship and deep respect, and that the maintenance and further development of friendly relations and closest collaboration with them constitute the unswerving desire and aspiration of my Government.

The friendship of the peoples of our countries is not accidental. It is the expression of the basic interests of our peoples and our nations. This friendship has grown stronger under the grim trial of this war, in which the peoples of the Soviet Union and the United States fight against their common enemy—Hitlerite Germany and her allies in Europe. The bonds of friendship uniting our peoples are being still further strengthened by the blood which the best sons of our countries are shedding in the struggle against the German-fascist gangsters.

During the entire two years of this stubborn struggle, in which the heaviest burden of effort and sacrifices has fallen upon the Soviet Union, the peoples of the Soviet Union received and are receiving from the friendly American people not only moral, but substantial material support as well, in the form of airplanes, tanks, guns, and other military material, and also foodstuffs. The Soviet people highly values this support, for which I express to you, Mr. President, and through you to the whole American people, the warm gratitude of my Government and the peoples of my country.

The armed forces of the Allies, including those of the United States of America, are taking an increasingly greater part in our common struggle gaainst Hitlerite Germany, and have already inflicted a number of heavy defeats upon the cunning foe. The successes of the Red Army in its struggle against the Hitlerite hordes during more than two years, its present victorious advance on the Soviet-German front, the remarkable successes of Anglo-American armies in North Africa and Sicily, as well as the developing military operations of the Anglo-American forces on the territory of Italy, have created a favorable military-political situation for inflicting decisive blows upon the hated enemy.

It is now clear that the war is turning in favor of the United Nations. However, for delivery of the final blow upon the enemy, exertion of the total strength of our countries and also of all the United Nations, will be required. I firmly believe, Mr. President, that the present joint struggle against our common foe—Hitlerite Germany and her allies in Europe—will bring about closer collaboration of our countries in the post-war period, in the interests of general peace and security.

I believe that the mutual understanding and mutual confidence between our countries wihch are so necessary both during wartime and in the post-war period as well, will be forged to the maximum degree in the fire of our joint military efforts. I am prepared to devote all my endeavors to further the consolidation of this mutual understanding and confidence between our countries, certain of the success and fruitfulness of our mutual efforts, directed to the achievement of this high purpose. I hope, Mr. President, that in executing my duties as the Ambassador accredited to you, I may rely upon your support and likewise that of the Government which you head.

I beg you, Mr. President, to accept the assurance of the warm sympathy of the peoples of the Soviet Union for the American people, and the expression of full confidence in the further fruitful development and strengthening of the friendly relations between the Soviet Union and the United States of America, for the benefit and prosperity of our great peoples and of all friendly countries.

4 • Pravda, Wednesday, October 6, 1943 - No. 247 (9383) - p. 4

ВРУЧЕНИЕ ВЕРИТЕЛЬНЫХ ГРАМОТ ПОСЛОМ СССР В США т. ГРОМЫКО ПРЕЗИДЕНТУ РУЗВЕЛЬТУ

Обмен речами между т. Громыко и г-ном Рузвельтом

ВАШИНГТОН, 4 октября. (ТАСС). Государственный департамент об'явил, что посол СССР в Соединённых Штатах тов. Громыко вручил верительные грамоты Рузвельту.

Речь тов. ГРОМЫКО

Вручая президенту Рузвельту верительные грамоты, посол СССР в США тов. Громыко заявил:

«Господин президент, я имею честь вручить Вам верительные грамоты, которыми Президиум Верховного Совета СССР аккредитует меня при Вас в качестве чрезвычайного и полномочного посла СССР, а также отзывные грамоты моего предшественника. Вручая Вам верительные грамоты, я считаю своим долгом заявить, что народы Советского Союза питают к американскому народу чувства дружбы и глубокого уважения и что поддержание и дальнейшее развитие дружественных отношений и теснейшего сотрудничества с ним являются горячим желанием и стремлением моего правительства. Дружба между народами наших стран не случайна. Она является выражением основных интересов наших народов и наших стран. Эта дружба окрепла в тяжёлых испытаниях войны, в которой народы Советского Союза и Соединённых Штатов сражаются против общего врага — гитлеровской Германии и её союзников в Европе. Узы дружбы, связывающие наши народы, ещё более укрепляются кровью, проливаемой лучшими сынами наших стран в борьбе против германских фашистских бандитов.

В течение двух лет этой упорной борьбы, в которой самое тяжёлое бремя усилий и жертв пало на долю Советского Союза, народы СССР получали и получают от дружественного американского народа не только моральную, но и значительную материальную поддержку, как самолётами, танками, орудиями и другими военными материалами, так и продовольствием. Советский народ высоко ценит эту поддержку, за которую я выражаю Вам, г-н президент, а через Вас и всему американскому народу, горячую благодарность моего правительства и народов моей страны.

Вооружённые силы союзников, в том числе и вооружённые силы Соединённых Штатов, принимают все возрастающее участие в нашей общей борьбе против гитлеровской Германии и уже нанесли ряд тяжелых поражений коварному врагу. Успехи Красной Армии в её борьбе против гитлеровских орд в течение более двух лет, ее нынешнее победоносное продвижение на советско-германском фронте, замечательные успехи англо-американских войск в Северной Африке и в Сицилии, а также развёртывающиеся военные операции англо-американских сил на территории Италии создали благоприятную военную и политическую обстановку для нанесения решающих ударов по ненавистному врагу. Сейчас ясно, что ход войны поворачивается в благоприятную для Об'единенных наций сторону. Однако для нанесения окончательного удара по врагу потребуется напряжение всех сил наших стран и сил всех Об'единенных наций. Я твердо убежден, г-н президент, что нынешняя совместная борьба против нашего общего врага—гитлеровской Германии и ее союзников в Европе — приведёт к тесному сотрудничеству наших стран в послевоенный период в интересах всеобщего мира и безопасности. Я полагаю, что взаимопонимание и взаимное доверие между нашими странами, столь необходимые как во время войны, так и в послевоенный период, также будут в максимальной степени выкованы в огне наших совместных военных усилий. Я готов посвятить все мои силы дальнейшему укреплению этого взаимопонимания и доверия между нашими странами и уверен в успехе и плодотворности наших взаимных усилий, направленных на достижение этой высокой цели. Я надеюсь, г-н президент, что, выполняя свои обязанности посла, аккредитованного при Вас, я могу положиться на Вашу поддержку, а также на поддержку возглавляемого Вами правительства. Прошу Вас, г-н президент, принять заверение в полной уверенности в дальнейшем плодотворном развитии и укреплении дружественных отношений между Советским Союзом и Соединёнными Штатами на благо и процветание наших великих народов и всех дружественных стран».

Izvestiya, Wednesday, October 6, 1943 - No. 236(8229) - p.4

Вручение верительных грамот Послом СССР в США т. Громыко Президенту Рузвельту

ОБМЕН РЕЧАМИ МЕЖДУ т. ГРОМЫКО и г-ном РУЗВЕЛЬТОМ

ВАШИНГТОН, 4 октября. (ТАСС). Государственный департамент об'явил, что Посол СССР в Соединённых Штатах тов. Громыко вручил верительные грамоты Рузвельту.

Речь тов. Громыко

Вручая президенту Рузвельту верительные грамоты, Посол СССР в США тов. Громыко заявил:

«Господин Президент, я имею честь вручить Вам верительные грамоты, которыми Президиум Верховного Совета СССР аккредитует меня при Вас в качестве Чрезвычайного и Полномочного Посла СССР, а также отзывные грамоты моего предшественника. Вручая Вам верительные грамоты, я считаю своим долгом заявить, что народы Советского Союза питают к американскому народу чувства дружбы и глубокого уважения и что поддержание и дальнейшее развитие дружественных отношений и теснейшего сотрудничества с ним являются горячим желанием и стремлением моего правительства. Дружба между народами наших стран не случайна. Она является выражением основных интересов наших народов и наших стран. Эта дружба окрепла в тяжёлых испытаниях войны, в которой народы Советского Союза и Соединённых Штатов сражаются против общего врага — гитлеровской Германии и её союзников в Европе. Узы дружбы, связывающие наши народы, ещё более укрепляются кровью, проливаемой лучшими сынами наших стран в борьбе против германских фашистских бандитов.

В течение двух лет этой упорной борьбы, в которой самое тяжёлое бремя усилий и жертв пало на долю Советского Союза, народы СССР получали и получают от дружественного американского народа не только моральную, но и значительную материальную поддержку как самолётами, танками, орудиями и другими военными материалами, так и продовольствием. Советский народ высоко ценит эту поддержку, за которую я выражаю Вам, г-н Президент, а через Вас и всему американскому народу горячую благодарность моего правительства и народов моей страны.

Вооружённые силы союзников, в том числе и вооружённые силы Соединённых Штатов, принимают всё возрастающее участие в нашей общей борьбе против гитлеровской Германии и уже нанесли ряд тяжёлых поражений коварному врагу. Успехи Красной Армии в её борьбе против гитлеровских орд в течение более двух лет, её нынешнее победоносное продвижение на советско-германском фронте, замечательные успехи англо-американских войск в Северной Африке и в Сицилии, а также развёртывающиеся военные операции англо-американских сил на территории Италии создали благоприятную военную и политическую обстановку для нанесения решающих ударов по ненавистному врагу. Сейчас ясно, что ход войны поворачивается в благоприятную для Об'единённых наций сторону. Однако для нанесения окончательного удара по врагу потребуется напряжение всех сил наших стран и сил всех Об'единённых наций. Я твёрдо убеждён, г-н Президент, что нынешняя совместная борьба против нашего общего врага — гитлеровской Германии и её союзников в Европе — приведёт к тесному сотрудничеству наших стран в послевоенный период в интересах всеобщего мира и безопасности. Я полагаю, что взаимопонимание и взаимное доверие между нашими странами, столь необходимые как во время войны, так и в послевоенный период, также будут в максимальной степени выкованы в огне наших совместных военных усилий. Я готов посвятить все мои силы дальнейшему укреплению этого взаимопонимания и доверия между нашими странами и уверен в успехе и плодотворности наших взаимных усилий, направленных на достижение этой высокой цели. Я надеюсь, г-н Президент, что, выполняя свои обязанности Посла, аккредитованного при Вас, я могу положиться на Вашу поддержку, а также на поддержку возглавляемого Вами правительства. Прошу Вас, г-н Президент, принять заверение в полной уверенности в дальнейшем плодотворном развитии и укреплении дружественных отношений между Советским Союзом и Соединёнными Штатами на благо и процветание наших великих народов и всех дружественных стран».

[The following was subsequently received for the record:]

JOHN NELSON WASHBURN, Ph. D., LL.B.,
Washington, D.C.

JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means, Longworth House Office Building, Washington, D.C.

DEAR MR. MARTIN: In order to supplement the direct oral testimony which I gave to the Committee June 1, 1973 in public hearings on The Trade Reform Act of 1973, I am providing you with that portion of Leonid I. Brezhnev's June 24 American television address relevant to my testimony. Enclosed are the seventh through the eleventh paragraphs of the Russian-language text as published June 25, 1973 in Pravda, the Communist Party organ, and June 26, 1973 in Izvestiya, the Soviet Government newspaper, together with those of the official English-language text appearing June 25, 1973 in The New York Times. I request, if possible, their incorporation in the Committee Print of the public hearings as appropriate along with this letter.

In my June 1 presentation of the rationale for adding a new phrase to Section 502(a), reference was made to xenophobic Order No. 103 dated May 9, 1973 issued over the signature of U.S.S.R. Defense Minister Grechko. His words on the Soviet Union's ostensibly unilateral victory over Hitler's Germany have been offset by references in Brezhnev's June 24, American television address to Soviet-American military cooperation as war time allies summed up in the sentence—"We jointly won the war." Yet meer mention of the Soviet-American 1945 Elbe River meeting will not of itself enable readers of Brezhnev's address as printed in the Soviet press to disabuse themselves of vicious anti-American notions inculcated for years by the prestigious Soviet film entitled *Meeting on the Elbe* released March 10, 1949. Thus, in my opinion, still valid even after Brezhnev's address is the phrase which I proposed on June 1 to buttress Section 502(a) of Title V by ensuring that Presidential authorization of Most-Favored Nation Tariff Treatment be conditioned upon properly specific prior acknowledgment, by the country seeking to enjoy such new treatment, of receipt and use of military hardware through United States World War II Lend-Lease Assistance. No promising era of honest Soviet-American cooperation in trade and other fields can genuinely be initiated while General Secretary Brezhnev continues to eschew specific references to American-made lend-leased P-39 Airacobras of World War II and unless Brezhnev exhibits greater candor about the 1944 Soviet origins of the Cold War than his June 24 television address revealed.

In conclusion, let me add that Section 502(a), if buttressed by the phrase I proposed June 1, would tend to make more prudent and more formal the Presidential determination to authorize Most-Favored-Nation status. Certainly this would be desirable, judging solely by the ill-advised, informal Presidential acquiescence during the June 1973 Brezhnev Summit Visit to the United States in Brezhnev's wish to have his Soviet interpreter Viktor M. Sukhodrev monopolize the interpreting work at all Nixon-Brezhnev private seances.

Sincerely yours,

JOHN NELSON WASHBURN.

ENC: as stated

Official English- and Russian-Language Texts of the Seventh through the Eleventh Paragraphs of Leonid I. Brezhnev's Television Address June 24th

The New York Times (Late City Edition), June 25, 1973, p. 16, col. 1

In World War II the Soviet Union and the United States became allies and fought side by side against Nazism, which threatened the freedom of nations and civilization itself. The jubilant meeting of Soviet and American soldiers on the Elbe River at the hour of victory over Hitlerism is well remembered in our country.

The wartime alliance could have been expected to usher in a new era of broad peaceful cooperation between the Soviet Union and the United States. I can tell you with confidence that that is what our country wanted. We wanted to cement and develop the good relations whose foundations had been laid during the war.

Things went differently, however. What came was not peace but the "cold war," a poor substitute for genuine peace. For a long time it poisoned relations between our countries, and international relations as a whole. Some of its dismal influence can unfortunately be felt in certain things to this day.

Helping to Win the Peace

Under the circumstances, it was no easy task indeed to make a turn from mutual distrust to détente, normalization and mutually advantageous cooperation. It took courage and political foresight, it took a lot of painstaking work. We appreciate the fact that the President and his Administration joined their efforts with ours to really put Soviet-American relations on a new track.

I have heard that the American political vocabulary includes the expression "to win the peace." The present moment in history is, I believe, perhaps the most suitable occasion to use that expression. We jointly won the war. Today our joint efforts must help mankind win a durable peace. The possibility of a new war must be eliminated.

Pravda, June 25, 1973 - No. 176(20050) p. 1, cols. 1-2

Во второй мировой войне Советский Союз и США стали союзниками, вместе боролись против нацизма, который угрожал свободе народов, самой человеческой цивилизации. В нашей стране хорошо помнят, как советские и американские солдаты радостно встретились на Эльбе в час победы над гитлеризмом.

Можно было ожидать, что союз военных лет откроет новую эру широкого мирного сотрудничества между Советским Союзом и Соединенными Штатами. Могу сказать с уверенностью: наша страна стремилась к этому, мы хотели закрепить и развить добрые отношения, основа которых была заложена в период войны.

Случилось, однако, иначе. Наступил не мир, а «холодная война» — жалкий суррогат настоящего мира. Она надолго отравила отношения между нашими странами и международные отношения в целом. В определенной мере ее мрачное влияние сохраняется, к сожалению, кое в чем и до сих пор.

В этих условиях совершить поворот от взаимного недоверия к разрядке, нормализации и взаимовыгодному сотрудничеству было, конечно, делом нелегким. Для этого потребовались мужество, дальновидность в политике, потребовалась огромная кропотливая работа. Мы ценим, что Президент Никсон и его правительство объединили свои усилия с нашими для того, чтобы вывести советско-американские отношения по-настоящему на новый путь.

Я слышал, что в политическом лексиконе американцев имеется выражение «выиграть мир». Думаю, что данный исторический момент является, пожалуй, наиболее подходящим для того, чтобы употребить это выражение. Мы выиграли совместно войну. Сегодня наши совместные усилия должны помочь человечеству выиграть прочный мир. Возможность новой войны должна быть исключена.

Izvestiya, June 26, 1973 - No. 147(17380) p. 1, cols. 1-2

Во второй мировой войне Советский Союз и США стали союзниками, вместе боролись против нацизма, который угрожал свободе народов, самой человеческой цивилизации. В нашей стране хорошо помнят, как советские и американские солдаты радостно встретились на Эльбе в час победы над гитлеризмом.

Можно было ожидать, что союз военных лет откроет новую эру широкого мирного сотрудничества между Советским Союзом и Соединенными Штатами. Могу сказать с уверенностью: наша страна стремилась к этому, мы хотели закрепить и развить добрые отношения, основа которых была заложена в период войны.

Случилось, однако, иначе. Наступил не мир, а «холодная война» — жалкий суррогат настоящего мира. Она надолго отравила отношения между нашими странами и международные отношения в целом. В определенной мере ее мрачное влияние сохраняется, к сожалению, кое в чем и до сих пор.

В этих условиях совершить поворот от взаимного недоверия к разрядке, нормализации и взаимовыгодному сотрудничеству было, конечно, делом нелегким. Для этого потребовались мужество, дальновидность в политике, потребовалась огромная кропотливая работа. Мы ценим, что Президент Никсон и его правительство объединили свои усилия с нашими для того, чтобы вывести советско-американские отношения по-настоящему на новый путь.

Я слышал, что в политическом лексиконе американцев имеется выражение «выиграть мир». Думаю, что данный исторический момент является, пожалуй, наиболее подходящим для того, чтобы употребить это выражение. Мы выиграли совместно войну. Сегодня наши совместные усилия должны помочь человечеству выиграть прочный мир. Возможность новой войны должна быть исключена.

The CHAIRMAN. Thank you, Mr. Washburn, for your very fine statement.

Are there any questions of Mr. Washburn?

Thank you, sir.

Mr. WASHBURN. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Mr. Oscar Casarella.

If you will identify yourself for our record, we will be glad to recognize you, sir.

STATEMENT OF OSCAR L. CASARELLA, VICE CHAIRMAN, BULGARIAN CLAIMS COMMITTEE, ACCOMPANIED BY JOHN W. FINLEY, JR.

Mr. CASARELLA. Hon. Chairman Mills, honorable members of the House Committee on Ways and Means, counsel to the committee, good afternoon.

My name is Oscar Casarella, and I am vice-chairman, pro tem, of the Bulgarian Claims Committee, an unincorporated association of U.S. citizens whose common bond of affinity is their status as persons who have suffered losses of property and rights and interests therein, as a consequence of confiscations or other takings thereof by the Government of Bulgaria. There are other similar organizations which represent U.S. citizens who have had parallel experiences in connection with other Eastern European countries, and it is my understanding that one or more of them have presented, or intend to, their views in connection with the pending bill before the committee.

We acknowledge that the desire of the Committee on Ways and Means is to have before it a representative cross-section of views and positions expressed by the public and persons affected by the proposed legislation, so that the committee may deliberate fully upon the impact of the proposed act, and make its recommendations thereon known.

Counsel to the Bulgarian Claims Committee, John W. Finley, Jr., of the New York law firm of Brashich and Finley, has spent several years collecting data and representing the committee, including an action in the U.S. District Court for the Southern District of New York for the purpose of securing for the members of the Bulgarian Claims Committee and similarly situated persons, full compensation for losses in Bulgaria, which work was done with the close cooperation of my recently deceased father, Donny J. Casarella, whose absence mandates my appearance, and I therefore am doubly appreciative of the opportunity to address the honorable committee. In view of these facts, counsel has asked for, and has been advised that he will be allowed an opportunity within the next week to complete preparation and make submission of a more detailed statement my late father wished to present on behalf of the Bulgarian Claims Committee.

Therefore, I respectfully beg leave of the committee to highlight the salient elements of the Bulgarian Claims Committee's position on the pending bill.

It is our understanding from the message of the President, the summary of the bill, the analysis thereof, and the statements made by witnesses before the committee on May 9, 10, and 11, that the Trade Reform Act of 1973, as proposed, seeks to provide advance legislative approval for increased executive authority to conclude foreign trade

agreements and adjust differences between the United States and other trading partners over tariffs and other trade barriers, as well as to regulate unfair trade practices, "dumping," and adverse domestic economic impact which the foregoing may have here and abroad. If this is an oversimplification, I apologize. However, it does make it clear that it is a broad and sweeping bill.

Our concern, to the contrary, is limited to the effect that the act would have in connection with current trade negotiations between the United States and Bulgaria. It is known that Bulgaria seeks amelioration of existing tariff barriers here, especially by the device of being extended most-favored-nation treatment. The boon to Bulgaria that this represents should not be lightly treated. It should be instead respected as a potent weapon for the just and long-overdue resolution of very real grievances which many of our citizenry have and are experiencing.

The pending bill, for the first time since the 1947 peace treaty with Bulgaria, presents a meaningful opportunity for us citizens to ask you, our lawmakers, to cause the executive branch to be not only responsive to our interests, but answerable to you for the manner in which this aspects of the foreign relations power under the Constitution is discharged.

We believe that the purpose of this bill is sound; but we also believe that there are considerations heretofore unexpressed to this committee which should be part of the equation by which the propriety of the Executive's actions, in dealing with tariff adjustments and conclusion of trade agreements which will extend most-favored-nation treatment, is measured.

These considerations which so concern us relate to prior treatment accorded U.S. citizens and nationals by Bulgaria.

We, the Bulgarian Claims Committee, feel that we are qualified to express not only the view of the 217 members of our organization who were awarded compensation by the Foreign Claims Settlement Commission, but that of all persons who suffered losses at the hand of Bulgaria, whether compensable under any prior compensation scheme or not. Our losses are our bond.

None of us are young any more; many of us are of advanced years and with limited income, especially so since the losses we speak of occurred prior to July 2, 1963, and many as long ago as the days of World War II.

To illustrate the goals we foresee for the bill before this honorable committee, we beg leave to refer to the following facts which we believe give an accurate historical perspective to our proposals.

On August 9, 1959, the Bulgarian claims program was completed by the Foreign Claims Settlement Commission. Under title III of the International Claims Settlement Act the Commission had heard and determined 391 claims with an aggregate value of $25,455,927. Only 217 claims were found meritorious. The aggregate awards were of $4,684,187 in principal, and $1,887,638 in interest, for a total of $6,571,-825. However, the Bulgarian Claims Fund set up under title III of the act was but $2,613,325.59, only some 55 percent of the award of principal only. The Fund represented the net proceeds of vested property and funds of Bulgaria in the United States seized under the Trading With the Enemy Act, or blocked under Executive Order

8839 of 1940, as amended. Prior Bulgarian assent to the Fund was implicit in article 25 of the peace treaty of February 10, 1947.

Four years after that program was completed, and following what we are convinced were needlessly secret negotiations, the State Department concluded an executive agreement with Bulgaria on July 2, 1963. It purported to finally settle all our claims and any which arose between August 9, 1955, and July 2, 1963. Though valuable private rights of U.S. citizens were directly involved, the advice and consent of the Senate was not sought, as it would be if the document signed were instead labeled a "treaty," rather than an "executive agreement."

We contend that the United States received no meaningful consideration for the cancellation of these rights for a comparative pittance of $400,000.

We filed a class action in the U.S. district court for the southern district of New York, under the title "*Avramova et ano.* v. *the United States of America et al.*" Under docket number 69, civil 2884, on July 2, 1969. We alleged that the $400,000 lump sum payment from Bulgaria could only be applied to the payment of the unpaid portion of the 217 claimants possessed of awards from the Foreign Claims Settlement Commission. We sought a declaration of the repugnancy to the Constitution of the executive fiat involved in the July 2, 1963 Agreement, and its invalidity under the Constitution as a predicate for subsequent legislation which directly interfered with our already-declared awards by structuring the application of the lump sum to that it diluted our rights to the distribution among the class.

The legislation referred to was Public Law 90–421 of July 24, 1968, amending certain sections of the International Claims Settlement Act. It sought (1) first to apply the lump sum to Bulgarian nationals whose property may have been wrongly vested or blocked under title II or the act, (2) next, to pay first those in the then yet-undetermined class of claims arising after August 9, 1955, so that they would be, on a pro rata basis, in parity with the 55 percent our class had received, and (3) finally to distribute any balance pro rata among all awardees.

Our complaint also sought damages on the ground that the executive, having assumed a role it had no obligation to assume in the first place, i.e., the pursuit of compensation from another State, did assume a correlative duty to discharge that obligation by assiduously and conscientiously representing those whose interests it had elected to protect. We thus felt that both the 1963 Agreement and the law, Public Law 90–421 were without legal justification.

Counsel had advised us that for every wrong there is not necessarily a legal remedy, and that the gulf between legal and moral obligation can be great.

Our compliant was dismissed, and we lacked the funds to appeal. The court ruled that the complaint had to be dismissed for lack of subject matter jurisdiction and for failure to state a claim upon which relief could be granted.

Hence, we have exhausted all of our remedies.

Thus it is that we today ask that you consider the plight of all of us who are still not fully compensated for what happened in Bulgaria. Some of us were subjected to the infamous "Jewish Property

Tax," an outright theft for which we were given meaningless bonds. The losses were staggering.

Bulgaria's star has been constantly on the ascent in the economic firmament. It is by its own admission a strong COMECON trading partner. It is a capital exporting nation. It has published economic data showing it to be astonishingly sound economically, with an enviable growth rate. Indeed, its own published figures show that at the time of the July 2, 1963 agreement, it was in a strong and vigorous condition. One may well question why only $400,000 was obtained, for there are indicia that Bulgaria could have easily paid its debt then, in full.

Indeed, our sincere efforts in our law suit to expose to objective judicial scrutiny the actual negotiations and exchange of notes leading up to the 1963 agreement, through discovery and inspection under the Federal Rules of Civil Procedure, were vigorously opposed by the Department of State, on the ground of "Executive privilege" and "State secrets," notwithstanding the Freedom of Information Act, the favorable trend in judicial precedents, and the new Federal Rules of Evidence, then shortly to come into force.

We frankly felt that this extreme reluctance to have an objective examination by the judiciary was, to be generous, unbecoming. Certainly it can not be argued that the United States received some significant military, economic, diplomatic or other advantage which needed a shroud of secrecy, 9 years later, around why only $400,000 was justifiable, or whether the executive took the position that it did not have to answer for its acts.

Consequently, we advance the proposition that there is nothing to suggest any rationale nor fairness in the July 2, 1963 agreement, and that this is the time to remedy ours, and others', grievances.

We thus would ask the honorable committee to report out the bill, H.R. 6767, the Trade Reform Act of 1973, as approved only in the event that it be amended to require, as a precondition to any bilateral agreement or tariff adjustment with Bulgaria, that the executive branch first secure certain concessions, or agreements.

These we believe should include:

1. The full and final payment of all awards to U.S. citizens adjudicated by the Foreign Claims Settlement Commission;

2. The full, effective, and speedy compensation of all losses of U.S. citizens in Bulgaria attributable to illegal and/or discriminatory measures, including, but not limited to, the "Jewish property tax"; and

3. The payment of outstanding defaulted bond obligations of Bulgaria, inclusive of appropriate interest.

On behalf of the Bulgaria Claims Committee, I thank you most sincerely for granting us this opportunity to present our views on the proposed Trade Reform Act of 1973.

Thank you.

The CHAIRMAN. We thank you, Mr. Casarella, for your statement.

Are there any questions?

Mr. CONABLE. I don't have any questions, Mr. Chairman, but I would like to comment that Mr. Casarella has given us some very interesting history on this problem.

The CHAIRMAN. He certainly has.

Mr. CASARELLA. Thank you, Mr. Chairman.

[The following was received by the committee prior to the start of the hearing:]

BULGARIAN CLAIMS COMMITTEE,
Rego Park, N.Y., March 27, 1973.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR CHAIRMAN: It is our pleasure to send you the enclosed copy of our Memorandum sent to the President of the United States of America in connection with provisions which may be contained in the overall Trade Bill relating to trade between the United States of American and Eastern European countries, which bill is to be submitted to Congress.

We are also pleased to enclose a draft bill which we recommend for introduction in Congress in connection with the Trade Act with Bulgaria which would grant her Most Favored Nation Treatment.

We also enclose for your consideration a copy of a letter which we sent on a prior occasion to the Department of State.

We would ask that you give consideration to these documents, and, most particularly in connection with the bill we propose, wish to convey certain information concerning a very serious problem faced by a number of American citizens who suffered losses at the hands of the Bulgarian Government as a consequence of hostilities directed toward American citizens. Under the July 2, 1963 lump-sum settlement agreement with the Government of Bulgaria, a very tiny fraction of the then due and owing compensation to which American citizens were entitled was actually recovered. The negotiations resulted in a pittance ($400,000.00) being accepted by the United States for the claims of its citizens having an aggregate value in the amount of $6,571,825.00.

To a certain extent, the lump-sum settlement was supplemented by frozen assets applied to the Bulgarian Claims Fund. Nevertheless, the Fund available for distribution in no way approached the actual value of the losses suffered.

We have developed sufficient evidence, we feel, to indicate that quite clearly the United States was so seriously misled either by the Bulgarian Government with respect to its then ability and willingness to pay, or what we can only call, in the alternative, ineptitude of the responsible members of the Executive Branch who negotiated the agreement, as to have been induced into executing an agreement whose basis was a false premise, if not a fraudulent one.

Based upon the data which we have accumulated, we are of the opinion that an objective analysis of the same will only lead to the conclusion that there was a total want of justification: legal, moral or otherwise, for the Executive Agreement of 1963 with Bulgaria.

We enclose herewith for your kind consideration evidence concerning the ability of the Government of Bulgaria to compensate fully the United States of America citizens for their losses in Bulgaria.

We likewise offer to you evidence based not on external analysis of conditions in Bulgaria, but based on the very figures of the Bulgarian Government itself, and which figures establish that clearly since the cessation of hostilities at the end of World War II, Bulgaria has had a dynamic growth pattern with adequate and increasing means for the disposition of the claims of American citizens without serious inconvenience to Bulgaria. We are here talking about 100 percent compensation.

Recent events have brought home the following possibilities, which would suggest most strongly that the United States could at last obtain satisfaction of the claims of its aggrieved citizens for losses occurring in Bulgaria and which have not previously been adequately, much less fully, compensated:

1. Inasmuch as the financial strength of Bulgaria is far in excess of that needed to satisfy the balance of these claims, it is suggested that a re-negotiation of the Executive Agreement of 1963 might be tied in with the current attempts by the Bulgarian Government to improve trade relations with the United States. It has not gone unnoticed that the Bulgarian Government has sent a trade delegation to Washington for the purpose of reducing import duties in the United States for Bulgarian products so as to reach the lowest level of the "Most Favored Nation."

2. Another possibility is that it is likewise conceivable that the United States might enter into a compensation scheme with Bulgaria based upon the method utilized by the Swiss Government to compensate its citizens in full for the takings by Bulgaria during the same period in which our citizens suffered their losses.

It is respectfully suggested that neither approach presents insurmountable problems, or would engender a hostile attitude, if carefully and judiciously presented to the Bulgarian Government. In fact it would strike us as a balanced approach which would have quite possibly the warming of international relations between the two countries. This should be the result of the Bulgarian Government realizing that our country would indeed give them something if on the other hand they were to at last make amends for what they have taken from American citizens in the past.

We thank you very much for your expression of kind interest, and hope to have the favor of hearing from you on these points.

Yours sincerely,

DONNY J. CASARELLA, *Vice-Chairman.*

Enclosures.

BULGARIAN CLAIMS COMMITTEE,
Rego Park, N.Y., March 15, 1972.

Hon. ASSISTANT SECRETARY OF STATE,
Department of State,
Washington, D.C.

DEAR MR. SECRETARY: Reference is made to the discussion of the undersigned and your Richard D. Johnson, Esq., Director of Bulgarian Affaires, Robert Rackmales, Esq., Chief of the Bulgarian Desk, and Kwiatek, Esq., Counsel of the Department, as well as to our previous correspondence regarding a just and final settlement of still pending claims of the U.S. citizens against the Government of Bulgaria.

This problem actually consists of two categories of claims: *first,* the unpaid balance of the awards (principal and interest) rendered to our members by the United States Foreign Claims Settlement Commission in Washington, D.C. and *secondly,* of the value of the so-called JEWISH PROPERTY TAX BONDS of the Government of Bulgaria. Therefore, our Committee respectfully submits the following with regard to each category of claims of its members.

After the Bulgarian program was completed by the U.S. Foreign Claims Settlement Commission, an Executive Agreement was concluded between the U.S. and Bulgarian Government, on July 2, 1963.

However, under the lump-sum settlement agreement with the Government of Bulgaria, a very tiny fraction of the due and owing compensation to which American citizens were entitled was negotiated and subsequently paid over to the United States for distribution.

We have developed sufficient evidence, we feel, to indicate that quite clearly the United States *was so seriously misled* either by the Bulgarian Government with respect to its ability and willingness to pay, or the insufficient information and research of the responsible members of the Executive Branch, as to have been induced into executing an agreement whose basis was false, if not completely fraudulent.

Based upon the data which we have accumulated, we are of the opinion that an objective analysis of the same will only lead to the conclusion that there was a total want of justification, legal, moral, or otherwise, for the Executive Agreement of 1963.

We enclose herewith for your kind consideration evidence OFFICIALLY ISSUED BY THE BULGARIAN GOVERNMENT concerning the ability of the Government of Bulgaria to compensate fully the United States of America's citizens for their losses in Bulgaria. However, we particularly direct your attention to a dispatch in the February 18th, 1972 issue of the Wall Street Journal of New York, a copy of which is enclosed, regarding a long term CREDIT in the AMOUNT OF 40 MILLION DOLLARS granted by the BULGARIAN GOVERNMENT to the GOVERNMENT OF EGYPT.

We likewise are prepared to offer evidence based not on external analysis of conditions in Bulgaria, but on the very figures of the Bulgarian Government itself, which figures establish that clearly since the cessation of hostilities at the end of World War II. Bulgaria has had a dynamic growth pattern with adequate and increasing means for disposition of the claims of American citizens without serious inconvenience to Bulgaria, AND DISPOSITION IN FULL.

It is our understanding that possibly negotiations are or may soon be underway between our State Department and its Bulgarian counterpart, with a view toward harmonizing outstanding differences.

We would earnestly solicit your active support, not with a view to a *de novo* reopening of the July 1963 Executive Agreement, but rather an informal inclusion of an arrangement in any such harmonization agreement or program which would increase good will between the U.S. and Bulgaria by providing supplemental compensation to injured American citizens. The *second* category of claims, as before stated, consists of a special issue of the so-called JEWISH PROPERTY TAX BONDS. The same were given to all JEWS against whose property the TAX WAS IMPOSED by the Government of Bulgaria.

The issuance of these bonds arose as the result of a SPECIALLY-CONCEIVED PROGRAM OF TAXATION/CONFISCATION AIMED AT JEWS, and therefore to be considered as a part of such property. However, the U.S. Foreign Claims Settlement Commission, considering the claims for those bonds, rejected the same, reasoning as follows:

"Moreover, had such bonds been issued, they would not represent an obligation of the Government of Bulgaria expressed in United States currency (acquired by nationals of the United States prior to April 4, 1941) as required for compensation under Section 303(3) of the Act."

Legally, such reasoning was completely erroneous. For those bonds were not, under any circumstances, generally known Government bonds, sold to the public for investment purposes . You may recall that Egypt, when it confiscated property under Nasser issued similar bonds, absolutely incapable of being repaid under the terms of issue. However, claimants did not have any legal remedy against such judgements of the said Commission DENYING AWARDS ON THESE BONDS.

On the other hand, Bulgarian Government set-up after World War II, a special section of the Bulgarian National Bank for redemption and for dividend service for those bonds. Our members patiently waited the fufillment of the promise of the Government of Bulgaria to finally settle this obligation. But in vain.

As one of our members has been recently advised by his attorney in Sofia, the Bulgarian Government dissolved that section of the Bulgarian National Bank presumably upon the execution of the above-mentioned Executive Agreement of 1963. The Bulgarian National Bank refuses to give any concrete explanation as to payment/non-payment of those bonds, particularly not in writing. The information is very vague. That section of the Bank NOW IS DISSOLVED.

Recent events have brought home the following possibilities, which would suggest most strongly that the United States could at last obtain satisfaction of the claims of its aggrieved citizens for losses in Bulgaria:

(1) Inasmuch as the financial strength of Bulgaria is far in excess of that needed to satisfy the balance of these claims it is suggested that a re-negotiation of the Executive Agreement of 1963 might be TIED IN with the current attempts by the Bulgarian Government to improve trade relations with the United States. It has gone not unnoticed that the Bulgarian Government has sent a trade delegation to Washington for the purpose of reducing import duties in the U.S. for Bulgarian products so as to reach the lower level of "*most favored nation*".

(2) It is likewise a possibility that the United States might enter into a compensation scheme with Bulgaria based upon the method utilized by the Swiss Government to compensate its citizens IN FULL for the takings by Bulgaria during the same period in which our citizens suffered their losses.

It is respectfully suggested that neither approach presents insurmountable problems, or would engender a hostile attitude, if carefully and judiciously presented to the Bulgarian Government. In fact, it would strike us as a balanced approach which would have quite possibly the warming of international relations between the two countries were Bulgarians to realize that our country would indeed give to them something if on the other hand they were to at last make amends for what they have taken from us previously.

We thank you very much for your kind interest, and hope to have the favor of your suggestions.

Yours sincerely,

D. J. CASARELLA, *Vice Chairman.*

Enclosures.

BULGARIAN TRADE ACT OF 1972

A BILL To promote the foreign policy and best interests of the United States by authorizing the President to negotiate a commercial agreement including a provision for most-favored-nation status with Bulgaria

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

SHORT TITLE

SEC. 101. This Act may be cited as the "Bulgarian Trade Act of 1972."

STATEMENT OF PURPOSES

SEC. 102. The purposes of this Act are—

(a) to maintain United States objectives in building a peaceful, democratic world;

(b) to promote constructive relations with Bulgaria and to provide a framework helpful to private United States firms conducting business relations in Bulgaria by instituting regular government-to-government negotiations concerning commercial and other matters of mutual interest; and

(c) to increase peaceful trade and related contacts between the United States and Bulgaria, and as assistance in meeting United States balance-of-payments problems, to expand markets for products of the United States in Bulgaria by creating similar opportunities for the products of Bulgaria to compete in United States markets on a non-discriminatory basis;

(d) to provide a basis for and a means mutually acceptable to the United States and Bulgaria for achieving the settlement of unpaid and uncompensated claims of United States citizens, for property and rights therein taken by Bulgaria and for discriminatory or arbitrary repressive or confiscatory economic measures directed to or imposed on specific persons or groups of persons, by reason of their ethnic origin, racial, or religious beliefs by Bulgaria, without fair, just and prompt compensation.

AUTHORITY TO ENTER INTO COMMERCIAL AGREEMENTS

SEC. 103. The President may make commercial agreements with Bulgaria providing most-favored-nation treatment to the products of Bulgaria whenever he determines that such agreements—

(a) will promote the purpose of this Act.

(b) are in the national interest, and

(c) will result in benefits to the United States equivalent to those provided by the agreement to the other party.

BENEFITS TO BE PROVIDED BY COMMERCIAL AGREEMENTS

SEC. 104. The benefits to the United States to be obtained in or in conjunction with a commercial agreement made under this Act may be the following kind, but need not be restricted thereof:

(a) satisfactory arrangements for the protection of industrial rights and processes;

(b) satisfactory arrangements for the settlement of commercial differences and disputes;

(c) arrangements for establishment or expansion of United States trade and tourist promotion offices, for facilitation of such efforts as the trade promotion activities of United States commercial officers, participation in trade fairs and exhibits, the sending of trade missions, and for facilitation of entry and travel of commercial representatives as necessary;

(d) most-favored-nation treatment with respect to duties or other restrictions on the imports of the products of the United States, and other arrangements that may secure market access and assure fair treatment for products of the United States;

(e) *satisfactory arrangements for settling unpaid and uncompensated claims of United States citizens* (1) *for property and rights therein taken by Bulgaria, and* (2) *for discriminatory or arbitrary repressive* or *confiscatory economic measures* directed to or *imposed* on specific persons or *groups*

of persons, by *reason* of their ethnic origin, racial, OR RELIGIOUS BELIEFS BY BULGARIA, without *fair*, just and *prompt compensation;*

(f) satisfactory arrangements covering other matters affecting relations between the United States and Bulgaria, and the improvement of consular relations.

EXTENSION OF BENEFITS OF MOST-FAVORED-NATION TREATMENT

SEC. 105. (a) (In order to carry out a commercial agreement made under this Act and, notwithstanding the provisions of any other law, the President may by proclamation extend most-favored-nation treatment to the products of Bulgaria.

(b) Any commercial agreement made under this Act shall be deemed a trade agreement for the purposes of Title III of the Trade Expansion Act of 1962 (19 U.S.C. 1901 et seq.).

(c) The portion of general headnote 3(e) to the Tariff Schedules of the United States that precedes the list of countries and areas (77A Stat. 11; 70 Stat. 1022) is amended to read as follows:

"(e) PRODUCTS OF CERTAIN COMMUNIST COUNTRIES.—Notwithstanding any of the foregoing provisions of this headnote, the rates of duty shown in column numbered 2 shall apply to products, whether imported directly or indirectly, of the countries and areas that have been specified in section 401 of the Tariff Classification Act of 1962, in sections 231 and 257(e)(2) of the Trade Expansion Act of 1962, or in actions taken by the President thereunder and as to which there is not in effect a proclamation under section 5(a) of the Administration Bulgarian Trade Act of 1971;".

(d) Nothing in this Act shall be deemed to modify or amend the Export Administration Act of 1969 (50 U.S.C. App. 2401 et seq.).

REPORTS TO CONGRESS

SEC. 106. The President shall submit to the Congress an annual report on the commercial agreements program instituted under the Act. Such report shall include information regarding negotiations, benefits obtained as a result of commercial agreements, the texts of any such agreements, and other information relating to the program.

BULGARIAN CLAIMS COMMITTEE,
Forest Hills, N.Y., April 3, 1973.

PRESIDENT OF THE UNITED STATES OF AMERICA,
White House, Washington, D.C.

DEAR MR. PRESIDENT: I am writing to you in connection with the provisions to be contained in the overall Trade Bill between the United States of America and the Eastern European countries, to be submitted in Congress in the near future. I believe it in the national interest to convey certain information to you regarding a serious problem faced by a number of Aemrican citizens (most of whom are over 70 years af age, some being as much as 95, who are faced with unpaid claims for losses suffered in wartime Bulgaria, the balance of which claims are all they have to hope in life), who suffered losses at the hands of the Bulgarian Government.

Under the lump-sum agreement with the Government of Bulgaria, American citizens had made available to them but a minute fraction of the overall due and owing compensation to which they were entitled as a result of hostile activity toward American citizens who suffered losses in Bulgaria for more than twenty (20) years, we have developed, we feel, some expertise in connection with the economic situation of Bulgaria as a partial index of its ability to compensate. We have developed sufficient evidence to indicate that, quite clearly, the United States was seriously misled by the Government of Bulgaria with regard to its ability and willingness to pay, with the result that the Executive Branch of our government was induced to execute an agreement on July 2, 1963 which represents an unconscionable windfall for the Bulgarian Government. We have already documented this fact to the Department of State.

