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 12 of 15

(June 6, 7, 1973)

Printed for the use of the Committee on Ways and Means

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TRADE REFORM

WEDNESDAY, JUNE 6, 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. Richard S. Reese.

Mr. Reese, if you will identify yourself for our record we will be glad to recognize you.

STATEMENT OF RICHARD S. REESE, CHAIRMAN, AMERICAN DINNERWARE EMERGENCY COMMITTEE, ACCOMPANIED BY JAMES D. WILLIAMS, COUNSEL

SUMMARY

I. *Unlimited tariff-cutting authority* (Sec. 101). Some limitation similar to the "peril point" procedure under previous legislation should be imposed on tariff-cutting authority.

II. *Revision of escape clause criteria for relief from imports* (Sec. 201). The experience of the U.S. dinnerware manufacturers in meeting the present escape clause requirements for relief is proof that the current requirements must be revised along the lines proposed by the Administration.

III. *Tariff Commission reports to the President pursuant to escape clause action* (Sec. 201). ADEC urges that the current escape clause provisions under the Trade Expansion Act of 1962 (TEA) be retained the extent that the President should receive recommendations from the Tariff Commission as to what duty or other import restriction is necessary to prevent or remedy injury from imports, and that the President should then be held accountable to Congress if he does not follow such recommendations.

IV. *Presidential action providing relief from imports* (Sec. 203). A. ADEC supports revision of the current escape clause to allow the President to negotiate orderly marketing agreements concurrently with imposition of increased duties or other import restrictions pursuant to escape clause action.

B. ADEC supports revision of the current escape clause to allow duty increases beyond the limits stipulated in the Trade Expansion Act of 1962 (TEA).

C. ADEC urges the adoption of a more flexible time period for import relief than the periods provided in either the current law or proposed legislation.

D. ADEC urges that the proposed legislation should be amended to allow an industry to petition the Tariff Commission for an extension of import relief *prior to the beginning* of the phasing out of such import relief.

E. The proposed legislation should be amended to clearly provide that import relief granted under the Trade Expansion Act of 1962 (TEA) will not begin to be phased out or terminate under the proposed law any earlier than it would have under the TEA.

Mr. REESE. My name is Richard Reese, from the Scio Pottery Co., Scio, Ohio.

The CHAIRMAN. We are glad to have you with us this morning, Mr. Reese and you are recognized.

Mr. REESE. Thank you.

Mr. Chairman, I am accompanied today by Counsel James D. Williams, of the Washington firm of Williams & King.

If there are any questions pertaining to the legal aspects that I am unable to answer I would like to call on Mr. Williams.

Mr. Chairman and members of the committee, my name is Richard S. Reese and I am president of the Scio Pottery Co., of Scio, Ohio, a company founded by my uncle in 1933, and in which I have worked in one capacity or the other for 25 years. The company employs 1,000 people, is the major source of employment in Scio, a town of 1,500, and manufactures earthenware dinnerware and all accessory dinnerware pieces.

In 1970 Scio Pottery and other potteries whose present names and locations are attached hereto but nearly all within a 75-mile radius of East Liverpool, Ohio, formed the American Dinnerware Emergency Committee, or ADEC, in order to try to combat the highly injurious imports of popular-priced earthen and china dinnerware, primarily from Japan, that were flooding the country and threatening the very existence of our industry, having captured some 60 percent of the domestic market. The members of ADEC accounted for about 80 percent of the earthen dinnerware produced in the United States.

I was elected chairman of ADEC and it is in that capacity that I appear before you today. We welcome this opportunity, for we believe we can contribute to your deliberations from our direct experience under the Trade Expansion Act.

I would first like to discuss the escape clause. On June 1, 1971, ADEC filed a petition under section 301(b)(1) of the TEA with the Tariff Commission aimed primarily at Japanese imports of low-end or popular-priced ceramic dinnerware, both earthenware and chinaware Following 8 days of hearings in November and December and the filing of briefs, the Commission filed its report on February 22, 1972. By a vote of 4 to 2, the Commission found injury under the TEA in the earthen dinnerware area and in some china areas, but not from imports of china dinnerware from which we were also experiencing extreme injury. Although the Commission found existing injury from chinaware, the majority was blocked from finding that it was due to tariff concessions by the "in major part" requirement of the TEA. On April 22, 1972, the President implemented the Tariff Commission recommendation by increasing the rates on earthen dinnerware to their pre-Kennedy round levels.

It is clear that we had an extremely good case before the Tariff Commission: despite the over-restrictive requirements of the TEA escape clause, we were the only petitioner in the history of the TEA to receive four affirmative votes. Yet we did not receive relief in the key china dinnerware area because of the requirement that increased imports must be the "result in major part of concessions granted under trade agreements." We therefore recommend abolition of this requirement, and this is done by the administration bill.

But we deplore the seeming intent of H.R. 6767 to delegate more and more power in this area to the executive branch with a minimum

of congressional guidelines—in fact elimination of some guidelines that presently exist.

One such guideline is a recommendation by the Tariff Commission to the President of the type and extent of relief needed in an escape clause situation, and this has been eliminated. It should be reinstated, along with the presidential report to Congress if he does not follow the Tariff Commission recommendation. In fact, serious consideration might be given to making a majority recommendation of the Tariff Commission binding upon the President. Certainly the Commission is the body best acquainted with the facts of a case and will be by the time it has completed its investigation.

H.R. 6767 is unclear on how our present escape clause relief would fare under the new legislation. The TEA had specific provision for carryover of section 7 cases from previous periods, but the proposed legislation is silent on this point. We submit that where new legislation is more unfair to the recipient of previous escape clause relief than the TEA, then the TEA provisions must naturally carry over.

It may surprise you to learn that the new legislation is harsher than the TEA in certain escape clause treatment, but that is the fact. In our situation at this moment under the TEA, we can petition the Tariff Commission for a hearing on probable economic effect 6 months before our tariff adjustment is scheduled to expire, unless renewed, in 1976.

But under the new proposal, first there is no 4-year relief period during which, unless changed by the President after a hearing followed by Tariff Commission recommendation, the relief is unimpaired. Instead, there is a 5-year maximum period during which a phaseout of the protection must occur by the end of the third year. would have the President remove one-third of the escape clause protection after the third year, one-third after the fourth, and the final third at the end of the fifth. Yet under his new proposal, industry is not allowed to petition for a hearing from the Tariff Commission on probable economic effect of the removal until the final removal scheduled for the end of the 5-year period. It must, contrary to present law, allow the first two phaseouts to occur without any right to object. This approach must be corrected.

Further, there should be no statutory phaseout. Let the President decide, as now, when and how he wants to time any phaseout. Such timing will, among other things, depend upon the status of the national economy and the particular industry involved during the tariff increase period. And the industry will have its day before the Commission.

The renewal provisions should certainly not be less liberal than the TEA, as in the current proposal. The administration seems to forget that it is a hundred times easier to preserve a job than create one—and that is a fact important not to forget in these days of nagging unemployment.

ADJUSTMENT ASSISTANCE TO FIRMS

This provision should be retained in the law. It is achieving excellent results in the sheet glass industry. Again, this is calculated to help preserve jobs particularly in areas where it will be next to impossible to create new ones to replace dying plants.

The provision should not only be preserved, but strengthened. Today, by regulation, a firm must apply for adjustment assistance within a year after a Presidential proclamation providing for a request for certification to the Secretary of Commerce. This is not long enough, and should be increased to at least 2 years. Our members chose not to apply for firm certification until it became clearer just how much the escape clause tariff protection would mean to them—whether the umbrella—though leaky—would keep out the rain long enough to make a facilities overhaul and technological improvement program profitable. However, at least one of our firms now feels that such certification might indeed help it, but the 1-year time limit has already run.

The first annual report of the Tariff Commission on the *Ceramic Tableware* case clearly shows, we believe, that not enough relief was granted to the industry by the mere rollback on some products to 1967 tariff levels.

To begin with, the administration should have attempted negotiating an orderly marketing agreement with Japan concurrently with the tariff increase, then withdrawn the tariff increase if a satisfactory marketing agreement could be reached. This was not done, because the TEA put the two remedies on an either/or basis. This has been changed in the new legislation and that should be an improvement. The Tariff Commission should be permitted to recommend such strategy as mentioned above. In our case, the Commission was not certain that it was proper to recommend an orderly marketing negotiation to the President, but the suggestion was nevertheless inserted in a footnote.

The President must have authority to impose and the Tariff Commission the duty to recommend whatever tariff increases or quota restrictions be deemed necessary to accomplish the purposes of the legislation. The current law with its interpretation that concession rollbacks go no further back than 1967 should be clearly corrected in the legislative history.

Our case was additionally complicated by the fact that the effects of the reevaluations of the yen that were occurring about that time could not be predicted with certainty, and theerfore the remedy arrived at was not as strong as it should have been.

In any event, the Tariff Commission's May 1973 report states that although domestic shipments of certain earthen table and kitchen articles on which the duty was increased on May 1, 1972, were 8-percent larger in 1972 than 1971, imports were 18-percent larger.

This leads one to the speculation that tariff rates in this area should be phased up rather than out. And there is no such provision in the law. Actually, what we still need is an orderly marketing agreement, and we hope you will write this new legislation so that even at this date, a year or so after the original proclamation, such an agreement could be attempted.

We would like to offer for the record today the letter we filed with the Trade Information Committee on July 21, 1972, in another vain attempt to close the import loopholes that are endangering our industry.

[The letter referred to follows:]

JULY 21, 1972.

Re Article XXVIII, General Agreement on Tariffs and Trade (GATT).

CHAIRMAN,

Trade Information Committee, Office of the Special Representative for Trade Negotiations, 1800 G Street NW., Washington, D.C.

DEAR MR. CHAIRMAN: The American Dinnerware Emergency Committee, (ADEC) composed of the eleven companies listed in the Appendix hereto, who together account for over eighty percent of the earthen dinnerware produced in the United States, hereby petition for withdrawal of tariff concessions on certain articles of dinnerware, pursuant to paragraphs 1, 2, and 3 of Article XXVIII of the GATT.

The President, by proclamation on April 24, 1972 (No. 4125), modified tariff concessions on certain ceramic tableware pursuant to Section 351(a)(1) of the Trade Expansion Act of 1962 (TEA). However, it is clear from the Tariff Commission report to the President on the investigation under Section 301(b) of the TEA, that the increased tariffs recommended by the Commission under Section 301(e) of the TEA, and proclaimed in substance, by the President, are insufficient to remedy the injury found to have been caused by increased imports. This is so for two reasons: First, because the tariffs on imports of earthen dinnerware were not increased to a high enough level and second, because tariffs on imports of low-value china dinnerware were not increased at all. The enclosed table entitled Revised Collective Exhibit 2D, originally part of ADEC's presentation to the Tariff Commission, shows the imported articles that were complained of as being injurious to the U.S. earthenware industry. Enclosed Table IIA shows the tariff reductions pursuant to international trade negotiations on certain articles of earthenware and chinaware from 1930 to 1972. ADEC asked for an increase in tariffs on the articles complained of up to the 1930 rate.

The Tariff Commission found that increased imports of earthenware and low-value chinaware have seriously injured the U.S. earthenware industry [TC Publication 466, pp. 10–11, 16–18, 22]. The majority and dissenting Commissioners, however, disagreed on the connection between increased imports and tariff concessions.

The Tariff Commission majority, in recommending a remedy, did not look any further than the latest tariff concessions negotiated in 1967. Apparently they did not feel they could go back to the pre-1955 rates of duty because of the restrictions of the TEA; their uneasiness about the adequacy of their recommended remedy is revealed in a footnote drawing attention to Section 352 of the TEA which authorized the President to negotiate international agreements to limit imports to the United States whenever he determines that such action would be more appropriate than the remedy authorized under Section 351(a)(1) [TC Publication 466, p. 12, footnote 1.]

The dissenting Commissioners Sutton and Leonard were even more explicit in pointing out the constraints imposed by the TEA. Commissioner Leonard agreed that increased imports had caused injury to the domestic earthenware industry, but he was unable to link the increased imports with tariff concessions granted in the Kennedy Round Trade Conference, because the imports had been increasing steadily since the mid-1950's. Commissioner Sutton pointed out that there had been no concessions since 1955 on three-fourths of all chinaware imports; yet such imports caused the most injury to the domestic earthenware industry. As for the remedies recommended by the majority, Commissioner Sutton criticized them on two counts: there is no increase recommended of the duty on low-value china dinnerware, and the duty increases that are recommended are clearly insufficient to restrict imports to the extent necessary to remedy any injury.

With regard to low and medium-value china dinnerware, it should be noted that such ware was excepted from the Kennedy Round negotiations on trade-agreement concessions. Presumably this was because injury, or threatened injury, was already foreseen from increased imports. According to both the Tariff Commission majority and dissenting members' interpretations of the TEA, however, the fact that no concessions were negotiated during the Kennedy Round prevents the industry from obtaining relief from injury caused by such imports.

It is submitted that Article XXVIII of the GATT was designed to solve just such a problem as is presented here: where injury has been determined to have resulted from increased imports due to tariff concessions, and the normal

remedy provided by the TEA (pursuant to Article XIX of the GATT) is insufficient.

Accordingly, the American Dinnerware Emergency Committee requests that the 1955 tariff concessions be withdrawn or modified with respect to the following TSUS item numbers: 533.14: 533.16; 533.23; 533.25; 533.26; 533.28; 533.31; 533.33; 533.35; 533.36; 533.38; 533.63; 533.65; 533.66; 533.71; 533.73; 533.75; 533.77. The article within these item numbers that are of concern to ADEC are described in the column headed "INJURIOUS IMPORTS" on the enclosed table labelled Revised Collective Exhibit 2B.

In connection with this request, ADEC asks that it be accorded a hearing in order to present evidence and arguments supporting its position.

Respectfully,

JAMES D. WILLIAMS, JR.

REVISED COLLECTIVE EXHIBIT 2B

TSUS item	Description	Injurious imports	Not complaining of—
533.14, 533.16	Red-bodied earthenware	Dinnerware and articles thereof.	Teapots; kitchenware; collectors' articles.
	Earthen dinnerware:		
533.23	Not over $3.30 per norm	All of item	None.
533.25	$3.30 to $7 per norm	do	Do.
533.26	$7 to $12 per norm	do	Do.
533.28	Over $12 per norm	Ware not over $23 per norm	Ware over $23 per norm.
533.31	Earthen steins, mugs, etc	Mugs not over $5 per doz	Mugs over $5 per doz and other articles in item.
	Earthen table and kitchen articles not available in 77-piece norm:[1]		
533.33	Bottom value category	Dinnerware articles	Kitchenware; collectors' articles, e.g., odd salt and pepper and odd cups and saucers.
533.35	Middle value category	do	
533.36			
533.38	Top value category	Same, valued not over values corresponding to $23 per norm.	Same, and dinnerware articles valued over values corresponding to $22 per norm.
533.41	Bone china dinnerware	None	All of them.
	Feldspar china dinnerware:		
533.63	Not over $10 per norm	All of item	None.
533.65	$10 to $24 per norm	do	Do.
633.66	$24 to $56 per norm	$24 to $27 per norm	Over $27 per norm.
533.68	Over $56 per norm	None	All of item.
533.69	High-priced teaware	do	Do.
533.71	China steins, mugs, etc	Mugs not over $5 per doz	Mugs over $5 per doz and other articles in item.
	China table and kitchen articles not available in 77-piece norm:[1]		
533.73	Bottom value category	Dinnerware articles	Kitchenware, collectors' articles, e.g., odd salt and peppers and odd cups and saucers.
533.75	Middle value category	do	Do.
533.77	Top value category	Same, valued not over values corresponding to $27 per norm.	Same, and dinnerware articles valued over values corresponding to $27 per norm.

[1] The "norm" consists of 77 pieces—12 each of dinner plates, bread and butter or salad plates, tea cups and saucers, soups and fruits, and 1 each of platter, vegetable dish, sugar (w/cover), and creamer. If soups or fruits are not available cereals are substituted.

TABLE II A.—FINE-GRAINED EARTHENWARE AND STONEWARE AND LOW-VALUE CHINA FOOD AND DRINKWARE

[Rates of duty in specified years, 1930–72, and ad valorem equivalents of the duties based on imports in 1970, (Rates of duty in cents per dozen pieces and percent ad valorem)]

TSUS item number and description	1930		1955		1968		1970		1972		Percent duty reduction 1930–72
	Rate of duty	Ad valorem equivalents	Rate of duty	Ad valorem equivalents	Rate of duty	Ad valorem equivalents	Rate of duty	Ad valorem equivalents	Rate of duty	Ad valorem equivalents	
533.14 and 533.16: Red-bodied earthenware	25%	25	6.25–12.5%	10	6–11%	9	6–7%	7	6%	6.0	7
533.23, 533.25 and 533.26: Earthen dinnerware:											
Not over $3.30/norm	10¢+50%	55	10¢+28%	33	9¢+25%	30	7¢+19.5%	24	5¢+14%	17.0	69
$3.30–12/norm	10¢+50%	53	10¢+21–37%	26	10¢+21–33.5%	25	10¢+21–27%	25	10¢+21%	24.0	55
533.28: Over $12 per norm	10¢+50%	53	10¢+21%	24	9¢+18.5%	21	7¢+14.5%	17	5¢+10.5%	12.0	77
533.31: Earthen steins, mugs etc	10¢+50%	55	10¢+25%	30	9¢+22%	27	7¢+17%	21	5¢+12.5%	15.0	73
533.33: Earthen other articles: Bottom value category	10¢+50%	63	10¢+25%	38	9¢+22%	34	7¢+17%	26	5¢+12.5%	19.0	70
533.35 and 533.36: Middle value category	10¢+50%	57	10¢+22–40%	38	10¢+21.5–36%	36	10¢+21–28.5%	32	10¢+21%	28.0	51
533.38: Top value category	10¢+50%	52	10¢+22%	24	9¢+19.5%	21	7¢+15%	15	5¢+11%	11.0	79
533.63, 533.65: China dinnerware:											
Not over $10/norm	10¢+70%	76	10¢+48%	54	10¢+48%	54	10¢+48%	54	10¢+48%	54.0	29
$10–24 per norm	10¢+70%	74	10¢+55%	59	10¢+55%	59	10¢+55%	59	10¢+55%	59.0	20
533.66: $24–56/norm	10¢+70%	72	10¢+36%	38	10¢+36%	38	10¢+36%	38	10¢+36%	38.0	47
533.71: China steins, mugs etc	70%	70	45%	45	40%	40	31%	31	22.5%	22.5	68
533.73, 533.75: China other articles:											
Bottom value category	10¢+70%	79	10¢+45%	54	9¢+40%	48	7¢+31%	37	5¢+22.5%	27.0	66
Middle value category	10¢+70%	73	10¢+60%	63	9¢+54%	57	7¢+42%	44	5¢+30%	32.0	56
533.77: Top value category	10¢+70%	71	10¢+35%	36	9¢+31%	32	5¢+21%	22	5¢+17.5%	18.0	75

Mr. REESE. It was to no avail. The administration denied our request. The Congress, as in the past, is our only hope for assistance in our continuing endeavors.

Just as we are concerned about the restraints against adequate protection for our industry, we have an equal concern for the almost blank-check tariff-cutting authority proposed for the President in H.R. 6767. We know this committee will go over this part of the legislation most carefully. But we would like to say in passing that the old "peril point" provision in effect prior to the TEA should again be examined, to strengthen the advice of the Tariff Commission with regard to coming negotiations.

We in ADEC are most concerned about the continual foreign threat to our industry. We are aware that this threat has not completely materialized because much of it will come from countries such as Communist China not presently enjoying MFN treatment. If and when they do, we may well be inundated again—or perhaps MFN treatment will not even be necessary.

In any event, extension of MFN should be carefully examined—but the extension of general preferences to developing nations is even more dangerous to our industry. For the manufacture of ceramic dinnerware is a natural for any developing country—the industry being labor-intensive and the skills not too difficult to learn, and the capital investment very low to get started.

Although existing escape clause products would be protected from these preferences, in our case, low-end china dinnerware at this moment is unprotected, and thus we are completely vulnerable.

We appreciate your attention to this testimony and your interest in this problem this year. The escape clause should be strengthened immediately, and the legislation as a whole rewritten so that the thrust is away from the blank-check approach and instead given direction and purpose with adequate guidelines based upon congressional judgment of future probabilities and past experience.

I thank you.

The CHAIRMAN. We thank you very much, Mr. Reese, for your statement.

[Members of American Dinnerware Emergency Committee follow:]

AMERICAN DINNERWARE EMERGENCY COMMITTEE (ADEC), JUNE 4, 1973

Canonsburg Pottery Company, Box 110, Canonsburg, Pa. 15217
Hall China Company, East Liverpool, Ohio 43920
The Homer Laughlin Company, Newell, W. Virginia 26050
Hull Pottery Company, Crooksville, Ohio 43731
The Pfaltzgraff Company, P.O. Box 2026, York, Pa. 17405.
Royal China, Inc., c/o The Jeannette Glass Company, Jeannette, Pa. 15664
The Scio Pottery Company, Box 565, Scio, Ohio 43988
Taylor, Smith & Taylor Company, P.O. Box 762, East Liverpool, Ohio 43920

The CHAIRMAN. Mr. Burke?

Mr. BURKE. I notice in your list of the committee that most of your firms are located either in Pennsylvania or Ohio.

How many people would you say are employed in these firms.

Mr. REESE. We currently have in all our plants listed here approximately 5,000.

Mr. BURKE. How many did you have back in 1965 or prior to 1965?

Mr. REESE. We had exceeding some 20,000 immediately following World War II.

Mr. BURKE. In other words, you have lost about 75 percent of your employees?

Mr. REESE. That is correct.

Mr. BURKE. Thank you.

That is all, Mr. Chairman.