We are of the opinion that the objective analysis of the date we have accumulated will lead to the conclusion that there was a total want of any justification for the Executive Agreement of 1963 as a complete and final disposition of all Amer-

ican claims arising from hostilities directed toward American citizens by Bulgaria.

We are pleased to enclose, and beg your consideration of a document officially issued by the Bulgarian Government concerning its ability on an economic level to, inter alia, compensate fully the United States of America's citizens for their losses in Bulgaria. This is but one piece of evidence, based not on an external analysis of the conditions in Bulgaria, but on the very posture of the Bulgarian Government itself, which establishes clearly that since the cessation of hostilities at the end of World War II, Bulgaria has had a dynamic growth pattern with adequate and increasing means for the disposition of the claims of American citizens, without serious inconvenience to Bulgaria.

This takes on greater meaningfulness when one sees items such as a dispatch in the February 18, 1972 issue of the Wall Street Journal of New York, disclosing a long-term credit in the amount of 40 million dollars given by the Bulgarian Government to the Government of Egypt.

Recently, final negotiations between the United States of America and Hungary were concluded, with Hungary agreeing to pay an amount of 23 million dollars to fully compensate United States citizens for their losses in Hungary. Since the financial strength of Bulgaria is far in excess of that needed to satisfy the balance of the claims of American citizens, we feel that negotiations for full compensation of the unpaid balance of American citizens' claims against Bulgaria should be tied in with the current attempts by the Bulgarian Government to negotiate improved trade relations with the United States. In this regard, it is well known that the Bulgarian Government has sent a trade delegation to Washington for the purpose of reducing import duties to the United States for Bulgarian products so as to reach the lowest level of the "Most Favored Nation." Thus, we respectfully submit that there is a valid modus for righting a longstanding inequity, and that is the tying in of the question of the unpaid claims of American citizens with the desire of Bulgaria to have "Most Favored Nation" status or other tariff relief.

We take liberty to enclose copy of draft-bill with respect to Bulgaria, which we believe would achieve the goals described above.

We stand fully prepared to cooperate in any way desired with the State Department or other branch of our government in connection with any of the matters touched upon in this letter.

We would also be indebted to you if you would accept our deep appreciation and respect for your efforts in this trying time.

Most respectfully yours

ALBERT B. JORDAN, *Chairman.*

Enclosures.

3623

STATE BOARD FOR INFORMATION AT THE COUNCIL OF MINISTERS
MINISTRY OF FOREIGN TRADE

FOREIGN TRADE
OF
THE PEOPLE'S REPUBLIC OF BULGARIA

STATISTIC SURVEY

1939 — 1968

DIRECTION D'ETAT A L'INFORMATION PRES LE CONSEIL DES MINISTRES
MINISTERE DU COMMERCE EXTERIEUR

COMMERCE EXTERIEUR
DE
LA REPUBLIQUE POPULAIRE DE BULGARIE

APERÇU STATISTIQUE

1939 — 1968

SOFIA — 1970

96-006 O—73—pt. 11——22

Bulgaria—A Country With Developed International Economic Relations

Foreign trade of Bulgaria before September the 9th 1944 was characterizing the poverty and backwardness of its economy. In the export list of the country there were hardly any industrial goods. The entire exports in 1939 measured up to the modest amount of 63 ml. leva/by todays rate/, out of which 26 ml. leva tobacco and the rest of it—mainly grain, eggs, fruits, raw hides and skins. Almost the total exportation/over 99 per cent/ was based on agriculture.

Bulgaria's chief foreign trade "partner" at that time was fascist Germany It used "to buy" over two thirds of the goods, which our undeveloped economy was able to offer for exportation. About 70 per cent of the tobacco exports, 90 per cent of the export of pigs, 80 per cent of the pulp and eggs exports, almost the entire exports of grapes and wine were directed to Germany.

The foreign trade turnover with Germany was unequivalent and caused serious damages to our economy. Therefore, in the very first programme of the Fatherland Front Government, published on September the 17th 1944, a special attention was paid to foreign trade.

A row of tasks were put for its reorganization and coordination in conformity with the requirements for the development of the people's economy.

Foreign trade was confiscated from the private companies and gradually concentrated in the newly created state export and import enterprises. For the first time were created the prerequisites for turning our foreign trade into a means of exerting a progressive influence on the economic development.

The first country, we restored trade relations with after September the 9th 1944, was the Soviet Union. On March the 14th 1945 between the two countries was signed the first trade agreement. According to this agreement during 1945 the Soviet Union delivered to our country 138 thousand tons of goods, out of which 16 thousand tons of ferrous and non-ferrous metals, 73 thousand tons of oil and oil products, 9 thousand tons of cellulose, 7 thousand tons of chemicals, 5 thousand tons of paper, 2 thousand tons of cotton, 15 thousand tons of rye, 4 thousand tons of hay and straw and many other valuable goods, which were a reviving stream for our economy, brought by fascism to catastrophe.

Those figures look now insignificant but at that time, when the Soviet Union was bearing himself the burden of war and destructions, they were impressive.

The victory of socialism in the field of economy, expressed in the socialist industrialization and cooperation of agriculture, made possible for the People's Republic of Bulgaria to develop a brisk international trade. The very foreign trade turned into a powerful factor of economic growth. On 1968 the People's Republic of Bulgaria had trade relations with 111 countries from all continents with 52 countries in 1939.

Bulgaria develops the briskest trade with the socialist countries and most of all with the countries-members of the Council for Mutual Economic Aid. But it carries out constantly a policy of extending economic relations with all countries on the basis of equality and mutual benefit.

Foreign trade turnover of the country developed in the years of the people's rule at exceptionally accelerated rates. Those rates accounted for the needs of the socialist building, as well as for the growing export potentialities of the country.

In 1968 the foreign trade turnover was almost 15 times bigger than 1939, an increase achieved practically for 18 years, for the prewar level was reached only in 1950. This means that the annual increase was 16 per cent, and every five years the turnover had doubled. There are few countries, which for a comparatively long period like this can sustain a high rate of increase in foreign trade.

For the small countries like ours it is impossible to develop the whole variety of productions, which the scientific and technical progress of mankind brings to life. That is why for them foreign trade, which means a participation in the international division of labour, has a much greater importance. Just with this objective factor one can explain the fact, that rates of increase in foreign trade are much higher than rates of increase in the national product.

The economic cooperation of the country with the other socialist countries and most of all with the Soviet Union played a decisive role for the reconstruction of the people's economy on a socialist basis. The active participation of Bulgaria in the international division of labour in the frames of the Council for Mutual Economic Aid created and goes on creating the prerequisites for supporting of high rates of economic growth, for raising the efficiency of the entire economy.

Over three quarters of the country's turnover is realised with the socialist countries, and with the Soviet Union—more than half of it. The Soviet Union is our chief foreign trade partner. It is the main consumer of our export goods and the chief supplier of machines, equipment and raw materials for the development of our economy. The Soviet aid played a decisive role for the creation and development of our energetics, metallurgy, machine-building, chemical industry.

Our economic relations with the other socialist countries are being widened and deepened. The second place in our trade turnover with them takes the German Democratic Republic, followed by Czechoslovakia, Poland, Hungary, Yugoslavia, Rumania, Cuba and others.

Bulgaria developes a foreign trade of mutual benefit with the non-socialist world as well. The turnover with the advanced capitalist countries reached in 1968 over 670 ml. curr. leva. There are no obstacles on our part to sustaining with those countries of brisk business relations in the future too. The main foreign trade partners from this group of countries are: Italy, the German Federal Republic, France, Great Britain, Austria, Sweden, Switzerland and others.

Well advanced are our economic relations with the developing countries from Asia, Africa and Latin America, with a distinct growth of trade with the Arab countries. The trade turnover with the developing countries grew from 41 ml. currency leva in 1960 to 219 ml. currency leva in 1968. An increase of more than four times was achieved for eight years, with a total increase of trade turnover from 2.7 times for the same period. Our country renders an allround assistance to the developing countries in building up their new national economy. We supply them with machines and equipment. With our designing, by our specialists in these countries were built a row of huge industrial, cultural, living and administrative building projects.

The development of industry and agriculture created the possibilities for increasing the export potentialities of the country. In 1968 exports reached the substantial amount of 1890 ml. currency leva. In comparison with 1939 exports has gone up about 30 times. This increase looks even more impressive having in mind that it was achieved after 1950, when the prewar level was reached. The average annual increase of exports after 1950 is about 16 percent, while that of the national income is 9.4 percent.

The development of industry played a decisive role for the extension of the export potentialities of the country and most of all the development of those branches, which are based on raw materials of mineral origin: metallurgy, machine-building, chemistry and others. For 18 years (1951–1968) the export of industrial goods of non-agricultural origin was increased more than 60 times and now it takes over 45 per cent of the total volume of exports, while only the machines and equipment with production destination take about a quarter.

The efforts of our industrious people for developing of our own machine-building were not useless. Lathes, drilling machines, electric motors, accumulators, electric trucks, motor trucks, hoists, tractors, railway wagons, ships and many other machines with the "Made in Bulgaria" stamp on, can be met in the plants, in the fields and on the roads of many countries, including highly advanced ones like Italy, the German Federal Republic, England, Austria and others.

In the production of some types of machines, such as electric trucks and hoists, Bulgaria has specialized through the international socialist division of labour in the frames of the Council for Mutual Economic Aid and is one of their biggest producers and exporters in the world.

In the sphere of chemistry and metallurgy we produce and export some types of products and import others. Our non-ferrous metals enjoy a very good reputation and find a good reception on the international market.

Bulgaria is represented on the international market also by the production of the branches of industry, which are not connected with agriculture, such as building materials industry, timber-producing and wood-processing industry, glass and porcelain and faience industries, textile industry, sewing industry, footwear industry and others. In the export list of the country for 1968 products like cement, furniture, flat glass, porcelain products, woolen and cotton textile, ready-made clothes, shoes and many others are represented with substantial quantities.

The modernization and intensification of agriculture on one side and the widening of the production basis of food-processing industry on the other made it possible to increase several times the exportation of processed agricultural goods, although their relative share in the total exports diminishes systematically on

account of goods from pure industrial origin. Furthermore the export of processed agricultural goods grows with a rate twice higher than that of the unprocessed ones Bulgaria has never lost its reputation of a traditional exporter of agricultural goods which means now finished goods and not raw materials.

Bulgaria's light industry, considerably widened and modernized, is represented on the international market with a variety of high quality consumer goods. In 1968 we exported 58 ml. meters of cotton textile, 52 thousand sq. m. of carpets (oriental, "Chiprovski" and "Kotlenski" types), woolen and cotton knitted fabrics for 14 ml. currency leva, woolen and cotton ready made clothes for 90 ml. currency leva, leatherwear for 10 ml. leva, 24 thousand radio sets, 4112 TV sets and many other most diverse goods.

Bulgaria participates regularly in a row of world famous fairs and exhibitions, where the newest industrial products are exhibited. The participation of the country in those international goods-shows promotes the expanding of Bulgarian exports.

With the currency acquired from exports Bulgaria imports machines, equipment, row machines and consumer goods, produced in other countries.

For 18 years (1951–1968) imports of the country went up 13 times. During the whole period in the import's structure prevailed the importation of means of production—machines, equipment, raw materials. The import of machines and equipment with production destination in 1968 reached 936 mil. currency leva compared with 17 ml. in 1939 and 124 ml. in 1956.

Chief supplier of machines and equipment for building up the production and technical basis of our people's economy are the socialist countries and most of all the Soviet Union. Only in the last three years (1966–1968) the Soviet Union delivered machines and equipment for 1412 ml. currency leva, which represents 53.3 percent from the total import of machines and equipment with production destination. A great part of the delivery of machines and equipment from the Soviet Union is accomplished on credit under extremely favourable conditions.

A considerable part of the raw materials for industry such as hard and liquid fuels, ferrous metals, fertilizers and preparations, rubber, timber and paper, chemical products, textile raw materials and others are ensured through imports.

For meeting the ever growing material and cultural demands of the working people during the last few years there was a considerable increase in the importation of consumer goods reaching in 1968 the figure of 275 ml. currency leva. The import of consumer goods not only enriches the goods stocks but gives an impetus to our light industry to diversify the assortment and to improve quality of the goods, it produces.

The development of our national economy in future will boost even more foreign trade role for accelerating the rates and forming the proportions of economic growth.

Specialization and cooperation of production in the frames of the Council for Mutual Economic Aid, the further widening of the economic relations with the non-socialist countries on the basis of mutual benefit will promote not only the expanding of foreign trade turnover but raising the efficiency and profitableness as well, which means raising the efficiency and profitableness of the whole economy.

The CHAIRMAN. Mr. Chambers.

Mr. CONABLE. I don't know what Mr. Chamber's relationship to SATRA Corp. is but he has a legendary relationship with an organization I have known as the U.S. Marine Corps. I would like to welcome him before the committee.

The CHAIRMAN. We are glad to have you.

STATEMENT OF J. M. CHAMBERS, MEMBER, BOARD OF DIRECTORS, SATRA CORP.

SUMMARY

1. There is a large volume of business for the U.S. manufacturer in the Soviet Union.

2. The Congress must establish guidelines and benchmarks to guide the Administration in implementing the trade legislation.

3. The Congress of the United States through legislative action commencing in 1969 made it possible to competitively finance and sell into Eastern Europe.
4. Trade is reciprocal, and the buyer must have an opportunity to balance this trade.
5. Trade serves as a permanent and necessary line of communications between nations.
6. The Congress should grant MFN to Eastern European countries, and particularly the Soviet Union.

Mr. CHAMBERS. Thank you, Mr. Conable. The U.S. Marines will probably survive both of us.

We are consultants on international trade, but today I am testifying in behalf of SATRA Corp., I am a member of their board of directors.

Mr. Ara Oztemel, the president and chairman of the board of SATRA Corp., had desired to be here in person to deliver this short statement on the trade legislation pending before your committee. Unfortunately, he is abroad. The nature of a trading company has a tendency to place the trader everywhere but in his own country as he goes about the business of buying and selling products, and this is exactly what SATRA Corp. is—an international trading house which has been in business for some 25 years. It is worldwide in nature and especially strong in the Eastern European countries, with a heavy emphasis on the Soviet Union. Over the past 25 years it has been one of the most active—if not, indeed, the most active—trader with the Soviet Union.

TRADE VOLUME

As an international trading corporation, SATRA serves both as a principal and an intermediary. In the former capacity, it has annually millions of dollars of trade, and in the latter it has been successful in developing over $100 million worth of U.S. sales into the Soviet Union alone in the past 2 years.

CONGRESSIONAL GUIDELINES

We support the purposes of the Trade Reform Act of 1973 because we are convinced that an effort to remove barriers on trade among the nations of the world is both economically and politically important to the United States. We have only one caveat on the bill as introduced. We do not believe that legislation should be enacted by the Congress which would delegate its authorities on trade matters to the executive branch. The legislation should establish standards and benchmarks which would govern the executive branch in the exercise of any authority that is delegated.

The executive branch by its very nature is a large and complex bureaucratic entity. The objectives of the various departments which lead to recommendations to the President are often conflicting and frequently change as circumstances change. Further, the personalities which dominate the executive branch change, with resulting changes in emphasis and direction. We simply do not feel that a viable, balanced, and long term trade policy can be left to the changing beliefs and whims of department heads and bureau chiefs. While to some it might appear too cumbersome and time-consuming for the Congress to act on trade policies, anything as important to our national survival as trade should be subject to the collective judgment of the Congress.

PAST CONGRESSIONAL ACTION

Insofar as East-West trade is concerned, the major provision in the pending legislation is the extension of most-favored-nation status to the Eastern European countries, and particularly the Soviet Union. The history of our country's trade with the Soviet Union is well known to the members of this committee. It was the Congress of the United States that liberalized our export regulations to permit the U.S. manufacturer to sell his commodities in Eastern Europe in competition with our Allies, who have been selling the same commodities without restriction for many years. This pragmatic approach by the Congress has realized the predicted large volume of business for U.S. manufacturers. The American producers once again saw the Congress take the necessary positive steps to assist through the Export-Import Bank legislation in developing competitive financing for their products in the Eastern European countries, particularly the Soviet Union. As a result of these congressional actions, it has become clear to the American businessmen that it is possible to develop a significant export business with the Soviet Union which for decades to come will reflect a favorable balance for the United States.

RECIPROCITY IN TRADE

On the other hand, trade is a two-way street; and, as the committee is very much concerned with nontariff barriers, it would seem that this last major barrier to the sale into the United States of products from Eastern Europe should be removed. We have all recently read of the trade deficit that reportedly exists in the Soviet Union. We can all be assured that their reaction to a large deficit will be as the U.S. action has been to our deficit of the past few years.

Any of our trading partners must have an equal right to generate currency to sustain two-way trade. The Congress through its previous actions has indicated its belief that there is a substantial level of trade in the billions of dollars with the Soviet Union. This will only be realized if the two countries have an equal opportunity to trade between themselves.

EFFECTS OF TRADE ON INTERNATIONAL RELATIONS

We are convinced that favorable trade relations between countries is one of the most effective means of resolving differences and difficulties. The vital issues that must be solved between our Nation and the Soviet Union are of such importance to each that we should seize the opportunity to improve understanding and relationships between our peoples by maximizing our trading efforts. If this is done, it can lead to the resolution of many problems that now seem insoluble. In this connection, it might be interesting to quote a statement that appeared in a recent speech by the U.S.S.R. Vice Minister of Foreign Trade, Mr. Vladimir Alkhimov, in which he said: "Trade is very often the dove of peace among nations." He added, however, that "presently this particular dove needs a lot of help."

We feel strongly that the efforts to expand trade which were initiated by the Congress and carried forward by the President in ham-

mering out basic trade and economic agreements should not be permitted to fail by the insertion of other political issues. To do so raises the possibility of a reversal of the evolving steps which are bringing about a better understanding and hope for lasting peace between our nations. Accordingly, Mr. Chairman, we urge that the Congress extend the same trading status to the Soviet Union that it does to other nations of the world who now enjoy the most-favored-nation status.

Thank you.

The CHAIRMAN. We thank you for your very fine statement, Mr. Chambers.

Are there any questions?

Mr. Conable.

Mr. CONABLE. Mr. Chambers, I am a little surprised that you feel that as a trader you might be able to deal better with the kind of congressional strictures implicit in fully detailed policy emanating from Congress than you might with the more flexible policy left to Presidential discretion.

I understand the concerns that are generally felt about this but I should think that a trader, which is how you described your position, generally, would be someone serving as a go-between of countries that would be looking for flexible opportunity implicit in being a kind of middleman. Do I misunderstand the role of a trader?

Mr. CHAMBERS. I believe there might be some need for definition of the term which have been used, Mr. Conable.

First of all, as to the question of whether or not we would prefer to see the Congress holding the strings and setting the benchmarks for trade, this in part is influenced, at least where I am concerned, by my long experience in watching rather short-term decisions made to meet circumstances as they develop among the nations of the world. This frequently has solved a particular question but opened up a great many others, with the result that a long-term trade policy just is not in existence.

We have vast differences of opinion between, for instance, our Commerce Department and our State Department as to what should or should not be done. Now, it may sound strange for a trader to comment on a question of imports into the United States from the standpoint of the Congress setting benchmarks. Yet, if certain American industries should go out of existence, Mr. Conable, it limits the types of things that we frequently are able to sell in the export trade.

This leads me to what a trader actually is. He is not just a middleman. I think both sides often think he is and would like to eliminate him.

Mr. CONABLE. Maybe middleman is not the right name. Perhaps a trader is an intermediary who talks to both sides and tries to get them together.

Mr. CHAMBERS. That is what a trader does, although frequently we buy for our own account and take the risks, and sell. Frequently we will find there is a market for American-made goods or in some case other countries' goods and then seek out a source for those goods and put them together. In dealing with any countries, not just Eastern bloc countries, where they have limited exchange facilities, credit is often limited. It very frequently is important that you take, on a

counter purchase—you can use the dirty word "barter" if you choose—other materials to pay for the items that you are trying to sell them.

Those are sold frequently in third countries, and sometimes you go through several chains before the dollars are generated to pay for the sale of American equipment.

Now, a trader does this. An American manufacturer or businessman just does not think in terms of taking bananas from Ecuador in exchange for concrete. He wants dollars. The trader fills this bill. Out of his own resources he spends a great deal of time and money and effort to locate potential markets and suppliers and put them together. So, the word intermediary perhaps in this connotation is correct. But he always gets involved in the business of finding a home for the goods that he is taking in exchange and generating the exchange which will pay in dollars for what he has brought in the United States.

Mr. CONABLE. It is more complicated than I had imagined. Apparently your position would be then, that generally anything that increased the flow of international trade is to the advantages of your organization. Is that correct? And that is one of the reasons that you feel that the most favored nation is appropriate at this time in relationship to the Soviet Union.

Mr. CHAMBERS. Mr. Conable, speaking just to the Soviet, we have been bringing in all the chrome ore from Russia for a great many years. We frequently have taken that chrome ore in exchange for American products that have been sold to Russia. Until the Congress acted in the last two export control bills, it was most difficult to find items that we could sell to Russia even though frequently we would find France, Germany, or Italy, or any of our allies selling the same goods quite easily.

We had to take something in exchange to pay for them. We believe that trade should have as few restrictions on it as can be made to come about. We believe that as countries and people within countries deal with each other, a better understanding does develop, on the political front I think trade does ease an awful lot of the dangers of war.

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

Mr. BURKE [presiding]. Thank you, Mr. Chambers. The committee appreciates your testimony.

Mr. CHAMBERS. Thank you, Mr. Burke.

Mr. BURKE. Our next witness is Mr. Edwin S. Marks.

We welcome you to the committee, Mr. Marks. You may identify yourself and your colleague and proceed with your testimony.

STATEMENT OF EDWIN S. MARKS, PRESIDENT, CARL MARKS & CO., INC., NEW YORK, N.Y., ACCOMPANIED BY DANIEL COLLIER, VICE PRESIDENT

SUMMARY

The attached statement refers to $75 million principal amount of Russian bonded debts, repudiated by the Soviet Union.

The Russian Government bonds referred to were publicly offered to and have been held by Americans since 1916.

These dollar bonds were and still are being traded in the U.S. securities markets since time of issue. The two loans involved are: $50 million 6½% 3-year Credit dated 1916, and $25 million 5½% 5-year Bonds dated 1916.

For about forty years, Carl Marks & Co., Inc. (who has a position in these securities) has been a market maker in these bonds. The legitimacy of this debt has been recognized by the U.S. Government as late as 1973, but the default continues.

The enactment of any legislation which might sanction the existing Soviet default will adversely affect the bondholders.

Assurances have been received from U.S. Government officials to the effect that our Government would attend to this matter at the appropriate time.

Since nothing has materialized to date (no settlement treaties, nor even proposals having been announced on the above issues), we believe that *the time is now.*

Should legislation now be enacted which would enable "Most-Favored-Nation" treatment to be granted the Soviet Union and make the Johnson Debt Default Act inapplicable to the U.S.S.R., such steps would in effect reward the Soviet Union for the default and possibly set a dangerous precedent for defaults and repudiations here and/or abroad.

We therefore recommend that the proposed legislation enabling "Most-Favored-Nation" treatment to be granted the U.S.S.R. be made contingent on the U.S.S.R.'s acknowledging and settling its bonded United States dollar debt referred to above and in the enclosed statement.

In addition, the Johnson Debt Default Act should not be repealed. This Act should be strengthened to prohibit any Government that has repudiated its bonded debt to American investors from receiving additional loans from American sources, unless such publicly outstanding dollar bonds are settled.

Mr. MARKS. Mr. Chairman, members of the committee, ladies and gentlemen, my name is Edwin S. Marks, president of Carl Marks & Co., Inc., of New York, foreign securities specialists for 48 years. With me is Daniel Collier, a vice president and manager of the firm's international commitments department.

I wish to speak about the defaulted and repudiated Russian Government dollar bond debt and its relation to the present congressional proposals. Our firm has a position in such Russian securities, and has been a market maker in these issues for about 40 years.

These bonds originally were offered to the American public by a syndicate consisting of J. P. Morgan & Co., the National City Bank of New York, the Guaranty Trust Co. of New York, Lee, Higginson & Co., and Kidder, Peabody & Co.

We fear that any legislation which would permit the granting of most-favored-nation treatment to the Soviet Union and the repeal of the Johnson Debt Default Act, while this Russian-United States dollar bond debt remains in default and repudiation, will jeopardize the rights of bondholders who may feel that their only recourse for justice after all these years is the U.S. Government.

Marshall Wright, Acting Assistant Secretary of State for Congressional Relations, wrote the following:

Since the conclusion of the lend-lease settlement, we have been considering when and under what circumstances we can most effectively pursue bond claims and other private claims of American citizens against the Soviet Government. We have not yet reached any decision as to possible timing and modalities.

We believe that time is now.

BACKGROUND OF THE ISSUES

During World War I, an agreement was reached between the Russian Ministry of Finance and a syndicate of leading American financial institutions to issue to the American public a $50 millon 6½ per-

cent 3-year credit in July 1916 and $25 million 5½ percent 5-year bonds in December of that year.

Today, there still remain these $75 million principal amount issued and outstanding, plus over 50 years of interest thereon. The vast majority of these bonds are believed to be in the United States, owned by Americans in about 40 States.

U.S. GOVERNMENT POSITION

The U.S. Government has recognized the validity of these bonds to the extent that some holders of Russian dollar bonds have received partial payments through awards of the Foreign Claims Settlement Commission under Public Law 285 of 1955, if bondholders filed a claim with the Commission before March 31, 1956.

Apparently, the many years of efforts by the Foreign Bondholders Protective Council to have this bonded debt settled, have produced no results.

In a recent letter concerning this repudiation, U.S. Secretary of the Treasury George P. Shultz stated: "The U.S. Government has no intention of abandoning claims which are valid under international law."

Our State Department last month put it this way:

> The United States does not recognize the right of the Soviet Union, or any other state, to repudiate international obligations undertaken by the predecessor government. We believe that these obligations are valid under principles of international law, and intend to take no step which could be construed as a waiver of these principles which are fundamental to the conduct of our foreign relations.

PREVIOUS DOLLAR BOND SETTLEMENTS

Other East European nations have settled their debts via the Foreign Bondholders Protective Council. We fail to understand how the Soviet Union can continue to neglect its obligations to Americans and at the same time be considered for preferential treatment by our Congress.

Gentlemen, the passage of the proposed legislation in its present form represents a completely unwarranted waiver of the basic rights of any bondholder.

EFFECT OF THE TRADE REFORM ACT OF 1973

We believe that both Government and certain segments of the business community alike are viewing the Soviet Union as a promised land paved with trade opportunity. Quite frankly, my own observations on a trip there last year confirmed no such thing. The Soviet Union will undoubtedly need substantial amounts of foreign capital, in this case American funds. Why, in Heaven's name, do we offer the Soviets additional dollars from public and private American sources when they have found it to their benefit not to even recognize their former legitimate debts? In effect, the American public has, for almost 50 years, been subsidizing the Russians for their past debts. Why should we continue to do so? In view of the Russian debt record, we believe that the American banking system would also become vulnerable to default or even to another debt repudiation. The record of the past stands over whatever may be the hope for the future.

The Johnson Debt Default Act, as amended, was created because the Congress believed that those nations who are in default to our Government and not members of the World Bank are poor credit risks and therefore not entitled to access to the private credit market. Why, then, should any country that is not merely in default, but that has repudiated its debt to the United States, be permitted renewed access to our financial markets, unless the existing situation is first remedied?

Maintaining and strengthening the Johnson Debt Default Act would protect American investors. It would prohibit any government that has repudiated its bonded debt obligations to its American creditors from receiving new American credits, unless previously repudiated publicly outstanding dollar bonds are settled in some satisfactory manner.

SOVIET REPUDIATION VIOLATES INTERNATIONAL LAW

In addition, the Soviet repudiation of the debt of its predessors is a clear violation of international law. I have been informed by the office of the Legal Adviser of our Department of State that:

> It is the opinion of the Department that the repudiation by the Soviet Government of the dollar bonds floated by the Imperial Russian Government without permitting judicial action against it gives rise to an international claim which could be espousable by the United States in accordance with established principles of international law.

During my trip to the Soviet Union last year, Soviet officials laughed and told me that this debt was "A Forgotten Thing."

As an aside, the Ministers that I spoke to would tell me, "We have to have long-term trade with you." I said, "How about paying your old debts?" They said, "We recognize nothing that happened before the Revolution."

I said, "But all your territorial claims are based on pre-Revolutionary incidents." To that, they would say, "Ah, that is a different thing."

In conclusion, gentlemen, international banking and financial transactions are based on a foundation of confidence and mutual trust. They always have been and they always will be. If a nation can repudiate its debt with impunity by merely changing its governmental identity, international financial transactions as we know them today will be finished. The example of the Soviet Union, the only major repudiation that we know of in this century, poses great danger to an already vulnerable and overly exposed national and international financial system.

The Trade Reform Act of 1973, as it is now written, rewards the Soviet Union at the expense of U.S. citizens. Whether or not it is our Government's intent, this legislation ignores and thus weakens the legitimate claims which you have heard about today. We trust that Congress will protect the interests of those whom it represents.

In support of the above, I request that three articles written on this subject for the Money Manager and the Daily Bond Buyer, by Paul Heffernan—former investment banking reporter for the New York Times—be inserted in the record. I thank you.

Mr. BURKE. Thank you for your testimony.

Without objection, the articles will be inserted in the record at this point.

[The articles referred to follow:]

[From the Daily Bond Buyer and the Money Manager, New York, Apr. 16, 1973]

U.S. Public, Private Loans to Soviet Violate a Seasoned Precept of International Law

(By Paul Heffernan)

Is the Washington scenario of President Nixon really in earnest in holding up "law and order" as good words and down-thumbing "permissiveness" and "amnesty" as not good words?

If so, how is it that the Russian Government—for many decades in default of debt owing to the United States Government and to private United States citizens—is getting loans from the private sector of the United States economy with both the blessing and backing of our Government in violation of the intent of the Johnson Act of 1934?

Inseparable from the political and economic expediencies that are drawing the United States and Soviet Russia into the same bedroom after decades of agonizing distrust is a long-seasoned precept of international law—the responsibility of a successor government for the international obligations of the predecessor.

A related question: How should a government in default of its international obligations be won back to the altar of financial rectitude? By the vinegar of loan turndowns or by the bribery of new loans?

If the Nixon Administration is not won over to the permissive amnesty theory for treating financial malefactors, it must be venturing to expound a new precept of international law—that a successor government, while entitled to possess incontestably the assets of the predecessor state, is under no obligation to assume the international obligations of the predecessor.

If this innovation in international practice were to prevail, it would indeed be a startling breakthrough, as a review of a century of international debt questions on most of the world's continents will show. Probably no government bonds could be sold thereafter to foreigners anywhere.

Even while American aviators, long since shot down in Vietnam by military equipment provided largely by the Soviet state, were being released after years of prisoner-of-war confinement, the Export-Import Bank was announcing agreement to lend $101.2 million direct to Russia's Foreign Trade Bank and to guarantee $101.2 million in matching loans from United States commercial banks.

LOANS TO THE SOVIET UNION OF 6 PERCENT ARE LOWER THAN WHAT IT COSTS THE U.S TREASURY TO BORROW IN THE PUBLIC MARKETPLACE

The Export-Import Bank loans direct to Russia bear 6% interest, a rate lower than what it costs the U.S. Treasury to borrow money on its own name in the public market. By contrast, the Treasury is paying 6½% and 6⅝% on recent market borrowings—notes due in 3½ years and in six years and nine months.

Among the recent loans by private United States banks to Russia is one of $86 million granted by the Chase Manhattan Bank to help finance construction of a truck plant foundry on Russia's Kama River 550 miles east of Moscow. The Chase Bank refuses to make known the terms of this financial accommodation.

A singular and disquieting aspect of such credits is that the Washington and other announcements, while replete with talk about "increased East-West trade" on a "most favored nation" basis and about provisional settlement of Russia's postwar Lend Lease debt, no public reference at all is made to the Johnson Act or to Russia's unpaid World War I debt to the United States Government.

The Johnson Act was adopted before World War II when foreign governments defaulted on international debts approximating $30 billion and payable in United States dollars. As first adopted, the Act prohibited private financial interests from making loans of other than conventional commercial credits to nations in default of debt to the United States Government. Conventional commercial credits are synonymous with the short-term loans that form the basis of the commercial banking lending function.

Subsequently, the Johnson Act was amended so as not to apply to nations accepted into membership in the International Bank for Reconstruction and Development, an institution that Russia has not joined, and whose policy is not to lend money to member nations in default of the international debts of incumbent of predecessor governments. Why should Russia join the World Bank when Washington's Export-Import Bank is only a few doors down the block?

The Johnson Act did not forbid the United States Government from lending money to defaulted international debtors, but during the law's long tenure it was held unthinkable in the financial community, until recently, that the Federal Government would undertake financial transactions that were unlawful in the private sector, and would go further and guarantee in behalf of defaulted debtors abroad private loans of a kind that, until recently, were shunned by United States banks. Can you envision an FBI agent holding the flashlight for a confirmed international bank robber?

The existence of the Johnson Act was acknowledged by official Washington, however, back in 1959. The then Secretary of the Treasury, Douglas Dillon, said that even if the Lend Lease credits to Russia were settled, private loans to Russia would still be prohibited by the Johnson Act "as presently drawn."

Otherwise, he said, there would have to be some form of legislation similar to the legislation that was passed relieving other countries of the same obligation by reason of the fact of their membership in the International Bank for Reconstruction and Development.

If such legislation has since been adopted, it was not identified at the time by Washington as a measure to denude or to supersede the remnants of the Johnson Act. Thus, if the Johnson Act is a dead letter today, it would seem to be so by virtue of extraordinary powers granted President Nixon by Congress without Congress or the public being aware that the Johnson Act was being annulled without a footnote notice of death appearing in the repealer legislation.

The Russian loan application, if at all conforming with what banks require of business and other private borrowers, would have to own up to certain unsatisfied international obligations. These include:

WHY SHOULD RUSSIA JOIN THE WORLD BANK WHEN WASHINGTON'S EXPORT-IMPORT BANK IS ONLY A FEW DOORS DOWN THE BLOCK

A World War I debt to the United States Government now totaling about $700 million ($192 million principal amount plus a half-century of interest charges) incurred in Russia's war against Germany by the Kerensky successor government to that of the abdicated Czar.

Bond issues totaling $75 million sold in 1916 by the Imperial Russian (Czarists) Governmnt through J. P. Morgan & Co., National City Bank, Guaranty Trust Company and other banking institutions to private investors in the United States to help Russia finance the war against Germany. The Soviet Government repudiated these obligations in 1919 but later repudiated the repudiation—in the 1933 correspondence between Foreign Affairs Commissioner Litvinoff and President Roosevelt, and otherwise. However, the repudiated liability was never formally reassumed. The next item probably explains why.

An estimated $2.5 billion of European savings borrowed by Russia between 1858 and 1914 to finance the construction of a pre-Soviet network of 40,000 miles of railroads fanning out from Moscow to penetrate most of the two-million-square-mile area that makes up the European part of the Soviet Union. This debt, on gold-clause bonds denominated in British sterling, Swiss and French francs, German marks and Dutch guilders, was repudiated in 1919 along with the $75 million of dollar bonds borrowed on U.S. dollar bonds to finance World War I against Germany. The existence of this stupendous debt on defaulted European bonds has been cited by past Soviet officials as a major reason for not settling the dollar bonds. They just owe too much abroad to pay back anything.

Other claims of American businesses and private citizens of about $119 million against the Soviet Government—claims officially certified by the United States Foreign Claims Commission. These claims originated in the Soviet confiscation of business and other property of United States ownership.

Have stockholders of United States banks and other business enterprises any interest in the outcome of this certification procedure, one completed at the expense of claimants against Russia during the last decade?

For instance, of claims totaling $39 million made by First National City Bank, the United States Government certified an "award" of $5.4 million plus $4 million interest. However Citibank collected only about $550,000 of the award because the $9 million Russian funds of the 1933 Litvinoff Assignment of 1933 covered less than one-tenth of the awards. The cash distributed to awardees consisted of $1,000 plus 9.7% of the principal amount of the award. No cash payment was made on that part of the award stemming from back interest.

The largest award went to the Singer Manufacturing Co., which had put in for $100 million. The award on principal was $29.5 million and that on interest,

$26.7 million. Consequently, all Singer got was about $3 million against the principal.

Guaranty Trust Co. (now Morgan Guaranty Trust) put in for $1 million and got in cash about $88,000 on certified awards totaling $886,000 in principal and $844,000 in interest.

New York Life Insurance Co. put forward a claim of $31 million. The award certified by the Claims Commission totaled $5 million in principal and $4 million in interest. The insurance company collected about $500,000.

Bonds of the Imperial Russian Government sold in this market in 1916 were presented by some holders for claim. Claims certified by the Government Commission on the basis of bonds ran to about $8.6 million of the $75 million loan; of this total less than 10% was realized by the successful claimants.

With less than $1 million paid out against the 1916 market borrowing, the proceedings of the Claims Commission are implicit in the suggestion that the $74 million balance plus interest, represent legitimate private claims against the present Russian state. It is estimated that only about one-third of these bonds of the predecessor Imperial Government were filed as claims before the Commission. They have a current volume in the over-the-counter market of about five—that is $50 per $1,000 bond.

The banks that distributed these bonds to private investors in 1916 ran little risk. They run no risk at all today in making loans to socialist Russia guaranteed by the United States taxpayers through the Export-Import Bank.

For the record, every award crtified by the United States Government agency bore this official caveat:

"Payment of the award shall not be construed to have divested claimant herein, or the Government of the United States, on its behalf, of any rights against the Government of the Soviet Union for the unpaid balance, if any, of the claim."

Presumably these officially certified United States private claims against the Russian Government as both a successor and incumbent state were not pressed in the months of trade negotiations between the Nixon Administration and the Russians.

If so pressed, no public reference to them was even made by the negotiators; this silence is in significant contract to the repeated public reference to Russia's postwar (World War II) Lend Lease debt, whose agreed upon "settlement" was made by the Russians conditional upon achieving from Congress a "most favored nation" trading status with the United States.

United States balance of payments headaches to the contrary notwithstanding, our neogtiators must have been more anxious to lend the money to the defaulted debtor than the defaulted debtor was to borrow it from the United States. Either that or a Soviet bluff succeeded in nudging our leaders into hasty and unconditional surrender.

Thus the leverage of "no-win war" extends itself—to paraphrase the cogent axiom of Clausewitz—into the realms of "peaceful" international economics. While spurning any thought of amnesty to American young men who shirked their military duty to resist the Russian-aided aggression against South Vietnam, the Nixon Administration is now devoting itself to granting financial amnesty to the selfsame Russian state, one otherwise notorious over a half century for the remorseless dishonoring of its international financial obligations.

What basis is there for the position taken by Soviet Russia that a successor regime may claim the assets of the predecessor and yet disclaim the predecessor's international debts? Virtually no basis.

A survey of international government debts defaulted by one regime and restored to good standing by one or more successor regimes over the last century would take the financial investigator far afield into Europe, Asia, and Central and South America, and bring him into contact with all kinds of political structures—monarchies, republics and democracies stamped with ecclesiastical, capitalist or socialist orientation.

Ninety-eight years of annual reports of the Council of the Corporation of British bondholders testify to the vital tenacity of the international debt contract.

HAS SOVIET BLUFF SUCCEEDED IN NUDGING OUR GOVERNMENT FINANCIAL LENDERS INTO HASTY AND UNCONDITIONAL SURRENDER?

The same goes for the 40 years that the United States counterpart of the British body—the Foreign Bondholders Protective Council—has devoted to negotiations aimed at setting foreign government bond defaults. Similarly, other

international debt adjustments over the past century have been accomplished by international treaties and by private banking consortiums.

In behalf of United States bondholders, the Foreign Bondholders Protective Council here has negotiated 41 debt adjustment plans with foreign governments in its 40 years of existence. Of the national governments affected, 13 were in Latin America, nine were in Europe and two were in Asia.

Probably the most significant examples of how international debts have been taken over by successor states are those of the defunct Ottoman and Austro-Hungarian Empires, where obligations originally incurred by private property nations have been discharged by successor socialist regimes.

Other more recent instances include the external debts of Yugoslavia in full and of Hungary and Poland in part. Moreover, interesting contemporary questions bearing on the debt liabilities of successor states are presented by the insurgent Asian nation of Bangladesh, the Baltic states of Latvia, Lithuania and Estonia annexed in 1940 by Russia. Also bonds that were sold by issuers in East Germany before World War II and—unlike West German Government bonds rehabilitated by the London International Conference of 1960—are still in partial or full default, presumably awaiting the reunification of Germany.

The breakup of the European-Near East political complex once known as the Ottman Empire into Turkey and 14 other states was followed in 1923 by the successor states, under the Treaty of Lausanne, assuming debts of the predecessor empire totaling $8.6 million Turkish pounds.

The successor states other than Turkey were Italy, Albania, Bulgaria, Greece, Yugoslavia, Nedjid, Mesopotamia (Iraq). Syria and Lebanon, Palestine, trans, jordania, Hedjaz Assyr, Yemen, and Maan. Some of the Arab states are now part of Saudi Arabia.

The final distribution of the Ottoman Debt Council in Paris against provisional receipts issued to holders of bonds of the former Empire will be payable until the Nov. 10, 1979. Twenty-five bond issues of the old Empire were involved, some of them going back to the 19th century.

The shares of debt accepted by Italy (on account of the Dodecanese), Palestine, Syria and Lebanon, Iraq, Jordan and Yuglosvia were finally settled in 1926, 1928, 1933, 1934, 1945 and 1960, respectively. A 10% balance of Greece's share has been arranged for payment, according to the last annual report of the British Bondholders Council.

Bulgaria only partially discharged in liability, having settled in 1960 with French bondholders only. The shares of Albania, Saudi Arabia and Yemen were not settled.

Provision for the external debt of the Austro-Hungarian Empire to be taken over by the successor states was made by the Innsbruk Protocol of 1923. Under it, eight bond issues payable in Swiss francs and gold florins were made the repayment responsibility of Austria, Czechoslovakia, Poland, Hungary, Yugoslavia and Rumania.

The service of these commitments was interrupted repeatedly, notably during the money famine of the 1930s, and again, from the convulsions of World War II. By 1972, however, all of successor states of the old Empire had made good on their commitments—Austria in 1962, Hungary in 1966, Poland in 1967, Yugoslavia in 1970 and Rumania in 1972. Germany, not a successor state, paid part of Austria's share of the Empire debt. Thus, over 50 years, the old Empire debt was redeemed in full.

Certain debts of the governments predecessor to the states of Yugoslavia, Poland and Hungary are being serviced by the Communist successor states.

Hungary has paid off certain issues of external debt through agreements with Austria, Belgium, Luxembourg, Denmark, France, Greece, the Netherlands, Norway, Sweden, Switzerland and Great Britain. Further, it announced in 1971 having "lengthy negotiations, which are still continuing, with Italy and the United States." In 1969, Hungary paid off $6,323,000 of loans granted by United States banks during the 1931 financial crisis.

Communist Yugoslavia in 1965 came to agreement with the Foreign Bondholders Protective Council for resuming interest payments on seven issues of dollar bonds totaling $56 million that were sold in the United States market by the predecessor Kingdom of the Serbs, Croats and Slovenes from 1922 through 1936. Debt service has since been maintained without interruption.

Communist Poland announced late last year plans for resuming debt service on 16 issues of dollar bonds totaling $41 million which were sold in the United States market by predecessor governments from 1920 through 1936. A temporary plan, as yet not formally announced, is to go into effect July 1.