Mr. VANIK. Mr. Chairman——

The CHAIRMAN. Without objection, the letter that you offered for the record will be included with your statement, Mr. Reese.

Mr. Schneebeli?

Mr. SCHNEEBELI. Mr. Reese, you have a very interesting statement.

It appears that most of your competition comes from the Far East, Japan particularly. Have you noticed any benefits springing from the second round of devaluation of the dollar?

Mr. REESE. We have noticed some, but not to the extent where we would have full employment in our plant running at 100 percent capacity.

Mr. SCHNEEBELI. Do you think it is a little too early to judge the benefits from the second round of devaluation or do you think you have had enough experience to realize it is limited in your case?

Mr. REESE. I would say it is limited; although the more experience you get, naturally, the better off you will be.

In this case I would say it has helped, but not enough, and we need quotas.

Mr. SCHNEEBELI. Has it enabled your industry to increase production?

Mr. REESE. Yes, it has.

Mr. SCHNEEBELI. By about how much?

Mr. REESE. I would say 5 to 10 percent.

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

Mr. VANIK. Mr. Chairman.

The CHAIRMAN. Mr. Vanik.

Mr. VANIK. Mr. Reese, our colleague, Mr. Wayne Hays, has spoken to me among others about the plight of your industry which is pretty well located in the southeast part of Ohio. I go from store to store and I am trying to find your kind of pottery in a store. As I recall it you have the nice heavy dinnerware; the kind of pottery that makes coffee stay warm. I had an unfortunate experience the other day where I had an imported cup, and I don't know where it came from, but the bottom dropped out of it from the heat of the coffee.

Do you have trouble getting people to carry your merchandise? I go through stores and I am trying to find American pottery and I am having a difficult time finding your product.

I think it's a fine quality product that can compete with anything that is made anywhere in the world. I have trouble finding it in stores. Do you have trouble selling it? Do they prefer the foreign product?

Mr. REESE. We have no trouble selling it and merchandising it. However, once it is in the stores the Japanese tend to come in and lower the price below what we offer it to the stores for. The stores remove our merchandise and put in the Japanese merchandise.

A case in point is Maxwell House mugs which we have sold to Maxwell for quite some time with their label on them. Ours go for

in the vicinity of 50 cents a piece. The Japanese are presently offering four shipped to your home for $1. So that we can't compete—and it is a full wraparound decal.

Mr. VANIK. The profitability is greater apparently in the imported item.

Mr. REESE. Very definitely. It is higher all along from manufacturer right up through the retailer.

Mr. VANIK. Your industry does produce most of the pottery for restaurantware?

Mr. REESE. No, we produce earthenware and what you are referring to is more or less chinaware or hotel china as it is classified.

Mr. VANIK. Where is that produced?

Mr. REESE. Homer Laughlin China, which is one of our members, and Hall China, also a member.

Mr. VANIK. It is produced by companies like yours?

Mr. REESE. Yes, it is produced in our group of ADEC.

Mr. VANIK. I frankly get distressed as I go through the stores in my search for American-made products. It gets extremely difficult. Some stores seem to completely specialize in imported merchandise. It is increasingly difficult to find the American product.

Mr. REESE. Importers are willing, sir, to come in and put up displays in a retail store and take the merchandise back because they have the price loaded so that they can afford to do that. We cannot do that. We sell strictly—as do the other plants on this list—on a price basis, trying to keep the cost as low to the American public as we can.

We feel we do a pretty good job because our particular plant is the highest mechanized plant in the United States.

Mr. VANIK. You tell about your experiences with the Tariff Commission. Don't other countries to your knowledge have a more rapid system of clearing up these issues?

Mr. REESE. I am not familiar with other countries' procedures. I know this particular case took approximately a year and a half.

Mr. VANIK. In a year and a half you can be washed out of business.

Mr. REESE. Several firms were. There were two going out of business during the hearings that we had. It is a long process and for all the more that we achieved from it we don't feel the time was justified.

We were after quotas. We got some help. We appreciate what we got. It was better than what we were getting before but we feel the new legislation needs change especially in wording.

Mr. VANIK. Don't you suppose we ought to put a time schedule for relief to get the issues resolved one way or another and try to provide some incentive for getting the work done before the industry goes out of existence.

Mr. REESE. We believe that would help.

Mr. VANIK. I agree with respect to the discretionary powers that you worry about. I think Congress should endeavor to write a law which would in a considerable measure be self-executing. I think that wanton and broad discretion is of a great danger. I think that we ought to try to write a self-executing law so that the industry knows and can expect that this will trigger action and have a clear-cut plan.

I think it is a rather risky thing to plan a business if you don't know from day to day what your competitive risks and competitive challenges are.

I want to thank you for your testimony.

Mr. REESE. Thank You.

The CHAIRMAN. Mr. Duncan will inquire.

Mr. DUNCAN. Thank you, Mr. Chairman.

Mr. Reese, what countries do most of the tableware imports come from?

Mr. REESE. Primarily our competition for our group of ADEC is Japan. That is our main concern. Some of the ware is coming in from Hong Kong. We have a considerable amount coming in from England, but that isn't the major problem at this time. I think Japan is the focal point on which we want to concentrate because the Japanese can undersell most of the other countries.

Mr. DUNCAN. What percentage of the market do they have?

Mr. REESE. I believe they have some 60 percent of the market at this time.

Mr. DUNCAN. Do we export into those countries?

Mr. REESE. Not that I know of. We export nothing into Europe and I think I can speak for the rest of the countries that nothing is exported to them.

Mr. DUNCAN. Why don't you export to them?

Mr. REESE. Because of the price. We are in their own backyard over there where they can make it more cheaply than we can even begin to make it here. By the time you get the freight on it over there if somebody wanted a prestige item like a Cadillac it would be a fine gift, but it wouldn't be a Volkswagen even over here.

Mr. DUNCAN. Do you run into trade barriers in those countries other than the selling price?

Mr. REESE. We run into some trade barriers. Mr. Williams perhaps could answer that more clearly than I.

Mr. DUNCAN. Mr. Williams.

Mr. WILLIAMS. I think Congressman Duncan, although the trade barriers do exist and are notable in the case of other products, these people are just so outclassed to begin with that the trade barriers wouldn't make much difference one way or the other.

Mr. DUNCAN. The selling price?

Mr. WILLIAMS. Not only that but one must remember that in this particular situation we are dealing with American style dinnerware in which there would be a rather modest market in Japan in any event. I think that states our position.

Mr. DUNCAN. Could you tell us how many sets of dinnerware were imported into the United States during the past, say 3 or 4 years for each of those years.

Mr. WILLIAMS. We would be glad to supply that information. It is available in the recent Tariff Commission report. I don't want to burden the committee to look it up right now but it is several million sets of dinnerware that are coming in. They have taken over 60 percent of the market.

[The information referred to follows:]

United States Tariff Commission Report to the President on Investigation No. TEA-IR-10-73 Under Section 351(d)(1) of the Trade Expansion Act of 1962, TC Publication 574, May 1973, p. 34:

TABLE 4.—EARTHEN AND HOUSEHOLD CHINA TABLE AND KITCHEN ARTICLES: U.S. IMPORTS FOR CONSUMPTION, BY TYPE OF WARE, 1968-72 AND MAY-DECEMBER 1971 AND 1972

[In thousands of dozen pieces]

Type of ware	1968	1969	1970	1971	1972	May-Dec. 1971	May-Dec. 1972
Earthenware:							
Dinnerware	6,242	6,785	6,919	7,326	9,036	4,836	5,716
Steins, mugs, and miscellaneous articles[1]	2,288	2,570	3,252	4,068	4,173	2,804	2,712
Other table and kitchen articles	3,535	3,611	3,786	3,580	4,464	2,421	2,981
Total earthenware	12,065	12,966	13,957	14,974	17,673	10,061	11,409
Household chinaware:							
Dinnerware	13,803	16,886	12,969	8,002	9,140	5,322	5,578
Steins, mugs, and miscellaneous articles[1]	1,361	1,693	2,211	2,408	2,661	1,603	1,700
Other table and kitchen articles (including bone china)	3,243	3,295	3,463	3,574	4,002	2,370	2,501
Total household chinaware	18,407	21,874	18,643	13,984	15,803	9,295	9,779
Grand total	30,472	34,840	32,600	28,958	33,476	19,356	21,188

[1] Includes candy boxes, decanters, punch bowls, pretzel dishes, tidbit dishes, tiered servers and bonbon dishes.

Source: Compiled from official statistics of the U.S. Department of Commerce.

From the above table, omitting steins, mugs and miscellaneous articles, ADEC estimates that total *sets* (45 pieces) of earthen dinnerware imported in the years 1968-72 were approximately as follows: 1968—2,444,000; 1969—2,599,000; 1970—2,675,000; 1971—2,726,500; 1972—3,375,000.

Mr. DUNCAN. Have imports been increasing in the past few years?

Mr. WILLIAMS. Mr. Wright of the Tariff Commission has the information for you. They have been increasing. We think we have slowed them down some with this last escape clause action but I am afraid we can't say we are out of the woods yet. This is the sad situation where the Tariff Commission report 1 year after the escape clause action has been implemented by presidential proclamation, says that, yes it is true the domestic manufacturers and domestic shipments have increased but the imports have increased even more.

Mr. DUNCAN. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Mr. GIBBONS. Yes.

The CHAIRMAN. Mr. Gibbons.

Mr. GIBBONS. On the next to the last page you have a list of all the members of your association. About how many people do they employ all told?

Mr. REESE. We estimate 5,000 people.

Mr. GIBBONS. Can you tell me by how much, in percentage terms, the President increased the tariff on your products? You say in your statement that he increased the tariff back to a certain level but percentagewise how much was it?

Mr. WILLIAMS. If I may respond?

Mr. GIBBONS. Yes, sir.

Mr. WILLIAMS. Congressman Gibbons, as I recall in the areas that were increased, the increase amounted to some 90 percent. I stand to be corrected by the committee staff. But they went only as far back as the 1967 negotiations and concessions and did not go back by any manner of means to the 1930 level which we had requested as our second choice, our first choice being that some type of quota arrangement be worked out, and which for the first time in history the Tariff Commission actually mentioned in a report, although it was in a footnote.

Mr. GIBBONS. You suggest we adopt quotas.

Can you suggest the manner in which we should administer those quotas in this country. How would we administer the quotas?

Mr. WILLIAMS. Our position, Congressman Gibbons, on that is that first of all one should try to negotiate these agreements before one imposes unilateral quotas. We think that if this is approached strongly that it will achieve results.

How they could be administered? We have discussed with the Tariff Commission people and the Treasury people and once the agreement is made, of course, it is policed at the other end which is very nice and it is checked on by our customs people at this end.

Mr. GIBBONS. You are suggesting that the Japanese administer the quota. I would think if we had a quota we would let the Americans administer it. At least I would prefer to do that. If the Americans have to administer a qouta how should we do it? Should we do it as in the cheese industry? You have to be born a cheese importer. You could be President of the United States but you can't have a quota unless you were born into a quota.

Mr. WILLIAMS. We would be glad to provide that information to the committee.

Mr. GIBBONS. You mean you have never thought about it up to this time?

Mr. WILLIAMS. Yes, we have thought of it.

Mr. GIBBONS. Tell me what you have thought about it, then.

Mr. WILLIAMS. I will tell you what we have thought of it, sir. What we tried to do last year was to encourage the Japanese.

Mr. GIBBONS. I am in favor of the Americans administering the quota. If we have to have a quota, I would think we would much rather administer it.

Mr. WILLIAMS. I suppose I will have to give the answer of the Department of Agriculture—on cheese for example. It would be done on a historical basis. I don't like that answer.

Mr. GIBBONS. You have thought about it. How should the Congress administer American quotas on imported products? You have come here and suggested that we have quotas. You must have thought about this. How would we do it?

Mr. WILLIAMS. Congressman Gibbons, I would be happy to provide the committee with a statement on this. This hits me cold because we did not ask for quotas. What we asked for was hopefully to work out with Japan some kind of international agreement to restrict the exports of Japan to the United States.

Mr. GIBBONS. That's quotas with the Japanese administering them. What you are saying is that you would rather have the Japanese administer the quotas and let us not worry about how they are administered.

Mr. WILLIAMS. You are in error because we didn't think we could aim so high as to aim for a quota administered by the United States. We would be delighted to have that. Don't misunderstand me, please. We didn't think it was practical last year, to be honest with you.

Mr. GIBBONS. As I read your testimony you are suggesting that we do it now. Am I wrong in the way I read your testimony?

Mr. WILLIAMS. I am afraid so.

Mr. GIBBONS Mr. Chairman——

Mr. WILLIAMS. We would be happy to provide a statement on this, Mr. Chairman. We could give it some thought. I am not prepared to offer a program to this committee this morning to which I will be held.

Mr. GIBBONS. I think it is worthwhile.

Mr. WILLIAMS. We would be delighted to provide it, sir, and I appreciate your interest.

The CHAIRMAN. The information requested by Mr. Gibbons will appear in the record if you can get it to us in time.

Mr. WILLIAMS. Thank you.

[The information follows:]

ADEC STATEMENT CONCERNING IMPORT QUOTAS

The American Dinnerware Emergency Committee (ADEC) is not in favor of statutory quotas on imports of earthenware or chinaware. Such quotas tend to be too inflexible and they exercise more restraint on free trade than is necessary by not being susceptible to changes in trade patterns.

ADEC believes that a more sensible and equitable approach to the problem of injurious imports is through orderly marketing agreements between the United States and supplying countries, as presently provided for in Sec. 352 of the Trade Expansion Act of 1962 (TEA). Such agreements could be administered in much the same way as the agreements currently in effect on textiles of cotton, wool and man-made fibers.

Once the over-all maximum import level has been agreed upon (and ADEC has previously suggested to the Trade Information Committee that a satisfactory level would be one equivalent to the 1971 calendar year level of imports), it could be allocated among supplying countries according to historical performance. The respective foreign governments would then be obligated to control exports to this country according to their agreed-upon shares. As in the case of the textile agreements, such control could take the form of export visas which would have to be obtained by the exporting company. Likewise, the United States could maintain control over the importation of the product by refusing entry to any shipment that does not have an export visa from the supplying country, as well as to shipments even with visas where the country quota would be exceeded.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. I might say that the quotas could be administered the way they have been administered in other industries such as the oil industry. We have arrangements on coffee and sugar and several items. In fact, I understand they are coming in to arrange for cocoa agreements, and your industry is just as important as any other.

Mr. WILLIAMS. Thank you, Congressman Burke. I might say I yield to you in expertise on quotas quite gladly.

Mr. BURKE. Quotas do upset some people, but we are going to have to arrive at quotas if we are going to have to import all this oil that they tell us we are going to need, if we are going to have to buy $25 billion more in oil.

Mr. GIBBONS. I am sure my colleague does not suggest that we get into the same kind of scandal on china as on oil, where the law prohibited the exchange of those tickets and there was an open market

in tickets, and the oil companies put pressure on dealers to go out and get tickets.

If my colleague would like me to put that in the record, I would be glad to.

Mr. BURKE. Just because there were a few sinners, you don't burn down the church.

Mr. GIBBONS. You think the oil scandal was a little sin?

Mr. BURKE. Quotas will be provided if they don't change the trade scene. We are going to give them a trial, and the Burke-Hartke bill will sail through the House so fast its head will spin.

Mr. GIBBONS. Maybe we ought to take that kind of medicine and suffer for a while in order to see how stupid we are.

I want to ask the gentleman who comes and asks for quotas to tell us how this would be administered.

Mr. BURKE. It will be administered the way the other quotas were administered.

Mr. GIBBONS. Like the sugar quotas, I guess.

The CHAIRMAN. Are there any other questions?

Mr. Corman.

Mr. CORMAN. Let's take a hypothetical set of dishes that cost $100. I assume that what, 40 percent, of that is retailer's markup. Is that roughly what it is in the trade?

Mr. REESE. 25 to 40 percent.

Mr. CORMAN. So we get down to $60 as the wholesale cost.

I take it that the difference in the import or the domestic production is primarily in the cost of labor. Is that correct, or are there other kinds of costs that are different, too?

Mr. REESE. There are many other kinds of costs, but we figure in our industry alone that labor is at least 60 to 65 percent of the cost of making a set of dinnerware.

Mr. CORMAN. And that product that is going to wholesale for $60, 60 percent of that in labor, 60 percent of that $60?

Mr. REESE. As close as we are working on in our industry, with the profit margins at 2 percent or less, I would say you are fairly accurate on that.

Mr. CORMAN. $36 of that is in labor cost.

What is the tariff on china now?

Mr. REESE. I believe it is around 20 or 21 percent.

Mr. CORMAN. There has to be some labor cost on the foreign-produced goods. It is not $36 on the $100, but it is something. What are the labor costs?

Mr. REESE. The last comparison on an hourly basis I believe showed Japan at some 68 cents to 72 cents.

I don't know, with the revaluation of the yen, what it is now.

Our cost was something like $2.55 to $2.60 per hour average.

Mr. CORMAN. So they have roughly one-third of your labor cost. Would that be approximately right?

Mr. REESE. Approximately.

Mr. CORMAN. So they have $12 labor cost, where you have $36. With the 21 percent tariff now, you are up to $33, and you are trying to get to $36.

Actually, if you had maybe a 3 percent increase in tariffs, that would adjust for the difference in labor costs. Right?

Mr. REESE. We would have to check those figures out. It sounds reasonable, but I would have to check them out.

Mr. CORMAN. It does seem to me that, you know, adjusting the tariffs gets us completely away from the problem Mr. Gibbons suggests, and which I worry very much about.

Once you start administering quotas, you do away with whatever there is that makes a free economy tick. It does look to me like in many instances minor tariff adjustments may level out the labor cost differences.

Then if we do that, either American industry can compete, or they are asking us to protect an inefficient method of production.

Is that a reasonable conclusion?

Mr. REESE. We don't believe that our production efficiency is inadequate. As I stated before, our particular plant is the highest mechanized plant in the United States. The others follow very closely.

However, Japan now is importing automation from Germany. Germany is building the equipment, and it is being furnished to the Japanese plants. Once that happens, then, frankly, we have no hope of survival.

Mr. CORMAN. Wait a minute. If you all are automated, then the labor costs go out the window pretty much.

Mr. REESE. No; because Japanese labor costs now are much lower, as I believe you stated, a third lower, to begin with. As they automate, which they are doing very heavily in their industry, their labor costs go out the window, too.

Mr. CORMAN. Yes; but the point is that in trying to protect American labor living standards, you have to figure what the labor costs in whatever the unit cost of the product is when the consumer picks it up. If you are going to eliminate most of the labor cost in the Japanese product and on the U.S. product, first of all you are probably eliminating a whole lot more jobs through automation than you are through trade.

I am really, I guess, trying to get you to help me by telling me what the tariff would have to be to protect American labor so that we can do it with some degree of free economy rather than this terribly artificial, cumbersome, and I think disastrous quota system.

Mr. REESE. To answer in part your question, No. 1, I am only 39 years old, probably the youngest president of any industry of our type. Yet I started at an early age, and I have seen the working force go from where it took a good man to do a job to where it takes a man and a half to do the same job presently. So you don't get the quality that you previously got as recently as 10 years ago.

Mr. WILLIAMS. Congressman Corman, if I may address myself to this for just a moment.

Mr. CORMAN. Yes, sir.

Mr. WILLIAMS. I want to say for the American Dinnerware Emergency Committee that the main thrust of its presentation here has been to stay within the provisions of a statutory approach to this thing, and to improve the statutory approach.

We are perhaps the only industry, we know we are the only industry that has taken this thing right through the Tariff Commission, just the way the Trade Expansion Act has asked us to, and not only that,

but the only one that got four votes out of that Commission, despite the way the TEA is written.

Half of the relief that we sought couldn't be given to us because of this "in major part" business. Therefore, on the low end china dinnerware that competes with us, we are just out of luck.

That is why we are up here urging that you change the law.

With regard to how much of a tariff would be effective, that is a good question. I might say only this: that with regard to the earthenware dinnerware part that we did receive relief on from the Tariff Commission, they effectively adjust about doubled the rate. They took it back to 1967.

Yet, in spite of the fact that they doubled the rate, the report of the Tariff Commission that was just released the other days says that in 1972 compared to 1971, keeping in mind that the relief was made available May 1, 1972, that the domestic shipments have increased 8 percent.

That is fine. This is what we are looking for. However, the imports increased 18 percent, and this is at the same time, as Congressman Schneebeli was mentioning, that we have the devaluation of the yen, which we hoped would be even more significant than it turned out to be.

So that all I want to say is that our thrust is along established lines that you and Congressman Gibbons have been talking about. We just need the law to be changed, and changed quickly, if we are to stay within those lines.

Mr. CORMAN. What we are trying to figure out is how to change the law, and one of the most troublesome things for me is whether we are going to make it possible to go to a very broad quota system, because I think that the American businessman and the American public really get the short end of the stick when we move into quotas.

I think the beneficiaries are going to be the foreign producers when we go to quotas, because you will remove price competition.

I think you are telling me that American labor is just 50 percent last year than they used to be, and you are asking us to fix a system to let them survive. Is that what your president said?

Mr. REESE. No, that is only in my particular case, in my particular opinion.

Mr. GIBBONS. I have one question, if everybody else is through.

The CHAIRMAN. Mr. Collier.

Mr. COLLIER. I have just one comment.

I think the discussion of administering quotas is a matter which can hardly be outlined in advance, because it involves several alternatives including voluntary quotas, mandatory quotas, and flexible quotas, and relate them to a percentage of domestic consumption. I would think any proposal would have to be contingent upon all other negotiations under the normal bargaining procedures. Personally I would hope that reciprocity would be the key to any agreements in which we enter.

If it is not going to be, and depending upon the type of quotas based upon negotiations, then I certainly miss the whole purpose of the legislation before us.