Soviet Russia in 1970 reached agreement with Great Britain calling for the release of certain British-held funds of the former Baltic states of Latvia, Lithuania and Estonia, which were annexed by Russia in 1940. As a consequence, certain payments were made available to holders of bonds of the cities of Wilno and Riga and the Republic of Estonia.

There are outstanding about $3 million of dollar bonds sold by Estonia in the United States market in 1927. These are in default. The United States has not recognized Russia's annexation of Estonia.

The debt of Pakistan to The World Bank presents a contemporary problem in respect to the allocation of debt to a successor state. Pakistan has not yet formally recognized Bangladesh as a soverign government, presumably because of the debt question.

Pakistan, which owes about $320 million on conventional loans to the World Bank, has also borrowed more than $400 million from the World Bank's affiliate, the International Development Association. The latter borrowings run interest-free for 50 years, with the borrower required to start repayment after 10 years. A number of the Pakistan loans were incurred to finance irrigation, flood control, railway construction and water supply and sewerage projects in Bangladesh.

How are these loans to be paid back to the World Bank?

[From the Daily Bond Buyer, New York, N.Y., Nov. 6, 1972]

(By Paul Heffernan)

It's a wonderland, all right; a wonderland of wholly new concepts of creditworthiness and the banking function. The only thing missing is an Alice to attest the mystifyng strangeness of the new fronter. No Jabberwocky. No Red Queen. This time, it's for real.

The first opening of the new vista was the United States-Soviet Russia wheat deal, with its overtones of multi-billion dollar business with farmers, bankers and shippers; of credits to Russia guaranteed by U.S. taxpayers through the Export-Import Bank; and of "most-favored-nation treatment" to the Communist state in future trade relationships.

Evidently the first test of the new credit yardstick—one based on the borrower's future prospects rather than the recollections of his past—is not to be made upon some little-propertied state aspiring to a minimum of living standards, but rather to the great Russian state that lies athwart Europe and Asia. Whether the debt-saddled nations of the undeveloped world will be inspired to emulate Russia's debt-repudiation practices remains to be seen.

For confirmation of the advent of new yardstick for international credit, stockholders of First National City Bank must have been stimulated when they read about the plans of their financial institution to open a branch office in Russia, where,in 1919, the Citibank branch was closed by the Soviet state and the contents confiscated, lock stock and barrel.

And stockholders of San Francisco's Bank of America, NT&SA, and associated managers of their banks syndicating a $68 million financing for the export of construction machinery by Caterpillar Tractor Co. to a Russian Government agency. The loan is being "guaranteed" by the Bank for Foreign Trade of the U.S.S.R. Well, well.

These bank stockholders must surely be pondering such questions as these:

Why do the official reports emanating from Washington and the industrial-Banking complex shun all mention of Russian-confiscated property and Russian-dishonored Government bonds? The only reference to unpaid Russian debts is to the Government-to-Government Lend-Lease account of World War II and thereafter, for which a settlement has been agreed upon. As for the claims of the private sector against Russia, there is only a great silence.

Will the Soviet Government ever make restitution for the 1919 confiscations of property owned by foreign banks, foreign corporations and non-Russian individuals?

Will the Soviet Government, as a successor state, own up to its liability to discharge the international obligations incurred by the predecessor Imperial Russian Government, by putting back into good standing the Russian Government obligations repudiated in 1919?

Does the readiness of banks to do business with defaulted-debt ridden Russia inaugurate a new banking princple—that the defaulted debtor, once appeased with new loans of money, may some day be inspired to thaw out his long-frozen resolve not to pay the old debts, and, instead, to finally come clean? What could

happen if banking and Government were to extend this principle to the capitalist private sector?

Does the flurry currently going on in Washington and in the nation's industrial and banking centers about engendering new business profits by taxpayer-underwritten trade with the backslider mean that the intent of the Johnson Act and the Hickenlooper Amendment—Congressional efforts of the past to shield bank stockholders and investors in general from having their good money follow the bad—is now to be relegated altogether to the waste basket?

CITIBANK BACK TO MOSCOW?

The case of First National City Bank is notable. Citibank estimated its losses from confiscated property and from dishonored bonds of the Russian state at more than $40 million. Under a claim-processing procedure financed out of the Litvinoff Assignment funds of 1933, the Foreign Claims Settlement Commission awarded Citibank $5.4 million plus $4 million representing unpaid interest going back to periods between 1917 and 1919.

Because the Litvinoff fund of assigned Russian assets totaled only about $9 million against awards against Soviet Russia running to $129 million, Citibank's award of $9.4 million ended up in a payment to the bank of less than $500,000—about 1% of its claim and about 5% of the award officially certified for it by the U.S. Government. The cash payment excluded the consideration of payment of what was awarded for back interest.

Nevertheless, the award to Citibank—as with all of the 1,925 awards against Russia certified by the Foreign Claims Settlement Commission—ended with this declaration of July 20, 1959:

"Payment of the award shall not be construed to have divested claimant herein, or the Government of the United States on claimant's behalf, of any rights against the Government of the Soviet Union for the unpaid balance, if any, of the claim."

REMEMBER THE JOHNSON ACT?

The Johnson Act was enacted in 1934 to protect the United States private investors from being exposed to domestic offerings of bond issues of foreign nations in default of the obligations to the U.S. Government.

It is little remembered today. The major reason is that most foreign nations, with the exception of certain Communist states, are in good standing in their financial relations with our Federal Government, and, as a consequence, are free to borrow money here from private sources in any way they want.

Much of this record of good standing is due to the negotiations carried on over 38 years by the Foreign Bondholders Protective Council with foreign governments in default of their obligations payable in U.S. dollars.

Over this period, the Council has negotiated 42 debt adjustment plans covering $3.5 billion of defaulted debt. Today, only the Communist nations of Russia, China, Hungary, Rumania, Bulgaria, Czechoslovakia, Estonia (now part of Russia) and Poland are in default of their international obligations. Poland has worked out a temporary debt settlement plan to be given effect by 1975.

A second reason why the Johnson Act is pretty much a dead letter is that Congress subsequently voted to except from its provisions any nations belonging to the International Bank for Reconstruction and Development and the International Monetary Fund. Today, most of the world's nations belong to these international organizations.

Again, conspicuous exceptions are China, Soviet Russia and Russia's Communist satellites—Poland, Hungary, Czechoslovakia, Bulgaria and Rumania. Late this Summer, Rumania applied for membership in the World Bank and the Monetary Fund.

FINES AND IMPRISONMENT

Nevertheless, the Johnson Act did warn:

"Whoever, within the United States, purchases or sells the bond, securities or other obligations of any foreign government or political subdivision thereof or any organization or association acting for or on behalf of a foreign government or political subdivision thereof, issued after April 13, 1934, or makes any loan to such foreign government, political subdivision, organization or association, except a renewal or adjustment of existing indebtedness, while such government, political subdivisions, organization or association, is in default in the payment

of its obligations, or any part thereto, to the United States, shall be fined not more than $10,000 or imprisoned for not more than five years or both."

As amended, however, the Johnson Act goes on to exclude from the above restriction "public corporations created by or pursuant to special authorizations of Congress, or corporations in which the United States has or exercises a controlling interest stock ownership or otherwise."

This can be read , then, to authorize the United States to extend loans which, if extended by a bank or private corporation, would be punishable by fine and imprisonment.

HICKENLOOPER AMENDMENT

The Hickenlooper Amendment (to the Foreign Assistance Act of 1961) provides, as amended:

"The President shall suspend assistance to the government of any country to which assistance is provided under this or any other Act when the government of such country or any government agency or subdivision within such country on or after Jan. 1, 1962:

"(A) has nationalized or expropriated or seized ownership or control of property owned by any U.S. citizen or by any corporation, partnership, or association no less than 50% beneficially owned by U.S. citizens, or

"(B) has taken steps to repudiate or nullify existing contracts or agreements with any U.S. citizen or any corporation, partnership of association not less than 50% beneficially owned by U.S. citizens, or

"(C) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of property so owned . . ."

Inasmuch as the acts of Russia and certain other Communist nations in confiscating foreign-owned property and in not paying debts due to foreigners took place before 1961, they are not covered by the Hickenlooper Amendment.

This could extend the application of the "most-favored-nation" treatment principal from international trade to international debt management.

The 41 foreign nations that have rehabilitated their international obligations from a default status over three decades cannot help taking note of the impunity with which Communist nations persist in maintaining their international debts in default even while negotiating with U.S. officials for new money handouts. The temptation of lesser states to let their bonds lapse into default and still make a pitch for "most-favored-nation" treatment for new loans must be difficult to resist.

If the new credit yardstick as applied to Russia is to win general acceptance, some of the explanation would seem to lie in the Russian Government obligations of the pre-Soviet regime being regarded as private debts of certain political associates of the short-lived Kerensky Government that the Lenin Bolsheviki expelled, and other private debts of the royal family of the old order.

CAMPAIGN CONTRIBUTION?

By this thinking, the $190 million that the U.S. Government lent to the Kerensky regime after the abdication of the Czar, was not a Government-to Government loan, but merely a campaign contribution to the worn-out liberal politicians who lost out to the Communists.

Likewise, to sustain the annulment of the Soviet regime's repudation of the external debt of the Imperial Russian Government, it would have to be argued that the money so borrowed was for the private use of the royal family, including a 36,000-mile network of railroads equipped with American designed locomotives—a private touring plaything reserved for Nicholas, Alexandra, etc., and families, with the Russian masses barred from boarding the trains.

RUSSIA'S DEBTS DIED WITH THEM

And that when the royal family died in a cellar at Ekaterinburg at the hands of assassins, their private debts—including $2 billion or so borrowed in the European markets to finance and nationalize the Russian railroads, as well as the $75 million borrowed from private investors in the United States to help carry on the war against Germany—expired with them.

Only their assets—assets confiscated by the Soviet state—survived.

[From the Daily Bond Buyer and the Money Manager, New York, July 17, 1972]

Is Russia Worthy of Trade Credits After a Half-Century of Default?

(By Paul Heffernan)

After spending billion of dollars upholding the international honor of the United States by checking Communist aggression against South Vietnam, will the Nixon Administration now capitulate to international dishonor by guaranteeing trade credits for Russia even though the Soviet state is in default of hundreds of millions of dollars owing to both the United States Government and its private citizens since World War I days?

The question is timely because of the tentative agreement recently reached between the two nations in respect to our exporting $750 million worth of wheat to Russia, a transaction proposed to be financed by $500 million of credits through the Export-Import Bank. Reports reaching the press suggest that the only thing delaying the deal is a settlement of the lend-lease credits extended to Russia in World War II.

This nation's lend-lease aid to Russia consisted of more than 16 million long tons of ships, airplanes, tanks, guns, and explosives as well as prodigious quantities of food and other supplies. Appraised at $11.2 billion, this war service was proposed to be settled during the Truman Administration for $800 million. Russia offered to pay $300 million, and that's where the matter now stands.

The lend-lease aid, from the standpoint of timing, was of three kinds: (1) supplies received by Russia during the war; (2) supplies in shipment before the war's end but not received until after the war; and (3) supplies shipped after the war was over. In 1945 Russia agreed to pay $222 million over 22 years for lend-lease goods supplied after the war. The Soviet state has made good on this debt.

There is something singularly deja vu, however, about these 1972 discussions of old Russian debts and new credits for the Communist state. Were not the parties reciting the same lines in 1933, when the Soviet Government was angling for recognition from the United States?

And again in 1946, when Russia wanted a $1 billion credit from the Export-Import Bank?

And again in 1959, when Anastas Mikoyan, was the guest of First National City Bank of New York and the Economic Club of New York?

It took the plain-spoken Nikita Khrushchev in 1959 to "tell it like it was." He said that the old Russian debts were mere "archieves of history."

But if the coming negotiations over the wheat exports to Russia are to confirm the Khrushchev proclamation, the Nixon Administration will have to do some fancy backtracking.

The major embarrassment would be to affix the "forget it" stamp on the voluminous 1959 report of the Foreign Claims Settlement Commission, which tried to square a $9 million 1933 assignment of Russian funds (the Litvinoff Assignment) against over 1,900 awards aggregating $129 million for losses including back-interest, sustained by American citizens by reason of Soviet Russia's seizure of American-owned property in Russia and by reason of Russia's repudiation of the external bonded debt incurred by the predecessor Imperial Russian Government.

While unable to stretch the $9 million Litvioff fund to pay off $129 million of "awards," the report nevertheless placed the formal certification of the United States Government on the lasting right of claim of the unsatisfied balances of awards made to dispropriated owners of Russian-domiciled assets and to investors holding repudiated dollar bonds of the Imperial Russian Government.

This 1959 report of the Foreign Claims Settlement Commission (made at a nominal cost of $455,700 assessed against the $9 million Litvinoff Assignment) is not, however, the only testimonial to the dishonored Russian Government debts dismissed by Khruhchev as "archives of history."

A summary of these dishonored debts is as follows:

World War I debt to the United States Government. Counting in interest aggregating over $500 million, this debt today stands at over $700 million.

The debt incurred by the interim Kerensky regime in Russia on loans from the United States Government after the abdication of the Imperial Russian Government. These loans totaled $190 million. They were on the verge of being settled by the successor Soviet Government in 1934 by an offer to pay $100 million on

condition that Russia would get a new 20-year loan of twice that amount. The negotiations fell through.

World War I loans floated by the Imperial Russian Government in the United States market on bonds subscribable and payable in dollars. There were two of such loans; they raised $75 million for Russia in the war against Imperial Germany. One loan bore 6½% interest and was to come due in 1919. The other bore 5½% interest and was to come due in 1921. Both loans were repudiated by the Soviet state in 1919. About a third of this bonded debt was made the basis for claims for awards filed with the Foreign Claims Settlement Commission and in some instances a holder of a $1,000 bond received $1,000. Cash payments to over 700 bondholders from the $90 million Litvinoff fund ran to only about $762,000, or less than 10% of the total.

The greater part of the Russian fund was paid out to a scattering of banks, insurance companies and industrial enterprises whose property was confiscated by the Soviet regime. The largest payment, one exceeding $3 million went to Singer Sewing Machine Co. enterprises against awards totalling over $50 million.

Financial and industrial enterprises that received about 10% in cash against awards exceeding $1 million included New York Life Insurance Co., International Harvester Co., First National City Bank of New York, Eastman Kodak Co., Mobil Oil Co., General Electric Co., Chase Manhattan Bank and Morgan Guaranty Trust Co.

The final sentence of each award by the Federal Government's Commission reads as follows:

"Payment of the award shall not be construed to have divested claimant herein, or the Government of the United States, on its behalf, of any rights against the Government of the Soviet Union for the unpaid balance, if any, of the claim."

The bravura with which Nikita Khrushchev waved away Russia's international obligations seems not to have been rooted in the postures taken repeatedly by the founding fathers of the Socialist state.

In 1919, when the ink was hardly dry on the Soviet Union's decree outlawing all obligations, both internal and external, to "landlords" and to others, Ambassador William Bullet, reported: "Lenin, Chicherin, Litvinoff and all other leaders of the Soviet Government with whom I talked expressed in the most straightforward manner the determination to pay its foreign debt."

Fourteen years later the Bullett statement nearly reached prophetic proportions in the negotiations between President Roosevelt and Maxim Litvinoff, the Soviet Union's commissar for foreign affairs. The Nov. 16, 1933 letter of Litvinoff to President Roosevelt—the letter known to historians as "The Litvinoff Assignment"—begins with this suggestive langauge:

"Following our conversations, I have the honor to inform you that the Government of the Union of Soviet Socialist Republics agrees that preparatory to a final settlement of the claims and counterclaims between the Governments of the Union of Soviet Socialist Republics and the United States of America and the claims of their nationals. . . . ."

It should be obvious, then, to the Nixon Administration 39 years later that the "archives of history" include the Litvinoff Assignment and its implications as well as the exhaustive 1959 report of the Foreign Claims Settlement Commission, with its formal certifications by the Government of the United States of the unsatisfied claims of United States nationals against the Soviet state.

What kind of reasoning can there be behind the seeming unwillingness of the Soviet Union to make good on the Russian state's international obligations? Is not the successor state responsible in the international community for the obligations of the predecessor government?

Were this not so, international debts need never be paid off: a mere change of government would do. And if such a precept were to prevail in the world of private enterprise, why should a company pay off a debt when the same result could be attained by merely changing the executive management and the board of directors?

Any Soviet Russia disclaimer of responsibility for the international debts of the predecessor Imperial Russian Government can be viewed in two ways.

The first rationale would be that there never was a Russian government prior to the Soviet Union.

That there were certain Russians—Nicholas, Alexander, Catherine, Elizabeth, Peter, Paul, Ivan, etc., etc.—but there was no "government." And when these Russian celebrities died, that the Soviet state was entitled to "nationalize" their personal possessions—jewels, art masterpieces, etc., in the name of Russia's first

"government." And that the international obligation of the so-called "Imperial Russian Government" were only the private debts of a few Russian men and women. Why should the Soviet Union be responsible for such "private" debts to foreigners?

The other rationale is less ingenious but more brazen. It is simply that (1) a successor government is entitled to the assets of the predecesor government (not excluding a Rusian network of 65,000 kilometers of railroads financed by more than $2 billion of bonds sold to private investors of Europe, England and the United States); and that (2) a successor government is privileged to disclaim all of the international obligations of the predecessor government.

Such an innovation in the concept of credit might indeed be inspired and sponsored seriously by the force of political expediency, but the question remains: what prudent investors can be expected to buy obligations whose first-instance security is the pledge of a Communist Government in default of its international obligations for over a half-century?

Pledges of such kind conceivably could be the first-instance security of debentures to be sold publicly by the Export-Import Bank. The Federal Reserve System now has authority to purchase for its investment portfolio the U.S. Government guaranteed Export-Import Bank debentures and has made such purchases. But who else could be expected to buy them?

Mr. CONABLE. Mr. Marks, what is the current market on these bonds?

Mr. MARKS. Approximately 5 percent.

Mr. CONABLE. Has it fluctuated much or has that been fairly standard for historic times?

Mr. MARKS. In the last 5 years they have fluctuated between 1 and 10 percent. I might say, though, that the Polish bonds which were just reaffirmed by the Polish Government, which is in the process of offering bondholders an interim settlement, were selling at about 5 or 6 percent in some cases, and are now selling in the 30's.

The Bolivian Government bonds which have recently been refunded, were selling below 10 within the last 10 years and those same bonds are selling on the equivalent of over 50. It all depends on the credit rating of the government involved.

Mr. CONABLE. Thank you, Mr. Chairman.

Mr. BURKE. Thank you, Mr. Marks. The committee appreciates your testimony.

Mr. MARKS. Thank you, sir.

The CHAIRMAN. The next witness is Mr. Max N. Berry.

Mr. Berry, welcome to the committee. Please identify yourself for the record and proceed as you wish.

STATEMENT OF MAX N. BERRY, WASHINGTON COUNSEL, ATALANTA CORP., NEW YORK, N.Y., ACCOMPANIED BY FRED A. GIPSON

Mr. BERRY. Mr. Chairman and members of the committee, I am pleased to have this opportunity to appear before you today to discuss title V of H.R. 6767. My name is Max N. Berry, and as Washington counsel for the Atalanta Corp. I have been asked to present this statement on their behalf.

My law partner, Fred Gipson, is seated on my right, to be of possible assistance to the committee concerning this testimony. Mr. Leon Rubin, president of the Atalanta Corp., is in eastern Europe and cannot be here today.

Atalanta's position on title V is one of support for the title. While supporting the granting of most-favored-nation (MFN) status to the socialist countries as a whole, our testimony will primarily focus on the importance of granting MFN treatment to Hungary and Romania.

In this regard, Atalanta was pleased to see the introduction of H.R. 2304 by Congressmen Findley, Conable, Corman, Fulton, Griffiths, Karth, Pettis, and Vanik, which would authorize FMN for Romania.

Before discussing the merits of our position, I would first like to quickly provide the committee with some background information regarding Atalanta, which indicates the company's wide experience in East-West trade and which explains our interest in presenting this testimony to you today.

It should be pointed out the Atalanta's president, Mr. Leon Rubin, was on April 4 of this year presented a certificate of appreciation from the city of New York for his "efforts on behalf of East-West trade," which span over a period of time exceeding 25 years to the benefit of our U.S. economy.

Atalanta is a marketing organization for high quality food items that are imported into the United States from 44 countries. Its home office is in New York with sales outlets in Atlanta, Boston, Chicago, Dallas, Indianapolis, Los Angeles, Miami, Milwaukee, Raleigh, and San Francisco.

During 1972, Atalanta enjoyed sales of its products totaling $149.6 million. The percentage of these sales for each food product sold by Atalanta in 1972 was as follows: Canned ham and other canned pork products, 57.6 percent; seafood products, 21 percent; cheese products, 7.1 percent: frozen beef, 11.1 percent; and miscellaneous canned food and exports, 3.2 percent.

For almost 25 years, Atalanta has been the exclusive sales outlet of canned hams and other pork products from Poland, a country already enjoying MFN status. Atalanta's import of Polish hams amounts to over 50 percent of Poland's total exports to the United States.

Since 1969 and 1970. Atalanta has had a similar relationship with Hungary and Romania, and is the major importer of these countries' food products. Atalanta, therefore, maintains a leading role in doing business with these Eastern European countries.

Doing business with the Eastern European countries has been profitable for Atalanta and, in turn, our economy in general. Likewise, it has been profitable for the East, with dollar earnings being utilized for the purchase from the United States of manufactured goods and agricultural products.

We have been particularly pleased with the warming of relations with the Eastern European countries and feel that title V is essential to a future increase of trade with this part of the world.

It is of importance to note that England and Denmark's entry into the Common Market has had a negative effect on traditional markets previously enjoyed by Romania and Hungary. During the GATT negotiations, Hungary, Romania, the United States, and various other countries objected to the Common Market's protective tariff system in favor of its members. Because of this protective tariff system, U.S. business interests are now in a position to gain new markets from

Hungary and Romania previously enjoyed by certain Common Market countries.

The conditions and factors which led to the enactment of section 5 of the Trade Agreements Extension Act of 1951 denying MFN to "the Union of Soviet Socialist Republics and the imports from any nation or area dominated or controlled by the foreign government or foreign organization controlling the world communist movement" have changed greatly over the last 20 years. The changes in the last 3 years have been dramatic.

In the case of Romania, the signing of an agreement providing for partial restitution of U.S. property claims in 1960 marked the beginning of an era of increased contacts and friendly relations. The United States revised its export licensing procedures for Romania in 1964; legations in both countries in 1964 were elevated to embassies; exchange of cultural and economic delegations become commonplace in the mid-sixties; in 1969, President Nixon visited Romania and became the first President since the Second World War to visit an Eastern European country. In 1970, when Romania was hard hit by a series of floods, the U.S. Government and private individuals responded with generous aid; in 1970, President Nicolae Ceausescu visited the United States and met with President Nixon. In 1970, 1971, and 1972, Romania received numerous government officials at the very highest level of their government; and in 1972, William P. Rogers became the first U.S. Secretary of State ever to pay an official visit to Romania and negotiated and signed a Consular Convention to facilitate the protection of U.S. citizens and property in Romania.

While these events were taking place, Romania joined GATT; obtained membership in the International Monetary Fund and the World Bank; negotiated agreements for Export-Import Bank credits; and the facilities of the Overseas Private Investment Corporation (OPIC) were made available for investments in Romania.

With respect to Hungary, it is important to note that on March 7, 1973, the United States and Hungary signed an agreement resolving past war debts. The agreement is viewed as a first and important step to normalization of relations and the eventual granting by both Hungary and the United States of MFN treatment to each other.

There are a number of other events which have taken place that have resulted in improved relations between the United States, Hungary, and Romania. Hungary and Romania now permit U.S. investment up to 49 percent in joint venture enterprises. There has been an increased number of visits by high ranking government officials and Members of Congress in both countries as well as an increase in educational, scientific, and cultural exchanges with the United States.

Hungary has applied for membership in GATT and the application is presently under consideration. The United States and Hungary recently signed a Consular Convention and both have embassies within each country.

Taking these facts into consideration, it becomes apparent that the 1951 reasons for withdrawing MFN are no longer valid. If national security were still the predominant issue, then the retention of rigid export controls, rather than the relaxation that took place in 1969 and 1971, would have been the appropriate action.

The denial of MFN to these countries in no way contributes to our national security. Therefore, it is understandable why the denial of MFN is viewed in Eastern Europe as a discriminatory trade practice towards the East. This economic fact results not only in hindering the effectiveness of U.S. foreign policy, particularly since virtually every major Western trading country has established MFN relations with these countries, but also causes damage to our economy since these countries must be able to sell to the United States if they are to buy more than the United States.

Atalanta believes that there have been sufficient changes in our relations with Eastern Europe and the Soviet Union to justify a change in U.S. policy to reflect the economic, rather than solely the political, aspects of trade with these countries. The economic factors clearly indicate that it is in our best interest not to discriminate against these countries with respect to trade, but to place them on an equal footing with our other trading partners by the granting of MFN.

At a time when we are experiencing a serious trade deficit, the broadening of trade with countries with whom we have traditionally experienced a favorable balance is to our advantage.

The figures on our balance of trade with these countries are as follows:

[The figures referred to follow:]

U.S. TRADE WITH THE U.S.S.R. AND EASTERN EUROPEAN COUNTRIES,[1] 1966–72

[In thousands of dollars]

Year	Exports	Imports
1966	197,737	171,022
1967	195,258	171,228
1968	215,054	196,621
1969	249,286	190,763
1970	353,320	215,505
1971	384,225	223,017
1972	816,463	319,736

[1] Based upon U.S. Department of Commerce statistics.

Mr. BERRY. With regard to the trade statistics incorporated in this statement, which are entirely derived from our Department of Commerce, it should be noted that U.S. exports to the Socialist countries are actually greater than shown. For example, we know that significant U.S. exports of soybeans to Switzerland were sold by the U.S. company's Swiss subsidiary to Hungary. In the case of the Socialist countries, sales to intermediate third countries and often to U.S. subsidiaries therein are not uncommon. However, in the example just mentioned, our Department of Commerce statistical reporting service would show an export of soybeans to Switzerland, not Hungary.

Nevertheless, when the Department of Commerce reported trade figures regarding Romania and Hungary are considered, the balance in favor of the United States over the years is impressive. In fact, since 1920, the United States has had a favorable trade balance with Romania in every year but 5, and 4 of those years were from 1952–55 inclusive. Therefore, during the last 52 years, there has been a favorable trade balance for the United States in 47 of those years.

The balance in most years has also been in our favor in regard to trading with Hungary. Figures furnished by the Department of Commerce indicate that prior to 1951, and with the exception of the war years when there was very little or no trade at all between the countries, the United States has had a favorable trade balance with Hungary. Since 1963, the balance in favor of the United States has been overwhelmingly in our favor.

The figures for U.S. trade with Romania and Hungary are as follows:

[The figures referred to follow:]

U.S. TRADE WITH ROMANIA,[1] 1966-72

[In thousands of dollars]

Year	Exports	Imports
1966	27,057	4,655
1967	16,795	6,176
1968	16,680	5,553
1969	22,394	7,966
1970	66,399	13,425
1971	52,532	13,774
1972	69,051	31,411

[1] Based upon U.S. Department of Commerce statistics.

U.S. TRADE WITH HUNGARY,[1] 1966-72

[In thousands of dollars]

Year	Exports	Imports
1966	10,053	2,985
1967	7,570	3,884
1968	11,194	3,848
1969	7,252	4,077
1970	28,263	6,224
1971	27,873	7,751
1972	22,404	12,274

[1] Based upon U.S. Department of Commerce statistics.

Mr. BERRY. All economic factors indicate that our sales to Romania and Hungary will show further significant increases in 1973. Boeing has announced the sale of three Boeing 707-320C jets to Romania. With spare parts and related equipment, this purchase amounts to approximately $20 million. The joint venture agreement between Control Data Corp. and Romania and the recent agreement between Romania and General Tire International involving equipment and services from the United States in excess of $35 million should also insure rather significant increases in our trade with Romania. Other U.S. business interests such as Atalanta have also recently entered into new trade with Romania as well as Hungary. Other U.S. corporations actively involved in dealing with Hungary are John Deere, International Harvester, FMC, Cargill, and Central Soya, to name but a few.

This is not to suggest that trade with Romania and Hungary or with the Eastern European countries as a whole will, from a percentage standpoint, necessarily be a significant part of U.S. trade. Prior to 1951 and the denial of MFN, our trade with these countries

represented less than 3 percent of our total exports or imports. After 1951, it fell to approximately 1 percent, and has in recent years begun to rise again.

A report prepared by the staff of the U.S. Tariff Commission in 1972, entitled "United States East European Trade," analyzed the prospects for expanded East-West trade. At pages 3 and 4, we find the following comments:

> Expanding trade with Eastern Europe is, therefore, increasingly viewed as a means of improving, at least on a modest scale, our balance-of-payments position.
>
> Past experience, the level of economic activity in the United States, the development in Eastern Europe suggest that a considerable potential for trade expansion exists. Merely to have achieved the same degree of importance that existed prior to World War II, for example, U.S. trade with Eastern Europe in 1970 would have had to amount to about $1.3 billion in exports and $1 billion in imports, or about five times the volume actually realized.

As indicated earlier, most economists and trade experts believe that our export potential is far greater than Eastern Europe's import potential. It would, therefore, appear that an increase of East-West trade, at least to the level of pre-World War II, would be highly desirable to the U.S. economy and specifically to our balance-of-trade position.

However, it is not reasonable nor fair to expect the Eastern European countries to continue to increase their trade with the United States if discrimination in the form of the denial of MFN continues.

In the Tariff Commission report mentioned earlier, it is estimated that in 1970 more than 40 percent of Eastern Europe's imports "were subject to substantial discrimination." Because of the nature of their U.S. imports, the denial of MFN has resulted in varying degrees of discrimination. The Tariff Commission report indicated that Hungary and Romania experienced over 40 percent substantial trade discrimination concerning their exports to the United States. Thus, it is obvious why the denial of MFN is viewed as being punitive, and much more than a psychological trade barrier, especially with respect to Hungary and Romania.

Romania, with a population in excess of 20 million people, is the third most populous country in Eastern Europe. It is approximately the size of Oregon, and, next to Poland, is geographically the largest country in Eastern Europe. Hungary, about the size of Indiana, has a population in excess of 10 million people.

In a report issued in March of this year, the Department of Commerce reported that during 1971 Romania's total imports amounted to $2.04 billion. U.S. products composed only 2.2 percent of this market, while West Germany's share was 17 percent, Japan 16 percent, Italy 12 percent, while the major socialist suppliers accounted for over 30 percent of this market. Romania's principal imports in 1971 were: Fuels, raw materials, and semifinished products, 50 percent; machinery and equipment, 40 percent; foodstuffs, 5 percent; and consumer goods, 5 percent.

During this time, Romania's total imports from the United States—

2.2 percent of her total imports—were as follows: Wheat, 37.1 percent; cotton, 15.3 percent; cattlehides, 8.3 percent; rolling mills and parts for metalworking, 7.4 percent; chemical woodpulp, 5.8 percent; electron and proton accelerators, 3.3 percent; and air and gas compressors, 3.1 percent.

During 1971, Romania exported $2.1 billion of goods with less than 1 percent entering the U.S. marketplace. The socialist countries received the largest percentage of these imports, while West Germany received 8 percent and Italy 4 percent. Romania's principal exports are fuels, raw materials, and semifinished goods, 43 percent; machinery and equipment, 23 percent; consumer goods, 18 percent; and foodstuffs, 16 percent. To the United States, Romania exported residual and distillate fuel oils, 21.3 percent of U.S. exports; footwear, 15.8 percent; furniture, 9.2 percent; glass and glassware, 9.1 percent; clothing, 9 percent; toluene and xylene, 7.6 percent; and cheese, 5.6 percent. The Department of Commerce further reports that Romanian exports to the United States of tractors, fish products, distilled fuel oil, and unwrought zinc rose in 1972.

Hungary in 1971 imported a total of $3 billion of goods. The socialist countries were the chief suppliers, with the U.S.S.R. accounting for 31.1 percent of this market; East Germany 10.4 percent; Czechoslovakia 7.9 percent. The United Kingdom accounted for 3.7 percent; France 2.1 percent; and the United States 1.1 percent. Hungary's chief imports were: Crude oil, rolled steel, coal, coke, iron ore, passenger cars and trucks, tractors, and railway freight wagons. The U.S. market of 1.1 percent was composed of: Soybeans and products, 58.6 percent; aluminum oxide, 12.8 percent; nonelectric machinery, 11.9 percent; agricultural machinery, 6.4 percent; and hides and skins, 5 percent. The Department of Commerce further reported that Hungarian imports of agricultural machinery and ovens, furnaces, kilns, and burners rose significantly in 1972.

Hungarian total exports in 1971 amounted to $2.5 billion—f.o.b.—with the U.S.S.R. receiving 34.9 percent of this market; East Germany 9.4 percent; Czechoslovakia 8 percent; Poland 5.9 percent; West Germany 6.9 percent; Italy 5.5 percent; and the United States only 0.4 percent. Chief exports were: Alumina, rolled steel, machinery and machine tools, transportation equipment, packaged medicaments, live animals, processed foods, footwear, and wine.

Specifically, to the United States, Hungary shipped canned hams, 42.9 percent of the 0.4 percent report above; cereals and cereal preparations, 8.5 percent; glassware and pottery, 11.4 percent; organic chemicals, 4.5 percent; and fabrics and clothing, 4.3 percent.

The following two charts, recently released by the Department of Commerce, reveal U.S. trade with the U.S.S.R. and Eastern Europe for 1972. Again, these statistics do not reveal the sale of goods destined for the socialist markets but exported to an intermediate source in a third country. These charts are categorized, both for imports and exports, by commodity groupings.

[The charts referred to follow:]

CHART I

U.S. EXPORTS TO EASTERN EUROPE/U.S.S.R., 1972

[In millions of U.S. dollars]

SITC	Bulgaria	Czecho-slovakia	East Germany	Hungary	Poland	Romania	Total Eastern Europe	U.S.S.R.	Total Eastern Europe/ U.S.S.R.
0	0.816	20.926	10.741	7.490	39.210	16.621	95.804	370.097	465.901
1	.050	.474	.450	----------	2.557	.001	3.532	.559	4.091
2	.754	18.259	.749	3.082	31.457	32.532	86.833	71.209	158.042
3	.022	.050	.411	.022	.254	1.329	2.008	----------	2.088
4	----------	.155	----------	----------	8.830	----------	8.985	1.701	10.686
5	.575	.827	.358	2.953	6.266	.911	11.890	20.976	32.866
6	.099	1.657	.586	.591	5.579	5.814	14.326	10.189	24.155
7	.712	4.804	1.218	7.678	15.128	10.938	40.478	62.030	102.508
8	.165	1.491	.256	.510	1.932	.791	5.145	9.148	14.293
Subtotal	3.193	48.643	14.769	22.326	111.213	68.937	269.081	545.909	814.990
9	.011	2.40	.014	.078	.313	.114	.770	.703	1.473
Total	3.204	48.883	14.783	22.404	111.526	69.051	269.841	546.612	816.463

Source: Office of East-West Trade Analysis, Bureau of East-West Trade, Department of Commerce.

CHART II

U.S. IMPORTS FROM EASTERN EUROPE/U.S.S.R., 1972

[In millions of U.S. dollars]

SITC	Bulgaria	Czecho-slovakia	East Germany	Hungary	Poland	Romania	Total Eastern Europe	U.S.S.R.	Total Eastern Europe/ U.S.S.R.
0	1.558	.787	.026	5.097	62.588	4.880	74.966	.535	75.501
1	.006	.144	.001	.397	.511	.049	1.108	.177	1.285
2	.385	.82	.171	.157	3.582	1.101	5.578	17.963	23.541
3	----------	----------	1.328	----------	.170	8.753	10.251	7.464	17.715
4	----------	----------	----------	----------	.249	----------	.249	.001	.250
5	.774	.345	.316	1.438	10.475	.443	13.791	1.250	15.041
6	.034	10.253	2.404	2.079	41.982	6.474	63.226	63.621	26.847
7	.022	7.950	3.570	1.030	3.713	2.547	18.832	.447	19.279
8	.089	8.089	2.381	2.431	15.430	7.164	35.584	3.163	38.747
Subtotal	2.868	27.750	10.197	12.629	138.700	31.411	223.555	94.621	318.176
9	.003	.222	.139	.095	.201	.081	.741	.819	1.560
Total	2.871	27.972	10.336	12.274	138.901	31.492	224.296	95.440	319.736

[1] SITC categories: 0—food and live animals; 1—beverages and tobacco; 2—crude materials excluding fuels; 3—minerals and fuels; 4—animal and vegetable oils and fats; 5—chemicals; 6—basic manufactures; 7—machinery and transport equipment; 8—miscellaneous manufactured articles; 9—miscellaneous articles, NEC.

Source: Office of East-West Trade Analysis, Bureau of East-West Trade, Department of Commerce.

Mr. BERRY. The committee will note that in 1972 the United States enjoyed a favorable balance of trade with respect to direct trade with Hungary of $10.130 million and with Romania of $37.559 million. The committee will also observe that with respect to our overall trade with Eastern Europe and the Soviet Union that the United States in 1972 had a positive balance of trade of $496.727 million.

Indications are, with a continuation of improved relations, that this trade will increase over the coming years with an even more favorable balance of trade to the benefit of the United States. The granting of most-favored-nation status is essential for this to occur.

Hungary and Romania's recent export and import trade picture reveals, among other things, that the United States is but a minute element in these two markets and that we are significantly behind other Western countries in this specific trade.

Like the United States, Hungary has a tariff system which provides for lower duties on imports from countries that extend to them MFN status. The only trading country with which Hungary does not enjoy MFN treatment is the United States, and Hungary trades with over 100 nations.

With respect to Hungary, the Department of Commerce has reported that future U.S. trade prospects are encouraging for electronic equipment, computers, agricultural machinery and parts, chemicals, cattle and hides, and soybean products.

Commerce further reports that U.S. trade prospects with Romania center on our capital equipment and technological know-how in the chemical, steel metallurgy, electronics, machine tools, shipbuilding, and tourist industries.

The fact that Romania is a less-developed country and that it has few dollar holdings makes it necessary that we give her the opportunity to sell in our markets on an equal footing with other countries of the world. In 1969, President Nixon made a promise to Romania to place her on equal footing with our other trading partners. Numerous Members of both the House and the Senate, including several members of this committee, have proposed and favored legislation to grant MFN for Romania. Hungary is also deserving of MFN treatment by the United States.

Since mention has been made in these hearings of the level of income of the worker in the Socialist countries, I would like to briefly comment on this matter. It is difficult to compare their level of income to that of the U.S. worker. We know, of course, that the U.S. worker's average level of income is higher.

However, the worker in Hungary and Romania, for example, does receive a number of benefits that should be taken into consideration. Medical beenfits in both countries are free, and retirement benefits are generous. In Hungary, women can retire at age 55 and men at age 60 and receive an average wage for their last 5 years of work. In the case of Romania, a worker receives 90 percent of his or her average wage for the past 10 years.

In addition, a comparison of take-home pay is not truly reflective of the standard of living of the worker in the two countries. On an average, the worker in Hungary or Romania spends approximately 3–5 percent of his income on rent, whereas the U.S. worker spends a greater percentage of his income, on the average around 25 percent, on housing. Other costs, such as food and services, are seven to eight times cheaper in Hungary and Romania and higher education for the qualified is virtually free.

Thus, at least for the necessities of life, there are certain factors which help to compensate for the lower take-home pay in these two countries.

It is important to note that neither Romania nor Hungary discriminate against Jews who wish to emigrate to Israel or elsewhere. Romania has enjoyed and enjoys friendly economic and political relations with Israel. After the June 1967 Middle East conflict, Romania did not break diplomatic relations with Israel. On the contrary, in 1968, the relations were raised from legislation status to Embassy status. It is publicly known that Romania, since 1967, using different forums including the United Nations, has tried to constructively assist in

bringing a peaceful solution to the problems existing in the Middle East.

Hungary freely allows emigration to Israel without discriminatory restrictions.

In conclusion, we feel that the granting of MFN to countries such as Romania and Hungary makes good business sense for the U.S. economy, and specifically to our balance-of-trade problem. Furthermore, it is justified on the basis that nondiscriminatory business practices toward these countries may prove to be the best and most effective method of further reducing the tensions between the East and West, thus enhancing the possibilities for a lasting world peace. It should be remembered that the granting of MFN does not favor these socialist countries but merely places them on an equal trade basis with our other trade partners in the world.

Again, on behalf of Atalanta, the opportunities to present this testimony is appreciated. We will be happy to supply the committee with any additional facts which may prove helpful to this hearing. Thank you for your kind attention.

Mr. BURLESON [presiding]. Thank you, Mr. Berry, for your presentation.

Mr. CONABLE. As a matter of curiosity, Mr. Berry, do we still purchase pate de fois gras from Romania and Hungary? They use to produce that. I notice that Atalanta Corp. is in the high quality food business. I was wondering if you dealt with that sort of thing.

Mr. BERRY. Mr. Conable, I know that the Atlanta company imports high quality food and gourmet items. It is my understanding that they have imported pate de fois gras from Romania and Hungary in the past and would do so today except for the fact these countries do not have MFN and the current U.S. duty is too high.

Mr. CONABLE. They do not seem like very socialist type items.

Mr. BERRY. It is a gourmet delicacy. With the consumer taste in the United States becoming more sophisticated, I expect there will be an increasing market in gourmet items in the United States.

Mr. CONABLE. It was a matter of personal curiosity only. I don't think it will affect the fate of the trade bill.

Thank you.

Mr. BURLESON. Thank you again, Mr. Berry, and your associate.

Mr. BERRY. Thank you.

Mr. BURLESON. The next witness is Mr. Alvin Schiffman.

Will you come around, please, sir, if you will.

If you will identify yourself for the record, please, sir, you may proceed.

STATEMENT OF ALVIN SCHIFFMAN, PRESIDENT, BAP DISTRIBUTING CO., NEW YORK, N.Y.

Mr. SCHIFFMAN. My name is Alvin Schiffman. I am president of BAP Distributing Co. engaged in the importation of children's wooden furniture from Romania.

The text of my testimony is quite brief. So, if you will indulge me I will read directly from my text and be quite brief.

We have been doing business in the country of Romania since 1971. Our corporation has transacted business with ICECOOP, which is a Romanian trading company, since 1971. We import wooden table and chair sets and toy chests which are manufactured in Romania. These are distinctive European products excellently made but having a limited market in the United States.

Since we have conducted business in Romania, I have visited this country on five separate occasions. On the occasion of these trips I was always graciously received and courteously treated. There were many opportunities for frank and open discussions and exchange of views. The result was a better understanding on both sides.

In our dealings with ICECOOP, the Romanian trade association, we found that its representatives were highly principled, that they met their commitments both written and oral, and that they were individuals of integrity who could be relied upon without exception.

The 1973 purchase of our corporation from Romania will aggregate approximately $600,000; more than double those of the previous year. A lowering of trade barriers would unquestionably accelerate the number and the extent of business transactions between the United States and Romania. In my opinion, the more numerous the business transactions the more likely that the term Iron Curtain countries will fall into disuse, at least as far as Romania is concerned.

My recommendation is that most-favored-nation treatment be granted to Romania. On the basis of my personal experience as a businessman, I feel that Romania merits this status. Furthermore, any steps that are taken to lower the trade barriers between our countries must lead to greater understanding between the United States and Romania and promote the cause of world peace.