Mr. WILLIAMS. Congressman Collier, if I may respond, I think you are absolutely right. I can assure you that the Japanese last year would have preferred, many of them, a substantial number of them would

have preferred an orderly marketing agreement to this tariff increase, because they knew what that was going to result in. They knew exactly how many dozen of this, that, or the other could be produced.

A tariff increase is unclear and unsure, and there is an uncertainty when you change a tariff.

I might say further that I think that if the administration had taken a strong position in favor of an orderly marketing agreement last fall with the Japanese in this dinnerware business, that we would have had it, and what we are trying to do is to urge this committee to add a little urging of its own to get the administration to work these things out, where possible, so that we don't burden the statutory process and eventually get to a point where we have to impose or seek to impose statutory quotas.

Frankly, we do not, ADEC does not urge statutory quotas. We are not here to urge it. Our position on statutory quotas, which we seem to have gone off into, and I try to bring it back, Mr. Chairman, is that we didn't mention it in our testimony.

On page 6 we said we needed an orderly marketing agreement, and we still do.

Mr. COLLIER. Again, that would be contingent on the product negotiations.

Mr. WILLIAMS. Certainly.

Mr. COLLIER. It is not something where you can sit here today and say this is going to be our position, and this is what we ought to do.

Mr. CORMAN. Would Mr. Collier yield for a moment?

The CHAIRMAN. Mr. Corman.

Mr. CORMAN. What troubles me is not how you work out a quota between two countries. Whether it is voluntary or involuntary, the end result is the same. It is an agreement in restraint of the free enterprise system.

My problem is the next step. Who gets by the quota in this country? How are the prices rigged? How is the consumer scalped? How is the small businessman scalped under that system?

It is that next step beyond that worries me. I don't really think there is any difference in a voluntary quota or an involuntary quota. I can imagine that the Japanese dinnerware people would be delighted if they could, and as a matter of fact, I always wondered why the Japanese weren't here urging us to adopt a textile quota, because then they would know how many dozen things they can sell and can rig the price to maximize their profits.

I believe in the free enterprise system, and that is what troubles me. As I say, I would rather see us adjust tariffs to compensate for labor cost differences, and still retain some degree of the free enterprise system, than to throw it out the window with artificially rigged markets.

It is not my concern about negotiating between the two countries. It is what happens to the American business community and the consumer after the agreement is made, voluntarily or involuntarily.

Mr. COLLIER. I think that is where our responsibility comes in.

In the bill there are provisions for the executive branch of Government to report back to the Congress its negotiating process and such guidelines and restrictions, limitations, as would deal with the very problems that you mention I am sure will be reflected in the concerns of the Congress and this committee as it reviews the negotiations in

this area. That probably will have to be worked out, if this bill is to be meaningful at all.

The CHAIRMAN. Are there any further questions?

If not, we thank you, Mr. Reese, for your testimony. We appreciate your coming.

Mr. REESE. Thank you very much.

The CHAIRMAN. Mr. Stewart. Eugene L. Stewart, who is a member of the Washington Bar. He has been before us before.

We appreciate having you back. You have established a reputation, Mr. Stewart, of being one of the best advocates who comes before the committee. We appreciate having you here today. You are recognized.

STATEMENT OF EUGENE L. STEWART, ON BEHALF OF ASG INDUSTRIES, INC., C-E GLASS DIVISION (COMBUSTION ENGINEERING), LIBBEY-OWENS-FORD CO., AND PPG INDUSTRIES, INC.

Mr. STEWART. Thank you.

Mr. Chairman, I appear today on behalf of four domestic manufacturers of flat glass, the kind of glass that is used to glaze house windows, storefronts of buildings, automobile windows, and the like.

I have an extensive statement, Mr. Chairman, and I would appreciate it if it could be included in the record.

The CHAIRMAN. Without objection, it will be included in the record, and you are recognized.

Mr. STEWART. I shall not read my statement but shall instead summarize the major points where the experience of these four producers might be helpful to the committee.

Regardless of the amount of authority which you give to the President to negotiate for a reduction in tariffs, there are three areas of the law which will require very serious attention.

First, an improvement of the present negotiating procedures that are designed to inform the President and his delegates so that their actions can be based upon wisdom, that is to say a full grasp of the factual essentials that pertain to their action.

Second, because the system will be administered by human beings, errors will be made and an adjustment procedure is required by which increases in imports so rapid and so massive as to harm significant American interests should be subject to adjustment. The present procedures are inadequate. Attention is needed to this area.

Third, as the tariff is lowered inexorably it is more and more important that the laws that are designed to prevent and clear up unfair methods of competition be strengthened, the antidumping and countervailing duty and other related provisions of the present unfair competition in foreign trade laws have inadequacies, and they are inadequately administered. Therefore, reform is required in this area too.

Finally, it is important that as a nation we take the leadership in extending preferential tariff treatment to developing countries. It is in our national interest to do so, and I would hope that especially in the case of Western Hemisphere developing countries that would be done.

If that is done, and those countries are to receive the intended benefit of this improved access to our markets, other measures must be taken to be sure that they receive that benefit.

With that as a sketch of the points which I seek to make, allow me to say first: The present negotiating procedures have been invoked by the four producers which I represent in each of the trade agreement preparations.

The chief flaw in those procedures is that the expert judgment which the Congress has provided for the Executive in the form of the Tariff Commission and its investigation and evaluation of the probable effect on domestic workers and industries has an insufficient role to play in the decisionmaking of the President as to how much duties will be reduced.

The Congress established the Tariff Commission in 1919. It has 55 years of experience. It has in particular a staff which is competent and has pride in the caliber of its work. The individuals who from time to time occupy the position of Tariff Commissioners learn to respect the ability of the staff and to apply their own good judgment.

Yet, the findings and recommendations of the Tariff Commission are largely ignored in the work done by the trade negotiators in determining how deeply duties will be reduced and what industries and workers will be affected.

We have appended to our statement amendments concerning the prenegotiating procedure which would almost accomplish the result of having the Commission's evaluation of which tariffs can be reduced by what amount form the blueprint of the President's negotiating package. Within those limits, the President would be free to operate.

If he chose to ignore the Commission's findings as to what the effect would be and the extent to which a tariff could be reduced, he could enter into such agreement, going beyond the Commission's limits, but he would be obliged to report that fact to the Congress with a copy of the trade agreement, and the Congress would have the right within 120 days by a resolution of either House to disapprove the President's action, sort of like an item veto of that feature of the trade agreement.

Then we go to the subject of the participation by workers and industry in this prenegotiating procedure.

Judgment must be continuously applied by the negotiators in the course of negotiating. I acknowledge that it would be unduly cumbersome to have the negotiating team filled out with many representatives of industry and labor and foreign trade interests that would also have the right to be there. It would be a babble of voices. This wouldn't help the negotiators. This is understood.

Nevertheless, it should be possible for the special representative for trade negotiations to accredit representatives of industry and labor and import interests so that they have the standing to be present in the city where the negotiations are taking place, and to be briefed by our negotiators in the course of negotiations, so that they may respond during such briefing with their advice.

Thus, this would be a means for the negotiating team to be continuously advised by the experts in the affected sectors of our industry without interfering with the actual negotiating process.

Allow me to go now to the second area of problems, the need for a reform of the tariff adjustment procedures following the negotiation of a trade agreement.

The four producers which I represent, successfully invoked the escape clause in 1962, and President Kennedy resolutely approved the increase in tariff that the Tariff Commission recommended.

His experience included the experience that you gentlemen have of representing a district and a State, and a State whose industries were sensitive to import problems.

Although he was the champion of liberal trade and worked hard to persuade you to enact the Trade Expansion Act, he remained sensitive to these problems and was willing to deal with them.

In similar fashion, President Johnson, with his compassion for the problems of the average man, the worker in an industry that could be displaced, was not oblivous to these problems.

However, the fact that they were willing to grant relief, and that their successor was unwilling to grant relief, merely demonstrates that we should not rely upon laws that leave so much discretion that you can get totally opposite results on the same meritorious cases in different administrations.

You should define the policy clearly enough so that the President, if the facts are there, will act. We recommend and append to our statement amendments that would accomplish this.

In essence, they consist of these elements: The Tariff Commission is entirely competent to make a thorough investigation, to find whether or not there is injury within your guidelines, and to advise the President of the amount of tariff adjustment needed to correct that injury.

We are not in favor of the use of mandated import quotas, because we understand that the United States must work within the framework of its international commitments, and they so systematically outlaw the use of quotas that it would create an added dimension of foreign policy disruption to consider the use of quotas as the prime tool for adjusting these problems.

I agree with the views that have been expressed here this morning from the members of the committee that when a tariff is used, even if it is placed at a level which would enable efficient producers to compete against foreign producers that have certain economic advantages, that the tariff nevertheless allows competition to take place, and competition can take place on the basis of superiority of product style, of available quantity, of delivery terms, and the like, and this kind of competition is good for the economy.

The vice of our system, however, is that the people with the power to decide, which literally means the advisers to the President, place very little weight upon the Tariff Commission's reports.

Without going through the discipline that the Commission engages in, an in-depth investigation, public hearings, the right of cross-examination with witnesses on a record, in-depth support from a knowledgeable staff, which is what the Tariff Commission has going for it, people in the executive branch believe that they can sit in their offices, study the papers, listen ex parte to the various interests that come in to talk to them, and make a superior decision to that of the Tariff Commission. It cannot happen. They don't have the expertise, the resources of information, or the judgment to do it.

Yet we have found in our experience, and I have found in my practice, that after the Tariff Commission decides a case in favor of industry, the only real significance of that is that it brings about an oc-

casion for the executive branch to go to work and to make the final legal decision, and in making that decision, virtually no weight is given to the Commission's opinion.

When the glass companies secured their escape clause action from President Kennedy in 1962, it was continued in effect by President Johnson, with a modification, in 1967.

Under the law that you gentlemen approved in 1962, the life of a tariff increase is 4 years, and it is necessary for the industry to go back prior to the terminal date, the 4-year anniversary, reapply for the relief, and prove its case all over again.

This the glass industry did, and in 1969 secured first a unanimous finding of the Tariff Commission that if the modified escape clause duties were removed and lowered, that would injure the industry.

We also applied for an increase in the tariff in a separate escape clause action, believing that was necessary. Three of the Commissioners found in our favor, and under the statute the President is entitled to accept that.

The President's staff, on the basis of a unanimous finding that an elimination of the duties would hurt us, let alone the separate matter of an increase, advised the President only to grant a 1-year extension.

At the 11th hour, because the Members of the Senate whose States had these plants were able to secure an appointment with the President and themselves bring his personal attention to the problem, a 2-year extension was granted.

We had to go back, because it was not now 4 years but 2 years, and apply prior to the expiration of that 2-year period for an extension of the existing modified escape clause rates, and we also applied for escape clause relief because we still felt that an increase was needed.

We secured again a unanimous decision from the Commission that a termination of the modified rates would seriously impair the economic strength of the industry. Separately, we received a determination of three of the members of the Commission that the industry was threatened with injury to the point that it needed an increase in duty.

This time there were no Members from Congress who placed themselves before the President to intervene. The staff of the President recommended that no extension be made of the modified escape clause duties, and, of course, they recommended a rejection of the increase in tariff.

So our duties, under a proclamation issued by the President, have been phased out, the modified escape clause duties, and the last element of that reduction takes effect in January of next year.

In letters explaining why they had taken this action to Congressmen who had written expressing their concern, the President's staff used words such as "Consumers tell us that there is a shortage, and their interests will be adversely affected."

The significance of my reference to this, Mr. Chairman, and I will get off this point in just a moment, is if the staff were informed by "consumers," that means that ex parte presentation of information has been made to the staff which the domestic industry is not given an opportunity to evaluate and rebut. There is no cross-examination, and this is an issue that was considered in depth by the Tariff Commission.

It is a case of the executive branch, on an ex parte procedure which

cannot be in depth, substituting its judgment for the expert opinion of the Tariff Commission.

The amendments which we have appended to our statement would straighten this situation out, and I must say it would do it in this way: Where the Tariff Commission found injury and recommended an increase in the tariff, the President would be obliged to place that into effect. If he disagreed, he could send a message to the Congress giving his reasons, and if the Congress chose to then, it could adopt a resolution affirming the President's decision and the indicated desire of the President would then go into effect, rather than the increased tariff.

If I may go to the antidumping and countervailing duty statute, here I have first of all an obligation to say something pleasant.

The committee was concerned in prior years about the caliber of administration of the Antidumping Act, the very extended delays in the processing of cases.

This administration has beefed up the staff of the antidumping unit, and in particular because of the superior administration of that unit by Mr. Neil Marsh, the delays have been eliminated. There is no longer any valid occasion on anyone's part to complain about delays.

I have presented dozens of cases before the unit, probably lost as many as I won, so that I can't be described as being overjoyed by the caliber of judgment, but that is a matter upon which reasonable men can differ.

The important thing is that the Treasury Department through the Bureau has done an exemplary job of streamlining the procedures, and the man in particular, in my judgment, who deserves the lion's share of the credit is the administrator of that unit, Mr. Neil Marsh. I hope my placing this acknowledgement on the public record doesn't harm his career.

Excuse me, Mr. Chairman. I know you have a timetable. Should I desist? I have used 30 minutes.

The CHAIRMAN. No. Go right ahead. We always appreciate your comments.

Mr. STEWART. In 1958 you amended the Antidumping Act, and you had a special reason for doing it. When you had approved the Customs Simplification Act of 1954 and 1956 and authorized the removal of the safeguards against undervaluation that had been built into our complex valuation standards, you said in the law that you wanted the Secretary of the Treasury to study the operation of the Antidumping Act, and to come back with recommendations for amendments to the law that would make it more efficient and do a better job of protecting American industry, in view of the loss through simplification of other protection against undervaluation.

The principal amendment that you adopted in that law was authority for the Secretary in comparing the home market price and the export price, the difference between which is dumping, to make adjustments by way of subtractions from the home market price for differences in the circumstances of sale applicable to the transactions in the two markets, and for differences in the product.

The motive was good. Under the law, however, the Secretary is obliged to make such adjustments to eliminate the margin of dumping

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only if he believes that the difference in price is due to such differences in circumstances of sale.

The foreign interests in antidumping proceedings elaborate claims for expenses incurred in the home markets that they allege do not apply to export sales in order to have those claims recognized to bring the home market price down and eliminate the dumping.

This reached such a stage of abuse that a year ago the Treasury Department proposed in its amendment of the regulation to lay down a condition that selling expenses, one of the prime categories which is the subject of these claims, would be recognized only if they were directly related to the merchandise being compared, in sales of that merchandise.

The foreign interests that understand that the gate was being closed on their escape hatch mounted protests through their governments, and the force of those protests through diplomatic channels was such that the Treasury Department in publishing its changed regulation dropped that particular requirement.

Mr. Chairman, and ladies and gentlemen, the abuse in the administration of the Antidumping Act is now centered on the difficult task that the Treasury Department and the Bureau of Customs has of deciding when a claimed difference is really a difference, and whether the difference in price of the products being compared is due to such differences in selling terms and the like.

This was not present in our law prior to 1958. Our recommendation is that the feature of the 1958 act be repealed.

The countervailing duty statute: The recent decision of the Treasury Department imposing countervailing duties on radial steel-belted tires from Canada is a welcome sign that they may have an interest now, belatedly, in enforcing that statute. It is the most underadministered, indeed nonadministered mandatory statute in the domain of tariff and customs laws.

We are in the position we are in, of nonadministration, because the executive branch feels that, notwithstanding the provisional basis on which we executed GATT, meaning that it won't repeal any domestic laws, because we had explicitly allowed the use of internal taxes in the form of direct taxes to be imposed on imports by other countries at the border at a time when our negotiating diplomats felt that our competitive strength had no limit, and to be remitted on exports, the Treasury Department feels that now to impose countervailing duties on the remission of internal taxes in the country of origin would in some way violate our commitments in GATT.

Mr. Chairman, the chief way in which foreign countries subsidize their exports to the United States is in the remission or forgiveness of their domestic tax burden, which, of course, our producers must bear in competing with them in the U.S. market.

The recommendations that we have would make it clear that the remission or forgiveness of taxes is a bounty or grant subject to action under the countervailing duty laws.

Let me put to you just a poignant example of how the nonadministration of this law has injured one of our basic industries.

When the escape clause case was initiated by the workers before the Tariff Commission on television sets seeking an adjustment of the

tariff, and when subsequently workers tried to get adjustment assistance on television sets and other consumer electronic products, the Commission said in its report:

The principal cause of the injury to this domestic industry and its workers is not the increase in imports stimulated by tariff concessions. It is the combination of subsidies granted by the Japanese Government and the use of dumping which has accounted for the penetration of the American market and the unemployment.

No action has been taken by the United States against those various forms of subsidy.

The action taken in the dumping case was trivial because, whereas the real margin of dumping was 40 percent, after allowing all of these fanciful claims for adjustment, the Bureau of Customs found a margin of dumping of only 9 percent, which wasn't enough to do the job.

Therefore, we earnestly call your attention to the amendments to the countervailing duty statute, which are a reflection of intensive market research which my law firm has commissioned throughout Europe and in Asia to learn about the kinds of subsidies in fact being used to finance the expansion of capacity for export in selected industries.

Mr. Chairman, the point that we offer on preferential tariff treatment is simply this: A developing country moves ahead by moving from the production of primary products, of course, as we know to industrial products. When it produces industrial products, if its standard of living is to rise, it must have markets in addition to its own internal markets, and it is good that they are given preferential access to the markets of developed countries.

However, those products that would be the subject of preference are already being imported in major quantities from developed countries.

Just as the developing country will have difficulty without such preference in successfully marketing their newly emerging industrial products in the United States, so, too, they will have difficulty with such preference competing with foreign countries, developed countries sending similar products into the United States.

Our recommendation is this: Before the President grants by proclamation, under the authority which you might give him preferential treatment to a developing country's products, the Secretary of Commerce, drawing upon all of the resources of the Bureau of the Census, should supply to him an evaluation of domestic consumption, the part of domestic consumption filled by imports from developed countries, and what the status of the domestic industry is; is it participating in the growth of consumption in the market or not?

Then the Secretary should recommend to the President the use of quantitative limitations on imports from developed countries in order to assure that imports from the developing countries, free of any limitations, have a chance to share in the growth of domestic consumption.

Mr. Chairman, I thank you and the members of the committee for your attention to my testimony.

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

STATEMENT OF EUGENE L. STEWART, ON BEHALF OF ASG INDUSTRIES, INC., C-E GLASS, LIBBEY-OWENS-FORD CO., AND PPG INDUSTRIES, INC.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Eugene L. Stewart, and I appear here today in my capacity as counsel for four domestic producers of flat glass; namely -

ASG INDUSTRIES INC.
Kingsport, Tennessee

C-E GLASS, A SUBSIDIARY OF
COMBUSTION ENGINEERING, INC.
Pennsauken, New Jersey

LIBBEY-OWENS-FORD COMPANY
Toledo, Ohio

PPG INDUSTRIES, INC.
Pittsburgh, Pennsylvania

During the past ten years, these domestic producers have repeatedly invoked the escape clause of the trade agreements legislation seeking an adjustment in imports to eliminate the serious injury caused or threatened by increased imports, as well as the Antidumping Act in an attempt to correct the injury which they have sustained as a result of the use by their foreign competitors of the unfair method of competition known as dumping.

The experiences of these domestic producers in their efforts to secure the administration of the remedies provided by the Congress against import injury led them to believe that they can be useful to this Committee in its consideration of foreign trade legislation by presenting a concise description of the inadequacies of existing law as administered by the Executive Branch of the Government. To this end we present our testimony in four sections:

1. Based on the experience of the domestic producers of flat glass, the reforms which are required in the prenegotiating procedures incident to the use by the President of trade agreements authority;

2. Based on the experience of the domestic producers of flat glass, the reforms which are required in the post-trade agreement procedures for the adjustment of increased imports to correct serious injury caused or threatened to a domestic industry by imports stimulated by trade agreement concessions;

3. Based on the extensive experience of these domestic producers, the reforms which are required in the antidumping and countervailing duty statutes and administration; and

4. Based on the number of developing countries which have an export surplus in their manufacture of flat glass, the improvement which is required in the specification of the conditions and procedures precedent to the grant of preferential tariff treatment to manufactured products imported from developing countries.

The term "flat glass" as used in this statement refers to the following types of glass:

a. Sheet glass, presently the least expensive category of flat glass, which is principally used in the glazing of windows and patio doors of residences;

b. Plate glass, a very high quality flat glass product which is chiefly used in the glazing of store fronts, office buildings, other institutional structures, and in high quality mirrors;

c. Float glass, a comparatively new flat glass product made by a revolutionary technological process, interchangeable in quality with plate glass for most applications, which is less expensive to produce than plate glass but still more expensive than sheet glass used for the glazing of residences;

d. Cast and rolled glass, which as patterned or obscure glass is principally used as the partitions in offices and other institutional structures, in the glazing of doors, and for such residential applications as shower doors;

e. Polished wire glass, which is produced so that a wire grid of various designs is imbedded in the interior of the glass, and is chiefly used as safety glass in schools, factories, and other institutional buildings; and

f. Tempered glass, produced by the controlled heating and cooling of sheet, float, or rolled glass, is principally

used for the side and rear windows of automobiles, and for patio doors and the glazing of other openings in residences and office buildings to comply with state and municipal laws requiring the use of glass more resistant to breakage than ordinary glass which, upon breaking, fragments into small blunt particles, minimizing the risk of injury.

Historically, the technology for the production of sheet and plate glass, cast and rolled glass, and tempered glass originated in or was advanced to its current technological state in the United States. The most recent advance in the technology of flat glass manufacture, the float glass process, was developed by Pilkington Brothers, the British flat glass monopoly. All flat glass manufacturing technology is widely licensed throughout the world.

With the exception of float glass to which I shall make further reference in a moment, the manufacture of flat glass is highly labor intensive. The raw material for flat glass manufacture, silica sand, is widely distributed throughout the world. The energy resources required to operate the glass melting furnaces is also generally available throughout the world. The high skills required of production workers in the operation of the flat glass factory and the cutting and edge treatment of the glass following manufacture result in comparatively high wages. In the United States, the average hourly wages paid production workers in the flat glass industry rank 10th out of 259 industries or groups of industries, as reported by the Trade Relations Council of the United States in its study, *Employment, Output, and Foreign Trade of U. S. Manufacturing Industries, 1958-71* (Fifth Edition), 1973, Volume 3, p. 886.

The manufacture of plate glass was especially labor intensive because of the necessity of grinding and polishing the surfaces of the glass after it was formed and cooled. Float glass, by contrast, which is generally interchangeable on a commercial basis with plate glass, is significantly less labor intensive because of the elimination in that process of the necessity for grinding and polishing the surfaces of the glass. Float glass is produced by pouring the molten glass on a bed of melted tin which as a stabilized liquid causes the surface of the glass resting against it to be smooth and free from distortion while the upper surface of the melted glass becomes equally stabilized by the pressure of the atmosphere against it, leaving it equally smooth and free from distortion.

Float glass manufacturing, however, is quite capital intensive in comparison with other types of flat glass. The capital investment per worker required for a float glass manufacturing plant is significantly greater than that required for other glass manufacturing plants of comparable capacity.

There has been a steady deterioration in the U. S. balance of trade in flat glass in recent years. While U. S. exports in significant volume are limited essentially to our shipments to Canada, U. S. imports originate in virtually every quarter of the world. This is shown by the value of U. S. imports of flat glass presented in the following Table 1 taken from the report of the Trade Relations Council previously mentioned, and by the data concerning the quantity of U. S. imports by country of origin presented in the following Table 2.

TABLE 1

ORIGIN AND DESTINATION OF FOREIGN TRADE OF U.S. MANUFACTURING INDUSTRIES - 1969,1970 AND 1971

32110....FLAT GLASS (PLUS 32313 AND 32315)

COUNTRY OR GEOGRAPHIC AREA	1969 IMPORTS	1969 EXPORTS	1969 NET BAL.	1970 IMPORTS	1970 EXPORTS	1970 NET BAL.	1971 IMPORTS	1971 EXPORTS	1971 NET BAL.
	THOUSANDS OF DOLLARS			THOUSANDS OF DOLLARS			THOUSANDS OF DOLLARS		
* NORTH AMERICA	29,012	28,279	8,266	32,331	30,755	-1,575	40,818	33,214	-7,603
CANADA	19,764	25,289	5,525	32,228	27,203	-5,025	39,599	31,270	-8,328
MEXICO	248	2,045	1,796	101	2,436	2,334	1,217	1,271	53
* SOUTH AMERICA	504	2,129	1,625	462	2,772	2,310	403	1,548	1,145
VENEZUELA	0	821	820	6	1,135	1,128	4	579	576
PERU	0	115	115	3	46	43	2	55	53
CHILE	0	229	228	0	303	303	0	149	149
BRAZIL	0	327	327	0	730	730	8	337	328
ARGENTINA	0	194	193	1	151	150	1	107	106
* EUROPE	59,918	4,228	-55,690	54,084	4,123	-49,960	53,886	3,806	-50,079
EUROPEAN ECONOMIC COMM.	46,061	2,816	-43,245	42,470	2,663	-39,807	35,218	3,016	-32,201
NETHERLANDS	322	253	-69	311	153	-157	505	376	-128
BELGIUM & LUXEMBOURG	20,736	561	-20,175	18,354	285	-18,069	15,959	206	-15,752
FRANCE	4,883	1,071	-3,812	3,901	542	-3,359	2,017	1,333	-683
WEST GERMANY	14,669	728	-13,940	14,632	1,080	-13,551	13,059	358	-12,700
ITALY	5,451	223	-5,227	5,273	604	-4,669	3,677	743	-2,933
EUR. FREE TRADE ASSOC.	9,656	1,312	-8,344	6,924	1,360	-5,563	11,571	580	-10,990
SWEDEN	452	152	-299	654	202	-451	661	92	-568
NORWAY	0	0	0	1	0	0	11	6	-4
FINLAND	1,420	1	-1,418	984	2	-981	1,046	0	-1,045
DENMARK	68	12	-56	56	28	-27	4,116	21	-4,095
UNITED KINGDOM	6,915	1,065	-5,849	4,204	1,037	-3,167	4,395	346	-4,048
AUSTRIA	249	2	-247	331	1	-330	488	4	-483
SWITZERLAND	111	79	-32	157	45	-112	70	80	10
PORTUGAL	440	0	-439	537	45	-491	785	32	-752
OTHER(NON-COMMUNIST)	980	90	-889	1,561	94	-1,467	2,499	200	-2,293
COMMUNIST COUNTRIES	3,221	11	-3,210	3,129	6	-3,123	4,598	9	-4,589
EAST GERMANY	82	0	-82	30	0	-29	32	0	-31
CZECHOSLOVAKIA	153	0	-152	78	0	-78	148	0	-147
POLAND	1,205	9	-1,196	1,096	0	-1,095	1,488	0	-1,487
RUSSIA	1,304	0	-1,303	1,492	0	-1,491	1,605	0	-1,604
YUGOSLAVIA	272	1	-270	194	3	-190	112	5	-106
ALBANIA	135	0	-135	153	0	-153	921	0	-920
BULGARIA	5	0	-4	7	0	-7	0	0	0
* ASIA	27,232	1,556	-25,675	26,948	1,191	-25,756	20,108	1,193	-18,913
MIDDLE EAST	719	608	-110	698	575	-122	673	631	-41
ISRAEL	719	25	-694	696	81	-615	672	24	-647
UNITED ARAB REP.	0	1	0	0	5	4	0	0	0
SOUTHEAST AND SOUTHERN	111	277	166	61	324	262	43	193	150
INDIA	65	78	12	61	101	39	39	15	-23
SINGAPORE	0	16	16	0	8	7	0	27	27
EASTERN	26,403	671	-25,731	26,188	292	-25,896	19,391	369	-19,021
SOUTH KOREA	5	62	57	59	43	-16	507	15	-491
HONG KONG	766	18	-748	2,114	32	-2,082	1,448	17	-1,431
TAIWAN	2,790	11	-2,778	2,661	15	-2,645	2,061	39	-2,021
JAPAN	22,838	508	-22,330	21,354	194	-21,159	15,375	291	-15,083
CHINA	0	0	0	0	0	0	0	0	0
* AUSTRALIA & SOUTH PAC.	896	1,445	549	874	1,928	1,054	1,142	1,547	404
* AFRICA	3	389	386	104	491	387	3	438	434
REP. OF SOUTH AFRICA	1	246	244	103	426	323	1	355	354
** TOTAL	108,566	38,082	-70,483	114,802	41,310	-73,492	116,361	41,746	-74,613

SOURCE: Trade Relations Council of the United States, Inc., *Employment, Output, and Foreign Trade of U. S. Manufacturing Industries, 1958-71* (Fifth Edition), 1973.

TABLE 2

DETAILED COMPARISON OF U. S. IMPORTED GLASS FOR THE YEAR 1972 AND THE YEAR 1971

(In thousands of actual sq. ft.)

	CLEAR PLATE/FLOAT			COLORED PLATE			CLEAR WINDOW/SHEET			COLORED WINDOW/SHEET			TEMPERED			TOTAL IMPORTED GLASS*			
	1972	1971	Quantity Change	1972	1971	Quantity Change	1972	1971	Quantity Change	1972	1971	Quantity Change	1972	1971	Quantity Change	1972	1971	Quantity Change	% Change
Australia		26	-26	2	5	-3	7,971	4,324	+3,647	6,470		+6,470	4		+4	14,447	4,355	+10,092	+232%
Austria							3,187	5,108	-1,921							3,187	5,108	-1,921	-38%
Belgium	10,334	7,899	+2,435	521	936	-415	49,589	38,318	+11,271		7,366	-7,366	3,457	3,226	+231	63,901	57,745	+6,156	+11%
Brazil				39		+39	311	91	+220							350	91	+259	+285%
Bulgaria							72		+72							72		+72	+100%
Canada	15,457	1,173	+14,284	14,399	9,165	+5,234	22,459	5,549	+16,910	36		+36	11,017	12,774	-1,757	63,368	28,661	+34,707	+121%
Columbia							1,769	5,634	-3,865							1,769	5,634	-3,865	-69%
Czechoslovakia							8,764	2,913	+5,851							8,764	2,913	+5,851	+200%
Denmark							399	8,286	-7,887				422		+422	821	8,286	-7,465	-90%
East Germany							292	700	-408							292	700	-408	-58%
Finland							11,596	9,002	+2,594					20	-20	11,596	9,022	+2,574	+29%
France	2,611	3,911	-1,300	15	18	-3	214	330	-116	263	237	+26	291		+291	3,394	4,496	-1,102	-25%
Greece							11,189	12,353	-1,164	9		+9				11,198	12,353	-1,155	-9%
Hong Kong							96		+96					3	-3	96	3	+93	+3,000%
Hungary							15,375	7,015	+8,360							15,375	7,015	+8,360	+119%
India							833	617	+216							833	617	+216	+35%
Israel							1,212	8,144	-6,932	6		+6				1,218	8,144	-6,926	-85%
Italy	1,660	2,627	-967				17,400	18,426	-1,026		5	-5	91	33	+58	19,151	21,091	-1,940	-9%
Japan	8,967	8,534	+433	3,654	2,296	+1,358	45,870	14,123	+31,747	1,512	479	+1,033	6,587	3,401	+3,186	66,590	28,833	+37,757	+131%
Korea							18,707	5,554	+13,153				16		+16	18,723	5,554	+13,169	+237%
Mexico		4	-4	109		+109	5,627	4,954	+673							5,736	4,959	+778	+16%
Netherlands	38	10	+28				5,179	1,668	+3,511		180	-180	1,110	451	+659	6,327	2,309	+4,018	+174%
Norway							18	83	-65							18	83	-65	-78%
Poland							17,229	15,148	+2,081		1	-1	2,533	2,078	+455	19,762	17,227	+2,535	+15%
Portugal							6,314	4,865	+1,449							6,314	4,865	+1,449	+30%
Rep. of Philippines							10,890	28	+10,862							10,890	28	+10,862	+38,793%
Rumania							63,637	24,870	+38,767				60		+60	63,697	24,870	+38,827	+156%
Spain	355	511	-156				18,569	9,579	+8,990	35		+35	1,664	368	+1,296	20,623	10,458	+10,165	+97%
Sweden	4	8	-4				28	2,544	-2,516				178	229	-51	210	2,781	-2,571	-92%
Switzerland	1		+1				15	57	-42							16	57	-41	-72%
Taiwan	4	13	-9				18,958	15,970	+2,988				1,883	958	+925	20,845	16,941	+3,904	+23%
Thailand							5,363		+5,363							5,363		+5,363	+100%
Turkey							7,633	8,563	-930							7,633	8,563	-930	-11%
U.S.S.R.							36,056	29,732	+6,324	25		+25				36,081	29,732	+6,349	+21%
United Kingdom	10,064	3,704	+6,360	238	82	+156	15,414	7,039	+8,375		19	-19	311	203	+108	26,027	11,047	+14,980	+136%
West Germany	3,791	2,818	+973	114	123	-9	35,044	26,997	+8,047	945	706	+239	425	505	-80	40,319	31,149	+9,170	+29%
Yugoslavia								2,463	-2,463								2,463	-2,463	-100%
Unknown				1		+1	30	68	-38							31	68	-37	-54%
TOTAL	*53,286*	*31,238*	*+22,048*	*19,092*	*12,625*	*+6,467*	*463,309*	*301,115*	*+162,194*	*9,301*	*8,993*	*+308*	*30,049*	*24,249*	*+5,800*	*575,037*	*378,220*	*+196,817*	*+52%*

* *Excluding wired/figured and miscellaneous glass.*

SOURCE: Derived from data supplied by the U. S. Department of Commerce, Bureau of the Census.

Imports of flat glass have increased steadily during the past 15 years, and with special vigor during the latter half of the 1960's and the early portion of the 1970's. The data presented in the report previously mentioned establish that using the average of the years 1964-1966 as a benchmark, during the intervening years to 1971 imports increased at an average *annual* rate of 15.3% in comparison with a rise in U. S. exports of only 4.3% per year. The domestic market for flat glass grew at an average annual rate of only 4.3%.

The rapid increase in imports in comparison with the slow growth of the domestic market necessarily resulted in suppressing the growth of domestic shipments, which increased at the rate of only 3.5% a year. Because of the sustained increase in the productivity of the workers in the domestic industry, this minimal rate of growth, so strongly influenced by the rapid increase in imports, resulted in a loss of employment of production workers at the average annual rate of 4.8%.

The reduction in U. S. import duties profoundly influenced the adverse rate of growth of imports compared with domestic output and employment. For the benchmark period, the average of 1964-1966, the ad valorem equivalent of the duties collected on imports in relation to the f.o.b. origin value of such imports was 25.6%. Due to reductions in the U. S. tariff which I shall describe more fully in a moment, the ad valorem equivalent of U. S. imports duties declined steadily, until in 1971 it had descended to the level of 10.7%. This summary of the adverse trends of U. S. imports compared with domestic sales and employment in the flat glass industry is based upon the following data taken from the report of the Trade Relations Council, previously cited.

TABLE 3

INDUSTRY CODE 32118....FLAT GLASS (PLUS 32313 AND 32315)

YEAR		EMPLOYMENT TOTAL (1) -TH.-	EMPLOYMENT PROD. WORKER (2) -TH.-	PAYROLL TOTAL (3) -M.$-	PAYROLL PROD. WORKER (4) -M.$-	PROD. MAN HOURS (5) -M.-	AVE. HRLY WAGE (6) -$-	CAPTL. EXPEN-DITURE (7) -M.$-	VALUE ADDED BY MFR (8) -M.$-	LABOR INTEN RATIO (9) -%-	VALUE OF SHIPTS (10) -M.$-	VALUE ADDED % VAL SHPTS (11) -%-	
A58-60	L1	24.0	20.5	160.6	135.6	41.4	3.26	25.5	336.3	48.1	786.7	42.6	L1
A61-63	L2	22.1	18.8	160.3	133.5	38.0	3.51	33.7	321.4	50.1	775.2	41.4	L2
A64-66	L3	24.2	20.5	196.6	163.5	43.6	3.75	45.8	425.1	46.3	557.9	44.3	L3
1967	L4	23.9	19.8	196.6	157.6	40.2	3.92	59.9	422.9	46.5	973.5	43.4	L4
1968	L5	22.0	18.4	196.4	158.7	39.2	4.05	33.4	479.6	41.0	1,142.6	42.0	L5
1969	L6	22.4	18.5	213.4	171.2	39.0	4.39	48.9	514.1	41.5	1,237.1	41.6	L6
1970	L7	19.6	16.0	198.5	157.7	33.9	4.65	75.4	454.5	43.7	1,137.7	39.9	L7
1971	L8	20.2	16.7	212.8	170.6	35.2	4.85	64.5	569.0	37.4	1,329.0	42.8	L8
A68-70	L9	21.3	17.6	202.8	162.5	37.4	4.36	52.6	482.7	42.0	1,172.5	41.2	L9
G(L1-L7)	L10	-1.7	-2.1	1.9	1.4	-1.7	3.28	10.3	2.8	-.8	3.4	-.5	L10
G(L3-L7)	L11	-4.1	-4.8	.2	-.6	-4.8	4.43	10.5	1.3	-1.1	3.5	-2.0	L11
G(L1-L9)	L12	-1.1	-1.4	2.4	1.8	-.9	2.95	7.5	3.7	-1.2	4.1	-.2	L12

YEAR		IMPORTS FOB (12) -M.$-	IMPORTS LANDED COST (13) -M.$-	EXPORTS FAS (14) -M.$-	EXPORTS VALUED MILL (15) -M.$-	IMPORTS DOMESTIC MARKET (16) -M.$-	FOB, EXPORTS FAS IMP. PRCT DOMMKT (17) -%-	FOB, EXPORTS FAS NET JOB EQUIV (18) NUMBER	L.C., EXPORTS V.M. IMPORTS DOMESTIC MARKET (19) -M.$-	L.C., EXPORTS V.M. IMP. PRCT DOMMKT (20) -%-	L.C., EXPORTS V.M. NET JOB EQUIV. (21) NUMBER	CUTY PRCNT OF IMPORTS FOB (22) -%-	CUTY PRCNT OF IMPORTS CIF (23) -%-	
A58-60	L1	45.8	66.3	17.3	15.5	819.3	6.0	-987	838.0	7.9	-1,558	15.1	12.7	L1
A61-63	L2	49.8	69.2	20.2	18.2	804.8	6.2	-853	826.2	8.4	-1,464	20.0	16.8	L2
A64-66	L3	56.3	81.4	33.4	30.1	980.8	5.8	-578	1,009.2	8.1	-1,258	25.6	21.5	L3
1967	L4	71.7	96.6	39.8	35.8	1,005.4	7.1	-783	1,034.2	9.3	-1,490	15.6	13.1	L4
1968	L5	104.1	138.0	36.5	32.8	1,210.2	8.6	-1,301	1,247.7	11.1	-2,023	13.5	11.4	L5
1969	L6	108.6	141.8	38.1	34.3	1,307.6	8.3	-1,275	1,344.6	10.5	-1,945	11.6	9.7	L6
1970	L7	114.8	151.2	41.3	37.2	1,211.2	9.5	-1,265	1,251.8	12.1	-1,964	12.7	10.7	L7
1971	L8	116.4	151.0	41.7	37.6	1,403.6	8.3	-1,133	1,442.4	10.5	-1,722	10.7	9.0	L8
A68-70	L9	109.2	143.7	38.6	34.8	1,243.0	8.8	-1,280	1,281.4	11.2	-1,978	12.6	10.6	L9
G(L1-L7)	L10	7.9	7.7	8.3	8.3	3.6	4.2	-1	3.7	3.9	-1	-1.5	-1.5	L10
G(L3-L7)	L11	15.3	13.2	4.3	4.3	4.3	10.5	-16	4.4	8.4	-8	-12.9	-12.5	L11
G(L1-L9)	L12	8.2	8.0	8.4	8.4	4.3	3.8	-2	4.3	3.6	-1	-1.7	-1.7	L12

FOOTNOTES: THE VALUE OF SHIPMENTS DATA EXCLUDE INDUSTRY 32313.
"A" - INDICATES AVERAGE FOR THE TIME PERIOD SHOWN.
"G" - INDICATES AVERAGE ANNUAL RATE OF CHANGE.

SOURCE: Trade Relations Council of the United States, Inc., *Employment, Output, and Foreign Trade of U. S. Manufacturing Industries, 1958-71* (Fifth Edition), 1973.

A fact of major importance to a consideration of the economic implications to the U. S. flat glass industry of reductions in U. S. import duties and the passive or even negative attitude on the part of the Executive Branch of the U. S. Government toward the use of the escape clause to correct or prevent serious injury to the domestic industry from increased imports, is the cartel-like relationship between the dominant elements of the European flat glass industry.

By agreement entered into in 1972, two of the Continent's largest glass manufacturers, France's Boussois-Souchon-Neuvesel (BSN) and Belgium's Glaverbel, are to merge into a single corporate entity: BSN will spin off all of its sheet glass manufacturing assets to its 92%-owned Belgian subsidiary, Mecaniver, which will then merge with Glaverbel. The BSN-Glaverbel group will then account for some 40% of sheet glass production in the "enlarged" EEC plus Spain, and will then rank among the world's largest sheet glass producers. The foreign operations of BSN and Glaverbel are complementary, and the coördination to be achieved via the merger will be carried out on a worldwide scale. Between them, BSN and Glaverbel have manufacturing subsidiaries in Austria, Germany, Italy, The Netherlands, Spain, Switzerland, the U. K., and Turkey; in Argentina, Brazil, Chile, and Peru; in Iran and South Africa; and in Canada and the United States.

Presently, BSN, Glaverbel, and St. Gobain pont de Mousson control EEC production of sheet glass, and plate and float glass. The sheet glass market is dominated by BSN and Glaverbel, and plate and float glass by St. Gobain pont de Mousson which, directly or indirectly, has a dominant position in each EEC country.[1]

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[1] St. Gobain pont de Mousson, as a result of the acceptance of its recent tender offer, is reported to have acquired a controlling interest in Certainteed Products Corporation, Valley Forge, Pennsylvania, a move which forecasts possible reëntry by St. Gobain pont de Mousson into the U. S. glass industry.

By virtue of acquiring a 72% interest in Germany's leading sheet glass producer, Flachglas AG, BSN now controls 80% of the German market in addition to 66% of the French market. In the Benelux countries, Glaverbel controls from 90% to 95% of the sheet glass market, and accounts for from 30% to 40% of plate and float glass production. Upon the consummation of the BSN-Glaverbel merger, there will be only two major sheet glass producers in the original EEC: BSN-Glaverbel and St. Gobain. As a result of its acquisition of Glaverbel, BSN's market dominance throughout the EEC will be strengthened, as the combined group will control 72% of sheet glass production. The EEC authorities are studying the antitrust implications of the BSN-Glaverbel merger.

Great Britain's entry into the Common Market will bring Pilkington Brothers Ltd., Europe's largest producer of float glass, into the EEC.