That is the end of my written text.

The only thing I would like to add while sitting here and listening and thinking is to concur with the last gentleman. Israel's Golda Meier is a frequent visitor of the Romanian Government. To the best of my knowledge, the Romanian Government, the country of Romania, President Ceausescu enjoys a relationship with countries like China, countries like Egypt, countries like Israel. They are probably in their own quiet way, without fanfare, one of the most influential countries in helping to calm the Middle East, in trying to promote world peace, of any of the Eastern Bloc countries that my limited knowledge can think of at this point.

In conclusion I would just like to say that I think here is a country which has been long overdue as an ally of the United States from the Eastern Bloc countries for most-favored-nation status.

Mr. BURLESON. Thank you very much for your appearance.

Mr. CONABLE. Thank you for your testimony. It is good to have evidence based on personal experience and, obviously, you have had that, sir. Romania, incidentally, has grown into this role of intermediary between the East and West. You might be interested to know that they did not always have the same policy toward Jewish emigration that they have now; that at their earlier periods substantial emigration taxes were charged and it was very difficult for Romanian Jews to emigrate to the Middle Eastern countries. They have, how-

ever, as you say, grown into this role and it has been a very hopeful evolutionary process.

Mr. SCHIFFMAN. I am extremely pleased, just in closing, we are a small business, we do enjoy doing business with the people. Their hospitality, their method of treatment of our company, has been just excellent.

Mr. CONABLE. Certainly, to the extent that American foreign policy can do so, we should encourage this kind of posture on the part of an Eastern Bloc country. That has been one of the reasons that I personally have been interested in helping the Romanians in their commercial relations here with this country.

Mr. BURLESON. Thank you, Mr. Schiffman.

Mr. SCHIFFMAN. Thank you again, sir.

Mr. BURLESON. The next witness is Mr. Walter F. Browne, Amtraco Corp.

Will you come around, please? If you will identify yourself for the record, Mr. Browne, you may proceed.

STATEMENT OF WALTER F. BROWNE, VICE PRESIDENT, AMTRACO CORP., NEW YORK CITY

Mr. BROWNE. Thank you, Mr. Chairman and members of the committee.

My name is Walter F. Browne. I am a vice president of Amtraco Corp., 633 Third Avenue, New York, N.Y.

Amtraco Corp. is engaged in the business of export and import of foodstuffs, agricultural products, as well as livestock for breeding. I am appearing here to urge passage of legislation that will grant most-favored-nation tariff treatment to East European countries.

In a general sense, I believe it is in the best interest of the United States for the broadest possible international trade to be carried out. If the United States charges higher duties on the products of a few countries, it naturally follows that trade with these countries will be restricted, as they will not be able to earn enough dollars to pay for all the U.S. products they want to have.

In particular, I am familiar with the U.S. trade position with Romania and Bulgaria. I think I am the last one here on the Romanian team. We have had quite a few today. I have visited both countries twice in 1972 and have negotiated contracts with their trade organizations. Both countries have demonstrated their desire to sell their foodstuffs in this country by participating in food shows in Los Angeles, Chicago, New York, and other cities. Both countries have trade offices here, staffed by specialists, for the purpose of increasing trade.

The Commercial Counselor of Bulgaria and the Romanian Ambassador to the United States, recently explained, in detail, the desire of their Governments for increased trade with the United States. These statements were given before the East-West Trade Consultation Conference in New York, November 1972. Copies are attached to this statement submitted to the Committee.

May we have those entered into the record, Mr. Chairman.

Mr. BURLESON. Without objection they will be included in the record. [1]

---

[1] The statements referred to appear following Mr. Browne's presentation to the committee.

Mr. BROWNE. Briefly, the position of Romania is that they import twice as much goods from the United States than they export to the United States. Romania is rapidly industrializing, and needs more imports from here. They want to earn more dollars to pay for U.S. products by selling their goods in the United States. In the case of foodstuffs, it is very difficult because of the high duties they have to pay. In some items, they have to pay 35 percent when other countries pay 7. In the case of tomato products, they have to pay 50 percent when others pay less than 15 percent.

Bulgaria is also a country rapidly industrializing and in need of advanced machines and technology. They have a very active foreign trade with many nations. However, Bulgaria's trade with the United States is very small, fluctuating between $5 to $10 million. They are very eager to increase their imports from the United States. The Commercial Counselor, in the attached statement said, "We are ready to negotiate contracts with U.S. companies for 'turnkey' projects in the amount of many millions of dollars." They also want soybean meal, hides, chemicals, seeds, and breeding cattle, among other items.

Amtraco Corp. has just concluded a contract to sell Bulgaria $1 million worth of breeding livestock. In order to pay for these and other imports from the United States, they need an equal opportunity to sell their goods in the United States. They need most-favored-nation treatment to become effective trading partners with the United States. Bulgarian food products are well established in the markets of Canada, Japan, United Kingdom, and the rest of the Common Market. They would also find a place in the United States market if they had equal duty treatment.

At the same time that Romania and Bulgaria are industrializing, they also have important agricultural outputs. At a time when so many foodstuffs are in short supply, and expensive, we should not shut out potential sources of supply by high duties. During this past season there was a failure of the U.S. prune crop, and Bulgarian and Romanian imports of prunes helped fill the gap. In March 1973, 2.2 million pounds arrived from Bulgaria. This is one of the new products where column I and II duties are the same. Sweet red peppers were short this season, with U.S. packers out of stock, and the Bulgarians helped out so that sweet red peppers could stay on menus.

There will probably be many more welcome imports from Bulgaria and Romania, and we should allow them to compete on an equal basis with other countries.

[The statements referred to by Mr. Browne follow:]

ROMANIA—POSITIVE POSSIBILITIES FOR INTERNATIONAL TRADE AND COOPERATIVE VENTURES

(By Corneliu Bogdan, Ambassador of The Socialist Republic of Romania to The U.S.A.)

The realities of the contemporary rapid-changing world and in the first place the scientific and technological revolution make it imperative to intensify and diversify the exchange ot material and spiritual values between peoples and countries, to extend and variegate international trade exchanges and economic and technico-scientific cooperation.

Proceeding from this reality, Romania has promoted and is constantly promoting a policy of wide international collaboration on all planes, is intensifying foreign trade and economic, technical and scientific Romania in the international trade and cooperation is a major component of the Romanian policy

The basis of the expansion of Romanian participation in foreign trade and economic cooperation is the high rate of her economic growth, the modernization and diversification of her industrial output.

For more than two decades, Romania's industrial production has been increasing at an average annual rate of 12.9 p.c.; the industry now takes the first place in the structure of Romanian economy; national income has increased in the last 5 years at an average annual rate of 7.7 percent.

Through these years priority has been given to the basic branches of the national economy-electric and thermal power, metallurgy, machine-building and chemistry—which in 1971 accounted for more than half of the gross industrial output of the country. At the same time new industrial branches have been developed to meet the requirements of the scientific and technological revolution viz.: electrical engineering, electronics, automation elements, petro-chemistry etc.

A considerable rise has been registered in the branches producing consumer goods (house furnishings, footwear, textiles, food products). Outstanding successes have been scored in agriculture, gross agricultural production in 1972, for example, being nearly 16 million tons—the biggest ever recorded in Romanian history.

With the implementation of the present five year plan (1971–1975), Romania entered upon a new stage in her economic and social evolution, a stage during which high growth rates are being maintained in all fields of economic activity. The national income, for example, will increase by 11–12 p.c. on an average. At the same time by the end of 1975, gross industrial production will be 71–80 p.c. bigger than in 1970, increasing at an average annual rate of 11.0–12.0 p.c.; industry is to account for more than 66 p.c. of the national income; it will meet about 70 p.c. of the country's equipment requirements and will supply 1.5 times more goods for the home market and 1.9 times more goods for export.

The sectors to be primarily developed will be those that are closely bound up with technical progress: machine-building and chemistry; alloy steel metallurgy, electrical engineering and electronics, fine mechanics, machine tools and fine synthesis chemistry, among others.

The agricultural output throughout the 1971–1975 period will increase by 34–49 p.c. against the average output obtained in 1966–1970. High growth rate are to be obtained in all consumer goods branches in particular in the light and food industries.

Following the success scored in all fields of activity, we have put an end to the state of backwardness we started from. Nevertheless, we must say that we still have plenty to do in order to secure for our people a high level of civilization and well being. If we compare ourselves with the economically developed nations, we find that in many spheres an important lag still exist. This is why Romania, while having surmounted the stage of an underdeveloped country, continues to be a developing country; this is why it is still necessary to make huge efforts in order to step up material, scientific and cultural progress. A few figures bear this out. The per capita national income, for instance, standing at 500–600 dollars in 4–5 times lower than in developed countries. Labour productivity is several times lower. A twofold to fourfold gap continues in a number of basic industrial sectors in terms of per capita output. The population still active in agriculture accounts for about 47 p.c. of the total employed population as against 10–15 percent in the advanced industrialized states. These differences make it imperative to allot a great proportion of the national income to capital accumulation. Under the present five-year plan the rate of capital accumulation should be about 30–32 p.c.

The achievement of the complex task of bringing Romania to the state of a developed country depends of course, in the first place, on our own efforts, and resources. But at the same time the continuous expansion of our cooperation with all the other nations is of paramount importance for the success of our efforts. This is why, without asking for handouts, we are constantly pursuing the development, on the basis of full-equality and mutual advantage, of our exchanges with all nations.

Of course as a socialist nation the strengthening of the cooperation with the members of the Council of Mutual Economic Assistance, with all the socialist states, remains a key element in our policy.

But at the same time we are perseverently developing our relationships with all other nations on a bilateral plane as well as within international organizations.

Romania trades with 110 states, is a member of GATT and applied for membership in the I.M.F. and the World Bank.

During the preceding five year plan period (1966–1970) the total volume of Romanian foreign trade increased by 61 p.c. as against 1961–65 period, the average annual growth rate being of 11.8 p.c. In 1971, the volume of Romanian exports was 13.7 p.c. above the 1970 figure, with highly processed products—machinery and equipment, chemicals, industrial consumer goods—holding the main share (49.3 p.c. of gross exports). In 1971 approximately 4 p.c. more goods than in 1970 were imported to meet national economy requirements.

The provisions of the present five-year plan for 1971–1975 period create prerequisites for the considerable extension of Romania's foreign trade. In accordance with plan provisions the volume of economic exchanges with other countries is to increase by 61–72 p.c. by the end of 1975, over and above the 1966–1970 figure, and the main share of total Romanian exports is further to be held by machinery and equipments, chemicals and highly processed consumer goods. The overall export volume is to increase by about 82 p.c. while the import will increase by 53.8 p.c. In 1973, for instance, Romanian exports should amount about 3.4 billion dollars out of which 1.6 billion in free convertible currencies. In the same period the imports is to reach 3.1 billion dollars out of which 1.4 billion in free convertible currencies.

At present, nearly one-fifth of the country's industrial production is being exported. In certain sectors the percentage of the goods going abroad is much higher than one-fifth, examples in point being: motor trucks, machine tools, tractors, four-wheel drive cars, technological equipment for the chemical industry, drilling rigs, bearings and a number of chemicals as well as furniture and certain products of the light industry. Other goods currently exported by our country are: electric motors, power transformers, farming equipment, gas oil, mineral oils, cotton fabrics, textile garments, carpets, leather footwear, fresh vegetables etc. We now intend to introduce on foreign market new products of high technical level such as: high tonnage motor trucks equipped with Diesel engines, ARO-type four wheel drive cars, thermal power generating sets of 300 MW and other products of the electrical engineering and electronic industries.

As far as imports are concerned we are looking for various goods to supply the national economy with raw production materials, installations, machines and equipment. In 1971, as in the preceding years, the goods which were mostly imported were the following: complex industrial installations, machinery and equipment of high technical level (among which: electronic and power equipment, mining industry equipment, metal-cutting machine tools) as well as raw materials primarily iron ore, cooking coal, ferro-alloys, cotton and cotton yarn, raw hides and skins etc.

The new Romanian Foreign Trade and Economic and Technico-Scientific Cooperation Act passed early in 1971, covers, in addition to organizational, planning and custom regulations, the ways in which Romanian authorized companies may cooperate with foreign companies in the joint economic projects both in Romania and abroad.

According to this law, joint ventures agreement—including equity participation are permitted in various forms and in different economic fields, depending on the interests of the contracting parties, the object of cooperation and the use of products.

The conditions concerning the setting up, organization, duration and functioning of joint companies, the rights and obligations of the parties, the manner of the building up the patrimony as well as of withdrawing the participation share, the criteria of benefit distribution as well as other specific clauses are laid down in the contract concluded by the parties. The share of Romanian side in the patrimony of joint companies, set up in Romania, must be of at least 51 p.c.

Romanian state provides guarantees (by its authorized * * * to foreign partners as to the transfer abroad of the redemption * * * profits.

Even before the new Foreign Trade Act was adopted, a few * * * ventures in simpler forms, have been set up.

Here are a few examples:

The French Company "Renault" delivered the technology and equipment to set up a plant in Romania to produce gear-boxes. The equipment and technology are paid back through the products of the said plant.

The "BOCHAKO" company from West Germany has set up a fertilizer plant in Romania with the obligation to buy and distribute a part of the protection of this plant.

An agreement was concluded between a * * * of Romanian companies and the Italian company "Oficine Galileo" to produce and mutually supply different parts of textile machines.

Similar cooperative joint ventures were concluded also with Sweden in the production of electronic computers: with West Germany in the production of motor trucks equipped with Diesel engines; with Italy in the production of tractors etc.

Many industrial and technical cooperation ventures undertaken with other countries are now being finalized, Romania's contribution consisting in supplying designs and documentation, giving technical assistance and delivering the installations and equipment required for the setting up of industrial projects. Among the partner countries are: Iran (a tractor factory; a sodium products factory etc.); Egypt (a phosphate complex, a sodium products factory etc.), Algeria (the turning to account of ores and other useful mineral substances).

Romanian foreign trade organizations have already set up in different countries over 20 different joint trade companies to sponsor the development of export-import activities of chemical products, machine-tools, food products and others.

It is expected that the new Foreign Trade Act will spur the joint ventures between Romanian enterprises and foreign companies, introducing more sophisticated forms of cooperation.

TRADE WITH THE UNITED STATES OF AMERICA

Trade between Romania and U.S.A. has not been significant until 1970, when the imports and exports totaled 75 million dollars against 31 million dollars in 1969. Romania-U.S.A. bilateral commercial exchanges have already reached 100 million dollars in 1971. The growth in trade between Romania and U.S.A. in the past few years reflects the general improvement of the relations between the two countries.

But we have to point out that the trade volume of 100 million dollars reached in 1971, has been largely due to American exports to Romania, which usually are 2–2.5 times bigger than the American imports from Romania.

Romania recently has resumed the transactions with the Export Import Bank and we hope that this step will improve the overall economic relations between the two countries. Additionally the President authorized Romania to come under the Overseas Private Investment Corporation Program (OPIC)

One should mention, however, that a basic prerequisite for the further increase of trade between U.S.A. and Romania, is the extension of the M.F.N. treatment to Romanian products. You have to keep in mind that Romania's ability to import from U.S.A. is to a great extent dependent upon Romania's capacity to earn convertible currency by exporting to U.S.A. Trade must be a two-way proposition and frankly, we cannot see any reason why this question could not find its mutually advantageous solution in the near future.

We consider that our export potential is much larger than the current export of Romanian goods on this market. There are many Romanian goods of good quality which might be exported to the U.S.A. which are now practically prohibited by the absence of the M.F.N. treatment, such as: electronic components, some types of machine tools, furniture, knitwear man made fibres, ready to wear man made fibres, different chemicals etc.

On the other hand there are good opportunities for American companies to enter into business with Romanian partners under the form of cooperative joint ventures. We are interested to get technologies and equipment to set up facilities in order to manufacture machine tools (especially numerically-controlled machine tools), integrated circuits, measuring equipment, radio-communication equipment, computers, some kinds of machineries for fruit and vegetable harvesting etc.

Joint ventures offers for the setting up in Romania of new industrial units for high and efficient processing of agricultural raw materials, will be welcomed.

Romania has large possibilities for tourism. Any proposal to expand the actual tourism facilities or to build new such facilities on a joint venture basis will be carefully examined by the relevant organizations in Romania.

We believe also that the Romanian expertise in oil exploitations and oil equipment, mining and mining equipment, power and energy, construction work etc. are offering promising possibilities of Romanian-American joint ventures on third markets, in some of the developing countries of Asia, Africa and Latin America.

The American businessmen interested in buying from, or selling to, or in joint ventures with Romania can make initial inquiries through the Romanian Commercial Offices in New York, Washington and Chicago.

Bulgarian—New Potential for Growth in Foreign Trade

(By Boyan Christov, Commercial Counselor to the Bulgarian Embassy)

Bulgaria, as you know, is a small country, situated in the center of the Balkan Peninsula in the southeastern part of Europe. The territory is about 43.5 thousand square miles and the population is over 8.5 million. If we compare the territory of Bulgaria, it is near the territory of the State of Pennsylvania. The Bulgarian State was found in the year 680 A.D. Very soon Bulgarian people will celebrate the 1300 anniversary of the foundation of Bulgarian State. The economic development of the country was interrupted many times by the invasion of the Byzantine, Turkish and other armies.

The real progress started in 1944 when the people came to power and the People's Republic of Bulgaria was established.

Following the road of fast socialist development, our country, in this period of some 28 years, became one of the industrial-agrarian nations in the world with well-developed industry and agriculture.

I would like to mention some figures which illustrate the performance of our economy (for 1971) :

GNP (Gross National Product), 26 billion dollars.
National income, 11 billion dollars.
Industrial output, 15 billion dollars.
Farm production, 3.5 billion dollars.
Electricity, 21 billion kilowatts.
Steel, 2 million tons.
Cement, 3.9 million tons.
Fertilizers, 750 thousand tons.
Machine tools, 14379 units.
Electric trucks, 30203 units.
Electric hoists, 55919 units.

Of course, the above figures are fraction of the ones for a country like the USSR or the USA, but, per capita they show pretty favourable performance.

Our main achievement is the dynamic rate of the economic development. The growth rate for the period 1965–1970 was 8.7 per cent. That puts the country among the top ones in the world in terms of economic growth.

Our agriculture is a modern one. The growing of basis staples is completely mechanized. The main agriculture work like ploughing, sowing, harvest, harrow are about 100 percent mechanized. This and other positive factors as fertilizers, irrigation and so on, allow us to achieve good yields of most of the important crops and we can compare them to the highest in the world. Our agriculture is a surprise to everybody who is familiar with that part of a country's economy. *We are the first country in the world which have introduced the bold idea of forming of huge "agrarian-industrial complexes" and thus providing the possibility of extremely efficient implementation of newest techniques, equipment and technology.* Each consists of 50,000 up to 80,000 acres.

Along with the fast expanding economy, the foreign trade of our country achieved remarkable results for the period of socialist construction.

This trade before the 9th of September, 1944 characterized the poverty and backwardness of the Bulgarian economy of that time. The entire export of 1939 was worth 62 million Dollars (by today's rate) and 99% of it was provided by the primitive agriculture. Today. Bulgaria maintains trade relations with over 100 countries. The turnover for 1971 was 4.2 billion Dollars (on base of official rate 1$=1.08 leva). And this turnover is well balanced in terms of export-import. But again, when talking about these achievements, we want to stress that the growth rate of our foreign trade is bigger than that of our GNP. *The UN Statistics for 1970 put Bulgaria at the first place among all nations of the world in terms of foreign trade growth.*

Under the provisions of the Sixth Five-Year Plan, adopted last year, Bulgarian economy, and along with it the foreign trade, is going to grow even at faster rate than before.

The rate of 10.4% growth for the next 5 years of our foreign trade should result in the amount of about 7 billion dollars in total turnover in 1975—64%

more than in 1970. Comparing this figure with the projected GNP figure of 35 billion Dollars for 1975 is pretty obvious that our economy is getting more and more export oriented. *That means that we shall expand our existing markets and along with that we shall develop new ones for both our sales and purchases abroad.*

The structure of our export is:

1. Machines and equipment, 32 percent–43 percent–1975
2. Metalurgical and chemical industry, 16 percent
3. Food industry, 32 percent

The structure of our import is:

1. Machines and equipment, 49 percent
2. Raw materials, oils and metals, 29 percent
3. Chemicals, 8 percent

Trade with West. Our trade turnover in 1971 with the unsocialist countries was over 1 billion dollars. Italy accounted for 123 million dollars, West Germany—108 million dollars. France—90 million dollars, Great Britain—75 million dollars, Austria—70 millions, etc. These figures are growing rapidly from year to year which shows, once again, that Bulgaria, as a country, is a good partner.

What is the present situation of our trade with the USA? It is an established fact that this trade is now more or less symbolic. It fluctuates in the area of 5–10 million dollars turnover annually.

Our export to the United States consists of food products, such as dairy products, ham, spices, essential oils, fruit and vegetable preserves, wines, chemicals, medicaments, window glass, glassware, stamps, etc., contribute to the figure of 3–4 million dollars of total exports.

The existing barriers for our exports to the USA consist mainly of the lack of Most Favoured Nation Treatment. The duties for our goods are from 20% up to 15 times higher than for the other countries, which makes it prohibitive for certain items to be exported to the United States. Our material handling equipment—electric trucks, electric hoists, metals, ships, chemicals and so on, are well accepted all over the world but, in fact, cannot be sold in the USA market.

Even our traditionally known here goods as tobacco, carpets, leather coats, preserved fruits and vegetables, etc. cannot be marketed in the USA under this highly unfavourable tariff treatment.

The import side of our business with the USA is limited too. The lack of credits, the embargo lists, quotas, etc. are forcing our companies to do their purchases somewhere else.

We are aware, of course, that big trade couldn't be developed overnight even under the MFN conditions. But the normal economic relations should provide this positive climate in both countries which would result in really substantial volume of trade in a short time.

What could we expect if our ties become normalized? In terms of export this could mean sales of millions of dollars of tobacco, meat products, dairy products, canned or fresh fruits and vegetables, wines, chemicals, pharmaceuticals, ferrous and non-ferrous metals, garment, machinery, etc.

In regard to the imports from the USA, I would like again to recall the figures of our Sixth Five-Year Plan. Under its provisions, *we expect manifold increase of the production of chemicals, plastics, metals, almost doubled output of electricity, double output of the machine-building industry, ten times of electronics, etc. The Plan provides great expansion and modernization of our transport structure. The yield of our agriculture is going to be increased greatly too, which means more irrigational equipment, more machines, more fertilizers.*

It is understandable that our own economy could provide only part of the equipment for the new production facilities under construction. For the rest we are going to make deals with foreign suppliers.

We are aware of the good quality of the US technology and machinery. With proper financing and favourable trade terms, we are ready to negotiate contracts with US companies for "turnkey" projects in the amount of many millions of Dollars.

We are ready to negotiate for purchasing plants for production of roller bearings, machinery and equipment for production of plastics, synthetic fibers, pharmaceuticals, and so on. We are ready to buy licenses, "know-how" technical assistance for our machine-building industry, metallurgical industry, chemical industry, light industry and food processing industry.

We are also ready to discuss joint-venture deals for the production and marketing of items, which are now being produced at a high cost in the USA and even though they are top quality products they couldn't be marketed competitively on the US or on the outside markets.

Sales to the USA. We are ready to negotiate contracts with the US counterparts for delivery of certain items on a longterm basis. US companies should know the following when negotiating business with Bulgaria:

1. State monopoly on trade.
2. There are 35 foreign trade organizations in Bulgaria—each being responsible for import or export of specific items.
3. There is one servicing foreign trade organization, and namely Messrs. Bulfracht, that charters Bulgarian and foreign ship tonnage for water transport of Bulgarian and foreign cargo,
4. Messrs. Interpred, association of the Bureaux for representation of foreign firms and commercial mediation in Bulgaria.
5. Bulgarian Chamber of Commerce, a public commercial organization promoting foreign trade and strengthening of economic ties of Bulgaria with other countries.

The improved climate of our relations should have great impact on the tourist trade too—Bulgaria is one of the major tourist countries. In 1972 our country was visited by more than 3 million foreign tourists. We have beautiful searesorts, mountains, spas, winter skiing, etc.

Doing business with Bulgaria. Our five year economic plans are fulfilled usually in excess of 100 percent give us a strong lead in comparison with the other countries of the area. Even though the smallest in area, our country in most respect, including foreign trade is doing much better than its neighbors not only in per capita performance, but also in absolute figures. Our turnover in 1971 is higher than those of Turkey and Greece together.

Coming to the end of my statement, ladies and gentlemen, I would like to express, once again, the firm belief that better understanding and better living for the people could be obtained only through active relations among all countries of the world of which the economic ones usually get top priority.

Thank you for your time and attention.

Mr. BURLESON. Thank you very much, Mr. Brown.

Mr. Conable.

Mr. CONABLE. Romania has very fine agriculture. Do they still have agricultural surpluses to export, and does most of it go to Russia?

Mr. BROWNE. I wouldn't say most of it goes to Russia. I believe some of the statistics are in that statement. It is quite a detalied statement. I wouldn't say most of it. They do have both a fresh fruit and vegetable production which goes all over Western Europe up into the United Kingdom. They do quite a bit of canning. Their products, canned products, tomato products go through Western Europe.

Some do go to the Soviet Union, they are an important customer, but I don't think 50 percent or any such large proportion would go to Russia.

The same with Burlgaria. Bulgaria also has a very large fresh fruit and vegeable business and large greenhouses. They do cover the Western European market. Their canned products go right through to Canada.

Mr. CONABLE. Does food constitute their main export, or is it oil?

Mr. BROWNE. Romania, in spite of what was said here today, does have the technical equipment there for oil but they don't have the reserves of oil. They do import oil but they do have this petrochemical industry for breaking down oil, making the plastics, all the things that come from oil. They have a very elaborate industry there.

Mr. CONABLE. Thank you, Mr. Chairman.

Mr. BURLESON. Mr. Browne, the export of livestock for breeding purposes—I assume this is export, and not import.

Mr. BROWNE. Yes, sir. It just happened this week. It couldn't have come at a better time for my appearance here. We just concluded this contract with the Bulgarian trading firm. We are exporting under this contract approximately 1,000 heifers for breeding. Now, another department of my company negotiated it but I do have that much detail of it.

Mr. BURLESON. That is beef stock, I assume.

Mr. BROWNE. That would be for breeding.

Mr. BURLESON. I mean beef stock.

Mr. BROWNE. It might be for dairy, sir. In 1972 the East European countries did import more breeding stock, cattle, from the United States than did all of Western Europe or, taken separately, Japan or any other area. That is a report which just came out from the USDA.

Mr. BURLESON. Thank you very much, Mr. Browne, for your appearance.

Mr. BROWNE. Thank you.

[The following was subsequently received for the record:]

AMTRACO CORP.,
New York, N.Y., June 8, 1973.

Re Trade Reform.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C.

DEAR MR. MARTIN: Thank you for your letter of June 4, 1973, and the copy of the transcript of my testimony given before the Committee, June 1, 1973.

I am returning the transcript with slight corrections.

Mr. Burleson asked for further details regarding our sale of $1,000,000.00 worth of breeding cattle to Bulgaria. The sale covers 1,000 heifers of the holstein/friesian breed, 4 to 7 months pregnant, 18 to 32 months old. The cattle are required to improve the Bulgarian dairy industry.

Bulgaria and other east European countries have been good customers for U.S. dairy breeding cattle, and the U.S.D.A. figures for 1971 and 1972 are enclosed.

Mr. Conable asked if Romania has agricultural surpluses to export, and does most of it go to Russia. Romania does have agricultural surpluses and the Romanian Embassy told me that about half their fresh and canned fruits and vegetables go to Russia at present. They also sell in many western markets, and some mention of their activities in the London market are illustrated in the attached article from the London Fruit Trades Journal, May 25, 1973.

In other testimony, a question was brought up about whether the U.S. has any way of preventing dumping of goods imported from state-regulated economies. The U.S. Customs and Tariff Commission are able to control dumping from all countries. From the attached lists of "Findings of Dumping", you will note that both Socialist and Capitalist countries are represented in the lists. The dumping regulations not only take into account sales directly to the U.S., but also to third countries, as you will note from the enclosed copy of the Federal Register, page 14867, June 6, 1973.

If there is any other information you require, please advise us and we will be happy to furnish it.

Very truly yours,

WALTER F. BROWNE,
Vice President.

TABLE 2.—DAIRY BREEDING CATTLE: INSPECTED FOR EXPORT FROM THE UNITED STATES BY COUNTRY OF DESTINATION, CALENDAR 1971 AND 1972

Country of destination	1971 head	1972 head
North America:		
Mexico	7,193	11,366
Canada	1,990	1,943
Nicaragua	49	609
El Salvador	28	299
Dominican Republic	929	236
Honduras	92	195
Costa Rica	735	186
Bermuda	53	84
British West Indies	76	72
Leeward Islands		38
Trinidad		27
Jamaica	7	24
Haiti		17
Guatemala	80	9
Bahamas	42	
Panama	18	
Total	11,292	15,205
South America:		
Bolivia		113
Brazil	1	30
Peru		30
Colombia		26
Venezuela	284	5
Argentina	10	3
Ecuador	8	
Total	303	207
Europe:		
Western:		
EC:		
Italy	285	770
Netherlands	42	6
West Germany	11	2
Denmark		1
Total	338	779
Spain	701	709
Europe—Continued		
Western—Continued		
Austria		1
Portugal		1
Switzerland		1
Total	1,039	1,491
Europe:		
Eastern:		
Bulgaria		202
Yugoslavia	805	193
Hungary		197
Russia	14	32
Total	819	624
Total Europe	1,858	2,115
Africa:		
South Africa	2	4
Nigeria		3
Total	2	7
Middle East:		
Iran		6
Israel		2
Total		8
Asia:		
Korea, South	937	674
Taiwan		260
Japan	79	194
Lebanon	50	
India	2	6
Total	1,068	1,134
World total	14,523	18,676

[From the London, England, Fruit Trades Journal, May 25, 1973]

Romania Hopes To Bring Back Old-Fashioned Flavour

Romania is trying to bring back "some of the old-fashioned flavour to fruit and vegetables, which we are all aware seems to have gone astray in these days of mass production", said Marin Olteanu of the country's commercial office in London.

This is the first time that Romania has been present at the convention, although Fructexport, the marketing board, has seen a steady growth in shipments of capsicums, tomatoes, cucumbers and aubergines to the UK.

Apart from glasshouse crops, however, there is a development in fruit crops for the future.

The following findings of dumping are currently in effect:

FINDINGS OF DUMPING

Merchandise	Country	T.D.
Portland cement, other than white, nonstaining portland cement	Sweden and Belgium	55369 55428
Portland gray cement	Portugal	55501
Portland cement, other than white, nonstaining portland cement	Dominican Republic	55883
Chromic acid	Australia	56130
Steel reinforcing bars	Canada	56150
Carbon steel bars and structural shapes	do	56264
Steel jacks	Canada	66-191
Cast iron soil pipe	Poland	67-252
Titanium sponge	U.S.S.R	68-212
Pig iron	do	68-261
Do	Czechoslovakia	68-262
Do	East Germany	68-263
Do	Romania	68-264
Potassium chloride, otherwise known as muriate of potash	France	69-263
Do	West Germany	69-264
Potassium chloride, otherwise known as muriate of potash, except shipments by U.S. Borax & Chemical Co., Kalium, Saskatchewan, Canada.	Canada	69-265
Aminoacetic acid (glycine)	France	70-71
Steel bars, reinforcing bars, and shapes manufactured by The Broken Hill Proprietary Co., Ltd., Melbourne, Australia.	Australia	70-81
Whole dried eggs	Holland	70-198
Tuners (of the type used in consumer electronic products)	Japan	70-257
Television receiving sets, monochrome and color	do	71-76
Ferrite cores (of the type used in consumer electronic products)	Japan	71-84
Ceramic wall tile	United Kingdom	71-129
Clear plate and float glass	Japan	71-130
Clear sheet glass	do	71-131
Pig iron	West Germany	71-192
Do	Canada	71-193
Do	Finalnd	71-194
Clear sheet glass	Taiwan	71-226
Tempered sheet glass	Japan	71-247
Clear sheet glass weighing over 28 oz/ft ^{2}	France	71-293
Clear sheet glass weighing over 16oz ft ^{2}	Italy	71-294
Clear sheet glass weighing over 28 oz/ft ^{2}	West Germany	71-295
Ice cream sandwich wafers	Canada	72-77
Diamond tips for phonograph needles	United Kingdom	79-91
Fish netting of manmade fibers	Japan	72-158
Large power transformers	France	72-160
Do	Italy	72-161
Do	Japan	71-162
Do	Switzerland	72-163
Do	United Kingdom	72-164
Asbestos cement pipe	Japan	72-178
Elemental sulphur	Mexico	72-179
Cadmium	Japan	72-206
Instant potato granules	Canada	72-263
Dry cleaning machinery	West Germany	72-311
Bicycle speedometers	Japan	72-322

[From the Federal Register, Wednesday, June 6, 1973]

Department of the Treasury, Office of the Secretary

Surgical Rubber Gloves From Austria

ANTIDUMPING; DETERMINATION OF SALES AT NOT LESS THAN FAIR VALUE

May 31, 1973.

Information was received on July 28, 1972, that surgical rubber gloves from Austria were being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.) (referred to in this notice as "the Act"). This information was the subject of an "Antidumping Proceeding Notice" which was published in the Federal Register of August 31, 1972, on page 17768.

On April 4, 1973, there was published in the Federal Register a "Notice of Tentative Negative Determination" (38 FR 8603-04), that surgical rubber gloves from Austria are not being, nor are likely to be, sold at less than fair value within the meaning of section 201(a) of the Act (19 U.S.C. 160(a)).

Interested parties were afforded an opportunity to make written submissions and to present oral views in connection with the tentative determination. No written submissions or requests to present oral views having been received, I hereby determine that surgical rubber gloves from Austria are not being, nor are likely to be, sold at less than fair value (section 201(a) of the Act; 19 U.S.C. 160(a)).

Statement of reasons on which this determination is based. Information currently before the Bureau of Customs indicates that the quantity sold for home consumption is so small in relation to the quantity sold for exportation to countries other than the United States as to form an inadequate basis for fair-value comparisons. As a result, sales to a third country will be used as the basis for fair value. The proper basis of comparison for fair-value purposes is between purchase price and the third country price of such or similar merchandise.

Purchase price was calculated on a delivered U.S. destination price. Deductions were made for United States, Austrian and German inland freight and insurance, ocean freight and marine insurance, German port and handling charges, commissions, and U.S. duty, as appropriate. Adjustments were made for taxes not collected by reason of the exportation of the merchandise.

The third country price was based on an f.o.b. Austrian border price of such or similar merchandise with a deduction for inland freight. An adjustment was made for commissions, and an addition was made for Austrian taxes.

Using the above criteria, purchase price was found to be higher than the third country price of such or similar merchandise.

This determination is published pursuant to section 201(c) of the Act (19 U.S.C. 160(c)) and § 153.33(b), Customs Regulations (19 CFR 153.33(b)).

[SEAL]

EDWARD L. MORGAN,
Assistant Secretary of the Treasury.

Mr. BURLESON. The committee will stand adjourned until 10 o'clock Monday morning at which time consideration will be given to raising the public debt ceiling. The public hearing on trade reform will be resumed on Wednesday, June 6.

[The following was submitted for the record:]

STATEMENT OF RICHARD MAASS, CHAIRMAN, NATIONAL CONFERENCE ON SOVIET JEWRY

I submit this statement on behalf of organizations representing more than 4 million American Jews to recommend enactment of the Freedom of Emigration Act of 1973, (HR 3917).

The National Conference on Soviet Jewry, of which I am Chairman, functions as the focal point for action in the American Jewish community on behalf of Jews in the Soviet Union. We are the coordinating agency of 34 major national organizations and over 200 local community councils comprising organized American Jewry.

We enthusiastically commend the initiatives of more than 280 members of the House, who by their co-sponsorship of the Freedom of Emigration Act would employ American economic power to create the right and opportunity for free emigration of all people. Together with the 77 Senators who have sponsored companion legislation, these Congressman continue a long American tradition of action on behalf of human rights dating back more than a century.

Among the principal beneficiaries of this legislation is the Jewish population of the Soviet Union, many of whom claim the right to emigrate, and actively seek the opportunity to do so. Because of their determination to claim this fundamental human right, the conditions of life for Soviet Jews continue to deteriorate.

1. THE CURRENT STATUS OF SOVIET JEWS DESIRING TO EMIGRATE

Jews who apply for emigration are routinely subjected to various forms of harassment including loss of jobs, dwellings, pension rights, other denials of civil rights, and denials of exit visas. This reality is in stark contradiction to recent deceptive claims by Soviet authorities that their emigration policy has eased as

a result of suspension of the education tax.[1] It is estimated that approximately 100,000 individuals await exit visas. Many more would apply, were it not for the persecution they face by so doing.

Arbitrary refusals

While no Jew has had to pay the "education tax" since its suspension in March, 1973, the number and percentage of *rejections* of applications to emigrate since that time has *increased*. In some areas of the USSR, for every application approved, another application has been denied. Jews residing in central Russia, where 85% of the Jewish population lives, are effectively barred from emigrating. Only 15% of the emigration during the past year has originated in the major population centers of Moscow, Leningrad, Kiev and Odessa.

Many Jews are refused exit visas on the spurious grounds that they have had access to "state secrets", and their departure would therefore constitute a "national security risk". The category of "national security" has become a catch-all barrier employed by Soviet authorities for the arbitrary denial of emigration permits. It is known that the great majority of applicants placed into this category have in fact never had access to security information.

Harassment and intimidation

An application for emigration is likely to be fired from his job (or lose his pension if he is retired), and then subjected to the charge of being a "parasite" because he no longer retains a means of income. The authorities encourage and require the applicant's professional colleagues to ridicule and discredit him in public and professional forums. Applicants frequently are subjected to arbitrary house searches, police interrogations and arrests on fabricated charges. Once they apply for emigration, families are subjected to continuing uncertainties, anxieties, and deprivations.

Secret trials

Secret trials, designed to intimidate Jews, have been held during the past year in the following major Jewish population centers of the Soviet Union: Moscow, Leningrad, Odessa, Kharkov, Sverdlovsk and Vinnitsa. At least nine defendants in these trials were sentenced for up to 10 year term of imprisonment. As a result, there has been a marked reduction of application for exit visas in those cities.

The most recent of these proceedings was the trial of Isaac Shkolnik, a mechanic from Vinnitsa, who was charged with "treason" and "anti-Soviet behavior". Since the charges were changed several times to suit alleged evidence we can conclude that his real "crime" was applying to emigrate to Israel. He was sentenced in April 1973 to 10 years in prison, the harshest known sentence meted out by a Soviet court against a Jew attempting to emigrate since 1970. His trial occurred *after* the "education tax" had been suspended.

Last month a major "show" trial was being prepared in Minsk involving a group of Jews most of whom are former Russian Army officers with distinguished service in World War II. The charges against the group were suddenly dropped last month. This move by the Soviet authorities is interpreted by some as a gesture to American public opinion in connection with the Brezhnev visit to the United States.

2. POTENTIAL EFFECTIVENESS OF THE FREEDOM OF EMIGRATION ACT

The Freedom of Emigration Act, co-sponsored by 281 members of the House of Representatives led by you, Mr. Chairman, and Congressman Vanik, is, in our opinion, potentially the most effective tool to facilitate emigration by Jews and others from the USSR.

The Freedom of Emigration Amendment links the granting of American trade preferences to a basic and recognized human right—the right to emigrate. It would deny American trade preferences, including Most Favored Nation treatment and U.S. government credits and credit guarantees, to countries that deny their citizens the right and opportunity to emigrate. Because it presently is the major offender against freedom of emigration, the Soviet Union is the country

[1] The "education tax" which was retroactively imposed in August, 1972 requires Soviet citizens to pay huge sums of money to the State before they are permitted to leave. Ostensibly, the amount is based on a formula affected by the number of years and kind of education received. Several American scholars concluded, in fact, that the "education tax" was far out of proportion to real education costs in a security which promised free education to any citizen.

most immediately affected by the Amendment. And because the Soviets are so diligently seeking trade advantages from the U.S., the Freedom of Emigration Act, as presently written, equips the Congress with a lever to influence the USSR to permit its citizens who so desire to emigrate freely.

The potential influence of the Act is reflected in recent behavior of the Soviet Union. There is no doubt that the suspension of the onerous "education tax" to which emigrants from the USSR were subjected resulted largely from Soviet anticipation of Congressional passage of the Act. The Soviet suspension was a gesture directed primarily to the U.S. Congress, in an effort to convince sponsors of the legislation that non-implementation of the tax is synonymous with free emigration from the USSR. Clearly the members of Congress have not been fooled and recognize that the emigration situation for Soviet Jews has not improved since the tax was suspended. Indeed, at his moment, the total number of Jews allowed to leave has decreased and families—many waiting for three years—have been refused permission to leave and told to return in 1974 or 1975!

3. LEGITIMACY OF LINKING FREEDOM OF EMIGRATION WITH TRADE

United States initiatives on behalf of oppressed minorities in the Soviet Union and other countries dates back more than a century. In the past 100 years at least 10 Presidents, from Grant to Nixon, have intervened directly or indirectly on behalf of Jews in Russia. In the historical precedent most like the pending legislation, the U.S. Congress in 1911 voted to abrogate an 80-year-old Russian-American commercial treaty in response to the persecution of Jews in Russia.

More than sixty years later the Congress again is expressing a humanitarian concern in connection with international trade. The Soviet Union is seeking from the United States significant trade preferences to revive a sagging Soviet economy. These concessions include Most Favored Nation status and U.S. government credits and credit guarantees, which are a form of U.S. foreign aid.

In this bargaining situation, where the Soviet Union has little of economic value to offer for the aid and trade advantages it seeks from us, the United States reasonably can require concessions in a non-economic area. The Act is not designed to bar trade with the Soviet Union. Rather, as a condition for the granting of American trade preferences, the legislation requires significant and genuine movement toward providing the right and opportunity of emigration from the Soviet Union. The USSR could comply with this requirement within the present Soviet system and under existing provisions of Soviet law, simply by policy decision and administrative implementation.

If the Soviet Union credibly demonstrates such movement in its emigration practices, the President could find the USSR in compliance with the requirements of the Freedom of Emigrataion Act, so report to the Congress, and MFN and other trade benefits could be granted immediately upon enactment of the trade legislation.

4. NEED FOR PASSAGE OF THE FREEDOM OF EMIGRATION ACT

Soviet Jews believe that passage of the Freedom of Emigration Act is critical to the expansion of their opportunities to emigrate. At great personal risk, many of them have addressed letters of gratitude to sponsors of the Freedom of Emirgation legislation, including Representatives Mills and Vanik and Senator Jackson. They are convinced that the legislation represents their last great hope for freedom.

We are convinced that the Freedom of Emigration Act (HR 3917), as now written, provides the only effective means for influencing a meaningful liberalization of Soviet emigration practices. Of critical importance is the provision that the Congress will determine the conditions for granting and continuing trade preferences. Thus Soviet behavior will be subject to continuing Congressional scrutiny. The Congress will be able to exercise this function on the basis of semi-annual reports by the President on the status of Soviet emigration practices. Behavior inconsistent with requirements of the legislation would be grounds for withdrawal of the trade preferences.