Until its dissolution in 1969, Glaverbel, BSN, St. Gobain, and Pilkington were members of Centraver, a cartel of European glass manufacturers that respected each others domestic and export markets.[2]

In June and July 1970, the Commission of the European Communities announced that as a result of a three-year investigation of agreements and concerted practices within the flat glass sector which seriously restricted competition in that oligopolistic market, which coincided with a tendency by some of the members to follow a more independent policy than provided for in the cartel agreement, the members of the cartel had

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[2] The preceding discussion concerning the BSN-Glaverbel merger, its market share significance, and the Centraver cartel is based upon *Business Europe*, "Weekly Report to Managers of European Operations," June 9, 1972, pp. 177-179.

brought about its dissolution and the closing down of its secretariat.[3] Nevertheless, the Commission found, the European producers that belonged to the cartel had entered into other agreements which restricted potential access to the glass market in the EEC to the extent that effective competition could not be maintained within the Community. As a result of the Commission's intervention, the restrictive provisions of these agreements were terminated.

A separate announcement of the Commission described the existence of concerted practices between German and Italian manufacturers of sheet glass which restricted trade between the two countries.[4] As a result of the Commission's intervention, the European producers promised to put an end to such practices.

These actions by the Commission and the underlying agreements and cartel organization against which they were directed are reflective of the concerted practices of the dominant members of the European glass industry which not only restricted access to Continental European markets, but which also had the tendency of concerting their export activities on key markets such as the United States in a manner inimical to the best interest of such export markets. The technique by which the home markets of the European producers were denied to outsiders includes the operation of a rebate cartel. This is a technique in which the participating members of the oligopoly agree to a schedule of rebates to purchasers of glass

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[3] CCH, *Common Market Reporter*, ¶9382.
[4] *Ibid.*

which has the effect of discouraging such purchasers from buying glass from outside sources.

Under the rebate cartel provisions, purchasers were credited with glass purchased from any of the members of the cartel. These purchases were aggregated so as to qualify the purchasers for maximum rebates. The effect of the rebates was to make it economically attractive for European users of glass to purchase from the members of the cartel than from outsiders, such as U. S. producers.

When the German Federal Cartel Office objected to the rebate cartel for flat glass as it affected commerce in that country, the Berlin Court of Appeals in a decision handed down on December 28, 1966, overruled the objections of the Federal Cartel Office, so that the flat glass cartel was validated by the local law of Germany. That decision was upheld by the German Federal Supreme Court on February 5, 1968.[5]

Notwithstanding the clear-cut evidence that the European industry is in fact a tight oligopoly which has not hesitated to use anti-competitive methods for the marketing of its output of flat glass through the cartel and other agreements which have been the object of concern for antitrust authorities in Europe, the U. S. Antitrust Department has intervened in Tariff Commission proceedings initiated by the domestic flat glass producers in a transparent effort to secure for the U. S. consumer the "benefits" of the marketing objectives of the European cartel.

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[5] Organisation for Economic Co-operation and Development, *Aggregated Rebate Cartels*, "Report of the Committee of Experts on Restrictive Business Practices," 1972, pp. 30-31.

I. RECOMMENDATIONS FOR REFORM OF THE PRENEGOTIATING PROCEDURES BASED UPON THE DOMESTIC GLASS INDUSTRY'S EXPERIENCE IN PRIOR U. S. TRADE AGREEMENT NEGOTIATIONS

Because sheet glass tariffs were subject to escape clause action taken by President Kennedy, they were not subject to further tariff concessions in the Kennedy Round under the provisions of Section 225 of the Trade Expansion Act of 1962. The duties applicable to sheet glass were in fact subsequently reduced by actions taken by Presidents Johnson and Nixon. The experience of the industry in connection with such Presidential actions provides the basis of its recommendations for the reform of tariff adjustment procedures in a subsequent section of this statement.

All other categories of flat glass were reduced in duty not only in the Kennedy Round but in prior trade agreement negotiations. The domestic producers availed themselves of the opportunity provided under the then-existing prenegotiating procedures to present evidence both to the interagency organization established within the Executive Branch and to the Tariff Commission. On the basis of the economic data presented, the domestic producers requested that no further reductions be made in glass tariffs. These requests were unavailing.

The following Table 4 summarizes the deep reductions made in flat glass tariffs during the history of the trade agreements program. All categories of flat glass (except sheet glass, which is to be discussed later) were reduced by more than 75%, and three of the four major categories were reduced by more than 80%.

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TABLE 4

AVERAGE RATES OF DUTY ON FLAT GLASS OTHER THAN SHEET GLASS
(Cents per square foot)

EFFECTIVE DATE	*PLATE AND FLOAT*	*CAST AND ROLLED*	*POLISHED WIRE*	*TEMPERED*
Statutory (1930) Rate	20.39¢	2.50¢	23.0¢	19.7¢
Trade Agreement Rates:				
Effective Jan. 1, 1948	6.77¢*	1.25¢	7.65¢	14.26¢
Effective June 30, 1958	5.95¢	1.04¢	7.65¢	8.67¢
Effective Jan. 1, 1972	2.87¢	0.50¢	3.80¢	4.33¢
% Change:				
1930 to 1948	*-66.8%*	*-50.0%*	*-66.7%*	*-27.6%*
1948 to 1958	*-12.1%*	*-16.8%*	*-*	*-39.2%*
1958 to 1972	*-51.8%*	*-51.9%*	*-50.3%*	*-50.0%*
1930 to 1972	*-85.9%*	*-80.0%*	*-83.5%*	*-78.0%*

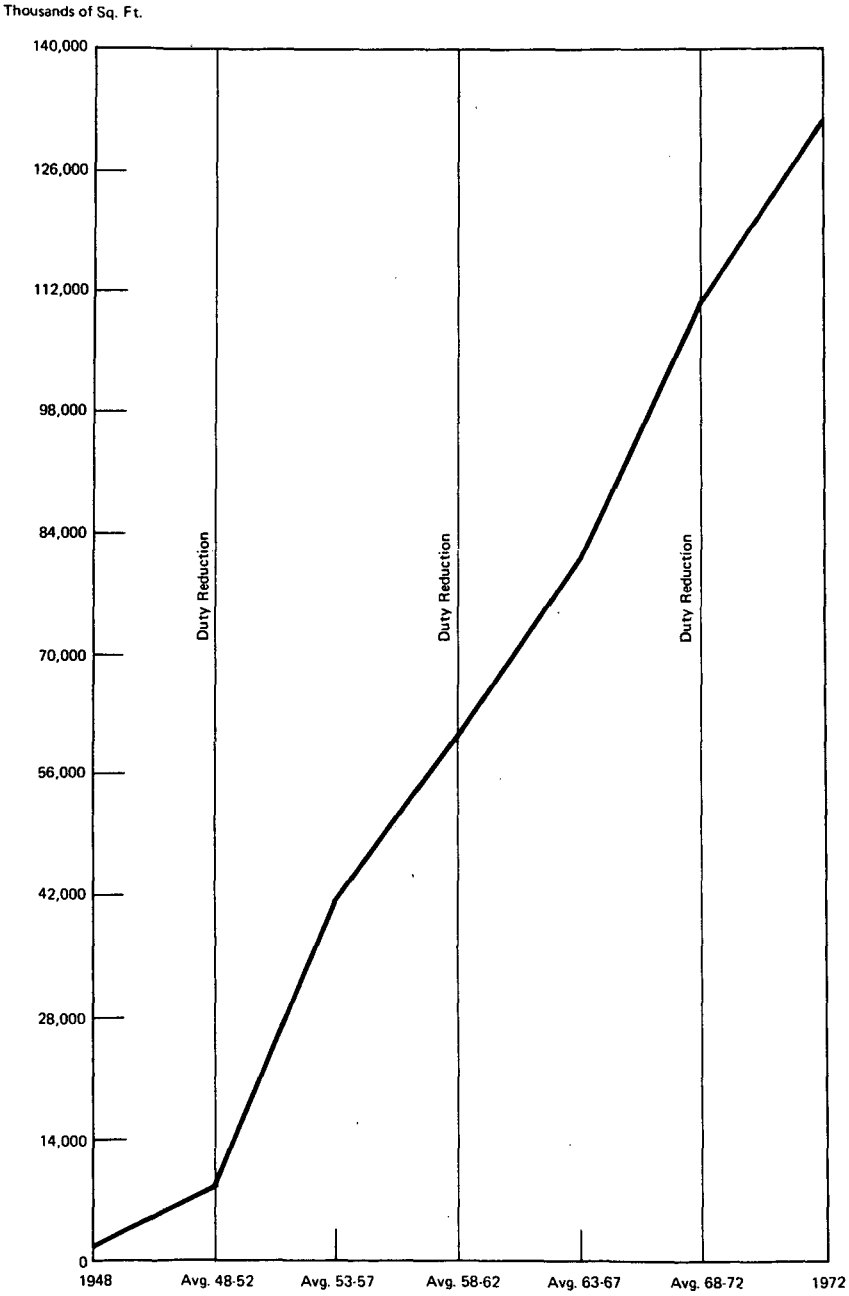
* Rate was calculated based on weighted average of rates for Schedule A 522.0000-522.0130 for 1962 imports.

Weighted average duty rates were calculated for MFN imports based on January-June 1971 import statistics as published by U. S. Department of Commerce, Bureau of the Census, IM 146, June 1971.

The reductions in duty shown in the above table stimulated a strong increase in imports in each of the major categories of flat glass referred to on the table. Between 1948 and 1972, imports of these categories of flat glass combined increased from less than 2 million sq. ft. in 1948 to nearly 132 million sq. ft. in 1972. This dramatic rise in imports is shown in the following Chart I. The data pertinent to the increase in imports in each of the categories of flat glass which are included in the total plotted on the chart are shown in the accompanying Table 5.

Chart I

U. S. IMPORTS OF FLAT GLASS, EXCEPT SHEET GLASS, 1948-1972; 5 YEAR AVERAGES



Source: Table 5

TABLE 5

U. S. IMPORTS OF FLAT GLASS, OTHER THAN SHEET GLASS, 1948-1972; 5-YEAR AVERAGES
(000's of sq. ft.)

	PLATE AND FLOAT	*CAST AND ROLLED*	*POLISHED WIRE*	*TEMPERED*	*TOTAL*
1948	1,159	583	210		1,952
1948-1952	6,256	1,833	144		8,233
1953-1957	28,230	13,215	396		41,841
1958-1962	33,567	26,081	639		60,287
1963-1967	46,712	28,145	1,660	4,534*	81,051
1968-1972	61,505	23,537	2,710	23,133	110,885
1972	72,378	26,009	3,418	30,049	131,854

SOURCE: U. S. Department of Commerce, Bureau of the Census, FT 110, FT 246, IM 146.

* 4-year average; data not available prior to 1964.

Based on their experience in attempting to inform the Executive Branch through the interagency committee designated to hold public hearings on the subject, and through the investigation of the Tariff Commission which provides the basis for the Commission's advice to the President, the domestic producers of flat glass have concluded that very little attention has been paid in the past to the views and information presented by domestic industry.

It is the observation of the domestic producers of flat glass that the officials of the Executive Branch who have been delegated the power to use the President's authority in trade agreement negotiations have essentially made their decisions without significant regard to the

weight of the evidence presented by domestic industry in the public hearings. The position developed by the Executive Branch which determined the course of negotiating conduct by members of the U. S. delegation was evidently cast so as to authorize the U. S. negotiators to make the fullest possible use of the President's power to reduce duties regardless of the consequences of such actions on domestic industries and their workers.

Nothing in the prenegotiating procedures required the President and his delegates to respect the views presented by domestic industry or the findings of the Tariff Commission based upon its investigation. It is our opinion that personnel of the Executive Branch involved at the policymaking level in trade agreement preparations treat the views of domestic industries and their workers, and, indeed, of the Tariff Commission, as parochial, narrow, and couched within the framework of an assumed selfish interest on the part of domestic industries, which on the whole are unworthy of serious attention by the more enlightened officials of the Executive Branch who are selected to discharge the President's responsibilities under the trade agreements legislation. For this reason, there has been no significant interface between the meaningful economic data and projections of probable economic effect which can be anticipated from tariff reductions and the decisions made and actions taken by the trade agreements personnel of the Executive Branch.

So far as the interagency committee hearings are concerned, the hearing panel rarely includes any person who will participate in the decisionmaking process, or who will serve as a member of the negotiating

team. Industry and worker representatives have rarely had direct access to these policymaking, negotiating personnel.

For these reasons, the domestic producers of flat glass who have consolidated their testimony in this appearance strongly endorse the recommendations which have been presented to this Committee by the Trade Relations Council of the United States in testimony delivered on May 22, 1973. For your convenience, we are submitting in the appendix to this statement the text of the amendments to Section 111, 112, 113, and 114 of the Administration bill which was recommended by the Trade Relations Council to accomplish the necessary reform of prenegotiation procedures. We endorse the text of these recommended revisions in the cited sections of the Administration bill and urge this Committee to adopt such recommendations in the clean bill which it reports to the House, should it elect to approve some grant of additional trade agreements authority to the President.

II. RECOMMENDATIONS FOR REFORM OF THE TARIFF ADJUSTMENT PROCEDURES BASED UPON THE DOMESTIC GLASS INDUSTRY'S EXPERIENCE IN THE USE OF THE ESCAPE CLAUSE

Although President Kennedy was a champion of a liberal trade policy to be carried out through trade agreement negotiations authorized by an ample delegation of power from the Congress, he recognized the necessity for making adjustments in tariffs through the withdrawal of tariff concessions when imports increased at such a rate or in such volumes as to cause or threaten serious injury to domestic industries and their workers. His experience as a member of the House of Representatives

representing his district in Massachusetts, and as a United States Senator representing that important industrial State, gave him a keen insight into the sensitivity of many domestic industries to severe injury from excessive import competition. He was prepared to act, and did act through the escape clause and his innovative approach to a negotiated *modus vivendi* with the principal trading partners of the United States in textiles, evenhandedly in the administration of foreign economic policy. He evidently believed that the President had a personal responsibility to see that the power delegated by the Congress was genuinely used in the interest of all Americans: those whose livelihood depends upon employment in import-sensitive industries, as well as those whose job opportunities are provided by export-oriented industries.

The domestic glass industry was the recipient of President Kennedy's commitment to such an ideal when, on the basis of a Tariff Commission report finding that the sheet glass industry had been seriously injured by increased imports, the President on June 17, 1962, increased sheet glass tariffs by withdrawing a substantial portion of prior trade agreement concessions on this product.

In 1967, President Johnson terminated the escape clause rates on heavy sheet glass, but continued in effect at a somewhat reduced level the escape action rates on most window glass. President Johnson also had an instinctive compassion for the economic hardships which governmental actions in the trade sector could cause workers and communities whose livelihood was based upon domestic manufacturing plants whose markets were targeted for preëmption by export-oriented foreign industries.

When President Johnson modified the escape clause rates on sheet glass in 1967, he issued orders that an interagency task force visit each of the sheet glass plants and interview the workers, the management of the plants, and the responsible civic and business leaders in which the plants were located. The task force was to evaluate the extent to which the highly skilled workers in the sheet glass industry could find other gainful employment in their communities sufficiently remunerative so as not to cause severe economic hardship on the workers, their families, or their communities.

Because glass manufacture is one of the oldest industries in America and the skills required of the production workers have been transmitted through apprentice training from generation to generation within the same families, sheet glass workers are among the most highly paid workers in American industry. The payrolls accruing to the work force in the sheet glass plants and their communities, the majority of which were located in Appalachia, and the additional employment provided for the transportation industry in moving raw materials into the plants and transporting the finished glass from the plants throughout the United States, made the decision to remove the escape clause action one which called for a very careful evaluation of the consequences to the workers and their communities.

The task force visited the sheet glass plants. We have never been supplied with a copy of their report, but have reason to believe that the members of the task force learned firsthand that it was impracticable for the workers in the sheet glass industry to "adjust" by finding

other equally remunerative employment in their communities. Accordingly, President Johnson extended the life of the escape clause rates for the full term of his Administration.

Under the Trade Expansion Act, it is necessary for the domestic industry to petition the Tariff Commission, prior to the scheduled termination of the escape action rates, to investigate and determine the probable economic consequences of the termination of the increased tariffs. The domestic producers took this action in 1969, and the Commission unanimously found that a termination of the escape clause rates would seriously injure the domestic industry.

When the Commission's report was forwarded to the President, his advisers, so we are informed, urged him to issue a proclamation extending the escape action rates for only one year whereupon they would be eliminated, returning the tariff to the previous low full concession trade agreement level. At the eleventh hour, a delegation of United States Senators representing the principal States in which the sheet glass plants were located were able to secure an interview with the President and brought his personal attention to the consequences for the industry, its workers, and their States. As a result, the President agreed to extend the life of the modified escape clause rates for two years rather than the one year recommended by his staff.

At the time of his action, the President also had before him a report of the Tariff Commission under a second escape clause investigation in which half of the Commission, including the Chairman, found that an increase in the tariff was required to correct serious injury which

was being experienced by the domestic industry. Upon the advice of his staff, the President elected not to act upon the recommendations of the Commission for a tariff increase.

In this state of affairs, the escape action rates were scheduled to terminate at the end of January 1972. Under the provisions of Section 351(d)(3) of the Trade Expansion Act, it was necessary for the domestic industry again to petition the Commission to investigate and report to the President the probable economic effect of a termination of the modified escape clause rates on January 31, 1972. The Commission duly performed its investigation and *unanimously* reported to the President that the termination of the modified escape clause rates could lead to serious impairment of the economic condition of the sheet glass industry.

The Committee should be interested in the status of a Tariff Commission report when it reaches the Executive Branch of the Government. The Commission and its staff have devoted six months of intensive study including public hearings at which all interested parties are heard on a public record where the witnesses are subject to cross examination by the Commission, its staff, and legal representatives of the parties, including importers. The staff makes field visits. Financial data are submitted by the domestic producers which are subject to careful analysis by the Commission's accounting staff.

One would think that the exhaustive care exercised by the Tariff Commission and its staff in such an investigation would result in the Commission's report to the President being given some weight in the decision of the President in the matter. It is our observation that, regrettably, this is not the case. The civil servants who occupy the

intermediate staff positions in the foreign trade policy apparatus of the departments and agencies of the Executive Branch feel completely free to ignore the findings of the Tariff Commission and to substitute their own judgment for that of the Commissioners. Whereas the Commissioners are appointed by the President subject to the advice and consent of the Senate, the middle level civil servants whose judgment displaces that of the Commission are not subject to this type of check and balance in the appointing and confirming process.

The Office of the Special Representative for Trade Negotiations meets *ex parte* with parties claiming to have an interest in the outcome of the case. The domestic industry is not given the opportunity to be present when its adversaries meet with the interagency committee set up under the auspices of the Special Representative for Trade Negotiations. It is also customary in these cases for interested parties to call upon the Secretaries or the cognizant Assistant Secretaries of the participating Cabinet Agencies in an attempt to influence the judgment of that official who presumably has some final voice in the consolidated position which will be presented to the President. Finally, interested parties confer with the staff assistant to the President responsible for advising the President in foreign trade policy matters.

When the Tariff Commission sent its unanimous finding, previously described, to the President, the type of meetings which I have described took place. The presidents or the chief executive officers of the domestic glass producers personally came to Washington to confer with the President's staff assistant at the White House, as well as with those Cabinet Agency

officials with whom it was possible to secure an appointment. The Congressmen representing the affected districts and the Senators representing the affected States wrote letters to the President urging that the modified escape clause rates be extended.

Concurrently, the domestic industry petitioned the Tariff Commission under the escape clause for a determination that the domestic industry was being seriously injured by increased imports. In a separate report from the unanimous one previously described, the Commission presented the President with its findings in this escape clause investigation. Half of the Commissioners, including the Chairman and the immediate past Chairman, advised the President that the domestic sheet glass industry and its workers were threatened with serious injury as a result of increased imports caused in major part by tariff concessions.

The President's actions on these reports were as follows:

On the basis of the unanimous finding that the termination of the existing modified escape clause duties would cause economic impairment to the domestic industry, the President extended the life of those tariffs for three months.

On the basis of the Commission's separate report in which three Commissioners found the domestic industry to be threatened with serious injury, recommending a tariff increase, the President determined to take no action. Further, his staff evidently became confused as to the significance of the second report and advised the President on the basis of the second report, which dealt with the need for increased duties, to terminate the life of the existing modified escape clause duties. As

a result, the President issued his proclamation phasing out the existing escape clause duties in three steps, with the final reduction in duty taking effect on January 31, 1974.

In virtually identical letters sent by the President's staff to executivies of the industry and to their Congressmen who were outraged by the manner in which the case had been handled, the statement is made that "consumers inform us they face long delays in obtaining deliveries from domestic suppliers, and some have complained that shortages are forcing them to turn to imports." That statement indicates that the White House staff was influenced by *ex parte* representatives made to it by persons claiming to speak for "consumers." Any serious student of the Tariff Commission's reports in the sheet glass escape clause investigations and its reports incident to the economic effect of a termination of the escape clause rates would have learned that such claims were typically made by import interests who were intent upon retaining for themselves the economic advantage of reduced rates of duty. The Commission and its staff investigated such claims and found them not to be substantial enough to warrant a dilution of the Commission's finding of serious injury as mandated under the statute.

It is especially poignant that the President's staff would have attached weight to such a statement since two sheet glass plants were closed down in 1970-1971 due, at least in part, to the economic hardship which had been caused by excessive volumes of low-priced imports of sheet glass.

We have here a classic example of the relief provisions of our trade agreements law being administered in a manner which tolerates the closing of domestic plants and the destruction of the jobs of production workers formerly employed in those plants, and then the Executive using the subtraction of that domestic capacity from the domestic industry's overall capability to supply swings in domestic demand as a reason for a further denial of tariff relief!

To assist you in your understanding of this case, I am submitting in the following Table 6 the movement in the average rates of duty applicable to sheet glass during the full period of time material to the events which I have described. You will observe that the action taken by President Kennedy did not fully restore the tariff to its statutory, pre-trade agreement level, and that the duration of the President's action was comparatively short-lived, being in full effect for only five years. As a result of the termination of the escape clause rates, the duties applicable to imported sheet glass as of January 31, 1974, will be nearly 60% less than the statutory rate.

TABLE 6

AVERAGE RATES OF DUTY ON SHEET GLASS
(cents per sq. ft., single strength equivalent)

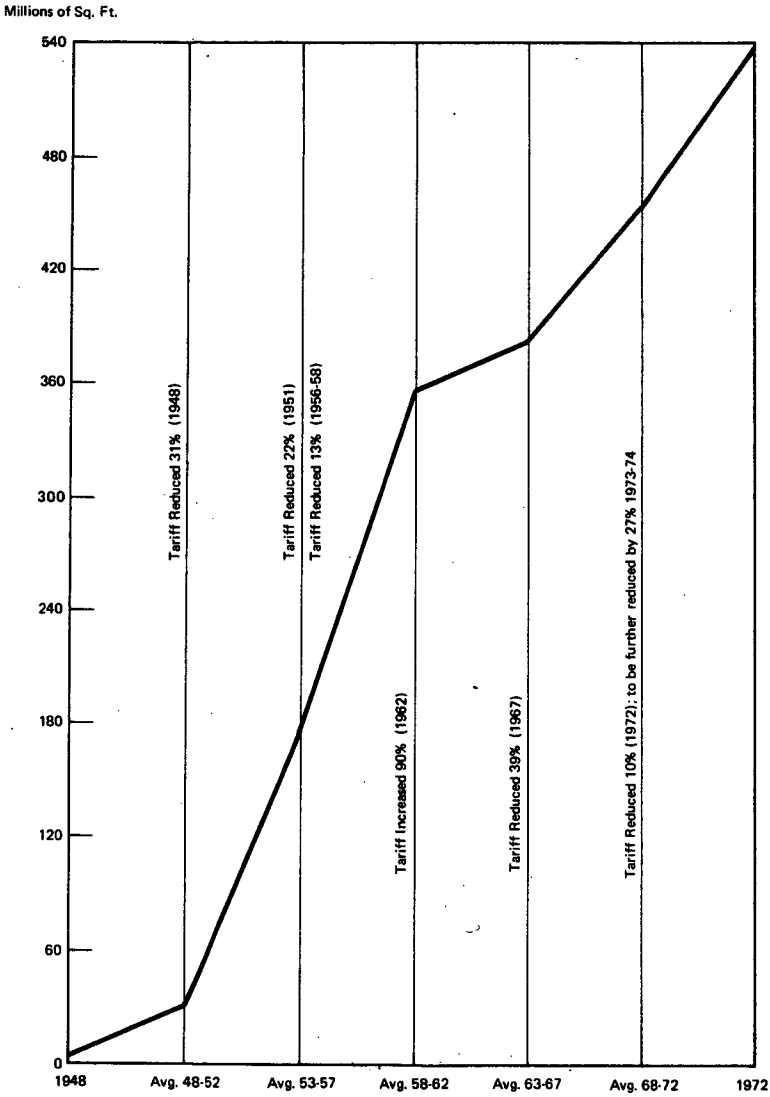
EFFECTIVE DATE	*WINDOW GLASS*	*HEAVY SHEET GLASS*	*AVERAGE, ALL CATEGORIES*
Statutory (1930) Rate	2.37¢	2.87¢	2.52¢
Trade Agreement Rates:			
- as of 6/16/62	1.11¢	1.41¢	1.24¢
- escape clause action rate, 6/17/62	1.98¢	3.19¢	2.39¢
- modified escape clause rate, 1/10/67	1.61¢	1.41¢	1.53¢
- restored trade agreement concession rates:			
- 1st stage 4/30/72	1.40¢	1.41¢	1.40¢
- 2d stage 1/31/73	1.18¢	1.41¢	1.19¢
- final stage 1/31/74	0.97¢	1.41¢	1.04¢
% Change:			
1930 to 6/16/62	*-53.2%*	*-50.9%*	*-50.8%*
1930 to 6/17/62	*-16.5%*	*+11.1%*	*-5.2%*
1930 to 1/10/67	*-32.1%*	*-50.9%*	*-39.3%*
1930 to 1/31/74	*-59.1%*	*-50.9%*	*-58.7%*

Weighted average duty rates calculated for MFN imports based on January-June 1971 import statistics as published by U. S. Department of Commerce, Bureau of the Census, IM 146, June 1971.

A graphic picture of the startling increase in imports of sheet glass under the impetus given by the tariff concessions is shown in Chart II. Note particularly the interval during which the full escape clause rates put into effect by President Kennedy were operative. You will observe that the rate of increase of imports was substantially lowered though imports continued to rise. When President Johnson modified the escape clause rates, imports resumed their strong upward climb. President Nixon's action in terminating the escape clause rates has succeeded in stimulating imports to an all-time high. The data upon which the chart has been plotted are presented in Table 7 following the chart.

Chart II

U.S. IMPORTS OF SHEET GLASS 1948-1972; 5 YEAR AVERAGES



Source: Table 7

TABLE 7

U. S. IMPORTS OF SHEET GLASS, 1948-1972; 5-YEAR AVERAGES
(Millions of sq. ft., single strength equivalent)

	QUANTITY	*AVERAGE AD VALOREM EQUIVALENT DUTY*
1948	2.1	20.0%
1948-1952	29.0	20.0% (1948-1950); 15.6% (1951-1952)
1953-1957	175.4	15.6% (1953-1955); 14.6% (1956-1957)
1958-1962	356.4	13.6% (1958-1961); 25.9% (1962)
1963-1967	382.7	25.9% (1963-1966); 15.9% (1967)
1968-1972	452.0	15.9% (1968-1971); 14.3% (1972)
1972	537.2	14.3% (1972); 12.7% (1973); 10.4% (1974)

SOURCE: U. S. Tariff Commission; U. S. Department of Commerce, Bureau of the Census.

Ad valorem equivalent duty, U.S.T.C. Pub. 459, Table A; extrapolated for 1971-1974 per per cent change in U.S.T.C. Pub. 548, Table 2.

It must be recognized that 1972 was a year of exceptionally strong demand for flat glass. New housing starts, the principal source of demand for sheet glass, and nonresidential construction and the manufacture of new automobiles, other major sources of demand for flat glass, were also at all-time highs. Thus, notwithstanding the strong increase in imports, the domestic producers experienced profitable operations.

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But the housing industry, the construction industry generally, and the demand for new automobiles (especially in view of the inroads of imported automobiles and the burgeoning fuel shortage) are cyclical in nature, and a softening of demand must be anticipated.

The success of the imports in increasing their position in the domestic market will be translated into destructive price competition as the supply from all sources exceeds the reduced demand. Were it not for the deep inroads into the domestic market of the imports, the economic cost to the domestic industry in periods of slack demand would be substantially less than occurs.

The deep penetration of the United States market for flat glass by imports is shown by the data in the following Table 8. Notwithstanding the strong increase in domestic consumption in 1972, please notice that the import penetration in that year was exceeded only by 1968 and is equal to that in 1962, the year in which President Kennedy determined to take the escape clause action previously described.

TABLE 8

RELATIONSHIP OF U. S. IMPORTS OF FLAT GLASS[1] TO DOMESTIC CONSUMPTION
(000's of sq. ft.[2])

	IMPORTS	*CONSUMPTION*	*RATIO*
1961	380,361	1,842,674	20.6%
1962	466,793	2,111,678	22.1%
1963	401,276	2,192,257	18.3%
1964	485,550	2,302,839	21.1%
Average 1961-1964	*433,495*	*2,112,362*	*20.5%*
1965	442,591	2,355,830	18.8%
1966	488,622	2,245,885	21.8%
1967	493,983	2,266,271	21.8%
1968	668,540	2,719,829	24.6%
Average 1965-1968	*523,434*	*2,396,954*	*21.8%*
1969	565,565	2,688,926	21.0%
1970	458,501	2,467,424	18.6%
1971	461,380	2,725,386	16.9%
1972	681,236	3,088,107	22.1%
Average 1969-1972	*541,670*	*2,742,461*	*19.8%*

[1] Sheet glass, nonautomotive tempered glass, plate and float glass, cast and rolled glass.

[2] Sheet glass, single strength equivalent.

SOURCE: U. S. Department of Commerce, Bureau of the Census, FT 110, FT 246, IM 146; *Current Industrial Reports*, MQ-32A; U. S. Tariff Commission, TC Publication 459.

The Congress established the Tariff Commission as an expert body, quasi-legislative in nature, which could be relied upon objectively to evaluate the complex economic facts pertinent to foreign trade policy and its exercise by the Executive. The sad fact is that the reports and findings of the Commission exhaustively arrived at through open procedures on a public record, strongly supported by intensive investigation and study by a highly competent staff, are largely ignored by the Executive

Branch. The will of the Congress that foreign trade actions be based upon such objectively determined data is being thwarted by the attitude and disposition of foreign trade policymakers in the Executive Branch. The safeguards which this Committee and the Congress have carefully provided in foreign trade legislation are almost completely ineffective because of this attitude on the part of the cognizant officials of the Executive Branch that without the benefit of a comparatively careful investigation they are competent to substitute their essentially uninformed judgment for that of the Tariff Commission.

The experience of the domestic producers in these matters leads them to recommend that the tariff adjustment procedures of the trade agreements legislation be reformed so as to give to the findings and recommendations of the Tariff Commission the standing which the Congress has always intended for them. Accordingly, we fully support the recommendations presented to this Committee by the Trade Relations Council of the United States for the revision of Sections 201, 202, and 203 of the Administration bill. The text of these sections as recommended for approval by the Committee are submitted in the appendix to this statement.

III. RECOMMENDATIONS FOR REFORM OF THE ANTIDUMPING CRITERIA AND PROCEDURES BASED UPON THE DOMESTIC GLASS INDUSTRY'S EXPERIENCE IN ANTIDUMPING CASES

The domestic producers whose testimony is consolidated in this statement made a determined effort to invoke the Antidumping Act, 1921, as amended, because of the grossly unfair methods of competition used by foreign producers of flat glass in selling their product in the United States market. Complaints were filed with respect to imports of sheet glass from Japan, Taiwan, Belgium, West Germany, France, and Italy; and in regard to plate and float glass from Japan, tempered glass from Japan, and cast and rolled glass from Japan.

The Belgian case was dismissed by the Treasury Department with a determination of no sales at less than fair value because the percentage of the Belgian sheet glass monopoly, Glaverbel, sold in its home market was slightly less than 25%. At the time this case was ready for decision, the antidumping regulations provided that if home market sales were less than 25% of sales for export, the home market sales would be regarded as insufficient to serve as a basis for the fair value determination. Nothing in the Antidumping Act of 1921 itself justified such an arbitrary rule and, significantly, the Treasury Department repealed the regulation after using it as a basis for turning down the domestic industry's complaint against the dumping of Belgian sheet glass in the United States market.

In each of the other cases mentioned, except cast and rolled glass from Japan, the Treasury Department determined that the products in question were being sold for export to the United States at less than their

fair value; and subsequently the Tariff Commission, based upon its investigations, found that a domestic industry in the United States was being or was likely to be injured by reason of the importation of such glass products at less than fair value. As a result, findings of dumping were formally issued by the Treasury Department, and imports of the specified flat glass products are now subject to special appraisement for the imposition of dumping duties.

The cast and rolled glass complaint was dismissed with a determination of no sales at less than fair value because of the manner in which the foreign producers were allowed to select transactions in the home market which were not in fact representative of merchandise similar to that being sold for export to the United States.

When these complaints were filed, the Treasury Department and the Bureau of Customs had not yet streamlined their operating procedures under the Antidumping Act. As a result, the average time required to process each of these complaints to a conclusion was approximately two years from the date of the filing of the complaint. The very substantial increase in the staff of the antidumping unit in the Bureau of Customs and the excellent administration of that unit by Mr. Neil Marsh have served to eliminate such delays for all intents and purposes as a factor of concern in current or future cases.

The domestic producers of sheet glass encountered other problems, however, which are primarily a function of the amendments to the Antidumping Act adopted by the Congress in 1958 and by the interpretation which the Treasury Department has given those amendments.

I am submitting to the staff of the Committee to be made a part of the record of these hearings an 88-page memorandum which exhaustively describes and comments upon such problems. Because of its length, I do not request that it be reproduced in the printed record of the hearings. Essentially these problems arise because of the provisions of the Act which permit the Secretary to make adjustments in the home market price (used as the basis for fair value) whenever he determines that the difference between the home market price and the export price is due, in whole or in part, to differences in quantities, differences in circumstances of sale, or differences in the products sold in the two markets.

Because of the presence of this language in the statute, it has been necessary for the Department and the Bureau to decide in virtually every case whether claims made by foreign manufacturers for adjustments by way of subtractions from the home market price to explain away or eliminate the margins of dumping should be honored. These claims are based upon alleged differences in circumstances of sale or in the product sold in the two markets.

The foreign respondents in antidumping cases have made such excessive claims for adjustments under this statutory language that the Bureau of Customs and the Treasury Department reached the point of proposing an amendment to the antidumping regulations specifying that claims for selling expenses in the home market allegedly different from those applicable to export sales would not be honored unless it could be shown that such expenses had a direct relationship to the sale of the merchandise under consideration. The Department's proposed amendment to the regulations

is known to have been greeted by a storm of protests by foreign interests backed up by their governments who very well recognized that the previously existing policy and practice in the Department and in the Bureau are an invaluable "escape hatch" for their industries in avoiding dumping findings. Regrettably, the Department abandoned its intention to amend its regulations in the manner described.

When Congress amended the Antidumping Act in 1958, it did so with the expectation and belief that the amendments would result in improved enforcement of the Act for the protection of domestic producers against unfair methods of competition. The manner in which the 1958 amendments have been administered by the Treasury Department and the Bureau of Customs is contrary to what the Congress intended, and an amendment of the Antidumping Act is required if this abuse of the Congressional purpose is to be remedied.

We have carefully considered the testimony presented to this Committee on behalf of the Trade Relations Council of the United States as it pertains to an amendment of the Antidumping Act, and we support completely the changes in the pending trade bill recommended by the Council. We support those changes and the reasons given by the Council for the amendments. For your convenience, we are submitting in the appendix to this statement an amendment to Section 310 in the form of an addition of subsection (e) which would have the effect of repealing the loophole created in the 1958 amendments to the Act, previously described.

In addition, we recommend, as does the Council, that Section 201(a) of the Antidumping Act be amended by adding at the end of subsection (a)

language which will make it clear that any foreign merchandise sold for export to the United States at a price which is less than the cost of producing the merchandise is, ipso facto, being sold at less than fair value, as follows:

> *"Foreign merchandise shall be regarded as being or likely to be sold in the United States or elsewhere at less than its fair value if the price at the time of exportation of such merchandise to the United States is less than the constructed value of the merchandise as defined in section 206 of this Act."*

Because of the superiority of the technological process of producing flat glass by the float process, flat glass producers in the United States and in the principal glass-producing countries are making major investments in new plants for the production of float glass. In the United States, each of the domestic producers has made such investment. There is understandable concern on the part of students of the economics of the float glass industry as to whether the forthright investment decisions made by U. S. producers in building such plants in order to establish and maintain leadership in the application of this new technology to the production of flat glass to meet the requirements of the American market might not result in overcapacity, especially in periods of slack demand.

Similarly, the very substantial investments being made in Europe and Asia for the production of float glass pose a threat to the future stability of the U. S. investment, should the foreign producers arrogate to themselves the use of unfair methods of competition in

marketing their surplus production of float glass by exporting it to the United States. In both Europe and Asia, the glass manufacturers have been subsidized by their governments in the creation of these new float glass manufacturing plants. We therefore consider it urgent that the countervailing duty statute be amended in such a manner as to make it crystal clear that the various forms of subsidy being granted to foreign manufacturers for the production or export of flat glass will be subject to countervailing duties by the United States.

We fully support and strongly endorse the amendments to Section 303 of the Tariff Act of 1930 proposed by the Trade Relations Council in its testimony presented to this Committee on May 22. We agree with the Council that the injury test applicable to the imposition of countervailing duties on duty-free merchandise should be clarified by the adoption of language suggested by the Council; namely, add the following clause on lines 20-22, page 57, of the Administration bill:

> *"whether an industry in the United States is being or is likely to be materially injured, or is being threatened with material injury, or is materially retarded in its establishment, or is prevented from being established,".*

Of much greater importance is the recommendation that Section 303 be amended by adding at the end thereof the following language:

> *"The term 'bounty or grant' as applied to imported merchandise shall be deemed to include, by way of illustration but not of limitation, the entire amount of any remission of*

any internal tax paid in the country of production or the country of exportation with respect to such merchandise, the entire amount of any exemption of such merchandise from any internal tax, or the entire amount of the difference in price at which any constituent material utilized in the production of such merchandise has been sold to the producer thereof and the price at which such or similar merchandise is sold to producers of the same general class of merchandise for sale other than for export to the United States."

IV. RECOMMENDATIONS FOR A CLARIFICATION OF THE CONDITIONS AND IMPROVEMENT IN THE PROCEDURES PRECEDENT TO THE GRANT OF PREFERENTIAL TARIFF TREATMENT TO MANUFACTURED PRODUCTS IMPORTED FROM DEVELOPING COUNTRIES

Flat glass is imported in substantial quantities from thirty different foreign countries, of which at least seven would meet any reasonable definition of a developing country. We are not opposed to the extension of preferential tariff treatment to manufactured products from developing countries if sufficient safeguards are established to prevent the abuse of such preferential treatment by the transshipment of products manufactured in other countries or by the transfer of production resources from developed countries to such countries primarily to produce for export to the United States.

The bill is lacking in procedures which would give assurance that the President's action in granting preferential status to a developing country for specified products would be an informed decision. Furthermore, it ought not to be the policy of the United States merely to add unlimited

quantities of imports from such countries on top of already-damaging levels of imports from developed countries. For all of these reasons we agree with the recommendation presented to the Committee by the Trade Relations Council that Sections 606 and 607 of Title VI of the bill be renumbered 607 and 608, respectively, and that a new provision be added as Section 606. The text of this provision is included in the appendix to this statement.

The purpose of the new provision is to provide for the use of quantitative import restrictions on articles imported into the United States from developed countries in order to reserve to beneficiary developing countries a reasonable share of the growth in apparent domestic consumption of such articles. The President would take this type of action on the basis of estimates of anticipated domestic consumption supplied to him by the Secretary of Commerce. The Secretary's estimates would indicate the share of domestic consumption being supplied by the domestic industry, and in view of that and the imports' share from developed countries, established prior to the grant of preferential treatment for imports from developing countries, the type of quantitative restrictions required in order to carry out the purposes of the Title.

CONCLUSION

This concludes our testimony. We have limited the information and recommendations presented to the Committee to those matters on which our experience leads us to believe that the intent of the Congress is not being faithfully observed by the Executive and the need for reform of concepts and procedures is urgent. We hope that this account of our experiences and our recommendations prove to be of significant value to the Committee in its important deliberations on foreign trade legislation. We thank you for the opportunity which you have provided to the domestic glass producers to bring this information to your attention.

APPENDIX

"SEC. 111. TARIFF COMMISSION ADVICE.--(a) Before entering into negotiations concerning any proposed foreign trade agreement under sections 101 and 103(c), the President shall furnish the United States Tariff Commission (hereinafter in this Act referred to as the "Commission") with a list of all articles imported into the United States to be considered for possible modification of duties and other import restrictions, imposition of additional import restrictions, or continuance of existing customs or excise treatment. In addition, the President shall furnish the Commission with a separate list of all articles imported into the United States in relation to which he intends to consider in any proposed foreign trade agreement possible modification of customs valuation rules, possible modification in the rules for establishing the quantities on which the assessments of duty are made, and possible modification in the rules in relation to the marking of imported commodities so as to disclose to the ultimate purchaser the country of origin. Upon receipt of such lists, the Commission shall make an investigation and report to the President the findings of the Commission separately with respect to each article identified on the separate lists referred to in this section as to (1) the limit to which such modification, imposition, or continuance may be extended in order to carry out the purpose of such section 101 without causing or threatening serious injury to the domestic industry producing like or directly competitive articles; and (2) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or directly competitive articles, the minimum increases in duties or additional import restrictions required. Such report shall be made by the Commission to the President not

later than six months after the receipt of such lists by the Commission. No such foreign trade agreement shall be entered into until the Commission has made its report to the President, or until the expiration of the six-month period.

"(b)(1) In the course of any investigation pursuant to this section, the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunities for parties interested to be present, to produce evidence, and to be heard at such hearings. If in the course of any such investigation the Commission shall find with respect to any article on the list upon which a ariff concession has been granted that an increase in duty or additional import restriction is required to avoid serious injury to the domestic industry producing like or directly competitive articles, the Commission shall promptly institute an investigation with respect to that article pursuant to section 201 of this Act.

"(2) In each such investigation the Commission shall, to the extent practicable and without excluding other factors, ascertain for the last calendar year preceding the investigation the average invoice price on a country-of-origin basis (converted into currency of the United States in accordance with the provisions of section 522 of the Tariff Act of 1930, as amended) at which the foreign article was sold for export to the United States, and the average prices at which the like or directly competitive domestic articles were sold at wholesale in the principal markets of the United States. The Commission shall also, to the extent practicable, estimate for each article on the lists the maximum increase in annual imports which may occur without causing serious injury to the domestic industry producing like or directly competitive articles. The Commission shall request the

Executive departments and agencies for information in their possession concerning prices and other economic data from the principal supplier foreign country of each such article.