Led by majorities in both houses of the Congress, the American people once again have the opportunity to influence an expansion of freedom for less fortunate human beings elsewhere. Representing the American Jewish community, we are proud to be associated with this noble enterprise.

Text of Petition to the U.S. Congress Signed by 17,000 Soviet Jewish Emigrants in Israel

(Received by Senator Henry Jackson and Congressman Charles Vanik, June 11, 1973)

We the signers of this appeal, have returned to the land of our forefathers from the Soviet Union. Our road home was not easy. Many of us were victims of tyranny in prisons, in dungeons, of nocturnal interrogations and concentration camps. Among us are those who were cast into mental hospitals only because they dared to request an exit permit in order to come to our homeland, Israel; others were fired from their jobs and suffered severe deprivation together with their families, until the exit permits were granted.

Threats and fright were our lot for long periods until we arrived at a safe harbor. We succeeded; we are here in the historic homeland of the Jewish People. But we left behind masses of our brothers, who, like us, want to return home. In an effort to frighten them, they are subjected to show trials and acts of repression. We shall neither forget nor abandon them in their plight. We call upon you honorable Senators, to act for their salvation. The problem is great, the danger—severe, the hour—fateful.

Honorable Senators, you have proven your deep interest in this human problem, which is tied up with the fate and future, the survival and freedom of the remnant of European Jewry. Grateful as we are for what you have done, we appeal to you to step up the campaign of salvation. Over three quarters of the members of the Senate have announced their support of Senator Jackson's amendment. We appeal to you to persevere in your support of this beneficial amendment, which demands the implementation of a basic human right.

The promise of the Soviet Government to suspend implementation of the infamous education tax regulation, does not solve the problem of masses of Jews throughout the Soviet Union who want to follow in our footsteps—to return to our land.

The problem is the denial of this human right.

Removal of a specific shameful "ukase" (decree) will not solve this problem. We therefore petition you to demand, with all the great strength at your disposal, that the right of our brothers to depart from the Soviet Union, without any hindrance whatsoever, be secured, so that they may join their people in building its ancient homeland. This is the just goal.

We believe that by your steadfastness, which will set an example for all free men, you will ensure its accomplishment, and therefore we have respectfully affixed our signatures on the eve of Israel's 25th Independence Day.

Letter to the U.S. Congress Signed by 100 Soviet Jews

Today some circles in the West tend to think that the freezing of the ransom means a removing of the obstacles to free emigration from the Soviet Union.

In this statement we want to state that free emigration does not exist in the USSR. The fate of every person who has applied for an emigration permit is decided as before: not on the basis of law or even, at a minimum, or the basis of published administrational instructions regulating the emigration, but rather by unknown people on the basis of unknown reasons—which means that it is decided arbitrarily. It is the arbitrariness and not the law of the education tax, as we have stressed many times before, which remains the main weapon of the authorities in their selective emigration policy. The main obstacle to the repatriation of Jews from the USSR is the refusals in response to the applications for emigration permits, refusals received by thousands of people, refusals for an undetermined period of time with reasons given such as "inexpedient", "not in the interests of the State", or without any reason given at all. These refusals, which cannot be appealed, leave no room for hope and they are being issued with the same intensiveness as before.

Those who think that the freezing of the tax will natural lead to the step of issuing permits to those who received refusals before are misled. On the contrary, lately a number of persons in Moscow, Leningrad, Kiev and other cities have received a demonstrative confirmation of their previous refusals. Naturally one asks oneself the question: "Why, while allowing the emigration of thousands of Jews, do the authorities forcibly detain thousands of other Jews?

An analysis of the social composition of the repatriates shows that the departure of persons who have no higher education and qualification,—i.e., first and foremost, the ones from Georgia, Middle Asia, and Moldavia—and of workers from the services field who do not occupy any significant places in the hierarchy of the Soviet society, is solved relatively easily. Often enough, but far from always, permits are received by persons with higher education in the field of humanities and by workers in the arts. Yet when one examines the situation of the scientists and the qualified specialists in the field of exact sciences and technicial studies (physicists, chemists, specialists in applied mathematics, radiotechnicians, mechanics, metallurgists, etc.),—i.e. professions in which the persons previously occupied a prominent place in the society, university professors, persons who occupied administrational positions, and leading actors and journalists—then the receipt of a refusal is almost guaranteed.

It should be borne in mind that there is a continual tendency for Jews in the USSR to receive a technical education. Therefore, a large percentage of the Jewish intelligentsia are specialists in the field of technical studies and exact sciences. In addition, however, there are people working in all the professions at all levels who have received groundless refusals for an undetermined period of time: actors and workers, specialists in humanities and pharmacists, economists and pensioners, physicians and photographers. The situation we describe is a typical one; a few exceptions do not change what happens on a regular basis.

In short, the system of detention of Jews is based on the selectivity principle. The authorities explain this selectivity to those outside the borders of the USSR by stating that the emigration of the detained persons may, allegedly, harm the security of the State. It is possible that from the outside it is difficult to understand the whole groundlessness of this well-sounding statement. Yet an unbiased analysis, which we have been demanding in vain, of each concrete case of prevention from emigration would undoubtly show the complete non-involvement of the detained persons in matters of state security. Aside from this, persons who have applied for an exit visa are automatically excluded from the life of the society and become useless for the society.

What is the real reason that the authorities are issuing permanent refusals and detaining thousands of other people in the country for years and years? Why or, rather, for what reason are these people subjected to repressions? Why are they and their families deprived of the possibility to live and work normally? Most probably the authorities themselves understand that the emigration of these people cannot harm the State's security. It is clear that the country's economy cannot suffer because of their emigration as the Jews constitute a rather small percentage of the general number of specialists. From our point of view the real aim of such a selective policy is to create a wide enough category of the so-called "refused one". Their tragic fate is to serve as a frightening example for the many thousands of Jews who want to, but do not dare to start applying for emigration. No one, regardless of his qualifications, age or sex, knows beforehand what his fate will be.

We are convinced that unless the authorities renounce their policy of selective emigration and allow its victims to leave, a large category of the three million Soviet Jews will not be able to hope for the possibility of free emigration. A one-time release, timed for the right moment, of only a small part of those previously prevented from emigrating, should under no circumstances be seen as a constructive approach to the solution of the problem. Moreover, a simple increase of the emigration quota would not mean any change in the authorities' approach to the problem of emigration. Even a two-fold or three-fold increase could easily be achieved by increasing those categories of Jews (from Middle Asia or Dagestan, for example), to whose emigration no serious obstacles are now created. Only the complete liquidation of the categories of the permanently "refused ones," the end of juridical and other repressions against persons who apply for an exit visa, and the introduction of publicized emigration regulations should be seen as a constructive approach to the solution of the problem.

We clearly feel that if an agreement is not reached on liquidating the category of permanently "refused ones" by allowing their emigration, this category of individuals might be liquidated in another way. We have no illusions about our further fate. Already new trials are being started in various towns of the Soviet Union, interrogations and arrests are taking place.

We understand that the problem of Jewish emigration is a particular problem, but we think that it is also a humanitarian problem. The approach of the Soviet rulers to the problem of human rights, to the carrying out of international agreements and their good will towards the West refracts in this matter as in a drop of water. The fate of the Soviet Jews, who are striving now or will be striving in the future to emigrate from the USSR, is now being decided. For many of us the question "to be or not to be" is now being decided. We hope for the understanding by the American people and of its representatives of our efforts to secure our right to call ourselves free people.

Signatures: Aleksandr, Cladimir, Udif. Sofia Lerner, Boris Levin, Ratner, Margolina, Aleksandr Luntz, Victor Brailovsky, Irena Brailovskaya, Natan and Yulia Faingold, Lev Libov, Natalia Slepian. Victor Faermark, Irena Siniavskaya, Solomon Inditzky, Khoma Zashchinskaya, Yuri Kosharovsky, Victor Mandeltzvieg, Eduard Finkelshtein (Vilnius), Veniamin and Sofia Gorokhov, Rafael Ospovat, Victor and Elena Polsky, Mark Lvovsky, Mark Nashpitz, Savely. Yuri and Miriam Vasserman, Moisey and Mina Belfor, Yakov and Galina Pesarevsky, Mikhail Ryzhik, Olga Kazakevich, Anatoly Libgober, Ida Khotinskaya, Mikhail and Elena Babel, Boris Tzitlenok, Yuri Sayasov, Vera Bikova, Victor Lapidus, Genrietta Shpolyanskaya, Lev Gindin, Girsh Toker, Boris and Maria Orlov, Leonid Tzipin, Grigory Teitelbaum, Grigory Svechinsky, Anatoly and Izabella Navikov, Lev Liberman, Leonid Koshevoy, Irina Mikhailova, Losif Begun, Vladir and Valentina Roginski, Pavel Abramovich, Marta Balashinskaya, Vladir and Elena Prestin, Maria, Vladimir and Aleksandr Slepak, Boris Ainbinder, Marianna Oriova, Isak Dimshtz, Grigory Klimovitzky, Ida Nudel, Lia, Lidia and Ludmila Korenfeld, Valery and Valeria Krizhak, Aleksandr and Nina Voronel, Mark Azbel, Vitaly Milman, Vitaly Rayevsky, Moisey Giterman, Bpris Rubinshtein (Leningrad), Saul Vasilevsky, Lev Levitin, Lev Kogan, Mark Novikov, Anzhela Sultanyan, Mikhail Gorelik, Victoria Zharova, Anatoly Vodovoz (Taskent), Aleksandr Temkin, Veniamin, Aleksandr and Evgeny Levich, Tatyana Rubinshtein, Zhanna Rostomova, Valentina Koreshkova, Yakov Kamanetzky.

Translated from the Russian. The text of this letter has been edited to correct for grammatical errors in the original translation.

JOINT STATEMENT, MAY 2, 1973

The American Jewish community welcomes the suspension of the education tax imposed by the Soviets on educated Jews seeking to emigrate. We acknowledge with appreciation the initiative of President Nixon in this achievement. We encourage and support the President in his continuing efforts on behalf of all Soviet Jews.

We believe that the Jackson amendment and the Mills-Vanik bill have contributed and will continue to contribute to the effort to alleviate the plight of Soviet Jews, and we continue our support for this legislation.

We note with regret that the grievous harassment of Soviet Jews continues including arrests, imprisonment, arbitrary denial of visas, and the subjecting of would-be emigrants to the loss of jobs and the denial of their rights.

We trust that continuing efforts by the President and by the Congress will achieve the right of free emigration for Soviet Jews.

The National Conference on Soviet Jewry has been assured by Senator Henry M. Jackson, Congressmen Wilbur D. Mills and Charles A. Vanik that there has been no change whatsoever in their support of the Jackson amendment and the Mills-Vanik bill.

JACOB STEIN,
Chairman, Conference of Presidents of Major Jewish Organizations.
RICHARD MAASS,
Chairman, National Conference on Soviet Jewry.
MAX FISHER,
Past Chairman, Conference of Jewish Federations and Welfare Funds.

NATIONAL INTERRELIGIOUS TASK FORCE ON SOVIET JEWRY,
Chicago, Ill.

STATEMENT OF THE NATIONAL INTERRELIGIOUS TASK FORCE ON SOVIET JEWRY ISSUED AT MEETING WITH SENATOR HENRY M. JACKSON, MAY 15, 1973

The National Interreligious Task Force on Soviet Jewry, currently meeting in Executive session in Washington, D.C., continues to view with great concern, the

status of Jews in the Soviet Union. We commit ourselves to bring to bear the power inherent in our various spiritual traditions in the struggle of Soviet Jews for freedom and dignity.

In this struggle the efforts of the U.S. Congress as represented by the East/West Trade and Freedom of Emigration amendment introduced by Senator Henry M. Jackson and his co-sponsors, as well as the bill introduced by Representatives Wilbur Mills and Charles Vanik and their co-sponsors, have already brought about some change, yet we are heartened that Senator Jackson and his other colleagues clearly understand that this change thought important, does not alter the basic problems confronting Jews in the U.S.S.R.

Therefore, we have come to express our commendation to Senator Jackson and all other members of the Senate and House who support the pending relevant legislation and re-affirm to him our commitment to the continuing struggle which will not end until every Soviet Jew can either live as a Jew or leave for the nation of his choice.

SYNAGOGUE COUNCIL OF AMERICA,
New York, N.Y., May 1973.

STATEMENT OF SUPPORT FOR THE JACKSON/MILLS-VANIK FREEDOM OF EMIGRATION LEGISLATION

The Synagogue Council of America and its constituent agencies express their profound gratitude for President Nixon's expression of concern for the plight of Soviet Jews and his pledge of continuing efforts on their behalf which he communicated in a meeting with Jewish community representatives on April 19. We were particularly gratified to learn from the President that Soviet leadership had communicated to him their decision to waive the education tax on would-be emigrants.

We are convinced that the Freedom of Emigration Amendment to the Trade Reform Act of 1973, sponsored by Senator Henry M. Jackson and 75 Senators, and by Representatives Mills and Vanik and 278 Congressmen has been the major factor in strengthening the President's hand on behalf of Soviet Jewry. We therefore reaffirm our unwaivering support of efforts to enact this Amendment.

We support the President's efforts to achieve detente between the great powers. We are deeply committed to the reduction of tensions among nations and to the enlargement of trade and other forms of communication. At the same time, we believe that progress in these areas will be neither real nor lasting if we acquiesce in the suppression of fundamental human rights. In expressing concern for Soviet Jews within the context of our developing relations with the Soviet Union, our country is not pursuing a limited and special interest, but is acting in accordance with the very best of its historical traditions, which always reflected a sensitivity to the freedom and human rights of all people.

While we are encouraged that the Soviet authorities are not presently enforcing the education tax, we are concerned that there have been abrupt reversals in liberalized Soviet emigration practices during the past year. We are further concerned that the education tax is but one of a cluster of obstacles by which the Soviet Union presently limits the right and opportunity to emigrate. Though they have suspended the education tax, the Soviet authorities persist in harassing and imprisoning individuals who apply for exist visas. More than 100,000 applicants for exit visas have not received them, and as a penalty for applying, many have been fired from jobs, evicted from dwellings, denied pension rights and even imprisoned. It is this unabated harassment of would-be migrants that remains the reality of Soviet emigration policy. It is to the amelioration of this reality that the Jackson Amendment and the Mills-Vanik Bill are addressed.

We therefore express our continuing support of the enterprise that Senator Jackson and Representatives Mills and Vanik have undertaken on behalf of human dignity.

ANTI-DEFAMATION LEAGUE OF B'NAI B'RITH,
Washington, D.C.

ACTION APPROVED BY ADL NATIONAL EXECUTIVE COMMITTEE—MAY 19–20, 1973

After reviewing recent developments concerning the emigration of Jews from the Soviet Union, including the announcement that the Soviet authorities have suspended enforcement of the education tax, the National Executive Committee of the Anti-Defamation League of B'nai B'rith meeting in Cincinnati on May 19

and 20, pledged its continuing support for the Jackson-Mills-Vanik "Act for Freedom of Emigration in East-West Trade." The bill which would deny most favored nation treatment and other trade benefits to any nation which denies to its citizens the right to emigrate freely is co-sponsored in the Senate by 77 Senators and in the House by over 275 Congressmen.

The legislation has plainly reinforced the bargaining position of the President in his negotiatons with the U.S.S.R. and was the decisive factor in the Soviet action suspending the education tax. But, while the tax has been suspended, exit visas are still being arbitrarily denied to Soviet Jews who are fired from their jobs, harassed and otherwise punished merely for having applied for an exit visa. The more unfortunate among them are even imprisoned.

In the face of the continuing denial of free emigration by the Soviets, enactment by the Congress of the Jackson-Mills-Vanik legislation as an amendment to the Trade Reform Act of 1973 is imperative.

THE GREATER NEW YORK CONFERENCE ON SOVIET JEWRY,
April 26, 1973.

Sent to: Senators Jacob Javits and James Buckley and New York Congressional Delegation.

Leadership of the constituent agencies of the Greater New York Conference on Soviet Jewry met last week and asked that the following statement be transmitted to you.

"The Greater New York Conference on Soviet Jewry representing 74 Jewish organizations with more than 2 million members in the metropolitan area reaffirms its support for the Jackson-Mills-Vanik Bills introduced in the Senate and the House of Representatives. We welcome the efforts of the President and the reaffirmation of his personal commitment to this vital human rights cause. This, however, in no way diminishes our support for this legislation which would deny trade concessions to the Soviet Union as long as it continues to harrass and persecute those who seek to fulfill their human right to live where they desire. The token concessions by the Soviet government reflect the significance of these bills. We know how much this great moral expression of the elected representatives of the American people means to Soviet Jews and we must not fail them. We therefore believe that the enactment of this legislation is crucial at this critical period in the struggle for freedom for Soviet Jews."

We deeply appreciate your co-sponsorship of this legislation and we look forward to your continued support.

Sincerely yours,

STANLEY H. LOWELL, *Chairman.*

A CENTURY-OLD TRADITION OF AMERICAN INITIATIVES ON BEHALF OF OPPRESSED MINORITIES

(Excerpted from remarks by Dr. William Korey, Director, B'nai B'rith United Nations Office, to the American Israel Public Affairs Committee, May 7, 1973)

The Jackson-Mills-Vanik East-West Trade and Freedom of Emigration legislation is deeply rooted in the American tradition, which has displayed a continuing concern for the oppressed minorities abroad. All too often Jackson-Mills-Vanik is treated as if it is *de novo* and *sui generis*, that it has suddenly appeared on the scene, that it is somehow alien to American tradition and American policy.

As early as 1869, President Ulysses S. Grant, upon hearing from American Jewish petitioners of a contemplated expulsion of 20,000 Jews from an area of southwestern Russia, intervened with czarist authorities. If that expulsion was halted, one chronicler of the episode notes, it was a consequence of American concern.

At least ten American Presidents, from Grant to Richard M. Nixon, have intervened directly or indirectly on behalf of Russian Jewry in the past 100 years. A prominent Secretary of State, James Blaine, formally justified diplomatic intervention in the internal concerns of a foreign country on grounds that "the domestic policy of a state toward its own subjects may be at variance with the larger principles of humanity."

Humanitarian intervention on behalf of persecuted Irish and Armenians as well as Jews remained a distinctive feature of the American diplomatic landscape during the nineteenth and early twentieth centuries.

Frequently the Congress has acted as a spur to Administration action. In 1879, for example, the House of Representatives adopted a resolution which criticized a czarist policy that refused the Jews the right to own real estate. The measure was introduced by Samuel Cox—who, like Charles Vanik, was a congressman from Ohio.

The following year Cox inserted into the Congressional Record a letter from a Russian Jew—the first, but not the last to appear in the Record—which opened as follows: "In this hour of all but hopeless misery, groaning under the yoke of a cruel and heartless despotism, we turn to the West."

In 1883 a House resolution called upon the Administration to exercise its influence with the government of Russia to stay the spirit of discrimination and persecution as directed against the Jews.

A decade later, in 1892, the House of Representatives refused to allocate funds for food transport to Russia on grounds, in the words of Tennessee Congressman Josiah Patterson, the czarist regime, by its treatment of Jews, had shocked the moral sensibilities of the Christian world.

Especially significant was the legislative effort in 1911 to abrogate an 80-year-old Russian-American commercial treaty. This drive constituted almost the dress rehearsal for the Jackson-Mills-Vanik congresssional drive of today. Behind the 1911 effort was a determination to relieve the desperate plight of Russian Jews, although the battle was technically fought over the more narrow issue of passport discrimination against American Jews seeking to visit Russia.

A proclamation by President William Howard Taft in March 1910 extending to Russia minimum tariff rates despite reluctance by the U.S. Tariff Board prompted the public campaign. Towards the end of that year, New York Congressman Herbert Parsons cautioned the Administration that the House might demand the termination of the 1832 commercial treaty. The implied threat was rebuffed. Secretary of State Philander Knox argued in a note to the President that "quiet and persistent endeavor" (quiet diplomacy, in modern parlance) would be more effective than treaty abrogation in changing czarist policy.

A series of State Department memoranda in early 1911 buttressed the Philander Knox note with arguments that find a remarkable echo today: America's commercial and industrial interests would allegedly be harmed; Antisemitism would fall upon Russian Jews. There were other statements made at the time: We have no right to intervene in the internal affairs of foreign countries; And there were even warnings that antisemitism would take place in the United States as a consequence of these efforts.

Much of the American public saw the issue differently. A massive number of petitions and resolution bombarded Congress. Public rallies were held in various cities, culminating in a mass meeting in New York on December 6, 1911, under the auspices of the National Citizens Committee and addressed by Woodrow Wilson, William Randolph Hearst and Champ Clark. One week later speaker after speaker arose in the House of Representatives to express sympathy for Jews and to condemn the barbaric practices of czarist Russia. The vote for abrogation was overwhelming—301 to 1.

With the Senate certain to have a similar lopsided vote, the Secretary of State hastened to soften the impact on the angry czarist regime. In language which stressed friendship between the two countries, he advised the Russian Foreign Office that the United States was terminating the commercial agreement as of January 1, 1913.

Russian officials reacted with astonishment. They failed to comprehend, as a historian of the event observed, "how a moralistic crusade could dictate political action."

That failing should no longer obtain. Senator Henry Jackson has repeatedly emphasized, both publicly and privately, that the United States, as a nation of immigrants, has a vital stake in the right to emigrate freely.

The amendment addresses itself not to trade *per se;* indeed, its sponsors are vigorous advocates of a greater degree of trade. The mater of the legislation focuses upon trade *concessions* which the USSR desires and seeks: most-favored-nation treatment, credits, and credit guarantees.

The price asked for such concessions can hardly be described as extravagant. On the contrary, the price is but minimal: adherence to international standards of conduct that are appropriate for any civilized society.

International morality and law concerning the precious right to emigrate must be upheld, and America, in championing this right, pursues a course which has been integral to its purpose since the very founding of the republic.

STATEMENT FOR THE PRINTED RECORD

OF HEARINGS ON "THE TRADE REFORM ACT OF 1973"

BEFORE THE COMMITTEE ON WAYS AND MEANS

U. S. HOUSE OF REPRESENTATIVES

Submitted by:

THE UNION OF COUNCILS FOR SOVIET JEWS

In Support of "The Freedom of Emigration Bill"

(H.R. 3910)

June 15, 1973

INDEX

1. Preface

2. Introductory Statement

Attachment I — Persons Denied Exit Visa on False Grounds of "National Security"

Attachment II — Letter to the United States Congress from 305 Soviet Jews regarding problems of emigration, particularly in relation to "state security" classification

Attachment III — Letter to United States Congress from 105 Soviet Jews written after the suspension of the Education Tax

Attachment IV — Letter by Dr. David Azbel of Moscow describing the life of a Soviet Jew refused permission to emigrate

Honorable Wilbur D. Mills
Chairman
Committee on Ways and Means
U. S. House of Representatives
Washington, D. C. 20515

1. Preface

The Union of Councils for Soviet Jews is an independent federation or organizations whose sole purpose is to work for the freedom of Soviet Jews. At present, there are 18 member councils, and more than forty other groups which work in concert with the Union, although they are not officially affiliated.

This statement is being submitted on behalf of the following member councils:

Bay Area Council on Soviet Jewry
Southern California Council for Soviet Jews
Orange County Commission on Soviet Jews
California Students for Soviet Jews
San Diego Council for Soviet Jewry
Soviet Jewry Action Group
Cleveland Council on Soviet Anti-Semitism
Chicago Student Struggle for Soviet Jewry
Toronto Council for Soviet Jews
Pittsburgh Voice for Soviet Jewry
Cincinnati Council for Soviet Jewry
Niagara Frontier Council for Soviet Jewry
Washington Committee for Soviet Jewry
South Florida Conference on Soviet Jewry
Greater Philadelphia Council for Soviet Jews
Montreal Student Struggle for Soviet Jewry
Long Island Committee for Soviet Jewry
Zechor-S.E. Virginia Council for Soviet Jews

In the course of our efforts to aid Soviet Jews, we have maintained contacts with hundreds of Jews who have applied to leave the Soviet Union and many who have managed to emigrate. From these people we have extensive knowledge of the status of Jews who have applied for exit visas, and in particular, the fates of those persons who have been denied permission to go to Israel. Since our expertise is in the field of Soviet Jewry and their treatment by Soviet authorities, this is the subject we will address in our testimony.

2. Introductory Statement

Innumerable appeals and protests have been lodged by individuals, international organizations, professional societies, and of course members of the U.S. Congress on behalf of Jews and other citizens of the Soviet Union. No amount of moral pressure has really affected the basic policy of the Soviet government with regard to emigration. Long experience tells us that fundamental policy shifts can only be effected when there is something of great importance Soviet leaders have to gain; or, more precisely, when they have something of great value to lose in pursuing their present course.

The most compelling issue facing the Soviet government at present is their need for expanded trade with the United States. Soviet leaders realize that American manufactured goods, technological expertise, and food stuffs are essential if they are to meet their national production goals and to satisfy the desire of their people for consumer goods.

The detailed analyses of these factors we will leave to economists. However, as American citizens aware and concerned with the problems of Soviet Jews, we feel that the Soviets should not be granted

special trade benefits until there is a real change in their basic policy and actions toward citizens who wish to emigrate. The American people should not be placed in the position of subsidizing the virtual imprisonment of innocent individuals. If the United States will not act to protect the human rights of the Soviet Jews, who will? Or, for that matter, who can? It is not only our right, but our obligation to respond to these courageous people. In addition, freedom of emigration for Jewish citizens of the USSR could serve as a wedge to advance the freedoms of other Soviet peoples. For these reasons, we endorse unequivocally the Mills-Vanik Bill (H.R. 3910) for freedom of emigration and urge the Congress to work for its passage.

Dr. Louis Rosenblum
Chairman
Union of Councils for Soviet Jews

Central Office:
14308 Triskett Road
Cleveland, Ohio 44111
(216) 234-7999

Washington, D. C. Office:
1255 New Hampshire Avenue, N. W.
Suite 628
Washington, D. C. 20036

Rather than attempt to express the problems facing Jewish citizens of the Soviet Union, we have decided to let their words speak for them.

The following attachments are an eloquent expression of their plight.

Attachment I.

PERSONS DENIED EXIT VISAS ON FALSE GROUNDS OF "NATIONAL SECURITY"

The following list was recently received from Jewish sources in the Soviet Union. It is a partial list of Soviet Jews who have been denied exit visas on the grounds of "state interest" or "national security."

According to a note which accompanied the list many of those refused were given no explanation or told "we don't feel like letting you go." In some cases Soviet authorities conceded that the applicant had never had access to classified information, but were told by officials that they are of "high informative potential" because of their general cultural background or formal social position which gave them an opportunity to be in contact with well-informed people. Others were told that they were "too valuable as specialists to be allowed to leave for a fascist state."

The note went on to say, "We didn't mention the motive for refusal in any particular case unless it was of value as folklore." [In other words, that the reason given was so absurd as to make it worthy of notation.]

◆ ◆ ◆

DAVID AZBEL, born in 1911. ScD. professor. Specialist of chemical equipment and technology. Many works published in USSR and abroad. Has been teaching at the USSR Polytechnical College by correspondence. No secret work performed. Applied in April 1972. Motive of refusal: "Your mother-in-law stays in the USSR. We will not break up your family."

ANATOLE GALPERIN, born in 1930, mathematician. Worked in econometrics and planning in civilian industry. No secret work performed. No secret publications. Since 1972 works in a bank. Applied in November 1971. Wife doesn't work.

EVSEI RATNER, born in 1899; ScD, professor (retired for 5 years). Biologist, specialized in plant physiology. Never performed any secret work nor participated in any secret publications. Practically all his relatives, including his only daughter and grandaughter live in Israel; six refusals. Last reason given: "We don't feel like letting you go." His wife, Ktizia is 69.

BENJAMIN LEVICH, born in 1917; ScD, professor, corresponding member of the Academy of Sciences of the USSR. Specialist in theoretical physical chemistry. Has not been engaged in any classified work since 1950. All his scientific findings have been widely publicized since then in Soviet and foreign journals. Applied in March 1972. Dismissed after that from Moscow University and demoted in the Institute of Electrochemistry of the Academy of Sciences. Son, Alexander Levich; born in 1944, corrosion engineer. Worked in a plumbing and sewerage institute. Dismissed after applying for visa (February 1972). Does unskilled work. No secret work ever performed. Son, Evgoeni Levich, born in 1948; ScD (in 1969). Specialist in theory of processes occuring in stars. Has never done any classified work. All his papers have been published in Soviet or western scientific journals. Applied in march 1972. Recently seized by force and sent to Arctic Circle as an army private. Wife, Tanya, translator of fiction is now out of work.

ANATOLE LIBGOBER, born in 1949. Specialist in abstract mathematics. Worked in a college. Applied in January 1972. Since then works as a repairman in redecorating apartments. No secret work ever performed, no secret publications.

KIRILL KHENKIN, born in 1916. Philologist (Licencie es Lettres, Paris University, specialized in comparative literature). Since 1945, a radio journalist and translator at Radio Moscow, later a translator of French classical fiction and literature in social sciences. No secret work performed. Applied in September 1972. Visa granted in November 1972. Visa cancelled without explanation in December 1972. Since then out of work. Refused to take back Soviet citizenship (Israeli citizenship granted in April 1973). Wife, Irina, born 1937. Former journalist. Since 1968 a free lance screenplay writer.

MICHAEL BABEL, a specialist in energetics. Since 1967 a designer of current converters in civilian industry. No secret work performed, no secret publications. Applied in January 1972. Dismissed in June, same year, and works outside his specialty. Wife, Helen, a designer in engineering industry. No secret work performed. Out of work since March 1971.

SOLOMON INDITSKY, born in 1912. Engineer in a plant of electromechanical equipment until February 1972. Retired since then.

VALERY PANOV, (Leningrad), born in 1939. Star dancer of the Kirov Ballet Company, State prize winner, Artist Emeritus of the RSFSR. Wife, Calina Bogozina, prima ballerina. Both dismissed from work.

LEONID TARASIUK, born in 1927. Master of Science, art critic. Worked, before dismissal at the Hermitage Museum of Leningrad. Refusal of visa confirmed recently on the grounds of "state interest."

VLADIMIR SLEPAK, born in 1927, Radio-Engineer. From 1957 to 1969 worked in a research Institute dealing with television. Has not worked in his field since April 1969. Applied for visa in April 1970. Visa refused in July 1970. Presently out of work. A family of four. Wife, Maria, a retired physician.

VALERY KRIJAK, born in 1939. Mechanical engineer. From 1966 to 1972 worked on designing of equipment for automobile repair plants and cars for municipal use. Applied in February 1972. Visa refused in June 1972. Works as an elevator mechanic. Wife, Valeria, born in 1938, an engineer-metallurgist. From 1963 to 1972 worked as an inspector of and keeping of precious metals in jewelry stores, dental clinics, etc. Applied in February 1972. No secret work performed.

ISAAK DYMSHITZ, born in 1926. Mechanical engineer. From 1962 to 1970 was designing heating appliances of general industrial use. Then, until 1972, a designer of sales equipment. Applied in October 1971. Since February 1972 a night watchman and postman. No secret work ever performed.

HIRSH TOKER, born in 1931, an electrician worker. Since 1966 works in a button plant. No secret work performed.

BENJAMIN GOROKHOV, born in 1928. A screenplay writer. Applied in October 1972. No secret work performed.

BORIS EINBINDER, born in 1940. Physicist. Specialist in theoretical physics. From 1967 to 1971 worked as a research scientist at the Institute of Physical Chemistry of the Academy of Sciences. No secret work performed, no secret publications, no access to classified material. Applied for visa in December 1971. Since then a private tutor. Wife, Marianne, a clerk until 1970. Presently out of work.

LEV LIBOV, born in 1932. Master of Science in metallurgy. Until 1969 worked in a factory, then until July 1971 in the Institute of Rare Metals. Applied for visa in 1971, being dismissed became plumber and repairman. No secret work performed, no secret publications.

LEONID KOSHEVOI, born in 1932, a designer of supplementary telephone equipment. No secret work performed, no secret publications. Applied in November 1972. Wife, Irina, born in 1937, engineer in telephone and telegraph communications. At her place of work, compiled public data on patents in this field. Took no part in secret work. No secret publications. Applied in November 1971, refusal in February 1972.

VICTOR POLSKY, born in 1930, Master of Science, an engineer physicist. Worked on developing X-ray equipment for civil industry and medicine. No secret work, no secret publications. Applied for visa in November 1970; dismissed in March 1971. Teaches privately. Wife, Helen, born in 1935. Engineer in radiotechnology. 1960-1970 - designer of supplementary equipment. No secret work performed, no secret publications. Out of work since 1970.

IONA KOLTCHINSKI, 21. Applied for a visa after graduating from high school. Reapplied later. No answer — but two years later in a hard labor camp where he was made to perform his military service.

YURI MILOSLAVSKI, born in 1947 (Kharkov). Poet and journalist. Has worked as an actor in a puppet theater, then as an local announcer and journalist of a factory newspaper. Has been refused permission to leave and told that he could not apply again before 1976 because of "secrecy considerations." Wife, Irina, 26, graduated last year from Kharkov University. Out of work.

VLADIMIR MASH, born in 1925. Doctor of Economics, professor. Since 1963 worked in the Central Economic-Mathematical Institute of the Academy of Sciences developing econometric methods from planning computation in civil industry. No secret work performed, no secret publications. Applied in April 1972.

EITAN FINKELSTEIN (Vilnius), born in 1942. Engineer-physicist, ScD. Worked in the Institute of of Technical Physics. For seven years has performed occasional jobs. Applied in 1970.

VITALY RUBIN, born in 1922, Master of Science, specializes in History and Philosophy of ancient China. Worked for the Institute of Information and the Institute of Oriental Studies of the Academy of Sciences. Applied in February 1972, refused in July 1972. Presently is secretary to a blind man to whom he reads.

DINA BEILINA, born in 1939. Mechanical engineer. Worked from 1962 to 1972 on non-classified problems of automation-mathematics: description of technological processes in chemical industry. Has not worked since 1972. Applied in January 1972.

JOSEPH BEGUN, born in 1929, electrical engineer, Master of Science. 1968-1969, research fellow at the Radiotechnical Institute. 1969-1971, mathematics instructor in the College of Agricultural Engineers. Since April 1971, private tutor. Applied for visa in April 1971, refusal in August 1971.

GRIGORY SVETCHINSKY, born in 1940, chemical industry automation engineer, works at the Chemical Machine Building College, working out automatized laboratory plants for the study of microbiological processes. No secret work performed. Since May 1971 up to February 1973, out of professional work. Applied for visa in June 1971, refusal in October 1971.

PAVEL ABRAMOVICH, born in 1939, radio engineer. In 1968-1970 at Research Institute, worked out elementary logical schemes. In 1970-1971, computer maintenance. Since November 1971 a private tutor. Applied for visa February 1971; refusal in April 1971. Wife, Marta Balashinskaya, born in 1940, electrical engineer. Up to 1970 worked in the Research Institute of Applied Physics; on photoelectric apparatus. No classified publications. Since September 1970, out of work.

NATHAN FAINGOLD, born in 1930, radio engineer up to 1967, since then an artist. Applied for visa in November 1971, refusal January 1972. His wife a school teacher out of work.

VLADIMIR ROGINSKY, born in 1939, physicist, Master of Science. During 1965-1968, theoretical physics instructor at Moscow Physicotechnical College. During 1968-October 1971, research fellow in the theoretical department of the Institute of Theoretics and Experimental Physics. Studying abstract problems of elementary particles, having no applied value. Never participated in classified studies; all his works published. Scientists from Western countries worked in the same department. Since October 1971, private tutor. Applied for visa in November 1971, refusal February 1972. His wife is a school teacher, out of work.

VICTOR FAERMARK, born in 1941, profession: chemical technology, specialization - physical chemistry. Worked at the Moscow Electronic Machine Building College on study of gas transport reactions. Applied for visa in November 1971, refusal in December 1971. Now secretary. Wife, Calina Sinyavskaia, 24, English teacher — out of work.

VLADIMIR SHAKHNOVSKI, born in 1941, mathematician. Worked as an Engineer at Moscow University, programming for computers. Since May 1971, laborer in a shop. Applied for visa in December 1972, refusal in April 1973.

ALEXANDER LUNTZ, born in 1924, mathematician, Master of Science. Up to November 1972 worked in the Institute of Electronic Computers. Theoretical works on mathematical statistics, numerical methods and applications in medicine cybernetics. Had no clearance. Since November 1972 private tutor. Applied in January 1973, refusal in April 1973. Wife out of work.

SUSANNA FIGNER, born in 1916, engineer on electrical measurements, up to December 1971 in the Institute of Semiconductor Apparatus Constructing. Working on maintenance of standard equipment. Now a clerk in a hospital. Applied for visa in February 1971, refusal in June 1972.

VICTOR MANDELTZWEIG, born in 1939, physicist, Master of Science. During 1962-February 1972, worked in the Theoretical Department of the Institute of Theoretical and Experimental Physics, studying abstract problems, having no application. Never took part in classified works and never used classified documentation. All works published. Western scientists worked in the same department. Applied for visa in February 1972, refusal in April 1972. Now a private tutor.

VITALI RAEVSKY, born in 1930, engineer-technologist in physical chemistry. Master of Science. From 1967 to 1970 worked in the State Research and Designing Institute. Since 1970 and up to now, in the Laboratory of Chemical Packaging. Has no secret publications. Applied for visa in February 1972, refusal in April 1972.

MARK NASHPITZ, born in 1948, dentist. Up to May 1972, worked in a hospital. Now out of work. Applied for visa in February 1971, refusal in April 1971.

MOSEI BELFOR, born in 1939, engineer in electronics. From 1968 to 1971 no classified work. Since 1971 does unskilled work. Applied for visa in December 1971, refusal in February 1972.

ALEXANDER LERNER, born in 1913, ScD, specialist in cybernetics, professor. Worked at the Institute of Controls of the Academy of Sciences on the theory of large scale systems and on mathematical methods in medicine. No classified work since 1960. Now out of work. Applied for visa in November 1971, refusal December 1971.

BORIS TZITLYONOK, born in 1944, a factory worker. Up to 1969, worked at the Moscow plant of electromechanical apparatus, assembling electrical motors, described in any reference book. Never had access to classified material. Since 1969 works in a shop, unloading trucks. Applied for visa in May 1971, refusal in November 1971.

YULI KOSHAROVSKI, born in 1941, radio engineer. Since 1968, worked as an engineer in Research Institute of Labour Hygiene and Professional Diseases. Work is classified. Since 1971, laborer in shops. Applied for visa in 1971, refusal in March 1971.

VLADIMIR PRESTIN, born in 1934, electrical engineer. Up to April 1969, worked at the Research Institute of Computer Techniques, taking part in constructing computers, for industry. Since then, no work in his field. Now a clerk at a repair office. Applied in November 1970, refusal in March 1971. His wife is out of work since July 1970.

ILYA KORENFELD, born in 1923, mechanical engineer in machines and tools. From 1966 to 1971, worked on completing equipment for new plants. Now, metal craftsman. Applied for visa in March 1971, refusal in May 1971. His wife is out of work.

VICTOR BRAILOVSKY, born in 1935, electrical engineer. Up to 1973, at the Institute of Control Computers — worked out mathematical algorithms, programming and solving applied problems. Applied for visa October 1972, refusal January 1973. Now a private tutor. Wife, Irina, born in 1936, mathematician, Master of Science. Up to 1973 worked at the Computer Centre of Moscow University. No classified work, no access to secret information. All the results published in open press. Since 1972, common computer programmer.

ALEXANDER VORONEL, born in 1931, ScD, physicist, professor. Worked as a head of a department at the Research Institute of Physical Technical and Radiotechnical Measurements, and professor of Moscow Physical Technical College. Worked out experimental and theoretical studies on condensed state physics. All the works published have no applied or military significance. Up to 1969, had formal classification corresponding to his post without using it and was deprived of it. Out of work now. Applied for visa in May 1972, refusal in August 1972. His wife is a writer.

ISAAK POLTINNIKOV, Novosibirsk, born in 1921. Physician-oculist; worked as a physician in the army up to March 1971. Didn't take part in secret works. In 1972 deprived of officer rank and of a pension. His wife (born 1923) and daughter are physicians, now out of work. Applied for visa in January 1972.

ALEXANDER ROISMAN, born in 1923, mechanical engineer. For six years hasn't been using clearance. Worked as a furniture designer. His wife is a physician. Applied for visa in May 1972, refusal in March 1973; since 1972 out of work.

GRIGORI TEITELBAUM, born in 1923, profession: magazine photographer. Up to November 1971 worked as a special correspondent of the "Turist" magazine, making postcards and photobooks for children. Now unemployed. War: disabled person, gets a pension of 34 rubles. Applied for visa in March 1972. Wife is teacher of domestic science, unemployed since 1971.

MICHAIL RIGIK, born in 1941, engineer on technology of semiconductor materials. From September 1968 to February 1971 worked at the production of semiconductor integrated circuits. From January 1971 never dealt with closed works. From February 1971 worked as an engineer in design office, dealt with automation of Petrolium pump stations. Applied for visa in October 1972, refusal in January 1973. In October 1973, was dismissed. Now unemployed. His wife, Olga Kazakevich, a teacher, doesn't work.

MARK NOVIKOV, born in 1919, electrical engineer, deals with photoelectronics. Worked as a qualified worker up to 1971 at the Institute of Space Research of the Academy of Science, working out the installations for receiving the luminous radiations. Applied for visa in February 1972, refusal in June 1972. At present, works as an electrician.

JAKOV PISAREVSKI, born in 1937, engineer-electrician on automation and telemechanics. From 1967 works in the field of television broadcasting, using the materials of open character. Applied for visa in November 1971, refusal in February 1972. From April 1972, unemployed. Wife is a designer, unemployed since 1970.

IDA NUDEL, born in 1931, economist, works from 1954. From 1968 to January 1972, worked at a project for the Institute of Biosynthesis, worked at technical-economical substantiation of construction. In January of 1972 was dismissed. Applied for visa in November 1971, refusal in December 1971. At present, a simple worker.

IZABELLA NOVIKOVA, born in 1943, electromechanic engineer. From 1968, worked at the plant of electromechanical apparatus. Description of this apparatus was published in open press. From May 1971, doesn't work as a qualified worker. Applied for visa in November 1971, refusal in January 1972.

STELLA GOLDBERG, born in 1932. Applied for visa in July 1970, refusal in September 1970. Has son of 5 years of age; mother-in-law (pensioner). Profession — a pianist.

RIVA FELDMAN, a school teacher for the past 5 years, before that worked in the kindergarden. At present, unemployed. Son, Vladimir, worked as an elevator worker, now unemployed. Son, Ephym, before 1970 worked as a cook. In 1970-1972, served in the army. At present, an elevator worker. Applied for visa in March 1971, refusal in May 1971.

ARKADI RUTMAN, born in 1949, graduated from the Institute of Culture in 1970; the conductor of the orchestra of Russian instruments. 1970-1971, served in the army. From November 1971 to May 1972, the cultural organizer in the boarding school of the recipients of a special pension. From June 1972, works at Moscow society of musical orchestras. Applied for visa in November 1972. Refusal in February 1973.

SOLOMON SHMIDT, born in 1916, a technician, power specialist. From 1971 to now, works at a trust, connected with power equipment. Never worked with secret documents. Applied for visa in March 1972, refusal in October 1972. He lives in the town of Podlipki. Motivation for his refusal was the following: ". . . could hear the talks of people working at different enterprises in Podlipki." His son, born in 1952, was dismissed from the Institute in 1972. Wife, born in 1924, is a planner.

VICTOR LAPIDUS, born in 1921, mechanical engineer, last place of work: automobile and automotor Research Institute. Candidate of technical science, was never classified, has 40 published works, also abroad. Applied for visa in August 1972, received permission in October; then the visas were detained. In November 1972, refusal "on state grounds." At present, unemployed. Wife, Henrietta Shoolyanskaya, architect. Has two daughters. Early and in present time, works at "Moscow Project Bureau - I." Never classified.

Attachment II

The following letter was written to the United States Congress and signed by 305 Jews in the Soviet Union. It clearly sets forth the problems they face in attempting to emigrate, particularly in relation to "state security" classification.

♦

February 1973

We, the Jews of the Soviet Union, striving for the right to repatriate to Israel, address this message to the Congress of the USA, not only because it is the highest legislative body of the country, but because we believe it to express American public opinion.

The ever-increasing concern of the American people and the American Congress about the problem of free choice of the country of residence and, in particular, that of Jewish repatriation from the USSR to Israel, confirms a profound comprehension and interest on their part in the just and humane solution of this problem.

Therefore, we would like to describe briefly the existing situation. This is still more essential because of unscrupulous propaganda, which has lately been appearing, so as to create the impression that there has been considerable improvement in this problem. This assumption would be altogether incorrect.

What are we striving for?

We ask that a right, both acknowledged and guaranteed by law and legal procedure, should exist for each Jew who wishes to emigrate. We are denied this fundamental right. The small "gifts," made from time to time, dependent upon a special set of circumstances, cannot satisfy the Jews seeking to emigrate and should not delude their friends in the West.

Meanwhile, the decisions of the authorities in the matter of granting exit permits are, as before, quite arbitrary. To make these decisions look respectable in the eyes of world public opinion, aribtrary refusals are given allegedly lawful justifications.

In the interview given to the AP Agency in December by the Deputy Minister of the Interior Shumilin announced that "those who are connected with the work affecting government interests will be restricted in their right to emigrate." In other words, persons who are considered to have knowledge of secret information will be detained in this country.

It is necessary to emphasize, however, that under the present conditions in this country, those who in the recent past actually participated in classified works apply for the exit permits only in the most rare cases. Meanwhile, refusals received by overwhelming majority of scientists and skilled specialists in the fields of physics, chemistry, electronics, computer technology, and other branches of science and technology who were working in quite ordinary, not restricted institutions, are attributed to "secrecy" or "special knowledge." These same reasons are used in refusing

economists, historians, lawyers, etc. Moreover, these refusals are "termless," that is, they are not limited by any definite time.

The concepts of "secrecy" or "special knowledge" in the USSR have nothing in common, apart from the name, with those accepted in the Western countries. In the West a classified work and permission for secret information, as well as obligations taken in accordance with those (in particular, temporary restrictions of civil rights), are clearly defined concepts. On the contrary, the same concepts in this country are uncertain and vague, corresponding regulations have not been formulated nor published anywhere.

In a country where even the opportunity to read some of the Western journals and newspapers is not available for everybody who wishes to read them, the secrecy pretext is extremely convenient to justify a refusal to grant anyone an exit visa. At the same time, the so-called "official clearance" given to an individual means only that the person in question has been checked and has permission to carry out some kind of special work. Thus, the clearance itself does not mean that a person is actually involved in doing any classified work or that he actually has knowledge of any government secrets. However, the availability of a "clearance," as such, is an often used pretext for detention of a scientist or a skilled specialist.

Another category of people receiving refusals on the grounds of secrecy are those who once, in the remote past, were involved in some kind of classified work. It is not uncommon for the "secret work" which is said to preclude a person from receiving an exit permit actually relates to activities of 10-15 years ago, sometimes of the period of the World War II. It is well known, however, that even the most secret data currently becomes obsolete within some 2-3 years.

While refusing appeals the authorities refer as well to the so called "high informative potential." What is implied by those words nobody knows exactly. However, in such cases, the person is usually said to possess, due to his erudition, a knowledge of what is going on in his field of science or technology.

Sometimes the requests are declined because those applying happen to have relatives who possess "official clearance," but do not intend to leave this country.

The facts stated above make it clear that it is difficult to find any person in this country (especially among those having higher education) whose request might not be rejected under one of these pretexts.

The Deputy Minister Shumilin made an official public statement that, even the answer to anybody's question as to why and for how long he would be considered as a "secret person" is a secret as such. (As a possible term of detention in this country, the Deputy Minister indicated a period of 20 years.) This statement clearly shows the arbitrariness in the designation.

The total lack of grounds for these determinations is demonstrated by the fact that a number of people who were said to possess a high degree of secrecy and whose appeals were rejected "once and for all," unexpectedly received exit visas last October.

Recently, in order to further impede the departure of skilled specialists, the Soviet authorities have used the "prohibitive taxes" for higher education.

The taxes do not stand criticism both from the legal and from the economic point of view.

The taxes, indeed, violate the Constitution of the USSR (Article 121) and the Declaration of Human Rights. The taxes made the law retroactive, since it is being applied to those who got their higher education long before the law was made.

All the above shows that the two main obstacles in the way of Jewish repatriation have by no means been eliminated. Thus, one cannot speak about any real improvement of the situation. In spite of some quantitative increase of emigration (due to a considerable increase in the number of Jews applying for exit visas), the general attitude of the authorities to those insisting on their right to emigrate has become still more severe.

Just as before, Jews who apply for exit visas are expelled from all aspects of society and their value for this country becomes equal to zero. Those who do apply, as a rule, face dismissal. A skilled specialist in this case has to find any job including non-skilled manual labor. Often he is fired even from this job and treated as a parasite or vagrant.

Court and administrative persecutions have been becoming more severe. They include both imprisonment of those appealing to Soviet authorities with collective letters and imprisonment without reason or motivation. This occurred for the first time during President Nixon's visit to Moscow. Since then, it has become both the gloomy custom and obligatory part of any celebration or any solemn event in the Soviet capital.

Most alarming are continuing trials of Jews seeking to emigrate. In 1972, eight people received varying sentences. In February of 1973, Lazar Lubarsky, in Rostov, was tried and sentenced to four years imprisonment. In Vinetsa, Isaak Shkolnik is now in jail awaiting trial. The Brothers Goldstein in Tbilisi, at this very time, are under preliminary investigation. This large and tragic subject deserves to be dealt with in more detail, therefore we shall not dwell upon it here.

The amnesty proclaimed in honor of the 50th Anniversary of the USSR has not been applied to a single person sentenced in relation with his wish to repatriate to Israel.

Our situation still remains uncertain and dangerous. It is possible that we shall face some new reprisals, although the Soviet authorities are well aware that we have no conspiratorial intent and no organization. We have nothing whatever to conceal.

We openly express our wish to be able to choose freely the country of our residence in accordance with our ethnic and moral convictions. We are determined to continue striving for the realization of this natural civil right.

And yet one should emphasize that the widespread moral support of the world public opinion has already had considerable influence upon the problem of repatriation. We are convinced that without this, either the increase in the number of applicants or the very discussion of the problem would be impossible.

The noble support of all those concerned about our fate is just what gives us hope for the future.

Signed by 305 Soviet Jews

Attachment III

The following letter was written to the United States Congress by Jews in the Soviet Union after the suspension of the education tax.

April 1973

At present some people in the West are inclined to consider the freezing of the higher education tax as a removal of obstacles in the way of free Jewish emigration from the Soviet Union.

We would like to state in this message that there is nothing like free emigration in this country. Just as before, the fate of anyone having applied for an exit visa is being determined not by any law or even any published regulations regarding the emigration. Everyone's fate is being determined by some unknown people and on some unknown considerations in a totally arbitrary way.

The difficulty is not the education tax, but the arbitrary methods used by the Soviet authorities in their selective emigration policy; we have emphasized it before more than once.

The principal method of blocking Jewish emigration is the refusal to grant exit visas, refusals given to thousands of people. The refusals are "termless," motivated as "unreasonable" or as "against state interests" or given without any explanation at all . . .

These refusals, which allow no right to appeal and leave no hope, are being given just as before. There are those who believe that the suspension of the education tax will be followed by a second phase — the granting of exit permits to persons who have been refused previously. On the contrary, a number of such persons in Moscow, Leningrad, Kiev, etc., have recently been given confirmations of former refusals.

Naturally, the question arises: For what reason do the authorities forcibly detain thousands of Jews while permitting dozens of thousands of others to emigrate?

The analysis of this position in Soviet society of those repatriating shows that permits are relatively easily given to persons with low educational attainments, or without professional skills — to Jews who, for the most part, come from Georgia, Middle Asia or Moldavia; to those working in municipal service; to the sick and old. That is, to those categories of individuals which do not occupy a prominent place in the hierarchy of the Soviet society.

Often (but not always) social scientists or persons working in the arts are granted exit visas.

However, a refusal is practically guaranteed where skilled professionals, and especially scientists in the fields of exact sciences and technology are involved (i.e., physicists, chemists, radio-engineers, metallurgists, specialists in applied mathematics and mechanics, etc.). These are professions which are considered to be important by the Soviet authorities.

One should bear in mind that the tendency to get higher technical education has been characteristic of the Soviet Jews. That is why specialists in science and technology constitute a major portion of the Soviet Jewish intelligentsia.

Refusal is also guaranteed where persons of former social standing are concerned — including university professors, high-ranking executives, well-known film-makers and actors, journalists, etc.

And furthermore, in all the trades, at all levels, and irrespective of age there are persons who are getting termless refusals without any reason; among them are artists, workers, social workers, druggists, economists, and pensioners, physicians and photographers.

The situation described above is typical. And a few exceptions do not alter the general rule set forth.

In short, the technology of detention of Jews is based on principal of selectivity.

While attempting to explain such selectivity abroad, the authorities allege that the departure of persons detained would jeopardize national security. Perhaps it is difficult for those who live far from here to understand the utter groundlessness of this plausible-sounding assertion. Nevertheless, the objective and unbiased analysis (which we have requested in vain (of each case of detention) would undoubtedly demonstrate that the persons detained have nothing to do with questions of national security.

In addition, those who have applied for exit visas are automatically excluded from society, thus becoming totally useless in this environment.

From our point of view the actual purpose of this selective policy is to create a large category of the so-called "refused" to be used as scapegoats. Their tragic fate is intended to serve a frightening example for many thousands of Jews who, although willing, dare not apply for an exit visa, as no one irrespective of his or her trade, skill, age or sex can predict the consequences beforehand.

Now what is the real cause for the authorities persistence in refusing thousands of Jews and detaining them for years in the country? Why are these people victimized and persecuted — their families deprived of normal existence? Obviously, they realize that the departure of all these people would in no way jeopardize the national security. It is also clear that the national economy would not suffer any real loss — since Soviet Jews comprise only a small percentage of the total number of professionals.

We are convinced that, until the authorities give up the practice of selective emigration, and until the victims of this policy are allowed to emigrate, numerous categories of the three million Soviet Jewry cannot look forward to free departure. The sporadic release of some small numbers of those detained at an appropriate moment should not be considered progress toward the real solution of this problem.

And furthermore, an increase in the emigration quota, as such, would not imply any fundamental approach to the problem on the part of the authorities. The number of emigres could easily be multiplied twice or thrice by letting go Jews from Middle Asia and Daghestan. And even now this part of Jewry is not actually hindered from emigrating.

Only the abolishment of the category of those "refused indefinitely," cessation of the prosecution and other kinds of victimization of those seeking visas, and the setting up of open regulations for emigration could be considered as a truly constructive approach to the solution of the problem.

We perceive clearly that, if no agreement is reached eliminating the category of those "refused" indefinitely, as shown through our emigration, this group of people might be eliminated in some other way. We entertain no illusions about our possible fate.

Now new trials, searches, and interrogations have begun in various cities of the Soviet Union.

We understand that the problem of the Jewish emigration is a partial one. We believe, however, that the problem is not only of a humanitarian nature. In miniature, it reflects the attitude of the Soviet authorities to the question of human rights and their fullfillment of international obligations, and their good will in relations with the West.

Now the fate of the Soviet Jews seeking exit visas today or in the future is being decided.

For many of us the question "to be or not to be" is perhaps being answered at this very time.

We believe that the American people and their representatives will understand our efforts and striving for the right to be called free people.

Signed by 105 Soviet Jews

Attachment IV

UNION OF COUNCILS FOR SOVIET JEWS
Washington office:
1255 New Hampshire Ave.N.W.,suite 628
Washington, D.C. 20036 phone: (202) 223-6575

A Russian Jew, Denied an Exit Visa, Describes the 'Peculiar Ghetto of Refusants'

The following letter was written in Moscow by Dr. David Azbel, a Russian Jew who was, until recently, a professor of physics in industrial chemistry. It is addressed to Sheila and Ira Wolpert of Silver Spring, Md., who visited Azbel in Moscow in November, 1972. The Wolperts attest to the letter's authenticity. The letter was handwritten in English, which Azbel learned during his 15 years in a forced labor camp. Except for omission of remarks regarding the way it was transmitted, the letter is reproduced exactly as written.

My dear Sheila and Ira:

We're very glad for your concern. We are very touched and grateful for everything you did for us. American Jews are the right people. American Jews are our only hope and pride. And we understood it very well when we met you!

Human imagination is limited. When one is refused an exit visa one does not return to one's former life but to an existence so strange that it is very difficult to visualize from outside.

The circumstances which condition the way of life in the peculiar ghetto of "refusants" are created not so much by the official authorities as by ordinary people and begin long before the application for visa. It begins with one's famaly (sic) and continues with one's colleagues, one's neighbors, the house-manager, the yard-keeper, shop assistants and passersby. All the petty spites and envies which had long slumbered in the souls of these ordinary representatives of mankind don't have to be concealed any more. They get to be things to be proud of, being directed against one who has sold himself to foreign imperialists.

Such eminently desirable things as one's neighbor's job, his apartment, his scientific ideas are suddenly felt to be within one's grasp when the neighbor applies for a visa. And the desire for them which had always been felt as somehow unheroic acquires now a special political coloring and is now sanctified as part of the fight against the awful menace of Zionism. A clerk ousting his colleague by intrigue, or a hoodlum assaulting a Jew in the street become brave fighters in the ideological war against a person who, after all, has not done any wrong by official standarts (sic). He is just reuniting with his relatives—officially, there is no other kind of emigration.

For all that, the applicant can be sure that not one of his persecutors really believes what they tell him about the terrors at the capitalist hell. Being people with a well-developed appetite for material goods, they really envy him as one who may get a chance to enjoy the legendary opulence of foreign parts.

It is this feeling, together with their hidden anneyance at their own faint-heartedness (in front of any authority, in front of any sort of official or unofficial superiors, tremulous obedience shielding all their wishes expressed, hinted or guessed—it is envy they feel), that serves to make their indignation so intense.

UPI Photo

Soviet Jewish woman, one who made it to Israel, finds a relative at Tel Aviv Airport.

Let us take a look at the holy of holies of the Soviet Society, the so-called collective. This word designates any group of people gathered (usually involuntarily together) and passing together for any purpose for some part of their time. Common flat with one toilet for several families is a collective, as is an office or a hockey team. From a kindergarten to the Politbureau—the country consists of collectives.

One of the deadly sins often imputed to this person is "setting himself above the collective." While a collective usually has no autonomy and no definite sphere of competence, it is held to be responsible for the behavior of its members. When a person commits the atrocious act of applying for a visa, the collective does not have to wait for directives from above. As often as not after expressing its indignation, it suggests some form of reprisals and then asks for permission to carry them out. In such cases there is always something to gain as well as to fear. The renegade's room, his job, the work he had done—all of these are to be divided.

So the reaction of the collective is a loud concert of mixed fear, envy and greed, all posing as patriotic zeal. The unusually decent people distinguish themselves by being silent. If they are Jewish or half-Jewish, this is really bold of them since the question "who's next" has been formed already in everyone's mind.

In spring, 1972, a book on tissue transplantation was accepted for publication. It was the result of several years' work by Dr. Edward Shifrin, a surgeon, 31 years old. Out of the five chapters of the book, four have been written by Shifrin and the remaining one by his collaborator. Two other and high-ranking names had to be included for the book to be published, and so it had four names on its title page. The agreement on the publication of the book was signed on March 10, 1972.

On April 5, Shifrin applied (sic) for a visa. On April 20 the two nominal and high-ranking coauthors told the publishing house that, having obtained new data which is to change some fundamental concepts of the book, they want (sic) to cancel the agreement. And canceled it was, although such data in such a field the venerable authors could hardly obtain in a month, even if they had had the time to read the book. As a matter of fact, they hadn't.

What had Shifrin's colleagues to say on that? The collective of scientists of the Transplantation Institute was unanimously outraged by the shameless behavior of Edward Shifrin who had "forgot what motherland means." Now when the book appears there will be one name less on the title page.

One more example. The name of scriptwriter Veniamin Gorokhov has been erased from captions of his film when his desire to leave the country became known. (Just in case, the producer's name was also erased. He had never shown any intention to leave, but his name was Galanter and sounded suspicious.) Needless to say that the collective of the Union of Cinema Workers unanimously denounced Gorokhov and suggested his expulsion from the Union. What do they hope to gain? Well, cinema workers are besides (sic) in the "ideology front," and special zeal is a great asset to their careers. Gorokhov is an able man, his work had received some prizes abroad and that is rather like setting himself (above) the collective.

By these cases I have tried to exemplify the moral climate to which one has to return when refused a visa. I don't mention about their difficulties. This may explain (to) you, dear Ira and Sheila, why the refusants, who are people of very different backgrounds, tastes and views, hold so close together. It may also explain why a person thinks not twice but many times before applying. But in some cases it may explain why he applies at all.

Dear Ira and Sheila, you may use my letter in every possible way. This letter is written without any censorship. You can send over every correspondence for me using this channel . . .

I have finished my monograph (a big book), "Two-Phase Flows in Chemical Engineering." I am going to publish it abroad. It is my only hope to gain money in my very straitened circumstances. My pension is the very way to send myself and my family to the grave. Nevertheless I understand things very well and look danger in the face. In my status there is nothing to lose. American Jews always make "noise" about Russian Jews. It is very very important for us! My writings will support this situation. Thanks to the fact that Americans struggle for us I can write you this letter.

The authorities have now prepared a "nice" place in prison for me but they couldn't realize their "good intention"—the International Jewish movement is a rock against it. Every anti-Semite enterprises (sic) will smash to smithereens.

Once more I am much obliged for your concern, dear Ira and Sheila!

With love,
YOUR DAVID AZBEL

3691

STATEMENT OF HAROLD B. LIGHT, FIRST VICE CHAIRMAN, UNION OF COUNCILS FOR SOVIET JEWS

My statement is to express opposition to the Trade Reform Act of 1973, as presented. I do, however, support the Bill H.R. 3910, introduced by Congressman Mills (Ark) and Congressman Vanik (Ohio) and others.

My general premises are mainly related to trade relations between the United States and the Soviet Union, and are as follows:

1. Trade between these two powerful nations can serve as an important medium for improved relations and detente.

2. Recognizing that the long term outlook will always include tensions and possible crises, monetary problems, labor conditions and national security risks should always be important considerations.

3. The Trade Reform Act of 1973 would transfer unprecedented powers to the Executive Branch, which would in effect, dilute or remove the control mechanisms from our elected Congressional legislators.

This writers attention was originally drawn to the subject of Soviet trade due to an intense concern over the struggle for freedom of oppressed people in the Soviet Union, including but not restricted to its Jewish citizens.

After observing and studying East-West Trade over the past three years, and conferring with eminent economists, Soviet specialists, and labor leaders, I arrived at a general conclusion:

United States-Soviet Trade is not simply a Jewish issue, nor a humanity issue, but is, rather a very serious problem, affecting the American public's strategic interests.

1. The Soviet Union will benefit from trade much more than the United States. The advantages of our granting Most Favored Nation treatment are one-sided, and even more so, the benefits of the U.S. credit guarantees. These credits, usually long term, often at low rates of interest, could from past experience amount to foreign aid (in Mr. George Meany's words) at American tax-payers expense.

2. Thousands of items, formerly classified as strategic materials, have been delisted by the Department of Commerce. I cannot agree that the United States should build the world's largest truck plant for the Soviets, lend them the money to finance the operation, knowing that truck factories can make tanks.

3. Most of the trade negotiations involve the construction of permanent facilities in the Soviet Union. The above mentioned truck factory, and the proposed building of a multi billion dollar pipeline will supply important capabilities which could easily be used against our country in any future emergency, or change in policy.

4. The spectre of "exporting jobs" has been raised by many labor leaders, who reason that many of the products involved are desparately needed by the U.S.S.R., and might be purchased here, made by American labor.

5. Past experience with the impact of Soviet purchases on our domestic markets is no recommendation for an open handed policy in granting the U.S.S.R. everything it demands. I cannot believe that when our administration authorized a $500 million credit in July 1972 to buy our wheat that the results were beneficial to the average American citizen.

Recently, Dr. Henry Kissinger visited Moscow to discuss mutual problems. No doubt, SALT talks, nuclear disarmament, the United States dilemma in Southeast Asia were on the agenda. In these areas, can we expect more than the Soviet's traditional hard negotiating stance? Right now, our Administration has serious problems at home, and the Soviets' Mr. Brezhnev is well aware of that when he sits down to talk in Moscow or in Washington.

On the other hand, the United States holds an important "trump card", for the U.S.S.R. desperately needs the benefits of Most Favored Nation treatment for its prestige value, and the very real advantages of U.S. Credit to implement its trade deals. It is highly doubtful that American banks will grant loans, nor can most companies generate substantial capital internally, without the guarantee of the United States government.

The soviets' multibillion dollar effects to attain production parity with the United States have failed miserably, and the Kremlin leadership faces its own domestic problems, if it cannot deliver these benefits to their people. They suffer from severe shortages. Four major cities are now on food rationing. The

hunger for tractors and tractor parts which they cannot produce will increase their crop deficits. Soviet leadership MUST succeed in increasing trade with our country, almost no matter what the cost. If they cannot deliver, that leadership might very well be toppled. Their internal prestige is on the line, and their economic turmoil could force them to back off from their hard negotiating stance on many issues of critical importance to the United States.

Both Houses of Congress have documented their opposition to the present direction of trade concessions, through their heavy support of the Mills-Vanik and Jackson legislation. This strengthens the Administration's hand immeasurably.

Mr. Brezhnev has already announced that the Soviet Union will repeal its "education tax" if it is granted Most Favored Nation treatment. We can expect other concessions on the emigration issue, as if that were the only reason for denying such benefits. However, it is important that the Administration use the trade issue to gain advantages on the other crucial problems, and it should use its negotiating strength before the United States delivers the benefits, not after they have been surrendered.

(End of formal statement)

EPILOG: I must point out that for some time, I was troubled by the possibility that my concern for the Soviet Jews might be in conflict with my concern for the best overall interest of my American people. Trade was viewed as a panacea, a cure-all to attain detente. Administration spokesmen have continually stated that this humanity issue could best be handled through "quiet diplomacy". Fortunately, Congressmen Mills and Vanik and Senator Jackson did not share this view.

Their introduction of the free emigration matter into the granting of trade benefits created a time delay, so that the subject began to be more closely examined. As the facts emerged, the disadvantages became more clear, and today we hold a negotiating advantage we did not have before. It is apparent that the Soviet Jews have, inadvertently, performed a great service for the American people.

STATEMENT OF NATIONAL INTERRELIGIOUS TASK FORCE ON SOVIET JEWRY

At a national meeting held in Washington, D.C. on May 14–15, 1973, the leaders of the National Interreligious Task Force on Soviet Jewry met with Senator Henry Jackson and Representative Charles Vanik to express their support for both the Jackson Amendment and the Mills-Vanik legislation. The following statement was issued at that time:

The National Interreligious Task Force on Soviet Jewry, currently meeting in Executive session in Washington, D.C., continues to view with great concern the status of Jews in the Soviet Union. We commit ourselves to bring to bear the power inherent in our various spiritual traditions in the struggle of Soviet Jews for freedom and dignity.

In this struggle the efforts of the U.S. Congress as represented by the East/West Trade and Freedom of Emigration Amendment introduced by Senator Henry M. Jackson and his cosponsors and Representatives Wilbur Mills and Charles Vanik and their cosponsors, have already brought about some change, yet we are heartened that Senator Jackson and his other colleagues in both houses of Congress clearly understand that this change, though important, does not alter the basic problem confronting Jews in the U.S.S.R.

Therefore, we have come to express our commendation to Senator Jackson and all the other members of the Senate and House who support the pending relevant legislation and re-affirm to him our commitment to the continuing struggle which will not end until every Soviet Jew can either live as a Jew or leave for the nation of his/her choice."

Petitions signed by Christians from every part of the U.S.A. were presented by the Task Force, indicating the interreligious support for this legislation.

Attached is a copy of the Statement of Conscience issued by the first National Consultation in Soviet Jewry held in Chicago in March, 1972, when Christians, including Catholics, Orthodox and Protestants, and Jews pledged support for this human rights issue.

STATEMENT OF CONSCIENCE OF THE NATIONAL INTERRELIGIOUS CONSULTATION ON SOVIET JEWRY, MARCH 20, 1972, CHICAGO, ILL.

"Thou shalt not stand idly by while the blood of thy brother cries out to thee from the earth"

"Let justice roll down the waters, and righteousness as a might stream"

The National Interreligious Consultation on Soviet Jewry, meeting in unprecedented deliberation on March 19 and 20 in Chicago, Illinois, calls upon the conscience of mankind to make known its profound concern about the continued denial of the free exercise of religion, the violation of the right to emigrate, and other human rights of the 3 million Jewish people of the Soviet Union and of other deprived groups and nationalities.

For believing Christians and Jews, the denial of the spiritual nature of man and his right to nurture and to perpetuate the spiritual life is to deny the creative power of God in whose image He made man. The discrimination against the Jews by the Soviet Union gives us all reason to believe that, under the pretext of being anti-Zionist, it is the very contribution of the Jews to humanity which is under attack. It is precisely the Jewish testimony in the world that man's identity and freedom are not granted primarily by any state or constitution but are found in the nature of man himself. That is why each human being is threatened in his fundamental right to freedom of conscience when the Jews are persecuted.

Realizing our own failures in racism and in other areas of human rights, we nevertheless cannot remain silent as long as the Soviet Union continues to hamper or strangle the spiritual and cultural life of the Jewish people through extreme and special acts of discrimination. We appeal to the Soviet authorities to grant religious rights to Russian Jewry—the establishment of religious, educational, and cultural institutions for the perpetuation of Judiasm and Jewish culture: the lifting of the prohibition against publishing Hebrew Bibles and prayerbooks and the production of religious articles; the permission to train rabbis and Jewish teachers both in Russia and in seminaries abroad: the creation of a representative body of Soviet Jewry with freedom to communicate and associate with their co-religionists abroad.

We appeal to the Soviet authorities—let them live as Jews or let them leave to be Jews. This consultation is gratified to know that the Soviet government has heard the pleas of millions in many lands and has permitted several thousands of Jews to leave the country for Israel and elsewhere. We urge the Soviet authorities to relent, and to continue to allow the thousands of others who have sought exit visas to emigrate to the countries of their choice—which is their right under the United Nations Declaration.

This consultation is deeply disturbed by the reports of growing acts of harassment, intimidation, arbitrary arrests, and confinement of Jews and dissenters to mental institutions. We appeal to the Soviet government to end this policy of wanton oppression and fear.

This consultation protests against the continued imprisonment under ruthless conditions of prisoners of conscience—Jewish and non-Jewish—and we urge that they be released and be shown clemency.

This consultation protests against the government sponsored campaign of anti-Semitic and anti-Zionist propaganda which constitutes an incitement to hatred and violence in contravention of the United Nations Declaration on Human Rights.

This consultation resolves to commit itself to a program of continuous watchfulness and unrelenting efforts in demanding and in championing freedom for all of Soviet Jewry, of Christians, and of intellectuals—of all who suffer for their courage and their struggle for human dignity.

This National Interreligious Consultation on Soviet Jewry consisting of Protestants, Roman Catholics, Eastern Orthodox, and Jews, authorizes a direct appeal to President Nixon, as the representative of the American people, to convey in clear and forthright terms to tne Soviet authorities during their forthcoming conversations in Moscow the expectation of the American people—Christians and Jews, black and white, liberal and conservative—that these discriminations and denials of Soviet Jewry and others be stopped now, and that fundamental human rights be granted—now. We seek the relaxation of

international tensions and conflicts between the United States and the Soviet Union, and the surest test of the genuineness of the commitment of Soviet authorities to the cause of universal peace and justice is the granting of justice and freedom to the Jews and other deprived religious groups and nationalities.

B'NAI B'RITH,
Washington, D.C., May 8, 1973.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CONGRESSMAN: In connection with the hearings of your Committee on the Trade Reform Act of 1973, I am pleased to submit the attached memorandom which documents authoritatively the plight of Soviet Jewry and the historic precedents for the Vanik-Mills Bill.

Ever since 1960, when B'nai B'rith first went to the United Nations to raise the question of Soviet discrimination against Jews—particularly, the right to emigrate—we have been striving to bring the world's attention to the problems confronting Soviet Jews. In many countries of the world, B'nai B'rith has appealed to governments and molders of public opinion to intercede with the Soviets. But the sad fact is that the Soviets have been almost totally unresponsive to quiet diplomacy and world public opinion—even the protests from Communist parties in various lands were ignored. It was only when the Jackson Amendment and the Vanik-Mills Bill were introduced in Congress and the Soviets feared they would lose American trade concessions, that Soviet restrictions against Jews were partially removed. But important restrictions are still in force.

The memorandum spells out in detail the whole series of discriminations and harassments to which Jews who apply for exit visas are still subjected:

Applicants need "invitations" from relatives abroad; but these are regularly "lost" in the Soviet mails.

Applicants need character references from employers; the applicant runs a gauntlet of harassment to obtain it, frequently involving dismissal or demotion from his job.

Having obtained his preliminary documents for emigration, the applicant may be subjected to abusive telephone calls, arrest for "parasitism," incarceration in mental institution.

Decision as to who must stay and who may go appears to be altogether arbitrary; there are no published guidelines; but instead secret instructions from a secret committee in the Ministry of Internal Affairs.

Our memorandum demonstrates that the civilized world has from time immemorial regarded the right to leave a country as a basic right, denial of which "may be tantamount to the total deprivation of liberty, if not life itself."

Finally, the memorandum cites the precedents of the long and honorable record of the United States in making respect for human rights a condition for trade concessions to foreign counties.

I respectfully request that this letter and the attached memorandum be incorporated in the record of the hearings.

Sincerely,

DAVID M. BLUMBERG.

Attachment.

STATEMENT OF DAVID M. BLUMBERG, PRESIDENT OF B'NAI B'RITH

Among the numerous fundamental rights of man, the right to leave any country occupies a central place both in international morality and international law. Over the centuries, mankind has elaborated fundamental principles undergirding this right. Socrates considered the right to leave a country an "attribute of personal liberty," while the Magna Carta of 1215 A.D. held that the right was derived from "natural law." The French Constitution of 1791, following the great revolution, incorporated specific reference to this right. An Act of the United States Congress in 1868 held that the right to leave "is a natural and inherent right of all people, indispensable to the enjoyment of the rights of life, liberty, and the pursuit of happiness."

A major three-year study of the right to leave conducted by Judge Jose Ingles, the Philippine jurist and statesman, on behalf of the United Nations Sub-Commission on Prevention of Discrimination and Protection of Minorities (published in 1963), made the right to leave a precedent for all other human rights—"an indispensable condition for the full enjoyment by all of other civil, political, economic, social and cultural rights." Judge Ingles added a critical point: for a man who is being persecuted, denial of the right to leave "may be tantamount to the total deprivation of liberty, if not life itself."

The Ingles study considered the right to leave as so important "a constituent element of personal liberty" that he would have "no other limitations" placed upon it other than the "requirements of morality, public order and the general welfare." The draft principles which were proposed to give effect to the right specifically noted that "currency or other economic controls shall not be used as a means of preventing any national from leaving his country."

A recent expression of international morality on the subject was presented in the form of a "Declaration" drafted by 70 distinguished international legal authorities from 20 countries meeting at the University of Uppsala in Sweden, on June 19–22, 1972. Sponsored by the International Institute of the Rights of Man, wih Nobel Peace Laureate, Professor Rene Cassin as the leading figure, the Colloquium adopted two key principles in its "Declaration": "No state shall subject a person to reprisals, sanctions, penalties or harassment, for seeking to exercise . . . the right to leave a country;" and "no special fees, taxes or other exactions shall be imposed for exercising . . . [the] right to leave a country." Significantly, at the same time that the Uppsala "Declaration" was adopted, the distinguished Soviet physicist, Academician Andrei D. Sakharof, released a "Memorandum" he had originally sent to General Secreatry Leonid Brezhnev 15 months earlier which emphasized that "it was essential to pass laws ensuring the free and unimpeded exercise by citizens of their right to leave the country and to return to it freely." He regarded it as essential that "illegal restrictions containing limitations of that right" be abolished.

Existing international law on the right to leave and return conforms to international morality. The Universal Declaration of Human Rights, adopted by the UN General Assembly on December 10, 1948 and considered as "an authoritative interpretation of the [UN] Charter of the highest order" spells out in Article 13/2 that "Everyone has the right to leave any country including his own, and to return to that country." The Declaration on Colonialism, initially advanced by the Soviet Union, and adopted unanimously by the General Assembly in December 1960, demands that "all states . . . observe faithfully and strictly the provisions of the . . . Universal Declaration of Human Rights."

The International Convention on Racial Discrimination, adopted by the General Assembly in December 1965, similarly in Article 5, paragraph d, subsection 2 requires of Contracting Parties to guarantee "the right to leave any country and to return to his country." And the International Covenant on Civil and Political Rights, adopted by the UN in December 1966, notes in Article 12/2 that "Everyone shall be free to leave any country, including his own."

On March 28 of this year, the United Nations Commission on Human Rights meeting in Geneva, by a vote of 25 to 0, strongly endorsed the right to leave and called upon all Governmnets "to bear in mind . . . the provisions of Article 13 of the Universal Declaration of Human Rights . . . the provisions of the International Covenant on Civil and Political Rights and the Charter of the United Nations."

The USSR prides itself as being a strong advocate of the Universal Declaration of Human Rights. It ratified the Convention on Racial Discrimination in January 1969. And it signed the Covenant on Civil and Political Rights in March 1969. Moreover, in a formal submission to the UN in February 1963, the USSR officially stated that only three types of circumstances will oblige the Government to refuse a travel document: 1) if a person has been charged with an offense and judgment is yet pending; 2) if a person has been convicted and is serving a court-imposed sentence; and 3) if a person has yet to discharge his obligation of service in the Soviet army or navy.

Yet, the Soviet Union today stands in violation of both international morality and international law with regard to the right to leave for tens of thousands of Soviet Jews. It is, of course, true that, since March 1971, in response to world public opinion and the pressure of Soviet Jews who refused to be intimidated, the USSR has permitted over 50,000 Jews to leave for Israel. Nonetheless, thou-

sands of applications have been either rejected or not acted upon. These include scientists, academics, technicians and artists.

Equally distressing is the fact that the Kremlin has compelled Jews seeking to exercise their right to leave to run an obstacle course of prolonged harassment. Only the most determined can withstand the seemingly endless series of difficulties placed in their path. An extraordinary 50,000 word document, entitled *White Book of Exodus*, and prepared by Soviet Jewish activists in April 1972, spells out these obstacles. The document incorporates scores of letters and appeals, as well as valuable primary source materials.

The *White Book* is divided into four chapters, each revealing the "administrative obstacles . . . arbitrariness and lawlessness" associated with the application for exit visas. The first chapter describes the difficulties in collecting the documents required for taking the initial step of applying for an exit visa. Thus the preliminary invitations (vyzov) needed from Israeli relatives are repeatedly "lost" in the mails. So many invitations had gone astray that in July 1971, 155 Jews from Moscow, Riga, Minsk, Odessa, Derbent and Georgia formally complained to the Universal Postal Union that the USSR was violating the Universal Postal Convention.

Obtaining a character reference—the *kharakteristika*—from one's place of employment is even more difficult. The applicant is frequently obliged to suffer vicious anti-Semitic slurs at public hearings in the trade union or collective, ostracism as a "traitor," serious demotion, or loss of job. A classic example is the treatment meted out to a star-performer of the Kirov Ballet Company in Leningrad, Valery Panov and to his wife Galina Rogozina, who was also a soloist with the company. On March 30, 1972, a meeting of the company was called to discuss their requests for a *kharakteristika*. The authorities had evidently planned it in a manner to obtain the maximum impact: one performer spoke of "crime and treason in the theatre"; another said there was "betrayal in the temple of love and creative art"; a third commented that "we made him, we must destroy him." On April 7, the trade union committee of the Kirov theatre voted to discharge Panov because of "his amoral behavior [and] treason, which are incompatible with his presence in the theatre company." (Later, on May 26, he was thrown into prison on trumped-up charges of "hooliganism.")

(The underground journal of democratic dissenters in the USSR, *Khronika*, No. 23, dated January 5, 1972, provides numerous examples that underscore the theme of the *White Book*. Typical of persons dismissed from their positions after applying for an exit visa are an artist in the All-Union radio symphony orchestra, the head of the surgical department of the Moscow Railway Hospital, the senior scientific worker in the Literary Museum, a senior scientific worker in the Institute of Biological and Medical Chemistry of the Academy of Medical Sciences, a prominent mathematician from the Scientific Research Institute of Mechanics, a leading engineer at All-Union Scientific Research Institute of Oil Refining. Demoted were the head of the All-Union Scientific Research Institute of Machine-Tool Construction, a senior worker at a shoe factory, chief engineers in Simferopol. Dozens who fall into similar categories are also listed.)

An additional burden resulted from the application of so-called "Rule 7" imposed by OVIR (The Soviet visa bureau) which requires that applicants must "submit a witnessed statement from parents remaining in the USSR giving their attitude to the applicant's emigration." Fears and anxieties of elders together with factors related to the generation gap all too often acted as hindrances. A variety of poignant illustrations of such hindrances are documented in the *White Book*.

The second part of the *White Book* is entitled "At Work, in the Street and in Reception Offices." It examines in detail, the heavy pressures borne by applicants once they have successfully received the necessary preliminary documents. (Many, of course, were not so fortunate.) The section begins with the following warning:

"You have been to the mountains and you know that one must not trust the deceptive proximity of the mountain tops which you have to cross. When you get to that top, you find that it is not a top at all but only a place from which you can see a new ascent."

The critical problem was trying to earn a living since the loss of one's previous position was certain. Some worked as dishwashers or unskilled laborers. Others, less lucky, were threatened with prosecution for being "parasites." A

few tried to eke out an existence as private tutors but frequently found themselves harassed by the police.

Various documents tell of insidious and open forms of threats—anonymous telephone calls; arrests and questioning; stones thrown through windows; beatings by unknown assailants; and obscene and abusive verbal attacks on members of the applicants' family. "Especially difficult conditions" were described as prevailing for Jewish applicants living in small towns or villages. The most extreme form of intimidation was the sudden incarceration of a number of Jews in mental institutions.

The second part of the *White Book* concludes with examples of totally arbitrary decisions on applications. A petition signed by 18 persons and sent to the UN Commission on Human Rights (included in the *White Book*) is illuminating: . . . of two families in approximately the same situation, one may receive permission to emigrate and the other may be turned down. One person with an academic degree is allowed to go, another is not because of that same degree. . . . In some scientific and academic institutions a person is arbitrarily declared "capable of increasing the scientific or military potential of the enemy State of Israel." In other institutions, under the same circumstances, such statements are not made.

Part 3 of the *White Book* is called "Permission Has Been Received But . . ." The fortunate ones continued to face an "obtuse arbitrariness. " A violinst was not allowed to take his professional instrument with him. Others could not carry their personal property. Harassment at the airport included the removal of photographs, letters and mementoes. The sudden imposition of additional financial charges increased the difficulties while a constant flow of abuse aggravated personal tensions. The last section of the volume deals with those who not only failed in reaching the "mountain top," but were the unfortunate ones who reached "instead of the homeland—Mordovia." The section's title refers to the Soviet area that contains the prison camp in which those jews convicted in 1970–71 were incarcerated.

When UN Secretary-General Kurt Waldheim visited the Kremlin in June 1972, 254 Soviet Jews forwarded to him a petition which expressly complained about the "humiliating procedure, comparable to a moral inquisition" that is involved in seeking an exit visa. A new item was also noted: "persons receiving military pensions are deprived of their rank and pensions and they and their families are thereby doomed to hardship." A typical example was the case of retired Colonel Lev Uvsishcher. After applying for an exit visa, he was called on May 10, 1972 to the district military office in Minsk where his decorations and rank were removed while his name was struck from the list of veterans receiving state pensions.

The UN petition also complained of the financial charges imposed on persons receiving exit visas. The 900 rubles ($1,000) for each adult family member was described as "enormous" since it was "equal to the average eight-months earnings of a citizen of the USSR." The complaint was premature for the 900 ruble levy turned out to be but a fraction of the costs which would be imposed in August 1972.

The petition to Waldheim included a significant disclosure that bore upon the critical subject tof the arbitrary decision-making in granting exit visas. According to the signers, "commissions" whose membership are "kept secret" (but apparently are chosen by the Ministry of Internal Affairs) examine applications "in secrecy" and make decisions on the basis of "secret instruction." The mysterious labyrinthine process evokes the nightmare world of Kafka's novels.

The nightmare was especially traumatic for those jews in the scientific and technological elite who sought exit visas. To some degree, it also applied to highly specialized people in the ballet field or in not-easily replaceable humanities areas such as curators of rare museums.) The most outstanding example was Dr. Veniamin Levich, an internationally renowned authority in physical chemistry and, more importantly, a corresponding member of the prestigious Academy of Sciences. Although his outlook was completely non-political, the mere act of applying for an exit visa for Israel had, in the words of his wife, "transformed [him] into a pariah, a non-person." His scientific papers were no longer published, he was not invited to attend scientific meetings, and he was stripped of his important teaching and research position. Abuse and social ostracism accompanied him everywhere, while his two sons were compelled, too, to suffer their father's "sin." Yevgency, a top astrophysicist, was threatened with induction into the armed forces even though he lacked military training and had serious chronic

illnesses. Aleksandr, a corrosion engineer, was immediately discharged from the institute in which he worked. The requests of the sons for exit visas were also rejected.

On April 27, 1972, Veniamin Levich and another distinguished scientist, Professor Aleksandr Voronel wrote a joint letter addressed to the Academy of Sciences of the USSR, to similar bodies in Great Britain and the United States, and to international associations of physicists and chemists in which they warned against scientists being turned "into an exploited and discriminated-against minority, into bondsmen of the 20th century." Their letter continued:

"The sole rightful owners of their [the scientists'] hands or their brains are the people themselves. No references to government interests can forbid the scientist to feel that they are free people, and, in particular, prevent them to go, together with their brains, to their historical homeland if such is their desire."

The letter ridiculed the all-too-frequent reason offered by the OVIR authorities for rejecting the visa applications of scientists: that they presumably were in possession of state secrets. Such reasons, the joint letter emphasized, "are without any real foundation." Indeed, many of the scientist-applicants either worked on purely theoretical questions unrelated to defense work or had left several years earlier any position that either was regarded as involving "secret" work or might be so considered. Even more absurd was another justification offered by the state authorities: that the work of the scientists was too valuable to the Soviet regime. If this were the case, they would not be dismissed or demoted from their positions—the characteristic way in which the Kremlin treated scientist-applicants for exit visas. The Levich-Voronel letter noted that as soon as a scientist "announces his desire to go to Israel [he] is automatically deprived of the possibility to continue his scientific activity . . . [and] nobody is interested in using him."