"(c)(1) Within 30 days after any trade agreement under section 101 has been entered into which, when effective -

(i) will require or make appropriate any modification of duties or other import restrictions; the imposition of additional import restrictions; the modification of methods of customs valuation; the modification of methods for establishing the quantities on which assessments are made; the modification in requirements for marking imported merchandise to disclose the country of origin; or the continuance of existing customs or excise treatment, methods of valuation, methods of establishing the quantities on which assessments are made, or of requirements for marking imported merchandise so as to disclose the country of origin - which modification, imposition, or continuance will exceed the limit to which such modification, imposition, or continuance may be extended without causing or threatening serious injury to the domestic industry producing like or directly competitive articles as found and reported by the Tariff Commission under subsection (a); or

(ii) will fail to require or make appropriate the minimum increase in duty or additional import restrictions required to avoid such injury;

the President shall transmit to the Congress a copy of such agreement together with a message accurately identifying the article or articles with respect to which such limits or minimum requirements are not complied with, and stating his reasons for the action taken with respect to such article or articles.

If either the Senate or the House of Representatives, or both, are not in session at the time of transmission, such agreement and message shall be filed with the Secretary of the Senate or the Clerk of the House of Representatives, or both, as the case may be.

"(2) Promptly after the President has transmitted such foreign trade agreement to Congress, the Commission shall deposit with the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, a copy of the portions of its report to the President dealing with the articles with respect to which such limits or minimum requirements are not complied with.

"(d)(1) Such foreign trade agreement shall enter into effect only if a proclamation valid pursuant to this subsection is published by the President under the terms and conditions specified herein.

"(2) Such proclamation shall be valid -

(i) only if the President has given notice to the Senate and to the House of Representatives of his intention to issue a proclamation making effective such foreign trade agreement, such notice to be given at least 120 days in advance of his publishing such proclamation;

(ii) only after the expiration of 120 days from the date on which the President delivers a copy of such agreement to the Senate and to the House of Representatives, as well as a copy of his proposed proclamation in relation to such foreign trade agreement and a statement of his reasons for entering into an agreement providing for modification of duties or other import restrictions, the imposition of additional import restrictions, the modification of methods of

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customs valuation, the modification of methods of establishing the quantities on which assessments are made, or the modification of requirements for marking of imported products to disclose to the ultimate purchaser the country of origin, together with a statement of his reasons as to how such foreign trade agreement in view of such modification, imposition, or continuance in excess of the limits reported by the Tariff Commission will, in the judgment of the President, serve the interests of United States producers and workers and as to why the proposed proclamation or proclamations are necessary to carry out such foreign trade agreement; and

(iii) only if between the date of delivery of the agreement to the Senate and to the House of Representatives and the expiration of the 120-day period referred to in subsection (d), neither the Senate nor the House of Representatives has adopted a resolution, by an affirmative vote of the yeas and nays of a majority of a quorum of that house, stating that it disapproves of the foreign trade agreement, or that it disapproves of that portion of the foreign trade agreement in which the President proposes to make modification, or to impose, or to continue, import restrictions, methods of customs valuation, methods of establishing the quantities on which assessments are made, or in the requirements for marking the country of origin in excess of the limits specified by the Tariff Commission in its report to the President. For purposes of this section, in the computation of the 120-day period, there shall be excluded the days on which either house is not in session because of adjournment of more than three days to a day certain, or

an adjournment of the Congress sine die. The notices referred to in this section and the documents referred to in this section shall be delivered to both houses of the Congress on the same day and shall be delivered to the Clerk of the House of Representatives if the House of Representatives is not in session and to the Secretary of the Senate if the Senate is not in session."

"SEC. 112. TARIFF COMMISSION ADVICE AS TO PROPOSED MODIFICATION IN NONTARIFF BARRIERS TO TRADE.--(a) Before entering into negotiations concerning any proposed foreign trade agreement under section 103(d), the President shall furnish the United States Tariff Commission with a list of all articles imported into the United States to be considered for possible modification of domestic law alleged by countries which are the principal suppliers of such articles imported into the United States to be nontariff barriers which are to be considered for possible modification pursuant to intended negotiations in any proposed foreign trade agreement. The list shall identify the particular provisions of domestic law alleged by principal suppliers of U. S. imports to be nontariff barriers to U. S. imports and the type of modification which such countries have requested or which the President proposes to consider in the course of negotiations for such proposed foreign trade agreement. On receipt of such list, the Commission shall make such investigation and report to the President the findings of the Commission with respect to each such article as to (1) the extent to which such provisions of domestic law may be modified in the manner requested by principal suppliers of the imported articles, or in the manner proposed by the President, without causing or threatening serious injury to the domestic industry producing like or directly competitive articles; and (2) if modification in such provisions of domestic law, not requested by principal suppliers, or not proposed by the President, are required

to avoid serious injury to the domestic industry producing like or directly competitive articles, the substance of the modifications so required. Such reports shall be made by the Commission to the President not later than six months after the receipt of such lists by the Commission. No such foreign trade agreement shall be entered into until the Commission has made its report to the President or until the expiration of the six-month period.

"(b)(1) In the course of any investigation pursuant to this section, the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings. If in the course of any such investigation the Commission shall find with respect to any article on the list upon which a modification of existing domestic law alleged to be a nontariff barrier is proposed that a further or different type of modification is required in comparison with that requested by the principal supplier of such imported article or proposed for consideration by the President in such foreign trade agreement, in order to avoid serious injury to the domestic industry producing like or directly competitive articles, the Commission shall give specific advice to the President with regard to the substance of the modifications required to avoid such actual or threatened injury.

"(2) In each such investigation the Commission shall to the extent practicable determine the extent to which a modification of duties and other import restrictions, the imposition of additional import restrictions, or the continuance of existing customs or excise treatment is required or appropriate to avoid serious injury to the domestic industry producing like or directly competitive articles in the event that the

provisions of domestic law alleged by principal supplying nations of such imported articles to be nontariff barriers to such imports, or proposed for modification by the President in such foreign trade agreement, are accordingly changed. The Commission shall request the Executive departments and agencies for information in their possession concerning prices and other marketing and economic data pertinent to such imported articles as sold in the United States in competition with the like or directly competitive imported articles, and as sold in the markets of the principal supplier foreign country in competition between the products of such country and exports from the United States of the like or directly competitive article."

"(c)(1) Within 30 days after any trade agreement under section 103 has been entered into which, when effective -

(i) will require or make appropriate any modification in domestic law alleged by the principal supplier of an article subject to such domestic law to be a nontariff barrier to imports, or acknowledged by the President to have such status, which modification differs from or exceeds the limit to which such modification may be made without causing or threatening serious injury to the domestic industry producing like or directly competitive articles as found and reported by the Tariff Commission under subsection (a); or

(ii) will fail to require or make appropriate the minimum increase in duty or additional import restrictions required to be made in conjunction with such modification of domestic law applicable to the imported article to avoid such injury, as found and reported by the Tariff Commission under subsection (a);

the President shall transmit to Congress a copy of such trade agreement together with a message accurately identifying the

article or articles with respect to which such limits or minimum requirements are not complied with, and stating his reasons for the action taken with respect to such article. The President is not authorized to issue a proclamation or order effecting the proposed modification of such domestic law as provided in such trade agreement unless such proclamation or order would be valid under the provisions of paragraph (2) of this subsection.

"(2) Proclamations or orders issued pursuant to this subsection shall be valid -

(i) only if the President has given notice to the Senate and to the House of Representatives of his intention to utilize this procedure, such notice to be given at least 120 days in advance of his entering into an agreement providing for the modification of domestic law alleged by a principal supplier country to be a nontariff barrier to U. S. imports of such article, or conceded by the President to have such status;

(ii) only after the expiration of 120 days from the date on which the President delivers a copy of such agreement to the Senate and to the House of Representatives, as well as a copy of his proposed proclamation or order in relation to existing domestic law, and a statement of his reasons as to why he has determined to exceed the limit to which the substance of such domestic law could be modified, without causing or threatening serious injury to the domestic industry producing a like or directly competitive article, and why he has refrained from providing in such trade agreement for the modification of duties or other import restrictions, the imposition of additional import

restrictions, or the continuance of existing customs or excise treatment, which the Tariff Commission found and reported to the President to be necessary in order that such modification in domestic law as is alleged by the principal supplier nation of U. S. imports of such article to constitute a nontariff barrier to such imports, or which is conceded by the President to have such status, can be carried out without causing or threatening serious injury to the domestic industry producing the like or directly competitive article; and

(iii) only if between the date of delivery of the agreement to the Senate and to the House of Representatives and the expiration of the 120-day period referred to in this section, neither the Senate nor the House of Representatives has adopted a resolution, by an affirmative vote of the yeas and nays of a majority of the authorized membership of that house, stating that it disapproves of the agreement. For purposes of this subsection, in the computation of the 120-day period, there shall be excluded the days on which either house is not in session because of adjournment of more than three days to a day certain or an adjournment of the Congress sine die. The notices referred to in this subsection and the documents referred to in this subsection shall be delivered to both houses of the Congress on the same day and shall be delivered to the Clerk of the House of Representatives if the House of Representatives is not in session and to the Secretary of the Senate if the Senate is not in session."

"SEC. 113. CONSIDERATION OF VIEWS OF INTERESTED MEMBERS OF THE PUBLIC BY THE PRESIDENT.--(a) In connection with any proposed trade agreement, the President shall afford an opportunity for any interested person to present his views concerning any article on lists forwarded by him to the Tariff Commission pursuant to sections 111 and 112, any article which should be so listed, any concession which should be sought by the United States, or any other matter relevant to such proposed trade agreement. For this purpose, the President shall designate an agency or an interagency committee which shall, after reasonable notice, hold public hearings, shall prescribe regulations governing the conduct of such hearings, and shall furnish the President with a summary of such hearings. The members of such agency or interagency committee holding such hearings shall include as members of the hearing panel the persons charged by the President with the responsibility of recommending to him the articles which should be the subject of offers referred to in sections 111 and 112, and those persons who shall comprise the United States delegation for the conduct of the negotiations for such proposed trade agreement.

"(b) Section 241(b) of the Trade Expansion Act of 1962 is amended to read as follows:

'(b) The Special Representative for Trade Negotiations shall, in the performance of his functions under subsection (a), seek information and advice with respect to each negotiation from representatives of industry, agriculture, and labor, and from such agencies as he deems appropriate. In addition, the Special Representative shall accredit representatives selected by each industry whose products are like or competitive with the imported articles which are the subject of trade agreement negotiations and from the labor organizations representing the workers in such industries, as advisers to the United States delegation for such trade agreement negotiations. The Special Representative shall accord such accredited representatives full opportunity to advise and consult with the United States negotiators during the course of such negotiations. The Special Representative and his delegates, including the United States negotiators of such trade agreements, shall give full consideration and due weight to the advice of such accredited representatives.'

"(c) Before any trade agreement is entered into under sections 101 or 103, the President shall seek information and advice with respect to each agreement, and with particular reference to articles which he intends to make the subject of negotiations under any such agreement, from the Cabinet agencies of the Government as follows: with respect to agricultural products, from the Department of Agriculture; with

respect to manufactured articles, from the Department of Commerce; with respect to mineral products, from the Department of the Interior; with respect to the impact of proposed trade agreement concessions on working men and women, from the Department of Labor; with respect to the probable impact of proposed modifications on the Nation's defense capabilities, from the Department of Defense; and with respect to the probable impact of proposed concessions on the Nation's balance of trade and payments, from the Department of the Treasury.

"(d) Whenever the President, the Special Representative for Trade Negotiations, the U. S. Tariff Commission, or the Secretary of any Cabinet agency designated to give advice to the President under the provisions of this Act seeks advice from representatives of industry, labor, and agriculture concerning United States negotiating objectives and bargaining positions in specific product sectors prior to entering into a trade agreement, whether in the prenegotiation or negotiating phases of activity related to the trade agreement, the meetings of such industry, labor, or agricultural representatives as a group shall be exempt from the requirements relating to open meetings and public participation contained in section 10(a)(1) and (3) of the Federal Advisory Committee Act.

"SEC. 114. PREREQUISITE FOR OFFERS.--(a) In any negotiations seeking an agreement under sections 101 or 103 of this Act, the President may make an offer for the modification of duties or other import restrictions, the continuance of existing customs or excise treatment, the modification of methods of customs valuation, the modification of methods for establishing the quantities on which assessments of duty are made, the modification in requirements for marking of imported articles so as to disclose the country of origin to the ultimate purchaser, or the modification of domestic law alleged by the principal supplying

country or acknowledged by the President to be a nontariff barrier to U. S. imports of such articles, and he shall propose in such trade agreement the imposition of additional import restrictions, the increase of import duties, or the modification of domestic law which would have as its tendency an increase in the import-limiting effect of such law only after he has received a summary of the hearings at which an opportunity to be heard with respect to such articles has been afforded under section 113. In addition, the President may make such an offer or proposal in any such negotiations only after he has received advice concerning such articles from the Tariff Commission under section 111, or after the expiration of the relevant six-month period provided for in that section, whichever first occurs. If the Commission's report is received subsequent to the expiration of the relevant six-month period, and the President has not at the time of such receipt changed his position with respect to the content of offers, he shall, notwithstanding the six-month limitation previously expressed, give full consideration to the findings and other information contained in the Commission's report to the same extent and subject to the same obligations for reporting to the Congress specified in sections 111 and 112 as if the report had been received within the relevant six-month period.

"(b) As soon as practicable after a trade agreement has been entered into pursuant to sections 101 or 103, and prior to its being placed into effect by proclamation or order of the President, the President shall transmit a copy of such trade agreement to each house of the Congress together with a statement in the light of the report and findings of the Tariff Commission under sections 111 and 112, and of the advice which he has received from the Cabinet agencies under section 113, and in the light of the views which were submitted by interested members of the public in the hearings provided for that purpose under section 113, and of any other relevant considerations, of his reasons for entering into the agreement and for proposing to implement it by the issuance of his proclamation or order to that end."

"SEC. 201. INVESTIGATION BY TARIFF COMMISSION.--
(a)(1) A petition for eligibility for import relief may be filed with the Tariff Commission by a trade association, firm, certified or recognized union, or a group of workers, which is representative of an industry.

"(2) Whenever a petition is filed under this subsection, the Tariff Commission shall transmit a copy thereof to the Special Representative for Trade Negotiations and the agencies directly concerned.

"(b)(1) Upon the request of the President or the Special Representative for Trade Negotiations, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon the filing of a petition under subsection (a)(1), the Tariff Commission shall promptly make an investigation to determine whether an article is being imported into the United States in such increased quantities as to cause or contribute to serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported article, or to its workers.

"(2) In each investigation under this subsection in which it is requested to do so pursuant to the petition, request, or resolution referred to in subsection (b)(1), or on its own motion, the Tariff Commission shall determine whether there exists a condition of market disruption as defined in subsection (f) below. If the Tariff Commission finds serious injury, or the threat thereof, a finding of market disruption shall constitute prima facie evidence that increased quantities of imports of the like or directly competitive article have caused or contributed to such injury or threat thereof.

"(c) In the course of any proceeding under subsection (b), the Tariff Commission shall, after reasonable notice, hold

public hearings and shall afford interested parties an opportunity to be present, to present evidence, and to be heard at such hearings. Absent illness or other incapacity, it shall be the duty of each member of the Commission to be present throughout the course of such public hearings.

"(d)(1) The Tariff Commission shall report to the President its findings under subsection (b) and the basis therefor, and include in each report any dissenting or separate views. The Commission shall determine the extent to which an increase in the tariff, or the imposition of quotas, or both, are required to correct such injury or threat thereof. The Commission shall also furnish to the President along with its report a transcript of the hearings and any briefs which may have been submitted in connection with each investigation.

"(2) The report of the Tariff Commission of its determination under subsection (b) and of the amount of tariff increase, imposition of quotas, or both, which is required to correct serious injury or the threat thereof, shall be made at the earliest practicable time, but not later than three months after the date on which the petition is filed (or the date on which the request or resolution is received or the motion is adopted, as the case may be), unless prior to the end of the three-month period the Tariff Commission makes a finding that a fair and thorough investigation cannot be made within that time and publishes its finding in the Federal Register. In such cases, the period within which the Tariff Commission must make its report shall be extended by three months.

"(3) Upon making its report to the President, the Tariff Commission shall also promptly make it public (with the exception of information which the Commission determines to be confidential) and have a summary of it published in the Federal Register.

"(e) No investigation for the purposes of this section shall be made with respect to the same subject matter as involved in a previous investigation under this section unless one year has elapsed since the Tariff Commission made its report to the President of the results of such previous investigation.

"(f) For the purposes of this section, a condition of market disruption shall be found to exist whenever a showing has been made that imports of a like or directly competitive article are substantial, that they are increasing rapidly both absolutely and as a proportion of total domestic consumption, and that they are offered at prices either substantially below those of comparable domestic articles or at prices approximately the same as those of comparable domestic articles which have been depressed to that level due in whole or part to the pressure of the prices of the imported article.

"(g) Any investigation by the Tariff Commission under subsection (b) of Section 301 of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act) which is in progress immediately before such date of enactment shall be continued under this section in the same manner as if the investigation had been instituted originally under the provisions of this section. For purposes of subsection (d)(2), the petition for any investigation to which the preceding sentence applies shall be treated as having been filed, or the request or resolution as having

been received, or the motion having been adopted, as the case may be, on the date of the enactment of this Act.

"(h) If, on the date of the enactment of this Act, the President had not taken any action with respect to any report of the Tariff Commission containing an affirmative determination resulting from an investigation taken by it pursuant to section 301(b) of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act), such report shall be treated by the President as a report received by him under this section on the date of the enactment of this Act."

"SEC. 202. PRESIDENTIAL ACTION AFTER INVESTIGATIONS.--(a) After receiving a report from the Tariff Commission containing an affirmative finding that increased imports have been the cause of or have contributed to serious injury or threat thereof under section 201(d) with respect to an industry, the President shall -

(1) provide import relief for such industry in accordance with section 203; and

(2) direct the Secretary of Labor to give expeditious consideration to petitions for adjustment assistance for workers in the industry concerned.

"(b) Within 60 days after receiving a report from the Tariff Commission containing an affirmative finding under section 201(b), the President shall publish a proclamation providing import relief pursuant to section 203; provided that, *in the event the Tariff Commission was equally divided in its finding, the President shall act within 120 days. If the President does not favor the grant of the relief determined to be necessary by the Tariff Commission, he shall nevertheless take such action but simultaneously with his proclamation making such relief effective, submit a report to the House of Representatives and to the Senate stating the considerations on which his views are based.*

"(c) The President may, within 45 days after the date on which he receives an affirmative finding of the Tariff Commission under section 201(b) with respect to an industry, request additional information from the Tariff Commission. The Tariff Commission shall as soon as practicable, but in no event more than 60 days after the date on which it receives the President's request, furnish additional information with respect to such injury in a supplemental report. For purposes of subsection (b), the date on which the President receives

such supplemental report shall be treated as the date on which the President received the affirmative finding of the Tariff Commission.

"SEC. 203. IMPORT RELIEF.--(a) If the Tariff Commission makes a determination of serious injury or the threat thereof -

(1) the President shall issue a proclamation providing for the increase in, or imposition of, any duty or other import restriction on the article causing or threatening to cause serious injury to such industry as found by the Commission to be necessary to remedy such injury or threat thereof; and

(2) within 180 days of the Commission's report, the President may negotiate orderly marketing agreements with foreign countries which when made effective by proclamation by the President will limit the export from foreign countries and the import into the United States of the article causing or threatening to cause serious injury to such industry consistent with the limitations on imports found by the Commission to be appropriate to remedy the serious injury or threat thereof to the domestic industry.

"(b) Import relief provided pursuant to subsection (a) shall become initially effective no later than 60 days after the President's proclamation is published providing for such import relief, except that the applicable period within which import relief shall be initially provided shall be 180 days if the President announces at the time of his proclamation his intent to negotiate one or more orderly marketing agreements pursuant to subsection (a)(2) of this section.

"(c) In order to carry out an agreement concluded under subsection (a)(2), the President is authorized to issue regulations governing the entry or withdrawal from warehouse of

articles covered by such agreement. In addition, in order to carry out one or more agreements concluded under subsection (a)(2) among countries accounting for a significant part of United States imports of the article covered by such agreement, the President is also authorized to issue regulations governing the entry or withdrawal from warehouse of the like articles which are the product of countries not parties to such agreement.

"(d) Whenever the President has acted pursuant to subsection (a)(1) or (2), he may at any time thereafter while such import relief is in effect, negotiate orderly marketing agreements with foreign countries, and may, upon the entry into force of such agreements, suspend or terminate, in whole or in part, such other actions previously taken; provided that, *the limitations on exports from foreign countries and imports into the United States of the article causing or threatening to cause serious injury, which is the subject of the import relief, are consistent with the limitations on imports found by the Tariff Commission to be appropriate to remedy the serious injury or threat thereof to the affected domestic industry.*

"(e)(1) So long as any import relief pursuant to this section (including any orderly marketing agreements) remains in effect, the Tariff Commission shall keep under review developments with respect to the industry concerned and upon request of the President shall make reports to the President concerning such developments.

"(2) Annually, the Tariff Commission shall report to the President its findings as to the probable economic effect on such industry of a termination of the import relief as well as the progress and specific efforts made by the firms in the industry concerned to adjust to import competition during the period of the Tariff Commission's review.

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

"SEC. 310(e). Section 202 of the Antidumping Act, 1921, as amended (19 U.S.C. 161) is amended by striking it out in its entirety and inserting in lieu thereof the following:

'Sec. 202. In the case of all imported merchandise, whether dutiable or free of duty, of a class or kind as to which the Secretary of the Treasury has made public a finding as provided for in section 201, entered, or withdrawn from warehouse, for consumption, on and after the date 120 days before the question of dumping was raised by or presented to the Secretary or any person to whom authority under section 201 has been delegated, and as to which no appraisement has been made before such finding has been so made public, if the purchase price or the exporter's sales price is less than the foreign market value (or, in the absence of such value, than the constructed value), there shall be levied, collected, and paid, in addition to any other duties imposed thereon by law, a special dumping duty and an amount equal to such difference.'"