A similar point was made in a letter written on February 21, 1972 by the automatic control expert, Roman Rutman, and sent to various international bodies. After pointing out that his application for an exit visa was rejected on grounds that "he is a highly qualified specialist" (Rutman cited from the official text itself), the expert caustically observed: "This high evaluation of my ability did not prevent the administration from removing me from being in charge of the laboratory, [and] forbidding me to teach in the Institute of Radio Engineers . . ."

The real motivation for the harsh punitive actions taken by the Soviet authorities was spelled out by Levich and Voronel. They wrote:

". . . the authorities have in mind not us but those of our colleagues whom they intend to frighten with the sight of our being made outcasts . . . The scientists must see in our example what awaits them in the case of disobedience—the loss of work, the end of a scientific career, personal insecurity, and a quite doubtful possibility of emigration."

The imposition in August 1972 of exorbitant head taxes on educated Jews—a veritable ransom levy—was but an additional abatross placed upon the necks of applicants for exit visas. Soviet Jewish intellectuals described the policy as one that threatened to transform educated Jews into "a new category of human beings—the slaves of the 20th century." On October 1, 1972, 21 American Nobel Laureates expressed "dismay" with the "massive violation of human rights" that was involved in the "diploma" taxes. They were joined by 6,000 Professors in American and Canadian universities on October 31 who called the Soviet tax law a "benighted decree" and demanded that the USSR "remove all arbitrary bars to the free movement of people."

While Soviet officials have very recently officially advised the President of the United States that the tax will no longer be collected, the decree continues to remain on the Soviet statute book, and therefore, could be made operational if the authorities so chose. More significantly, its suspension in no way affects the persistence of a host of obstacles that interfere with or prevent thousands of Jews from excercising their fundamental right to leave. The types of harassment reported in the *White Book* continue to operate and are augmented by arrests and trials designed to intimidate Jews seeking to emigrate.

It is to this breach of international morality and law that the Jackson-Mills-Vanik amendment addresses it self. This amendment is deeply rooted in an American tradition of concern for oppressed overseas minorities.

As early as 1869, President Ulysses S. Grant, upon learning from American Jewish petitioners of a contemplated expulsion of 20,000 Jews from an area in southwestern Russia, intervened with the Tsarist authorities. If the banishment

was halted, a chronicler of the episode notes, it was "very likely as a result of the U.S. concern . . . " At least ten American Presidents from Grant to Richard M. Nixon have intervened, directly or indirectly, on behalf of Russian Jewry during the past 100 years.

More than ninety years ago Secretary of State James Blaine formally justified diplomatic intervention "in the internal concerns" of Czarist Russ because it was persecuting Jews, and stated that "the domestic policy of a State toward its own subjects" may be "at variance with the larger principles of humanity . . ." "Humanitarian intervention" on behalf of persecuted Irish and Armenians, as well as Jews, during the 19th and early 20th century remained a distinctive feature of the American diplomatic landscape.

Frequently, the Congress has acted as a spur to administration action. In 1879, for example, the House of Representatives adopted a resolution criticizing, in part, a Czarist policy that refused Jews the right to own real estate. The measure was introduced by Samuel Cox, like Charles Vanik, a Congressman from Ohio. The following year Cox inserted into the Congressional Record a letter from a Russian Jew who wrote: "In this hour of all but hopeless misery, groaning under the yoke of cruel and heartless despotism, we turn to the West . . ."

In 1883, a House resolution called upon the Administration to "exercise its influence with the government of Russia to stay the spirit of persecution as directed against the Jews. . . ." A decade later, in 1892, the House refused to allocate funds for food transport to Russia on grounds—in the words of Tennessee Congressman Josiah Patterson—that the Czarist regime, by its treatment of Jews, had "shocked the moral sensibilities of the Christian world."

Especially significant was the legislative effort in 1911 to abrogate an 80-year-old Russo-American commercial treaty. It constituted almost a dress rehearsal for the Jackson-Mills-Vanik congressional drive. Behind the 1911 effort was a determination to relieve the desperate plight of Russian Jews, although the battle was technically fought over the more narrow issue of passport discrimination against American Jews seeking to visit Russia. A proclamation by President William Howard Tafft in March 1910 extending Russia minimum tariff rates, despite reluctance by the U.S. Tariff Board, prompted a public campaign of protest. Towards the end of the year, New York Congressman Herbert Parsons cautioned the Administration that the House might demand the termination of the 1832 commercial treaty.

The implied threat was rebuffed. The Secretary of State, Philander Knox, in a note to the President, argued that "quiet and persistent endeavor" ("quiet diplomacy," in contemporary parlance) would be more effective than treaty abrogation in changing Czarist policy. A series of State Department memoranda, in early 1911, buttressed the Knox note with arguments that find a remarkable echo today: America's commercial and investment interests would allegedly be harmed and additional hardships would supposedly befall Russian Jewry.

Much of the American public saw the issue differently. A massive number of petitions and resolutions bombarded Congress. Public rallies were held in various cities culminating in a mass meeting in New York City on December 6, 1911, under the auspices of the National Citizens Committee and addressed by Woodrow Wilson along with other luminaries. One week later, speaker after speaker arose in the House of Representatives to express sympathy for Jews and to condemn barbaric practices of Czarist Russia. The vote for abrogation was overwhelming: 301 to 1.

With the Senate certain to have a similar lopsided vote, the Secretary of State hastened to soften the impact upon the angry Czarist regime. In language that stressed friendship between the two countries, he advised the Russian Foreign Office that the U.S. was terminating the commercial treaty as of January 1, 1913.

Russian officials reacted with astonishment. They failed to comprehend, a historian of the event observed, "how a moralistic crusade could dictate political actions."

That failing should no longer obtain. Senator Henry Jackson has repeatedly emphasized, both publicly and privately, that the United States, as a "nation of immigrants," has a vital stake in promoting the right to emigrate freely. The amendment addressed itself not to trade *per se*. Its sponsors, indeed, are vigorous advocates of increased trade. Rather, the amendment focuses upon trade *concessions* which the USSR desires and seeks—most-favored-nation treatment, credits, and credit guarantees. The price asked for such concessions can hardly be described as extravagant. On the contrary, the price is but minimal: adherence to international standards of conduct that are basic to any civilized society. International morality and law concerning the precious right to emigrate must be upheld and America, in championing this right, pursues a course which has been integral to its purpose since the very founding of the Republic. B'nai B'rith strongly endorses this legislative effort.

Committee for an Open Society, Inc.

A Non-Profit District of Columbia Corporation
223 3rd St. SE
Washington, D.C. 20003

Phone: (202) 546-9231

May 21, 1973

Directors:
Anne Berblinger
Julius W. Hobson
Loren Weinberg
William Higgs
Isabel Garcia
Executive Director:
William Higgs

U.S. Representative Wilbur Mills, Chairman
Committee on Ways and Means
U.S. House of Representatives
House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The Committee for an Open Society is a small committee of citizens concerned that, among other things, our nation's government is fully open to all of our citizens and is fair in its dealings with peoples of other nations, especially those less fortunate than ourselves.

We note with interest the role of the pending trade bill in affecting the economies of developing nations, particularly the nations of the Western Hemisphere: nations in whose economies the U.S. has for so long exercised large influence.

The complexity of the pending legislation and the scarcity of information regarding its potential impact on the developing nations makes somewhat difficult a precise analysis. Nevertheless, we do offer the following:

1. In spite of the statements of Secretary of State William Rogers and the President that the trade bill will, through its Title VI on generalized preferences to developing nations, provide substantial aid to those countries, it seems clear that (a) such aid depends almost exclusively upon the will of the President and (b) the present provisions -- through the operation of sec. 605 (c) and the various provisions allowing the lifting of items 806.30 and 807.00 of the Tariff Schedules of the U.S. (border industry plants) -- are highly discriminatory against the nation of Mexico.

According to State Department material on the probable impact of the "competitive need" formula of sec. 605(c), substantial Mexican industries would be excluded from the beginning from consideration under the system of generalized preferences to developing nations established by the bill. Affected industries include (based on 1971 figures): Television apparatus, electronic tubes and transistors, pine moldings, wooden picture and mirror frames, materials of copper, lead and zinc, istle or tampico, litharge, spirits for beverages, certain paper articles, softwood dowel rods and pins, vegetable fiber products, mangoes, straw and other vegetable fibers, concrete floor and wall tiles, and red lead.

The total of excluded Mexican products totals $143.6 million annually, whereas the remainder of Latin-America (excluding copper imports from Peru and Chile) would have only excluded products of about $31 million.

Of course, the imposition of sec. 605(c) (which bars consideration of generalized preferences to any developing nation for those imports of $25 million or more total or whose value constitutes more than 50% of all such U.S. imports) would naturally affect Mexico, whose external trade is primarily with us and with whom we share a large common border, far more than other developing nations. Moreover, the provisions of the new trade bill (e.g., sec. 203(a)(2)(allowing for the suspension of items 806.30 and 807.00 of the Tariff Schedules and thus severely damaging the Mexican border industry program)) is again a provision that seems to be aimed against Mexico.

While it may be that these provisions were not in fact intended to discriminate against Mexico, yet it seems clear that such is their effect. Moreover, in regard to our commitment of trade fairness to developing Latin-American nations, it would seem that "competitive need" considerations would be irrelevant. This conclusion seems especially so in view of the administration's statistics that indicate that (a) dutiable imports from all developing countries of those items considered for preferences would be only 3.3% of all U.S. imports and (b) preferences to developing nations would result in greater U.S. exports to those nations, among other favorable factors (Briefing Material for Ways and Means Committee on Foreign Trade and Tariffs, Government Printing Office, May, 1973, p. 205).

2. Though other nations such as Haiti (baseball equipment) and Brazil (menthol, castor oil) would be much less affected than Mexico by sec. 605(c), it does seem that, as time passes (and remembering that 1971 figures were used in the study), more and more Latin-American products will come under the ban of sec. 605(c). We therefore would hope that the bill could be amended to exclude the Latin-American countries from the operation of this section.

3. Unless careful research and testimony shows that items 806.30 and 807.00 of the Tariff Schedules (border industry program) cause serious and irreparable harm to domestic industry, we would hope that the Latin-American nations would be exempted from Presidential authority to lift the application of those items as is now present in the pending bill.

4. The bill's grant of very wide discretion to the President in the area of generalized preferences seems unwise, particularly if such a grant is unnecessary and if unaccompanied by reporting requirements. Therefore, it would seem wise to require the President to submit for generalized preferences all manufactured or semi-manufactured articles unless a negative finding as to a particular article is presented to the Congress, which finding shall include both supporting factual matters and application of the guiding legal and policy considerations to those facts. Similar detailed reporting should be required of the Tariff Commission and any other agency that so gives its advice. The President should be prohibited from acting on any advice as to generalized preferences unless such advice is (a) in writing and (b) supported by a detailed statement of the factual, legal, and policy considerations used to arrive at the conclusion.

5. We suggest the following amendments to assure that the favorable impact of a trade decision in terms of developing Western Hemisphere nations will be a factor in making such decision:

(a) Amend section 202(c)(7) by adding the word "consumers" after the word "communities". This change should make clear that, for example, trade agreements that result in lower consumer prices through greater imports (e.g., of food products), especially in time of inflation, are to be favored.

(b) Amend section 202(c) by adding a new clause: "(8) favorable effects upon the economies of Western Hemisphere developing nations."

(c) Amend section 602 by adding a new clause:

"(4) the special commitment of the United States to further the economic development of the developing nations of the Western Hemisphere."

It would also seem that the administration should be quite willing to support these amendments in the light of the recent commitments made by Secretary Rogers in his current visit of Latin-American nations.

We realize that your task is not only an historic one, but it is also one that is of great difficulty and puts particular burdens on your shoulders.

In that realization we offer the above thoughts.

Yours sincerely,

William Higgs

William Higgs,
Executive Director

International Commodities Export Company
A DIVISION OF ACLI INTERNATIONAL INCORPORATED
110 WALL STREET, NEW YORK, N.Y. 10005 • TELEPHONE: (212) 747-1670
CABLE: COMODINTER, NEW YORK
TELEX: ITT 420258, RCA 232261, WUI 62627 • TWX: 710-581-4165, WU 12-8128

Emil Sherer Finley PRESIDENT

May 1, 1973

Chairman Wilbur D. Mills
Committee on Ways and Means
U. S. House of Representatives
1102 Longworth House Office Bldg.
Washington, D. C. 20515

Dear Mr. Chairman:

I am writing concerning the revised press release on the Trade Reform Act of 1973, including the President's message. I would very much appreciate your incorporating the following statement into the Congressional Record:

It has been the avowed policy of the Nixon Administration and Congress to recognize the East Bloc countries as not one political nor single geographical unit, but as distinct and separate national entities of varied character.

In connection with the proposed Trade Reform Act of 1973, many Congressmen have expressed their deep concern about certain emigration practices of one of the members of the Bloc. As a result, there is a possibility of a veto of this bill by a majority vote of either the House or the Senate. In view of U.S. recognition of the wide spectrum comprising this Bloc, and, in particular, in view of the desire of the President to fulfill our commitment to Romania, it is our opinion that the most favored nation authority should be considered on a country-to-country basis rather than on an entire East Bloc basis.

International Commodities Export Company

It does not lend an expression to our policies nor to our desires and sentiments to penalize one country for another's difficulties and, at the same time, to preclude possibilities of trade which we and some members of the East Bloc, including Romania, so keenly desire.

Respectfully yours,

E. S. Finley
President

ESF/kw

ENVIRONMENTAL STRUCTURES, INC.
7600 WALL STREET
CLEVELAND, OHIO 44125
(216) 524-9270

May 1, 1973

Mr. John M. Martin, Jr.
Chief Counsel
Committee on Ways & Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Martin:

I would like to express my views on behalf of the President's General Trade Act of 1973, which I understand will come up for hearing shortly.

I regret that prior commitments will not permit me to attend; however, I would like to take this opportunity to express my support of the Trade Act.

I wholeheartedly support our foreign policy and the President's approach in dealing with the Eastern European countries through trade. I have always felt that by maintaining active trade with these countries, the United States will be able to improve and strengthen the ties which already exist. Although radical political changes have occurred in Romania since World War I, no one can deny that a genuine bond of friendship has always existed between the United States and Romania.

As an American of Romanian origin, I believe it is worthwhile to maintain this friendship.

Very truly yours,

George Doprea
President

GD:at
cc: Senator Saxbe
Senator Taft
Congressman Vanik
Congressman Stanton
Congressman Minshall

LITHUANIAN REPUBLICAN PARTY OF CICERO

Cicero Lietuvių Respublikonų Partija

5146 West Cermak Rd., Cicero, Ill. 60650

Executive Chairman's Address
1437 S. 49th Ave., Cicero, Ill. 60650
Telephone: /312/ 652-5121

EXECUTIVE COMMITTEE:

JOHN F. KIMBARK
Hon. Chairman-President

JURGIS J. BREIVE
Executive Chairman

EDVARDAS SUMANAS
I Vice-Chairman

VIKTORAS MOTUSIS
II Vice-Chairman

BRONE MOTUSIS
Executive Secretary

ALDONA BRUSOKAS
Executive Treasurer

PUB. RELATIONS STAFF:
Spaudos Inf. Sekcija

E. Sumanas
V. Motusis
K. P. Deveikis

Ways and Means Committee
The Honorable Wilbur D. Mills
The Honorable Harold R. Collier
1436 Longworth Building
Washington, D.C.

FOR INCLUSION IN THE PERMANENT RECORD ON EAST-WEST TRADE

Dear Sirs:

The Lithuanian Republican Party of Cicero expresses its most adamant opposition to granting the "most favored nation" status to the Soviet Union in the proposed trade agreement between the United States and the U.S.S.R. unless the Soviets:

1. Extend freedom of choice to all nations which are victims of Soviet neo-colonial expansionism, in particular the Lithuanians, Latvians, and Estonians.

   June 15th is a day of sadness and reflection for millions of Lithuanian Americans. On this date in 1940, the Russian Army invaded the free Republic of Lithuania and forceably annexed Lithuania into the Soviet Union. For the past thirty-three years, Lithuanians have been forced to live under the tyranny of Soviet Russia. However, to this very day, Lithuanians are risking and sacrificing their lives in defiance of the Communist regime.

   The protests of the Lithuanian people against the denial of the right of national self-determination, continued religious and political persecution, and the violation of human rights by the Soviet Union reached tragic heights on May 4, 1972, when a Lithuanian youth, Romas Kalanta, burned himself to death in Kaunas as a martyr in protest of Soviet oppression. This act triggered widespread demonstrations in the area and was culminated by two other self-immolations. Such dramatic events show that the Lithuanian people have not acquiesced to the Soviet occupation, but rather are still striving for freedom and independence.

LITHUANIAN REPUBLICAN PARTY OF CICERO

Cicero Lietuvių Respublikonų Partija

5146 West Cermak Rd., Cicero, Ill. 60650

Executive Chairman's Address
1437 S. 49th Ave., Cicero, Ill. 60650
Telephone: /312/ 652-5121

EXECUTIVE COMMITTEE:

JOHN F. KIMBARK
Hon. Chairman-President

JURGIS J. BREIVE
Executive Chairman

EDVARDAS SUMANAS
I Vice-Chairman

VIKTORAS MOTUSIS
II Vice-Chairman

BRONE MOTUSIS
Executive Secretary

ALDONA BRUSOKAS
Executive Treasurer

PUB. RELATIONS STAFF:
Spaudos Inf. Sekcija

E. Sumanas
V. Motusis
K. P. Deveikis

2. Remove all exit restrictions to all minorities so that there would be no need for the hijacking of Russian airliners or a repetition of the incident in which a father and son hijacked a Russian airliner to Turkey and accidentally killed a Russian hostess. When people are caught trying to escape from Soviet-occupied Lithuania, they are tried for treason.

3. Cease all religious persecution so that 17,000 Roman Catholics would not have to smuggle out petitions to the United Nations for help in easing religious persecution.

4. Reduce the exorbitant custom duty imposed on consumer goods and parcels sent to relatives and friends in Soviet-occupied Lithuania.

   The following is an itemized list of the cost of sending 5 silk and 5 wool scarves to Lithuania:

$25.00	Russian customs duty
4.05	v/o Vneshposytorg Fee (checking)
6.41	US Air Mail stamps
1.00	insurance
10.00	service charge by agency
12.00	material (scarves)
58.46	TOTAL COST

5. Free Simas Kudirka and his family from prison and allow them to emigrate to the United States.

   We need their freedom to uplift the spirit of the Lithuanian community in America and the nation as a whole, for it was our US Coast Guard that gave this man back to the Russians after he stepped on the US Vigilant, part of American territory.

The trade agreements as they are proposed now constitute a direct aid to the faltering Soviet regime but offer no relief to oppressed peoples within the Soviet Union.

LITHUANIAN REPUBLICAN PARTY OF CICERO

Cicero Lietuvių Respublikonų Partija

5146 West Cermak Rd., Cicero, Ill. 60650

Executive Chairman's Address
1437 S. 49th Ave., Cicero, Ill. 60650
Telephone: /312/ 652-5121

EXECUTIVE COMMITTEE:

JOHN F. KIMBARK
Hon. Chairman-President

JURGIS J. BREIVE
Executive Chairman

EDVARDAS SUMANAS
I Vice-Chairman

VIKTORAS MOTUSIS
II Vice-Chairman

BRONE MOTUSIS
Executive Secretary

ALDONA BRUSOKAS
Executive Treasurer

PUB. RELATIONS STAFF:
Spaudos Inf. Sekcija

E. Sumanas
V. Motusis
K. P. Deveikis

We hope that you share our deep moral revulsion of being asked to support with our taxes one of the most oppressive regimes that ever existed on the face of this earth.

Sincerely yours,

Mr. Jurgis Breive
Chairman
Lithuania- American
Republican Party

Mr. Edvardas Sumanas
Vice President
Lithuania-American Republican
Party of Cicero

Please note the inclusion of articles permitted for the importation to the USSR.

EJS/ds

CENTRAL PARCEL SERVICE, INC.
220 South State Street
Chicago, Illinois 60604
All Phones: WA 2-9354

L I S T No.1 OLD PRICE BEFORE DOLLAR LOWERED IN VALUE

of articles permitted for the importation to the USSR in licensed parcels and the amount of Custom duty for them, including postal inspection fee.

PLEASE NOTE: Duties and "Vneshposyltorg" fee are calculated in ROUBLES. The conversion to USA dollars is done in accordance with the current rate.

Par., Nos.	ITEMS	Parcels Limitations	Duty in ROUBLES or in per cent of the value
1	2	3	4
	COATS AND FURS		
1.	Ladies' fur coats and imitation fur	one	19.80
2.	Jackets fur and imitation fur	one	9.90
3.	Leather coats, artificial leather, suede and artificial suede with any lining	one	12.60
4.	Winter coats woollen or semi-woollen also of artificial woollen with warm lining and fur collar	one	12.60
5.	Autumn and spring coats woollen, semi-woollen, synthetic	one	9.00
6.	Summer coats woollen, semi-woollen also synthetic, knitted or jersey, as well as any raincoats with warm lining	two	7.20
7.	Raincoats, capes of rubberized waterproof cotton and synthetic, as well as plastic on acetate lining	two	3.15
8.	Raincoats, raincapes, plastic	two	1.18
9.	Stoles, capes, fur and imitation fur	one	10.80
10.	Collars, muffs, fur and imitation fur	two	8.10
11.	Fur skins (per piece)	two	3.15

1	2	3	4
	S U I T S		
12.	Men's suits woollen, semi-woollen or synthetic, as well as Ladies' pantsuits with lining	two	8.10
13.	Ladies' 2 pcs. suits woollen, semi-woollen, synthetic, knitted, leather, suede, as well as pantsuits without lining	two	7.20
14.	Ladies' 3 pcs, suits, knitted, jersey, leather, suede and artificial leather and suede, also knitted, jersey dresses with jacket, as well as pantsuits.	two	9.00
15.	Cotton Clothing: suits, overalls, working clothes, dresses, housecoats, sporting clothes, as well as Ladies' pantsuits.	-	2,70
	J A C K E T S		
16.	Woollen, semi-woollen, synthetic jackets, as well as woollen and synthetic knitted sporting suits	two	4.68
17.	Winter Jackets with quilted or fur lining, also leather, suede, artificial leather and suede, as well as all quilted jackets	one	8.10
18.	Jackets, cotton	two	1.80
19.	Vests with fur lining	-	3.00
	T R O U S E R S		
20.	Trousers woollen, semi-woollen, synthetic, also leather, suede and art. leather, suede	-	3.42
21.	Trousers, cotton	-	1.18

1	2	3	4
	S K I R T S		
22.	Skirts, woollen, semi-woollen, synthetic, including knitted, as well as leather, suede or artificial leather and suede	-	3.15
23.	Skirts, cotton	-	1.18
	D R E S S E S		
24.	Dresses, dresses-overalls, housecoats, woollen, semi-woollen and synthetic (not knitted or jersey)	-	3.60
25.	Dresses, dresses-overalls, housecoats, jumpers, jersey, or knitted, woollen, semi-woollen, synthetic, as well as suede, leather or artificial leather and suede	two	4.95
26.	Bride's gown with veil and diadem, ball gowns	-	7.00
	S W E A T E R S		
27.	Sweaters, Pullovers, blouses, knitted, woollen, semi-woollen and synthetic with long or short sleeves.	three	3.78
28.	Sleeveless pullovers, blouses, vests, knitted woollen, semi-woollen, synthetic also vests with warm lining (not fur).	three	1.80
	LADIES' BLOUSES, MEN'S SHIRTS		
29.	Men's shirts all kinds	four	1.71
30.	Ladies' blouses rayon, nylon, cotton, etc., (not knitted or jersey)	--	1.40
	F A B R I C S - (per yard)		
31.	Coating material woollen, semi-woollen, art. woollen, imitation fur, as well as artificial leather and suede	7 yds.,	1.53
32.	Jersey, knitted material all kinds, also bonded material	7 yds.,	1.35

1	2	3	4
33.	Suiting and dressing material woollen, semi-woollen, pure and art.silk, velvet, brocate, also synthetic; rayon, nylon, etc.	10 yds.,	0.90
34.	Cotton, linen, corduroy, vatin, quilted lining and cotton decorat. fabrics	15 yds.,	0.45
35.	Plastic material	10 yds.,	0.22
	UNDERWEAR, PAJAMAS, etc.		
36.	Ladies' underwear, nightgowns woollen, semi-woollen,synthetic, also Ladies' and Men's Pajamas		2.34
	Including: slips, undershirts, ~~underskirts~~ pajamas jackets	4-prs.per par.,(36, 37, 38)	1.62
	underpants, undershorts,pajamas pants, underskirts		0.72
36a	Ladies' nightgowns with peignoirs(per set)	--	4.68
37.	Men's underwear, night-shirts woollen, semi-woollen and synthetic		1.40
	Including: vests, undershirts, drawers, underpants, undershorts		0.72
38.	Cotton underwear, pajamas, nightgowns and sporting suits trico cotton		0.77
	Including: slips, undershirts, underskirts,		0.54
	underpants, drawers, vests		0.23
	N O T E: set of underwear is understood as a two-piece (slip and pants or undershirts and drawers)		
39.	Corsets, girdles, panty-girdles, brassieres, garter belts	--	1.35
40.	Swimming suits all kinds (per set)	--	1.80

1	2	3	4
	BLANKETS, PLAIDS, PILLOWS		
41.	Comforters, blankets and plaids- all kinds (except cotton)	-	3.15
42.	Comforters, blankets, plaids cotton	-	1.35
43.	Pillows, all kinds	-	1.12
	TABLECLOTHS, BEDSPREADS, LINEN		
44.	Tablecloths, bedspreads, plush	one	7.38
45.	Bedspreads - all kinds (except plush)	two	2.70
46.	Blanket covers, tablecloths, (not plush)	two	1.80
47.	Bedsheets, including bathing	-	0.90
48.	Pillow cases, towels	-	0.45
	C A R P E T S (per square yard)		
49.	Tapestry, carpets, rugs cotton	two	1.54
50.	Tapestry, carpets, rugs woollen, semi-woollen, synthetic as well as cotton with synthetic	two	4.05
	SOCKS, STOCKINGS, GLOVES		
51.	Tights - all kinds	6-prs.	1.08
52.	Stockings, socks, gloves woollen, semi-woollen, synthetic	6-prs.only per par., (52, 53)	0.72
52a.	Leggings, artificial leather	-	1.50
53.	Stockings, socks, gloves cotton	6-prs.only per par., (52, 53)	0.22
54.	Leather gloves	-	0.90

1	2	3	4
	HEADWEAR		
55.	Shawls, capes, kerchiefs, scarves, pancho, woolen, semi-woollen and synthetic warm fibres, including knitted.	5-pcs.only per par., (55,56)	2.25
56.	Shawls, scarves "Mohair", and part "Mohair".		2.97
57.	Kerchiefs, scarves of light synthetic fibres, cotton (not knitted)	5-pcs.	0.90
58.	Hats and caps any, (not fur)		1.03
59.	Hats and caps - f u r		3.47
	FOOTWEAR		
60.	Winter shoes all kinds with warm lining, leather or artificial leather boots with any kind of soles.	3-prs.only per par., (60,61)	3.15
61.	Shoes, sandals on any soles.		2.25
62.	Slippers, jeepers, beach shoes, valenki, galoshes, overshoes, rubber boots -not with warm lining		0.81
	LEATHER (Per Lbs.)		
63.	Top and soles leather	For 3-prs. of shoes per par., (63, 64)	1.65
64.	Leather for welting, insole, toe counters and lining leathers.		0.82
	CHILDREN'S ARTICLES		
65.	Children's clothes, footwear, and other articles from 5 up to 14 years		50% of duty on adults items

NOTE: Children's clothes, footwear and other articles are understood the articles for children from 5 up to 14 years old inclusive.
Clothes with chest measurements of 34.6 inch.,and footwear with the lenghth of sole 10½ inch.,for boys and of 8-inch.,for girls.

1	2	3	4
66.	Prams, Bicycles, Toys, as well as various articles for infants up to 5 years old.	-	50% of the value
	NOTIONS, COSMETICS, ARTICLES OF HYGIENE		
67.	Drapery, curtains ready-made (set of 2-pcs.,)	6-sets	4.05
68.	Bags of all types; handbags, shopping bags, travel bags, suitcases, school bags, briefcases, umbrellas.	three	1.35
69.	Ties, cufflinks, pins, handkerchiefs, shaving brushes, collars, binding, fringes, laces, fasteners, hooks, belts, buttons, wallets, aprons, etc.,	-	60% of the value
	Suit and coat trimming (except lining mat.)	-	60% of the value
	Pictures, drawn or embroidered, hand mirrows, powder boxes, ashtrays, statuettes, napkins, plastic articles, manicure items, razor sharpener, flashlights, batteries and etc.,	-	60% of the value
69a	wigs or hairpieces of natural or synthetic hair		rbl.10.00
70.	Jewelry Gold, Platinum:necklaces, earrings, brooches, clips, rings, pendants, medallions, etc.,also with precious or semi-precious stones.	-	60% of the value
70a.	Jewelry silver with semi-precious stones or imitation stones.	-	2.70
70b.	Custom jewelry of simple metals, plastic and glass.	-	0.45
71.	Cosmetics and perfumes, eau-de-cologne, powder, cream, pomade, etc.,	-	100% of the value
72.	Knitting yarn woollen and semi-woollen	1 Σ-Lbs.	1,72 per lb
72a.	Knitting yarn "Mohair" and part "Mohair"	1 Σ-Lbs.	4.55 -"-
73.	Medical accessories, hearing aids, eyeglasses, medical stockings.	-	1.80
73a.	Articles of sanitation and hygiene	-	40% of the value

1	2	3	4
	WATCHES AND CLOCKS		
74.	Wrist and pocket watches - all kinds	2-pcs.	7.20
75.	Table clocks, alarm clocks	-	2.34
	ELECTRICAL APPLIANCES		
76.	Portable refrigerator	-	30.00
77.	Electric teapots, coffee percolators, irons, fans, hand hairdryers, coffee-mills, mixers and curling-irons	-	1.40
78.	Electric hot plates, heaters, ovens	-	2.25
79.	Electric razors and hairclippers	2-pcs.	3.60
80.	Musical instruments	-	60% of the value
	SPORT EQUIPMENT		
81.	Sporting, fishing and hunting equipment (nets and hunting rifles of any kind are not allowed)	-	50% of the value
82.	Ice and roller skates with boots	-	2.25
	boots for skates only	-	1.58
	skates or rollers only	-	0.67
	STATIONERY		
83.	Portable type-writers	-	22.50
84.	Drawing, measuring instruments	-	50% of the value
85.	Fountain pens	10 pcs.	0.72
86.	Pencils, ball-point pens	10 pcs.	0.18
87.	Stationery: - paper, envelopes, notebooks, paper napkins, artist supplies:-colors in tubes, capsules, cakes, etc.	-	60% of the value

96-006 O—73—pt. 11——28

1			4
	HOUSEHOLD ARTICLES		
88.	Housewares, kitchen and table utensils, plastic dinner ware, also garden tools	-	60% of the value
89.	Hand tools of any type (except electric or mech.traction)	-	30% of the value
90.	Straight razors, hand hair clippers	-	1.35
91.	Safety razors	-	0.72
92.	Razor blades (per pack of 10 pcs.)	-	0.13
93.	Toilette soap (per Lbs.)	-	0.41
94.	Household soap (per Lbs.)	-	0.21
95.	Tobacco, cigarettes, cigars, smoke pipes, holders, lighters, flints, cigarette papers, etc.,	2-cartons cigarettes 20 packs.,	60% of the value

U. S. Postal Regulations limit insurance of any Gift Parcel to the U. S. S. R. up to $165.00. Please make sure that total value of each parcel does not exceed $165.00

MEN'S SHIRTS

USA	USSR
14-15	37
15-15½	38
16-16½	39
17-17½	40

MEN'S SHOES

USA	USSR
6½-7	38
7½-8	39
8-8½	40
8½-9	41
9½-10	42
10-10½	43

MEN'S SUITS

USA	USSR
37-38	48
39-40	50
41-42	52

LADIE'S SHOES

USA	USSR
4	34
5	35
6	36
7	37
8	38
9	39

LADIES' UNDERWEAR

USA	USSR
3	32
5	34
7	36
9	38
11	40

LADIES DRESSES

USA	USSR
12	42
14	44
16	46
18	48
20	50
22	52

LADIES' SUITS

USA	USSR
32	42
34	44
36	46
38	48
40	50
42	52

SERVICE FEES

Based on the weight of parcels

Service fee from $10.00 up (depending on weight)

Maximum weight for each parcels 44 lbs.

Other Charges

Insurance – $1.00 up
V/O"Vneshposyltorg" Fee – 4.05
U.S. Postage – By Weight
U.S.S.R. Import Duty - according to contents.

September, 1972

Central Parcel Service, Inc.

220 S. STATE ST., CHICAGO 60604 • WA 2-9354

L I S T No.2

of food products permitted for the importation into the USSR under license in postal parcels and the amount of custom duty per pound, including postal inspection fee

			per pound
1.	Refined sugar	R.	0.08
2.	Tea		1.03
3.	Coffee, roasted, beans or ground		0.67
4.	Cocoa, Chocolate and chocolate candy		0.93
5.	Fruit candies		0.41
6.	Med, preserves, jams (not hermetically sealed)		0.52
7.	Flour		0.07
8.	Rice		0.11
9.	Dry cereals, pearl barley, buckwheat, macaronis, noodles, vermicelli		0.07
10.	Butter, creamery or vegetable (not hermetically sealed)		0.31
11.	Cheese		0.31
12.	Bacon, lard, boiled lard and margarine (not hermetically sealed)		0.36
13.	Various sausages, ham, smoked meat		0.37
14.	Meat and fish products (not hermetically sealed)		0.36
15.	Milk products (not hermetically sealed)		0.27
16.	Other food products, not mentioned above (not hermetically sealed)		0.41
17.	Fruits and dried fruits		0.11
18.	Fruits, berries and vegetables (not hermetically sealed)		0.16
19.	Spices (cinnamon, clove, pepper, bay leaf,etc.)		100% of cost

NOTE: All meat and sausage products, precooked or smoked, require a certificate of inspection issued by a state veterinarian of the country of origin.

CENTRAL PARCEL SERVICE, INC.

220 S. STATE STREET CHICAGO, ILLINOIS 60604

Telephones WAbash 2-9354 - 2-9355 - 2-9356

— Established 1947 —

CHICAGO CUSTOMERS: If convenient, use our Southwest branch at 2618 W. 63rd St. (corner Talman Avenue) Phone WA 5-2466. Plenty of parking space.

OUT-OF-TOWNERS: All orders to main office, 220 South State Street

Episcopia Ortodoxă Română din America

THE ROMANIAN ORTHODOX EPISCOPATE OF AMERICA

2522 GREY TOWER ROAD • JACKSON, MICHIGAN 49201, U.S.A. • TELEPHONE: (517) 522-4900

RT. REV. VALERIAN D. TRIFA
BISHOP

April 28, 1973

Mr. John M. Martin, Jr.
Chief Counsel
Committee on Ways and Means
1102 Longworth House Office Bldg.
Washington, D. C. 20515

Dear Mr. Martin:

I understand that at the beginning of May the President's General Trade Act of 1973 will be up for hearing.

Since this Act is intended to formulate our foreign policy regarding trade with the Eastern European countries, it is of great interest to the Americans of Romanian origin. Therefore, in my capacity as Bishop of the Romanian Orthodox Episcopate of America, I should like to convey to you the feelings of a great majority of my parishioners together with my own views.

Since the time that Romania fell under the political domination of the Communist party, the Americans of Romanian origin had mixed feelings about the relation between our government and the Communistic regime in Bucharest. On one side everyone of us understands that it is in the interest of the Romanian people to have an open window to the free world and also the interest of our own country to keep in touch with the countries behind the Iron Curtain. This is why we have wholeheartedly greeted the visit of our president to Romania and the cultural exchanges initiated between our two countries.

On the other side, we have noticed that the representatives of the Romanian government in this country are progressively using their presence here and their economic and cultural exchanges with our country for Communistic propaganda and for harassments of our own communities. For example:

1. They have established and supported a parallel Church organization called "The Romanian Orthodox Missionary Diocese" with headquarters in Detroit, Michigan, with the purpose to strengthen ties between Romanian Orthodox parishes in the United States and the Church of Romania which is, as everyone knows, totally controlled by the government.

2. Using close and distant relatives in Romania of Americans of Romanian descent, they are harassing the beneficiaries of Wills and Testaments through lengthy Probate Court trials trying to take as much money as they can to Romania.

3. The employees of the Romanian Embassy in Washington are traveling extensively all over the United States with the purpose to influence the American citizens of Romanian origin to support their programs, their policies and their interest.

It is not the purpose of this letter to complete the list of all the cases involving interferences by the Romanian government in our own American affairs, but I feel it our duty to call to the attention of the Committee on Ways and Means that the Trade Act should not be construed as a license for the Romanian government to subvert the Church and fraternal organizations of American citizens.

We know that the Romanian government considers all of those born of Romanian parents as Romanians regardless where they live, where they were born or their citizenship, but we feel that the biological descendance should not interfere in our will to be and to remain loyal American citizens.

I conclude, therefore, with the wish that the Trade Act will be approved but with the condition that the Romanian government desist from using the political and economical relations with our country as a tool of their propaganda among American citizens.

Yours truly,

+Valerian D. Trifa

+VALERIAN D. TRIFA
Bishop

VDT:jnt

American National Bank

April 20, 1973

Mr. John M. Martin Jr.
Chief Counsel
Committee on Ways and Means
1102 Longworth House Office Bldg.
Washington D. C. 20515

Dear Mr. Martin,

This letter is intended to express my views as being in favor of the President's General Trade Act of 1973 which I understand will be up for hearing at the beginning of May.

As much as I would like to testify, I regret that prior committments will not permit me to attend. Nevertheless, I take this opportunity to express my support for the Trade Act.

I wholeheartedly support our foreign policy and our President's approach in dealing with the Eastern European countries through trade. In fact, I have always been an advocate of the premise that by maintaining an active trade between the United States and these countries we will be able to improve and strengthen the ties which we already have. No one can deny that even through radical policy changes in the political set-up of Romania which occured ever since the first world war a genuine bond of friendship between the United States and Romania always existed. As an American of Romanian origin I believe it is worthwhile maintaining this friendship.

Very truly yours,

John J. Sibisan
Senior Vice President and General Counsel

JJS/nh
cc: Senators: Taft, Saxbe
Congressmen: Wanik, Stanton, Minshall

Main Office: 5603 Ridge Road • Parma, Ohio 44129 • 216/884-1112
Public Square Office: 221 Euclid Avenue • Cleveland, Ohio 44114 • 216/861-0888

The Romanian Baptist Association of United States and Canada

Asociatia Baptista Romana din Statele Unite si Canada

REV. A. S. LUCACIU
President
19447 Grandville
Detroit, Michigan 48219

REV. TEOFIL TALPESH
Executive Secretary
1680 Dufferd Road
Windsor, Ont. Canada

REV. JOSEPH ARDELEAN
Honorary President
1399 Andrus
Akron, Ohio

Executive Committee
REV. A. S. LUCACIU
President
REV. T. FAUR, Jr.
First Vice President
REV. D. PASCU
Second Vice President
REV. TEO. TALPESH
Executive Secretary
DR. PETER TRUTZA
Recording Secretary
TED FAUR, Sr.
Treasurer
M. RUSS
G. LUGUZAN
S. NICULA
Auditors
MARIOARA PASCU
Manager
DR. LUCA SEZONOV
Editor
TH. KRIVAK
Custodian
REV. GEORGE CRISAN
Legal Advisor

Missionary Committee
G. LUCUTA, Chairman
STEVE DAN, Treasurer
G. CADARIU
J. ARSIN
G. ANDOR
J. PASUI
M. DELAMARIAN

Ministers' Council
REV. J. ARDELEAN, Chairman
REV. P. J. ANDRISAN
REV. TH. FAUR, Jr.
REV. A. S. LUCACIU
REV. D. PASCU
REV. A. POPOVICI
REV. P. POPOVICI
REV. BORIS ROCK
REV. T. TALPESH
REV. S. TALPESH
DR. PETER TRUTZA
DR. L. SEZONOV
REV. G. CALINESCU
REV. C. PASCU

Literature Committee
REV. IOSIF ARDELEAN, Chairman
REV. TH. FAUR, Jr.
REV. A. S. LUCACIU
REV. B. ROCK
DR. P. TRUTZA
DR. L. SEZONOV
REV. D. PASCU
REV. A. POPOVICI
REV. P. POPOVICI
DR. AUREL RADIN

Music Committee
WALTER FALCUSAN, Chairman
MARY BANK
VALENTIN POPOVICI
FULGA PASCU

Romanian Women's Missionary Society
DEBORA TALPESH, President

Romanian Youth Fellowship
GEO. STEFAN, President

May 4,1973

Honorable Wilbur D.Mills
Chairman,Committee on Ways and Means
U.S.House of Representatives
Washington, D.C. 20515

Dear Mr.Chairman:

I would like to take this opportunity to write to you on behalf of the Executive Committee of the Rumanian Baptist Association of the United States (and Canada) regarding H.R.6767 as related in the PRESS RELEASE of April 10,1973 relative to the Administration Proposal entitled the "Trade Reform Act of 1973."

Our organization comprises the Baptist Congregations in the United States (and Canada) wherein many members,either themselves or their fathers and forefathers had come from Rumania and happilly settled on these blessed lands of ours,the United States of America.Many of us still have relatives in Rumania and we keep spiritual relations with the Baptist churches in Rumania. With such religious and ethnical ties we strongly believe that better trade and economical ties between the United States and Rumania would be highly beneficial to both nations.

On April 28th,1973 the Executive Committee of our Association met in Cleveland,Ohio in its Spring session and unanimously adopted a motion of support of the proposed legislation contained in H.R.6767 and directed me to write to you as Chairman of the Ways and Means Committee of the U.S.House of Representatives as to express to you and to the Committee our support for the legislation.

Sincerely,

A. S. Lucaciu

Rev.A.S.Lucaciu
President

STATEMENT OF THE INTERNATIONAL SINO-AMERICAN TRADE ASSOCIATION (ISATA)

This statement is submitted by the International Sino-American Trade Association on behalf of its members in connection with the consideration by the Committee on Ways and Means of the U.S. House of Representatives of the proposed Trade Reform Act of 1973.

The International Sino-American Trade Association (ISATA), 1701 Pennsylvania Avenue, N.W., Washington, D.C. 20006, is a trade association whose membership comprises firms and individuals interested in the development of trade and investment between the United States and the Republic of China (Taiwan). A list of the current membership of ISATA is appended to this statement. Because the Board of Foreign Trade, which is an agency of the Ministry of Economic Affairs of the Republic of China, contributes substantial initial funds for the establishment and operation of ISATA, the Association is registered with the Department of Justice under the Foreign Agents Registration Act. A copy of ISATA's current foreign agent registration is appended.

Also appended is a summary of the points contained in this submission.

We have analyzed the proposed Trade Reform Act of 1973 in terms of potential impact on trade and investment between the United Statesand the Republic of China, and our comments are accordingly limited to those sections which have such potential direct impact.

GENERAL AUTHORITIES

The general authority which would be granted to the President to enter into trade agreements during a period of five years, to modify duties without limitation, and to negotiate the elimination or reduction of non-tariff barriers is desirable, since the implementation of such agreements on a reciprocal basis would undoubtedly stimulate the economic growth of the United States and other countries to the mutual benefit of all. It is, we suggest, not necessary or desirable to limit the President's authority to modify duties in this section of the proposed bill, since specific procedures and limitations contained elsewhere in the draft provide adequate guidelines and limitations on the use by the President of the basic authority.

PRENEGOTIATION PROCEDURES

It is suggested that the draft procedures intended to safeguard the interests of American industry prior to the negotiation of tariff concessions are deficient in one major respect—they fail to provide objective criteria for either the inclusion of specific articles in, or the exclusion of such articles from, the lists of articles to be offered for negotiation.

Section 111(a) provides that the President shall furnish lists of articles to the Tariff Commission for consideration by the Commission. No criterion is provided to guide the President in establishing the list of articles in the first instance. Unless an article is included in the lists provided to the Tariff Commission, the Commission would not be authorized to consider and render its advice with respect to such article. It is suggested that it would be desirable to add a sentence to the language of subsection (a) to the effect that, generally, such list will include without limitation all articles of present or potential interest to the foreign trade of the United States.

The remainder of this section is marked by the absence of any express criteria for reservation of articles once listed. It provides only for an investigation by the Tariff Commission and report to the President on the "probable economic effect" of modifications of duties on the domestic industry producing like or directly competitively articles and specifies the various economic indicators which the Commission is to examine.

Section 112 would authorize the President to seek information and advice from various departments of the Government, or other unspecified sources, and from "selected industry, labor and agriculture groups". Section 113 would provide for the holding of public hearings by an interagency committee to hear any interested party with regard to proposed negotiations. Finally, section 114 would restrain the President from negotiating a tariff concession on any article with respect to which he had not received a report of the Tariff Commission or the 6-month period for reporting had not expired.

The significant thing here is that none of these sections provides a specific criterion to guide the President in determining whether particular articles shall

be reserved from negotiation. It is true that subsequent section 406 provides that the President shall not reduce the duty or other import restrictions on any article when he determines such reduction would threaten to impair the national security and that articles subject to restriction under the present Escape Clause, the present National Security Amendment, or the tariff relief provision of this proposed act would mandatorily be reserved. However, the only criterion of general applicability is that the President shall reserve any article "which he determines to be appropriate" for reservation.

It is recommended that a more specific criterion than what the President "determines to be appropriate" be provided for the reservation of articles from negotiating lists. Such express criteria are highly desirable in order to assure the equitable treatment of all articles of all industries in the true public interest.

IMPORT RELIEF

Chapter 1 of Title II of the proposed bill provides a mechanism for "import relief", which is in effect a substantially revised Escape Clause. We consider it desirable that there be a realistic and workable escape mechanism for those American industries which should in fact suffer economic detriment from increased imports, at least for a reasonable period during which readjustment to changed conditions of competition can be made. It is suggested, however, that the escape mechanism proposed by the Administration would operate almost automatically to interpose increased duties, quantitative restrictions, or other limitations negating the benefits of reciprocal tariff reductions.

Section 201(b) would eliminate the present causal requirement between trade agreement concessions and increased imports and would substitute "primary cause" for the present "major part" criterion. This change we consider to be desirable, since the existing Escape Clause has proven to be both unrealistic and virtually unworkable in this respect.

However, it is suggested that the interjection of the "market disruption" concept in section 201(b)(5) virtually negates the selective relationship of the principal criteria to actual conditions in industry and substitutes artificial, automatic criteria which would be met in a great majority of presently existing import situations. For example, a condition of market disruption must be found to exist whenever imports of a given article are "substantial", are "increasing rapidly both absolutely and relatively", and are offered at prices "substantially below those of comparable domestic articles". That description presently fits a very large number of articles imported into the United States. Since a determination of market disruption operates as "prima facie evidence" that imports are the primary cause of serious injury, this very large number of articles would be subject to virtually automatic determinations by the Tariff Commission of eligibility for import relief restrictions.

It is recommended that the market disruption element be eliminated completely from the import relief mechanism. Removing the necessity of finding a causal connection between trade agrement concessions and increased imports and reducing the hurdle of the "major part" criterion to "primary cause", which are already accomplished by this section, should be sufficient to provide a realistic and workable escape mechanism for American industries.

PRESIDENTIAL ACTION AFTER INVESTIGATION

Section 202 provides for the first time specific criteria for presidential decision upon affirmative recommendations for import relief from the Tariff Commission. We suggest that such criteria are highly desirable since they interject more certainty into the ultimate decision-making process.

FORM OF IMPORT RELIEF

Section 203(a) would permit the President, in addition to increasing duties, imposing quotas, or a combination of both, inter alia to negotiate orderly marketing agreements with foreign countries. This, we submit, is a desirable alternative to unilateral restraints. There is, however, a potential ambiguity in the non-signer language appertaining to such orderly marketing agreements contained in section 203(c). It is not clear whether the phrase "among countries accounting for a significant part of United States imports" contained in that subsection contemplates an agreement between the United States and one other

country only or whether there must be an agreement between the United States and two or more other countries. It is suggested that it would be desirable to clarify this language to bring it in line with the non-signer provision presently contained in section 204 of the Agricultural Act of 1956 by expressly making it the United States and two or more other countries.

ADJUSTMENT ASSISTANCE FOR WORKERS

Chapter 2 of Title II provides for the granting of adjustment assistance to workers following a determination on the basis of criteria which are substantially less difficult than the present criteria for worker and firm readjustment assistance and less difficult to meet even than the criteria for import relief provided in Chapter 1 of this title.

The worker assistance provisions are highly desirable.

COUNTERVAILING DUTIES

Chapter 3 of Title III would substantially amend the countervailing duty statute.

This amendment could have a very severe negative impact on a substantial volume of exports from Taiwan to the United States. The Committee's explanation of the proposed Trade Reform Act states that: "The Treasury Department considers rebates or remissions of taxes not directly related to an exported product or its components as being grants or bounties within the meaning of the countervailing duty law." (Committee Print, p. 76)

This refers apparently to the Treasury's determination in the Canadian Michelin Tire case, and probably includes within the scope of the Treasury view the various tax incentives provided by the Republic of China for the encouragement of new investment, and similar laws in many other developing countries as well. Against the legislative history thus created, if this provision were applied rigorously against exports from Taiwan manufactured with benefit of the investment encouragement laws, very large amounts of countervailing duty would ultimately be assessed.

It is therefore recommended that there be included in subsection (d) of section 303 an express exclusion of less-developed countries from the applicability of this countervailing duty statute, when the "grant or bounty" involves the rebate of indirect taxes such as those commonly used in investment encouragement statutes.

BALANCE OF PAYMENTS AUTHORITY

Section 401 would authorize the President to take various actions to correct disequilibrium in the United States balance of payments, which in the case of a serious balance of payments deficit could be the imposition of a temporary import surcharge or of temporary quantitative limitations. Subsection (c) of section 401 authorizes the President to deviate from the most-favored-nation principle in applying such restrictions. It is suggested that subsection (c) should contain an express provision that, in applying restrictions to selected countries, the President should give due regard to voluntary efforts being made by individual countries to correct a persistent balance of payments surplus of such country in its payments balance with the United States.

The Republic of China, enjoying an increasing balance of payments surplus in its payments account with the United States over the past four years, determined as a matter of policy last year to take energetic administrative measures to redirect trade in such a way as to greatly reduce or eliminate its payments surplus vis-a-vis the United States. For example, targets have been established to increase total imports from the United States of various industrial semi-manufactures and finished products from $914.4 million in 1972 to $178.9 million in 1973, to $234.4 million in 1974, and to $295.5 million in 1975. Similarly, purchases of basic agricultural commodities scheduled for 1973 have been increased to $252 million from $163.5 million in 1972. A list of commodities and products for which an increase in exports from the United States to Taiwan is actively sought is appended as Attachment A.

It is seen from the foregoing that the Government of the Republic of China is taking energetic steps actively to reverse its balance of payments surplus with the United States and to bring the payments account into a more stable relationship. Such efforts, it is suggested, should be given due consideration by

the President in any eventual restrictions imposed by the United States to correct balance of payments disequilibrium, and it would be desirable if the legislation were expressely to provide for such due account to be given.

GENERALIZED PREFERENCES FOR DEVELOPING COUNTRIES

Title VI would provide duty-free treatment for certain articles from designated beneficiary developing countries for a period of ten years. Such authority is highly desirable as a means of overcoming many of the problems of economic development in many of the less-developed areas of the world.

The developing countries which would be beneficiaries of such preferences are not designated by name, but such designation is left in the discretion of the President with certain general guidelines. We suggest that it would be more desirable for the Congress to fix as of now those countries which could be designated by the President as beneficiary developing countries. While some countries have enjoyed in recent years substantial increases in agricultural and industrial growth and in per-capita income and other indices of economic progress, the dividing line between the developed and the developing countries is well-established and should be fixed by the Congress as of this time. We suggest that the delineation of developed from less-developed countries set out in Executive Order No. 11285, pursuant to section 4916 of the Internal Revenue Code (26 USC 4916), should be assigned as the basis for the designation of beneficiary developing countries for the purposes of the proposed preference system.

AMENDMENTS TO INTERNAL REVENUE CODE

Several amendments to the internal revenue code are proposed which could have the effect of discouraging investment in Taiwan by American-based parent companies. It is suggested that, since in most instances such offshore manufacturing results in an increase in net exports from the U.S., it is not desirable to use negative income tax incentives to discourage investment by American firms in manufacturing facilities in Taiwan.

SUMMARY OF POINTS

1. ISATA supports the grant of authority to the President to enter into trade agreements during a 5-year period, to modify duties without limitation, and to negotiate the elimination or reduction of non-tariff barriers.

2. The pre-negotiation procedures contemplated by the draft bill are deficient in two major respects: first, they fail to provide objective criteria for determining which articles are to be included in the preliminary lists of articles to be transmtted to the Tariff Commission for evaluation, and, second, no express criteria are provided for determining whether articles once evaluated are to be reserved from negotiation. It is recommended that such specific, objective criteria be provided.

3. The import relief provision is excessively anti-import, in that the market disruption feature makes virtually automatic findings of eligiblty for import relef with regard to a great many articles presently imported into the United States. It is recommended that the market disruption element be eliminated completely from the import-relief mechanism.

4. The specific criteria on which presidential decision is to be based following an affirmative recommendation from the Tariff Commission for import relief are desirable and should be retained in the Committee's bill.

5. The additional flexibility granted to the President in effecting import relief through the mechanism of orderly marketing agreements is desirable. However, there is an ambiguity as to whether the non-signer provision applicable to such agreement requires an agreement between the United States and only one other signatory country or between the United States and more than one other signatory country. It is recommended that this ambiguity be resolved.

6. The worker adjustment assistance provisions are désirable.

7. The amendment of the countervailing duty statute, in conjunction with the attendant legislative history created by the Committee print, would result in the application of countervailing duties to a large number of products which are presently manufactured in Taiwan for export to the United States with the benefit of indirect tax forgiveness or rebates under various laws designed to encourage new investment. It is recommended that, to avoid such severe nega-

tive impact on imports from Taiwan and other developing countries, an express exclusion of less-developed countries from the applicability of this particular basis of countervailing duty be inserted in the bill.

8. With regard to the balance of payments authority, it is recommended that an express provision be inserted which would require the President to give new consideration to efforts being made voluntarily by individual countries to correct a persistent balance of payments surplus between such country and the United States. The example is cited of very considerable voluntary efforts being made at the present time by the Government of the Republic of China to reduce or eliminate its balance of payments surplus vis-a-vis the United States.

9. The proposed scheme of generalized tariff preferences for developing countries is highly desirable. However, it is recommended that the Congress define precisely what countries would be eligible as beneficiary developing countries on the basis of the present definition of less-developed countries contained in Executive Order No. 11285 pursuant to section 4916 of the Internal Revenue Code.

10. Negative tax incentives should not be used to discourage investment to Taiwan and similar areas, since such investment by parent American firms in off-shore manufacturing most often produces a net increase in exports from the United States.

ATTACHMENT A

Rustoleum
Sulphur, various forms
Conduits, cast iron
Siphons, cast iron
Tubes and pipes, various
Conduits, steel, high-pressure hydro-electric
Bends, steel, for high-pressure hydro-electric conduits
Offsets, cast iron
Joints, tubes and pipes, cast iron
Tubes boiler, for central heating apparatus
Fittings, pipe, for central heating systems
Nuts, for tubes and pipes, cast iron
Wood pulp, sulphate and sulphite, dissolving grades
Acetate pulp
Rayon pulp
Viscose pulp
Chemical wood pulp, dissolving grades, n.e.s.
Carbon black
Potassium fertilizers and potassium fertilizer materials (other than crude natural potassium salts), n.e.s.
Beef tallow (rendered)
Vacuum pumps
Air compressors
Oil Well drilling machinery
Alloys, aluminum-copper-magnesium-manganese, unwrought (aluminum predominating), malleable
Alloys, aluminum-copper unwrought (aluminum predominating), malleable
Alloys, aluminium-magnesium-silicon, unwrought (aluminium predominating), malleable
Alloys, aluminium-manganese-magnesium, unwrought (aluminium predominating)
Alloys, aluminium-zinc-copper, unwrought (aluminium predominating), malleable
Boron, aluminum master alloy ingot
Alloys, aluminium unwrought, malleable, n.e.s.
Ingots, aluminium
Pellets, aluminium
Grains, aluminium
Aluminium, unwrought
Ingots, aluminium alloys
Pellets, aluminium alloys
Grains, aluminium alloys
Aluminium, unwrought, n.e.s.
Aluminium, alloys unwrought, n.e.s.
Plates, aluminium, various

Sheets, aluminium, various
Foil, aluminium, various
Conducts fittings of steel, high-pressure hydro-electric, 6 in.
Waste and scrap, iron or steel pipes and tubes, fit only for remanufacturing
Pots, coffee, aluminium, include enamelled, not electric
Kettles, not electric, aluminium
Saucepans, aluminium
Pails for domestic use, aluminium
Home sewing machines, various
Benzoic acid
Sodium benzoate
Citric acid
Sodium carbonate (soda ash)
Sodium carbonate, light
Sodium carbonate, dense
Miscellaneous sodium carbonates
Sodium bicarbonate
Poly vinyl chloride (PVC)
PVC resin compound or powder
PVC adhesive
Ethylene chloride and vinyl acetate copolymer
GP Polystyrene used as materials
Foamed Polystyrene used as materials

ISATA Membership

Asia Electrical Appliances Corp.
Balfour, Guthrie & Co.
Cheng Shin Rubber Ind. Co., Ltd.
Chen Ta Fiber Corp.
Chenta Rayon Co., Ltd.
Chia Cheng Enterprise Co., Ltd.
Chia Wei Electrical Appliance Corp.
Chi Ho Fiber Corp.
China External Trade Development Council
China Trade Development Co., Ltd.
Chin Hsiang Real Estate Corp.
Chin I Textile Corp.
Chin Kang Enterprises Co., Ltd.
Chiu Yu Manufacturing Co., Ltd.
Chuan Ch'ing Co., Ltd.
Chung Ho Textile Corp.
Chung Hsin Textile Corp.
Chung Hua Porcelean Art Corp.
Chunghua Trade & Development Corp.
Chung Tai Medicine Corp. (Tainan)
Diligens Knitting Co., Ltd.
Far East Decoration Lighting Corp.
Fei T'ung Enterprise Corp.
Formostar Garment Co., Ltd.
Fu Chu Corp.
Fu Hsing Textile Corp.
Fu I Industrial Co., Ltd.
Fu Shing Mfg. & Lumber Co., Ltd.
General Textile Mfg. Co., Ltd.
Hai Sheng Corp.
Hai Wan Corp.
Hao Kuang Electrical Appliances Corp.
Hsinchu Glass Works, Ltd.
Hsin Hua Tai Chung Wool Weaving Corp.
Hsing Fu Enterprises
Hsing Kuang Standard Underwear & Dyeing Corp.
Hsin Ta Feng Plastic Goods Manufacturing Corp.
Hsin Tsu Glass Factory Co., Ltd.
Hua Li Knitting Corp.
Huan Ming Trade Association

Hua Sheng Enterprise Co., Ltd.
Hua Ta Electrical Appliances Enterprise Corp.
Hung Fa Trading Co., Ltd.
I Hsin Textile Corp.
I Yuan Electrical Appliances Corp.
Jeou Yue Industry Co., Ltd.
Kai Nan Lumber & Wood Mfg. Co., Ltd.
Ka Kin Plastic Goods Manufacturing Corp.
K'ang Chia Enterprises
King Knitting Co., Ltd.
Kuang Nan Enterprise Corp.
Leader Textile & Fiber Industries, Ltd.
Li Chuan Enterprises Co., Ltd.
Li Tai Fiber Weaving Corp.
L Kuang Electrical Appliances Corp.
Port of Long Beach, California
M. G. Maher & Co., Inc.
Mattel, Inc.
Mei Ning Corp.
Mei Yuan Knitting Corp.
Min Hsing Cotton Mill, Ltd.
Nan Tai Enterprise Corp.
Nan Ya Plastic Corp.
New East Textile Co., Ltd.
Ning Ming Corp.
Pao Hsin Textile Corp.
Pei Te Tsu Trading Co., Ltd.
Ruenhua Dyeing & Weaving Co., Ltd.
Sanhwa International Corp.
San Shang Hang Corp.
San Ta Yee Enterprises Co., Ltd.
Sarkes Tarzian, Inc.
Seltex Factors
Shiang Yee Enterprises Corp.
Sheng Pao Electrical Appliances Corp.
Shinkong Synthetic Fibers Corp.
Sun Feng Mao Chi Weaving Corp.
Sung-I Cotton Mill, Ltd.
Sung Ta Corp.
Sun Kwong Textiles Co.
Tai Ch'iao Fiber Manufacturers Corp.

Tai Hua Local Produce Co.
Tai Lun Enterprise Co., Ltd.
Tai Lung Knitting Corp.
Tai Shan Electrical Appliances Corp.
Taiwan Chemical Fiber Manufacturers Association
Taiwan Chemical Products Corp.
Taiwan Cotton Spinners Association
Taiwan Handicraft Export Association
Taiwan Knitting Corp.
Taiwan Knitting Trade Association
Taiwan Machinery Trade Association
Taiwan Mushroom Packers United Export Corp.
Taiwan National Enterprise Corp.
Taiwan San Yang Electrical Machinery Corp.
Taiwan Sung Hsia Electrical Appliance Corp.
Taiwan Tung Lin Electronics Corp.
Tai Yuen Textile Co., Ltd.
Tang Jung Steel Corp.
Ta Tong Textile Co., Ltd.
Ta Tung Corp.
Ta Wu Trading Co., Ltd.
Ta Yung Steel Factory Co., Ltd.
Tein Chi Co.
Ting Lung Corp.
Tung Fa Oil Co., Ltd.
Tung Feng Electrical Industry Corp.
Tung Yang Co.
Tung Yu Electrical Appliances Corp.
Universal Electric Appliance Corp.
Wah Wong Knitting Corp.
Wang Tien Woolen Textile Co., Ltd.
Wang Ti Wool Weaving Corp.
Wei Li Electrical Appliance Corp.
Wen Ming Enterprise Corp.
Wu Fu Yuan Co., Ltd.
Yee Shiang Fiber Co.
Yung Ta Knitting Corp.
Yu Peng Corp.
Yu Tai Enterprise Co., Ltd.
Ying Hua Dyeing & Weaving Corp.
Yung Shiang Chemical Fiber Co.

Budget Bureau No. 43-R209.6
Approval Expires Oct. 31, 1976

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

REGISTRATION STATEMENT

Pursuant to Section 2 of the Foreign Agents Registration Act of 1938, as Amended

I - REGISTRANT

1. Name of the registrant.

INTERNATIONAL SINO-AMERICAN TRADE ASSOCIATION (ISATA)

2. Business address.

1701 Pennsylvania Avenue, N. W.
Washington, D. C. 20006

3. If the registrant is an individual, furnish the following information:

(a) Residence address.

(b) Date and place of birth.

(c) Present citizenship.

(d) If present citizenship not acquired by birth, state when, where and how acquired.

(e) Occupation.

4. If the registrant is not an individual, furnish the following information:

(a) Type of organization: Committee ☐ Association ☒ Partnership ☐
Corporation ☒ Other (specify) _____

(b) Date and place of organization. January 6, 1972
Washington, D. C.

(c) Address of principal office. 1701 Pennsylvania Avenue, N. W.
Washington, D. C. 20006

(d) Name of person in charge. Myron Solter, Executive Director

(e) Locations of branch or local offices in United States. None

(f) If a membership organization, give number of members.

Registrant is a membership organization. As of this date no members have been solicited or admitted.

FORM DJ-301

(g) List all partners, officers, directors or persons performing the functions of an officer or director of the registrant.

Name	Residence Address	Position	Citizenship
Y. H. Wang	New York, N. Y.	Director	Chinese
Dr. S. W. Kung	New York, N. Y.	Director	Chinese
T. Y. Hsiung	New York, N. Y.	Director	Chinese
Y. T. Wong	Taipei, Taiwan ROC	Director	Chinese
Myron Solter	Washington, D. C.	Executive Director	American
Sally Hart	Washington, D. C.	Secretary-Treasurer	American

(h) Which of the above named persons renders services directly in furtherance of the interests of any of the foreign principals?

All

(i) Describe the nature of the registrant's regular business or activity.

Trade Association

(j) Give a complete statement of the ownership and control of the registrant.

Registrant is a corporation not-for-profit organized under Section 47-1554 of the District of Columbia Code. The corporation will function as a trade association, and will be owned and controlled by its members in accordance with the charter and by-laws filed as Exhibit C, hereto.

5. List all employees who render services to the registrant directly in furtherance of the interests of any of the foreign principals in other than a clerical, secretarial, or in a related or similar capacity.

Name	Residence Address	Nature of Services
Myron Solter	6 Park Overlook Court Bethesda, Maryland 20034	Executive Director
Sally Hart	One Washington Circle, N. W. Washington, D. C. 20037	Secretary-Treasurer

FORM DJ-301
(Rev. 4-21-67)

II - FOREIGN PRINCIPAL

6. List every foreign principal[1] for whom the registrant is acting or has agreed to act.

Name of Foreign Principal *Principal Address*

It is contemplated that a significant part of the membership will be business organizations situated in Taiwan or natural persons who are nationals of the Republic of China.

Further, because the Board of Foreign Trade, an agency of the Republic of China, is providing financial support at the present time, that agency is listed as a foreign principal.

III - ACTIVITIES

7. In addition to the activities described in any Exhibit B to this statement, will you engage or are you now engaging in activity on your own behalf which benefits any or all of your foreign principals? Yes ☐ No ☒

If yes, describe fully

IV - FINANCIAL INFORMATION

8. *(a)* RECEIPTS - MONIES

During the period beginning 60 days prior to the date of your obligation to register to the time of filing this statement, did you receive from any foreign principal named in Item 6 any contribution, income or money either as compensation or for disbursement or otherwise? Yes ☒ No ☐

If yes, set forth below in the required detail and separately for each such foreign principal an account of such monies.[2]

Name of Foreign Principal	*Date Received*	*Purpose*	*Amount*
Board of Foreign Trade Ministry of Economic Affairs Republic of China	April 7, 1972	Initial funding of registrant to enable it to function until membership dues income is adequate	$58,750,000
		Total	$58,750,000

[1] The term "foreign principal" includes a foreign government, foreign political party, foreign organization, foreign individual and, for the purpose of registration, an organization or an individual any of whose activities are directly or indirectly supervised, directed, controlled, financed or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual.

[2] A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. There is no printed form for this exhibit. See Rule 201(e).

FORM DJ-301

(b) RECEIPTS - THINGS OF VALUE

During the period beginning 60 days prior to the date of your obligation to register to the time of filing this statement, did you receive from any foreign principal named in Item 6 any thing of value[3] other than money, either as compensation, or for disbursement, or otherwise? Yes ☐ No ☒

If yes, furnish the following information:

Name of Foreign Principal	Date Received	Description of thing of value	Purpose for which received

9. (a) DISBURSEMENTS - MONIES

During the period beginning 60 days prior to the date of your obligation to register to the time of filing this statement, did you spend or disburse any money in furtherance of or in connection with your activities on behalf of any foreign principal named in Item 6? Yes ☐ No ☐

If yes, set forth below in the required detail and separately for each such foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

Date	To Whom	Purpose	Amount

See attached schedule.

(b) DISBURSEMENTS - THINGS OF VALUE

During the period beginning 60 days prior to the date of your obligation to register to the time of filing this statement, did you dispose of any thing of value[3] other than money in furtherance of or in connection with your activities on behalf of any foreign principal named in Item 6? Yes ☐ No ☒

If yes, furnish the following information:

Date	Name of person to whom given	On behalf of what foreign principal	Description of thing of value	Purpose in giving

(c) DISBURSEMENTS - POLITICAL CONTRIBUTIONS

During the period beginning 60 days prior to the date of your obligation to register to the time of filing this statement, did you make any contribution of money or other thing of value from your own funds and on your own behalf in connection with an election to any political office or in connection with any primary election, convention, or caucus held to select candidates for political office? Yes ☐ No ☒

If yes, furnish the following information:

Date	Amount or thing of value	Party or Candidate	Identify location of election, convention, etc. if any

[3] Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

FORM DJ-301
(Rev. 4-21-67)

V - POLITICAL PROPAGANDA

(Section 1 (j) of the Act defines "political propaganda" as including any oral, visual, graphic, written, pictorial, or other communication or expression by any person (1) which is reasonably adapted to, or which the person disseminating the same believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, or in any other way influence a recipient or any section of the public within the United States with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party or with reference to the foreign policies of the United States or promote in the United States racial, religious, or social dissensions, or (2) which advocates, advises, instigates, or promotes any racial, social, political, or religious disorder, civil riot, or other conflict involving the use of force or violence in any other American republic or the overthrow of any government or political subdivision of any other American republic by any means involving the use of force or violence.)

10. Will the activities of the registrant on behalf of any foreign principal include the preparation or dissemination of political propaganda as defined above? Yes [X] No [ ]

IF YES, RESPOND TO THE REMAINING ITEMS IN THIS SECTION V.

11. Identify each such foreign principal.
Those members of the Association which are not nationals of the United States.
For an interim period, the Board of Foreign Trade, Republic of China.

12. Has a budget been established or a specified sum of money allocated to finance your activities in preparing or disseminating political propaganda? Yes [ ] No [X]

If yes, identify each such foreign principal, specify amount and for what period of time.

13. Will any public relations firms or publicity agents participate in the preparation or dissemination of such political propaganda material? Yes [ ] No [X]

If yes, furnish the names and addresses of such persons or firms.

14. Will your activities in preparing or disseminating political propaganda include the use of any of the following:

- [ ] Radio or TV broadcasts
- [ ] Motion picture films
- [ ] Advertising campaigns
- [X] Pamphlets or other publications
- [X] Magazine or Newspaper articles
- [X] Letters or telegrams
- [X] Press releases
- [X] Lectures or speeches
- [ ] Other (specify) _____

15. Will the political propaganda be disseminated among any of the following groups:

- [X] Public Officials
- [ ] Civic groups or associations
- [X] Legislators
- [ ] Libraries
- [X] Government agencies
- [ ] Educational institutions
- [X] Newspapers
- [ ] Nationality groups
- [X] Editors
- [ ] Other (specify) Business community

16. Indicate language to be used in political propaganda:

- [X] English
- [ ] Other (specify) _____

FORM DJ-301

VI - EXHIBITS AND ATTACHMENTS

17. *(a)* The following described exhibits shall be filed in duplicate with an initial registration statement:

Exhibit A - This exhibit, which is filed on Form DJ-306, sets forth the information required to be disclosed concerning each foreign principal named in Item 6.

Exhibit B - This exhibit, which is filed on Form DJ-304, sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

(b) An Exhibit C shall be filed when applicable. This exhibit for which no printed form is provided consists of a true copy of the charter, articles of incorporation, association, constitution, and bylaws of a registrant that is an organization. A waiver of the requirement to file an Exhibit C may be obtained for good cause shown upon written application to the Assistant Attorney General, Internal Security Division, Department of Justice, Washington, D.C. 20530. See Rule 201 (c) and (d).

(c) An Exhibit D shall be filed when applicable. This exhibit for which no printed form is provided sets forth an account of money collected or received as a result of a fund raising campaign and transmitted for a foreign principal. See Rule 201 (e).

(d) A Short Form Registration Statement shall be filed for each person named in Items 4 (h) and 5.

The undersigned swear(s) or affirm(s) that he has (they have) read the information set forth in this registration statement and the attached exhibits and that he is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in attached Short Form Registration Statement, if any, insofar as such information is not within his (their) personal knowledge.

(Type or print name under each signature)

INTERNATIONAL SINO-AMERICAN TRADE ASSOCIATION

(Both copies of this statement shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)

By _____

Myron Solter

Executive Director

Subscribed and sworn to before me at _____

_____ this _____ day of _____, 19____

_____
(Signature of notary or other officer)

My commission expires _____, 19_____

ATTACHMENT

9.(a) DISBURSEMENTS - MONIES

Date	To Whom	Purpose	Amount
4/8/72	Myron Solter	Salary	$2,295.80
	Myron Solter	Salary	2,295.80
	Reeves & Harrison	Secretarial Services	416.66
4/18/72	ITT World Communications	Cable Address	15.00
	C & P Telephone Co.	Deposit	100.00
4/19/72	Ginn's	Supplies	21.48
4/21/72	Reeves & Harrison	Minute Book	21.22
	Reeves & Harrison	Rent	250.00
	Myron Solter	Reimbursement	146.15
4/25/72	Speedy Rubber Stamp Ser.	Rubber Stamp	13.60
4/26/72	Speedy Rubber Stamp Ser.	Rubber Stamp	4.52
4/28/72	Myron Solter	Advance for Trip	500.00
	Pan American Airlines	Air Fare	1,108.00
5/1/72	Reeves & Harrison	Secretarial Services	416.66
	Reeves & Harrison	Rent	250.00
	Myron Solter	Salary	1,827.80
5/19/72	C & P Telephone Co.	Telephone Service	35.86
	Reeves & Harrison	Xeroxing	3.80
	U. S. Postmaster	Stamps	124.00
5/22/72	Carderock Corp.	Telexes & cables	17.31
	Myron Solter	Reimbursement	28.07
5/26/72	Center for International Business	Seminar Registration	85.00
5/30/72	Myron Solter	Reimbursement	20.30
6/1/72	Myron Solter	Salary	2,295.80
	Reeves & Harrison	Rent	250.00
	Reeves & Harrison	Secretarial Services	416.66
	Ginn's	Office Cabinet	130.00
6/5/72	L. J. Cowie Co, Inc.	Stationery	294.84

Date	To Whom	Purpose	Amount
6/7/72	Trans World Airlines	Air Fare	310.00
	C. P. Graham & Co.	Accounting Services	60.00
6/12/72	C & P Telephone Co.	Telephone Service	16.77
6/15/72	Myron Solter	Reimbursement	99.05
6/19/72	Riggs Bank	FWT, FICA & Payroll Taxes for Quarter	3,752.80
6/30/72	L. J. Cowie Co., Inc.	Stationery	262.81
	Ginn's	Office Cabinet	204.88
7/3/72	Myron Solter	Salary	2,295.80
	Reeves & Harrison	Rent	250.00
	Reeves & Harrison	Secretarial Services	416.66
7/24/72	District Unemployment Compensation Board	Employer's Quarterly Contribution	46.20
	The Journal of Commerce	Subscription	42.00
	C & P Telephone Co.	Telephone Service	15.28

Form DJ-306
(Ed. 11-10-66)

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

Budget Bureau No. 43-R216.7
Approval expires Oct. 31, 1971

EXHIBIT A

TO REGISTRATION STATEMENT

Under the Foreign Agents Registration Act of 1938, as amended

Furnish this exhibit for EACH foreign principal listed in an initial statement and for EACH additional foreign principal acquired subsequently.

1. Name and address of registrant
INTERNATIONAL SINO-AMERICAN TRADE ASSOCIATION
1701 Pennsylvania Avenue, N. W.
Washington, D. C. 20006

2. Registration No.

3. Name of foreign principal
Members of Chinese nationality
Board of Foreign Trade, Ministry of
Economic Affairs, Republic of China

4. Principal address of foreign principal
Taiwan, Republic of China

5. Indicate whether your foreign principal is one of the following type:

[X] Foreign government

[ ] Foreign political party

[X] Foreign or [ ] domestic organization: If either, check one of the following:

[X] Partnership [ ] Committee

[X] Corporation [ ] Voluntary group

[ ] Association [ ] Other (specify) _____

[X] Individual - State his nationality Republic of China

6. If the foreign principal is a foreign government, state:

a) Branch or agency represented by the registrant.
Board of Foreign Trade
Ministry of Economic Affairs
Republic of China

b) Name and title of official with whom registrant deals.
Y. T. Wong, Director
H. K. Shao, Deputy Director

7. If the foreign principal is a foreign political party, state:

a) Principal address

b) Name and title of official with whom the registrant deals.

c) Principal aim

8. If the foreign principal is not a foreign government or a foreign political party,

a) State the nature of the business or activity of this foreign principal
Business firms or individuals in Taiwan concerned with trade and investment between the Republic of China and the United States.

b) Is this foreign principal

Owned by a foreign government, foreign political party, or other foreign principal ..... Yes ☐ No ☐

Directed by a foreign government, foreign political party, or other foreign principal ... Yes ☐ No ☐

Controlled by a foreign government, foreign political party, or other foreign principal .. Yes ☒ No ☐

Financed by a foreign government, foreign political party, or other foreign principal ... Yes ☐ No ☐

Subsidized in whole by a foreign government, foreign political party, or other foreign principal ..... Yes ☒ No ☐

Subsidized in part by a foreign government, foreign political party, or other foreign principal ..... Yes ☒ No ☐

9. Explain fully all items answered "Yes" in Item 8(b). (If additional space is needed, a full insert page may be used.)

The Board of Foreign Trade will subsidize Registrant until such time as membership dues income is adequate to support Registrant's activity.

To the extent that there should be more Chinese members, than members of United States nationality, Registrant would be controlled by a foreign principal. At this time, it is not known what proportion non-United States nationality members will constitute.

10. If the foreign principal is an organization and is not owned or controlled by a foreign government, foreign political party or other foreign principal, state who owns and controls it.

Date of Exhibit A	Name and Title	Signature
July 28, 1972	MYRON SOLTER Executive Director	

Form DJ-304
(Rev. 3-30-67)

Budget Bureau No. 43-R435
Approval Expires Oct. 31, 1970

UNITED STATES DEPARTMENT OF JUSTICE
Washington, D.C. 20530

EXHIBIT B

TO REGISTRATION STATEMENT
Under the Foreign Agents Registration Act
of 1938, as amended

INSTRUCTIONS: A registrant must furnish as an Exhibit B copies of each written agreement and the terms and conditions of each oral agreement with his foreign principal, including all modifications of such agreements; or, where no contract exists, a full statement of all the circumstances, by reason of which the registrant is acting as an agent of a foreign principal. This form shall be filed in duplicate for each foreign principal named in the registration statement and must be signed by or on behalf of the registrant.

Name of Registrant	Name of Foreign Principal
INTERNATIONAL SINO-AMERICAN TRADE ASSOCIATION	Board of Foreign Ministry of Economic Affairs Republic of China

Check Appropriate Boxes:

1. ☐ The agreement between the registrant and the above-named foreign principal is a formal written contract. If this box is checked, attach two copies of the contract to this exhibit.

2. ☐ There is no formal written contract between the registrant and foreign principal. The agreement with the above-named foreign principal has resulted from an exchange of correspondence. If this box is checked, attach two copies of all pertinent correspondence, including a copy of any initial proposal which has been adopted by reference in such correspondence.

3. ☒ The agreement or understanding between the registrant and foreign principal is the result of neither a formal written contract nor an exchange of correspondence between the parties. If this box is checked, give a complete description below of the terms and conditions of the oral agreement or understanding, its duration, the fees and the expenses, if any, to be received.

The above-listed foreign principal undertakes on a verbal understanding to subsidize registrant until such time as membership dues are adequate to support registrant's activity. A total of $58,750 is to be provided during 1972. No amount has been fixed for subsequent years.

4. Describe fully the nature and method of performance of the above indicated agreement or understanding.

The described subsidization is to aid registrant in performing its functions as a trade association.

5. Describe fully the activities the registrant engages in or proposes to engage in on behalf of the above foreign principal.

On behalf of its members, both United States and Chinese, the registrant will provide services intended to promote, and overcome obstacles to, the expansion of trade and investment between the United States and the Republic of China. This activity may include collection and dissemination of information, appearance before official bodies, participation in regulatory proceedings, where appropriate, and similar general activities.

6. Will the activities on behalf of the above foreign principal include political activities as defined in Section 1(o) of the Act?1/ Yes [X] No [ ]

If yes, describe all such political activities indicating, among other things, the relations, interests or policies to be influenced together with the means to be employed to achieve this purpose.

To the extent that registrant's membership will be interested in the foreign economic policy of the United States, political activity may be undertaken with regard to trade and investment questions.

Date of Exhibit B	Name and Title	Signature
July 28, 1972	MYRON SOLTER Executive Director	

1/ Political activity as defined in Section 1(o) of the Act means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

Form DJ-305

Budget Bureau No. 43-R215.7
Approval Expires Oct. 31, 1971

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

SHORT-FORM REGISTRATION STATEMENT

Under the Foreign Agents Registration Act of 1938, as amended

Each partner, officer, director, associate, employee and agent of a registrant is required to file a short form registration statement unless he engages in no activities in furtherance of the interests of the registrant's foreign principal or unless the services he renders to the registrant are in a secretarial, clerical, or in a related or similar capacity.

1. Name MYRON SOLTER	Registration No.
2. Residence Address 6 Park Overlook Ct. Bethesda, Maryland 20034	3. Business Address 1701 Pennsylvania Ave., N.W. Washington, D. C. 20006
4. Date and Place of Birth May 19, 1925 West Virginia Present Citizenship U. S. A.	5. If present citizenship was not acquired by birth, indicate when, where, and how acquired.

6. Occupation: Lawyer

7. What is the name and address of the individual or organization whose registration made it necessary for you to file this statement?

Name INTERNATIONAL SINO-AMERICAN TRADE ASSOCIATION Address 1701 Pennsylvania Avenue, N. W. Washington, D. C. 20006

8. List every foreign principal of the individual or organization named in Item 7.

Board of Foreign Trade, Republic of China
Member firms of non-United States nationality

9. Indicate your connection with the individual or organization named in Item 7:

☐ partner ☐ director ☒ employee
☐ officer ☐ associate ☐ agent
☐ other (specify)_____

10. Describe in detail all services which you have rendered or will render to the individual or organization named in Item 7. If you are no longer rendering such services, indicate period of past services. (If space is insufficient, a full insert page must be used.)

Function as chief executive officer, with title of Executive Director, and perform the usual duties pertaining to that position in a trade association.

11. Do any of the above described services include political activity as defined in the footnote below?
[X] Yes [ ] No

If yes, fully describe such political activity
Appearance before public bodies, preparation and dissemination of articles and information concerning foreign economic policy of the United States.

12. The services described in Item 10 are to be rendered on a

[ ] full time basis [X] part time basis [ ] special basis

13. What compensation are you receiving or will receive for above services?

[ ] Salary: Amount $ 36,000 per annum [ ] Commission at _____ % of _____

[ ] Fee: Amount $_____ [ ] Other thing of value _____

14. What compensation or thing of value have you received to date for above services?

Date	*From Whom Received*	*Amount*
April 8, 1972 thru July 27, 1972	ISATA	$15,000

15. During the period beginning 60 days prior to the date of your obligation to register to the time of filing this statement, did you make any contributions of money or other things of value from your own funds or possessions and on your own behalf in connection with an election to political office or in connection with any primary election, convention, or caucus held to select candidates for political office? Yes [ ] No [X]

If yes, furnish the following information:

Date	*Amount of thing of value*	*Name of political organization*	*Name of candidate*

July 28, 1972
Date of Signature

Signature

Subscribed and sworn to before me at _____

this _____ day of _____, 19___.

Signature of notary or other officer

My commission expires _____, 19___

Footnote: Political activities as defined in Section 1(o) of the Act means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

Form DJ-305

Budget Bureau No. 43-R215.7
Approval Expires Oct. 31, 1971

UNITED STATES DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20530

SHORT-FORM REGISTRATION STATEMENT

Under the Foreign Agents Registration Act of 1938, as amended

Each partner, officer, director, associate, employee and agent of a registrant is required to file a short form registration statement unless he engages in no activities in furtherance of the interests of the registrant's foreign principal or unless the services he renders to the registrant are in a secretarial, clerical, or in a related or similar capacity.

1. Name SALLY HART

Registration No.

2. Residence Address 1 Washington Circle
Washington, D. C. 20037

3. Business Address 1701 Pennsylvania Ave., NW
Washington, D. C. 20006

4. Date and Place of Birth
January 1, 1945
Houston, Texas
Present Citizenship U. S. A.

5. If present citizenship was not acquired by birth, indicate when, where, and how acquired.

6. Occupation:
Secretary

7. What is the name and address of the individual or organization whose registration made it necessary for you to file this statement?

Name INTERNATIONAL SINO-AMERICAN TRADE ASSOCIATION Address 1701 Pennsylvania Avenue, N. W. Washington, D. C. 20006

8. List every foreign principal of the individual or organization named in Item 7.

Board of Foreign Trade, Republic of China
Member firms of non-United States nationality

9. Indicate your connection with the individual or organization named in Item 7:

☐ partner ☐ director ☐ employee

☒ officer ☐ associate ☐ agent

☐ other (specify)_____

10. Describe in detail all services which you have rendered or will render to the individual or organization named in Item 7. If you are no longer rendering such services, indicate period of past services. (If space is insufficient, a full insert page must be used.)

Function as Secretary-Treasurer and perform the usual duties pertaining to that office in a trade association.

11. Do any of the above described services include political activity as defined in the footnote below?
[ ] Yes [X] No

If yes, fully describe such political activity

12. The services described in Item 10 are to be rendered on a

[ ] full time basis [ ] part time basis [X] special basis

13. What compensation are you receiving or will receive for above services?

[ ] Salary: Amount $_____ per_____ [ ] Commission at _____% of _____

[ ] Fee: Amount $_____ [ ] Other thing of value Non-compensated

14. What compensation or thing of value have you received to date for above services?

Date	*From Whom Received*	*Amount*
None		

15. During the period beginning 60 days prior to the date of your obligation to register to the time of filing this statement, did you make any contributions of money or other things of value from your own funds or possessions and on your own behalf in connection with an election to political office or in connection with any primary election, convention, or caucus held to select candidates for political office? Yes [ ] No [X]

If yes, furnish the following information:

Date	*Amount of thing of value*	*Name of political organization*	*Name of candidate*

July 28, 1972
Date of Signature

Signature

Subscribed and sworn to before me at _____

this_____day of _____, 19___.

Signature of notary or other officer

My commission expires_____, 19___

Footnote: Political activities as defined in Section 1(o) of the Act means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

[Whereupon, at 1:45 p.m., the committee was adjourned, to reconvene at 10 a.m. Monday, June 4, 1973.]

O