"SEC. 606. LIMITATIONS ON IMPORTS FROM DEVELOPED COUNTRIES OF ARTICLES ELIGIBLE FOR PREFERENTIAL TREATMENT.-- In order to strengthen the opportunity of beneficiary developing countries to secure the intended benefits from the extension to them of preferential tariff treatment for eligible articles produced by such countries, the President shall by proclamation impose such quantitative import restrictions on the like or directly competitive articles imported into the United States from developed countries as shall reserve to the beneficiary developing countries a reasonable share of the growth in apparent domestic consumption of such articles. In the manner and frequency designated by the President, the Secretary of Commerce shall furnish estimates of anticipated apparent domestic consumption of articles which the President has designated, or which the President has under consideration designating, as eligible articles pursuant to the provisions of this title. The Secretary shall include in his report to the President his estimate of the share of apparent domestic consumption of such eligible articles being supplied by the domestic industry producing the like or directly competitive

articles and his recommendation of the extent to which imports of such articles into the United States from developed countries should be made subject to quantitative limitations in order to carry out the purposes of this section. Annually, or at such more frequent intervals as may be specified by the President, the Secretary shall review the statistical data maintained by the Department of Commerce pertaining to the volume and value of imports into the United States of designated articles from beneficiary developing countries, and of the like and directly competitive articles imported from other countries, and the domestic production and sale of the like or directly competitive articles. The Secretary shall present a summary of such data to the President together with such recommendations for modification of the quantitative limitations on imports of such products from countries other than beneficiary developing countries as the Secretary believes to be appropriate in order to effectuate the purposes of this section. The President is authorized upon receipt of such periodic reports and recommendations to proclaim effective the modifications in such quantitative import limitations as are recommended by the Secretary."

The CHAIRMAN. We thank you, Mr. Stewart, for your very fine statement.

Are there any questions?

Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Stewart, following countervailing duty action on tires, in the Michelin case, did the producer then decide to start a new plant in the United States?

Mr. STEWART. Yes, Mr. Schneebeli.

Mr. SCHNEEBELI. Do you think that would have happened if the countervailing duty had not been imposed?

Mr. STEWART. No, Mr. Schneebeli.

Mr. SCHNEEBELI. So that action alone caused a new employment situation to develop in the United States?

Mr. STEWART. Correct, in my opinion.

Mr. SCHNEEBELI. Is there any estimation of what Michelin's domestic employment will be as a result of this?

Mr. STEWART. The size plant that has been referred to in the press would involve a work force of not less than 2,000 workers.

Mr. SCHNEEBELI. Thank you very much.

The CHAIRMAN. Are there any further questions?

Mr. COLLIER. As usual, Mr. Stewart, I think your testimony affords the committee the type of expertise and articulation that should be very helpful to us in determining how we can tighten the controls over the authority granted to the executive branch on the one hand, without, at the same time, discarding the flexibility that I think is going to be needed in negotiating.

Having said that, and I am particularly interested in your proposal that the findings of the Tariff Commission be established for review by the Congress and not subject to change by the executive branch of Government without following the procedures which you outlined. I think this is an essential safeguard. I should like to ask you why the GATT agreements failed to accomplish the glowing goals which were submitted to this committee back in 1961 and in 1962, when the 1962 act was submitted by the administration at that time.

Mr. STEWART. There are four principal reasons, and I will be brief in referring to them.

First, prior even to the Tariff Commission starting its hearings to consider what the probable effects would be of tariff reductions, the administration then in power entered into an agreement with the other contracting parties that the negotiations would be conducted with tariffs to be reduced 50 percent across the board, subject only to exceptions based on confrontation and justification, so that the people who were going to be making the decisions and advising the President participated in making a moral commitment for the United States that across-the-board tariff reductions would be made.

This disarmed their judgment when it came to an objective evaluation of what the effect would be on workers and industries, and indeed on our balance of trade, if those concessions were carried out.

The second defect was that this committee and the Congress unwisely repealed the peril point provision of the prenegotiating procedures, so that the report that was sent to the President did not specify the limit to which the tariff could be reduced without caus-

ing or threatening serious injury, an exercise that the Commission had carried out in prior trade agreement negotiations.

So the President himself and his advisers had no meaningful benchmark as to when to interrupt the tariff reduction process.

The third reason was that our negotiators looked upon the reduction in industrial tariffs as the bargaining material that would be used by the United States to secure a modification of the common agricultural policy of the EEC, a modification of the variable import levies to assure us increased access for our agricultural exports. We committed ourselves under the negotiating procedures.

The first session involved every country tabling its exceptions, which meant putting on the table a commitment to reduce all tariffs by 50 percent except for named exceptions, in the expectation that we would get from them the concessions especially on agricultural commodities.

As we all know, at the end, the Common Market stood firm and did not agree to any modification in its common agricultural policy or the variable imports levies.

The administration then in office had a decision: not to go ahead with the trade agreement, because we didn't get a factor that was essential to balance the negotiations, or sign it and make the best out of a bad job. In my opinion, they decided that the circumstances were such that they would have to make the best out of a bad deal. So they did it, and have tried to put a good face on it ever since.

Now, that is three problems. The fourth problem was that many of us recognized that the nontariff barriers used by our trading partners were more significant in hindering our exports than duties. It was urged over and over again by everyone, members of this committee as well as others, that the negotiations take into consideration these nontariff barriers.

Even though there wasn't authority on the part of the U.S. negotiators to make changes in our domestic law, what we granted other countries by way of the tariff reduction should have been proportioned to the barriers that they were maintaining against our exports in the form of nontariff barriers. It wasn't. They negotiated, in my judgment, as though that condition did not exist. As a result after the agreement was signed, the concessions that we made did not benefit our agricultural exports, did not secure a modification of the main barriers to our industrial exports and opened wide our market to imports of all products.

That is why we have a galloping balance of trade deficit.

Mr. COLLIER. My final question, then, is that you believe that the bill, at least in concept and structure, as submitted by the administration if it were to include the proposed amendments which you have outlined in your statement would address itself to those problems and remedy any recurrence of what developed as a result of the 1962 act.

Mr. STEWART. I must answer that question "yes." In my appearance here for the Trade Relations Council of the United States I included other areas of the bill which are not of direct interest to the glass companies which would need also to be considered.

You gentlemen better than anyone else in the whole world will understand that the laws of our country that are addressed to social and

economic problems are the result of a balancing by the Congress of a number of interests, political, social, economic, environmental, and the like. You go through quite a discipline before you enact such a law, hearings by committees, debate in the House, then the same on the other side, resolution by the conference.

You may spend a year or a basic piece of legislation maybe here for several Congresses before it is enacted. To think that you could arm some people from the executive branch of the Government with the authority, within the short span of negotiations, to agree to changes in those domestic laws because other countries allege that they are barriers to their trade kind of appalls me. It is such lack of respect for the legislative process in the Congress and the care and deliberation that have been given to those domestic laws there have been targeted for repeal through these negotiations that I wonder that you could consider it.

I don't think that any group of negotiators, however well informed, have the resources to sit around a table and decide how a host of our domestic laws should be modified. That part of the bill, therefore, directed toward the power to negotiate for changes in our domestic laws subject only to 90-day veto by the Congress concerns me very much.

Mr. COLLIER. Excuse me, but your proposed amendment deals with correcting this, does it not, while providing the very safeguards that you say are essential as far as the Congress is concerned.

Mr. STEWART. My proposed amendments say that so far as nontariff barriers are concerned if you are going to give the President such authority, then there ought to be these prenegotiating procedures to develop as much in the way of facts as possible. I am saying to you that even when he has those facts on nontariff barriers to trade, the nature of those barriers in the form of a variety of domestic laws is such that I don't think any group of negotiators would be competent to agree to changes in our domestic law that would not disturb the very nice balance of other equally important forces that was resolved by the Congress when it enacted them in the first place.

Mr. COLLIER. Thank you, Mr. Chairman. I apologize for taking more than my 5 minutes.

The CHAIRMAN. Mr. Corman.

Mr. CORMAN. Thank you, Mr. Chairman. Mr. Stewart, let's turn our attention for a moment to this problem of the taxing system in foreign countries and the effect that has on their exports when they rebate taxes. As I understand it, in some of the countries in Europe the value added tax is about 18 or 19 percent.

Mr. STEWART. Yes.

Mr. CORMAN. In every instance once the goods are exported, that is rebated, isn't it?

Mr. STEWART. Yes, sir; either rebated or not collected.

Mr. CORMAN. What is the situation in Japan?

Mr. STEWART. Japan has a commodity tax which applies to many of the products that are sold at varying rates and it does not apply to exports.

Mr. CORMAN. What would the rates be?

Mr. STEWART. Well, the rates in the past, on some products, may be as high as 10 and 15 percent. They change the rates from time to time.

Mr. CORMAN. In truth, that just kind of throws out the window a tariff of equal amount, doesn't it?

Mr. STEWART. Yes, Mr. Corman, but bear in mind when the Congress, I think correctly and in its wisdom set up the tariff laws over many, many years of modification, in the section dealing with what the rates of duty would be, the premise was assuming that there are no distortions to competition applied by governmental interference, the economic circumstances of the industries in the United States versus those abroad call for rates in this magnitude.

To prevent distortion that would invalidate those rates, we have the Antidumping Act and Countervailing Duty Act. If we fail to enforce those laws, the governments can as they have systematically done since World War II, invalidate our tariff rates.

Mr. CORMAN. We don't consider the rebate or failure to collect VAT from a European country. That doesn't get them in violation of the antidumping laws, does it?

Mr. STEWART. The Treasury Department believes that the remission of the VAT is not subject to countervailing duties. I disagree. If we were to impose countervailing duties, the effect would be similar to what our exports now encounter. We have to pay a border tax in addition to the import duty so that our goods going to Europe bear the taxation burden of that country no less than the products of that country. One way of getting at the same thing on this side, in proportion to the advantage they have given themselves by remitting their internal taxes on their products, is to impose countervailing duties at the border equal to the amounts of the remission.

An alternative to that would be for the Treasury Department to calculate by industry sector the relationship of total Federal and State taxes paid by the manufacturer to his selling price—I have gone through this exercise and it ranges from as low as 2 percent to as much as 10 percent—and impose a tax on imports in those broad categories coming into the United States on exactly the same rationalization embedded in GATT that imported products can be made to bear part of the internal tax burden no greater than that borne by home products.

If we are not going to impose countervailing duties as a minimum, we should do the other.

Mr. CORMAN. It does seem to me that that would be an arithmetical calculation that you could make with some degree of certainty.

Mr. STEWART. Yes, the data are available. It, at least, could be made in even a four-digit category of the standard industrial classification, and the Internal Revenue Service has the data. It takes it off the tax returns. It puts it in a computer. They can do it at whatever level of detail you are interested in.

Mr. CORMAN. The other more complex problem is when we compete, say. with European manufacturers in a third country with the exception of DISC, which has some effect in relieving the American manufacturer of his tax, he is at a disadvantage with the European exporter into that third country. What can we do there, if anything?

Mr. STEWART. We have a remedy in our hands at the present time if it would be used. In the statement that I presented here for the paper

machinery manufacturers, I quoted from a GATT treatise on the interchangeability of dumping duties and countervailing duties. Some countries instead of going through the hard work involved in dumping cases simply impose countervailing duties and some countries do the vice versa.

The important point is that GATT recognizes that both remedies are addressed to the same thing. Our Antidumping Act says that whenever the Secretary of the Treasury finds that a class or kind of merchandise is sold for export to the United States or elsewhere at less than fair value, he shall take certain action which results in imposing dumping duties on such merchandise when it comes into the United States.

Also, however, if it is being sold at less than fair value it means that the price is subsidized either by the government through the things we have been talking about or by the manufacturer by not applying some of his costs of production to the selling price. The countervailing duty statute refers to bounties or grants conferred directly or indirectly not only by governments but by corporations and individuals. The Treasury Department today could impose dumping duties or countervailing duties in relation to the sale of merchandise at less than fair value in third markets that hurt our exports by applying those duties to that merchandise coming in from the country who is hurting us in a third market so that we reduce their sales here in proportion to the way they are reducing our exports to the third country.

That could be done today if the Treasury Department had the will.

Mr. CORMAN. It does seem to me that particularly if we give the President broad authority in adjusting tariffs, maybe with some guidelines, we ought to be able to get away from quotas as such as a method of protecting American industry.

Mr. STEWART. Well, as you know, Mr. Corman, I do not favor the use of quotas for the reasons I have explained.

Mr. CORMAN. Thank you very much, sir.

Mr. ULLMAN [presiding]. Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

Mr. Stewart, what share of the domestic market do imports have?

Mr. STEWART. In 1972, 22 percent, Mr. Duncan, which is higher as you know than textiles, steel, or any other commodity with the exception of the chinaware that was here earlier and we are at about the same level of penetration as leather footwear.

Mr. DUNCAN. Has that been on the increase in the past few years?

Mr. STEWART. It has come back from 1970. It was down around 18 percent, then down to 16 percent in 1971, and now 22 percent. In earlier years it has been as high as 22 percent, but 22 percent in 1972 was higher than any year back to 1948 with the exception of 1962 when President Kennedy raised the tariff, which has since been taken away from us and in 1968 the year before the modified rates were extended.

Mr. DUNCAN. Has the domestic consumption of glass increased during the past 3 years?

Mr. STEWART. It certainly has increased very strongly in 1972. In 1971 there was a prolonged dock strike which reduced imports. In

1972 two things occurred. The dock strikes were settled. There was catching up on shipments for inventory on the part of the importers and there was a very strong surge in new housing starts. Demand for glass in 1972 has been at an alltime high. However, as the observers of the housing and construction trade have noted in various articles, it is anticipated that for a number of reasons that I won't discuss that new housing starts will level off and drop down below the level of 2 million starts a year.

Demand currently and in 1972 is high because we have been nearly at the rate of 2.5 million housing starts a year. So that we expect a slackening in demand and this brief interval of strong demand which everybody is enjoying will come to an end.

Mr. DUNCAN. Do we have a deficit in balance of payments between exports and imports?

Mr. STEWART. Yes; in 1971 the latest year for which we have the data for all countries our deficit was $75 million, which was larger than it was in any prior year. That deficit comes $50 million from Europe, $19 million from Asia, and the balance from miscellaneous countries.

Mr. DUNCAN. Do we have trade barriers in trying to export into Europe and Asia? Do we run into any trade barriers?

Mr. STEWART. The principal trade barrier going into Europe is the effect of the border tax which is collected on top of the duty and it applies to cost of the merchandise, ocean freight, insurance, and duty.

The principal barrier in Asia, in Japan, is the practical difficulty of getting distribution because the marketing organization in Japan that you must have in order to do an effective job of selling is literally not available when the product you make competes directly with a strong Japanese industry.

So that that is a type of administrative barrier, but the answer to your question is "Yes" and I have given you illustrations.

Mr. DUNCAN. What about the employment picture in the glass industry? Has that been increasing or decreasing?

Mr. STEWART. It has been decreasing. On an average from 1964 to 1966 we had 24,200 workers. In 1971, the latest year for which I have the data, it was 20,200. We were down 4,000 workers.

Mr. DUNCAN. Although consumption has gone up, employment has decreased.

Mr. STEWART. As I pointed out, due to these factors: Imports have been increasing at an average of 15 percent a year, domestic consumption only 4 percent a year. The industry has been making major capital investments to increase its productivity. With a relatively slow growth volume in our markets, the increased productivity has drained the jobs out of our workforce. The rapid rise in imports added to the loss of jobs.

Mr. DUNCAN. Thank you very much, Mr. Stewart. Thank you, Mr. Chairman.

Mr. ULLMAN. Are there further questions? If not, again you have made a very excellent contribution to the committee. We appreciate your appearance here.

Mr. STEWART. Thank you, Mr. Chairman.

[The following was submitted for the record:]

STATEMENT OF OWENS-ILLINOIS, TOLEDO, OHIO

SUMMARY

Facts regarding Owens-Illinois international operations

In the past decade, Owens-Illinois has increased the number and size of its foreign manufacturing facilities but, at the same time, U.S. exports and domestic employees working on international business have both increased by 100 percent. Moreover, based on 1971 figures, approximately 40 percent, or $14 million, of the taxes paid on repatriated foreign profits have been paid to the U.S. Treasury.

The decisions of Owens-Illinois to locate manufacturing plants in foreign countries has not resulted in the exportation of U.S. jobs nor was low-cost foreign labor ever a determining factor in any of the decisions to build a foreign manufacturing plant. The determining factors in the foreign location decisions of Owens-Illinois have been transportation costs, tariff restrictions, the service requirements of foreign customers, and the availability of raw materials.

Proposals regarding taxation of foreign source income

General comments.—Agreement is expressed with respect to the position of the Administration that the present method of taxing foreign source income and the use of foreign tax credits as a means of avoiding double taxation is basically sound and that the chief effect of current U.S. taxation of earnings and profits of controlled foreign corporations would be to increase the amount of taxes paid foreign governments.

Tax holiday concept.—Opposition to the tax holiday provision is expressed on the basis that the proposed definition is extremely broad and indefinite and is based on the erroneous premise that the existence of a tax incentive will cause the diversion of investments from the United States to foreign countries. In reality, foreign tax incentives are sometimes significant in determining in which of two foreign countries a facility will be located but this significance arises only after the principal decision to build a foreign facility is dictated by other more important business considerations.

20% replacement and expansion exception.—This exception is only a temporary exemption which will result in the application of the proposed penalty provision to any foreign facility which remains in operation for any reasonable period of time.

Income subject to the proposal.—Under the proposed provision its effect is not limited to the foreign income generated by the investment sought to be restricted. Rather, all earnings and profits of a controlled foreign corporation, whether or not related to a "tax holiday" or a "runaway plant", would be subject to current U.S. taxation.

Administrative authority and burdens.—The proposal would create severe uncertainty and an administrative nightmare if the keystone definition of what constitutes a "tax holiday" were left to administrative determination by the Internal Revenue Service.

Trade proposals

General trade agreement authority.—The proposal that the President be accorded authority to raise, lower or eliminate U.S. tariffs pursuant to negotiated trade agreements is endorsed based on the expectation that the negotiated agreements will reflect the stated overall objective—"to obtain a fair shake for U.S. interests." A reasonable limitation on the authority of the President to increase tariffs is suggested.

Joint Committee on Foreign Trade.—This legislation will facilitate obtainment of the needed restructuring of the rules and systems of international trade and is supported.

Non-tariff barrier authority.—The Congress should provide the President with both a mandate to negotiate in the non-tariff barrier area as well as the requested authority to negotiate the elimination or reduction of non-tariff barriers.

Relief from disruption caused by fair competition.—The proposed reduction of the qualification standards is generally supported but concern is expressed regarding that aspect of the qualification standard under which serious injury is deemed to constitute *prima facie* evidence that increased quantities of im-

ports are the primary cause of such injury. Additionally, it is suggested that it is imperative that certain major industries of the United States be maintained and therefore the Tariff Commission and the President should be required to consider the significance and the importance to the United States economy of the industry involved when relief under this provision is being considered. It is also suggested that the Tariff Commission should be given a somewhat longer period of time for its determinations under this provision.

Authority to suspend items 806.80 and 807.00.—Opposition to the granting of authority to suspend these tariff schedule items is stated.

Adjustment assistance.—The Administration's proposal to assist workers displaced by import competition by granting financial aid based on federal standards attempts to resolve this difficult problem by providing workers with the largest possible subsistence payment for the longest period of time. This suggested resolution misplaces the emphasis of the program and legislative efforts to reform that program. As an alternative, it is proposed that a new program be devised which would: (1) provide a mechanism for identifying the expected areas where import penetration might produce job dislocations; (2) provide assistance to the workers and industries in those areas so as to maximize their ability to compete with expected imports; and (3) where import competition cannot be met, provide the means of shifting resources (primarily the work force) to the more vibrant areas of the domestic economy.

Relief from unfair trade practices.—Although the proposal involves granting the President the authority to retaliate against unfair trade practices of foreign countries and thereby engage in what may be deemed to be "trade brinkmanship", the provision is supported.

Anti-dumping and countervailing duties.—The provisions proposed by the Administration are endorsed.

Balance-of-payment authorities.—Support is expressed for the provisions of the proposed legislation, but it is suggested that the Congress provide more certainty as to the circumstances under which the balance-of-payments authority could be utilized.

Owens-Illinois

Owens-Illinois is a leading manufacturer of glass, plastic, paper, and glass-ceramic products including glass and plastic containers, Kimble scientific and laboratory glassware, Libbey® glass tableware. Lily-Tulip paper and plastic products, containerboard, corrugated shipping containers and television picture tube bulbs. Two predecessor companies date back to 1818 and 1873. The company itself was formed in 1903 to market the Owens Automatic Bottle Blowing Machine which revolutionized the glass industry.

Owens-Illinois is a multinational organization. Over 80,000 individuals are employed by Owens-Illinois and its affiliated companies. Consolidated sales in 1972 were $1,636 million with consolidated earnings of $69 million. Owens-Illinois and its affiliates operate over 150 facilities across the United States and around the world, with world-wide headquarters located in Toledo, Ohio.

Introduction

The need for reforming and restructuring the concepts, systems, and rules which govern international monetary and economic activities has, for some time, been obvious to all concerned observers. This nation, in less than ten years, has seen a $7 billion trade surplus converted into a $7 billion trade deficit and our balance of payments deficit now stands at more than $10 billion.

The existing situation has been created by a variety of factors, chief of which have been:

(1) In the recent past, new modern plants and equipment containing advanced technology have been built in many countries while the United States has been devoting a substantial portion of its resources to defense of the free world. This has resulted in a significant increase in the commercial capabilities of our trading partners.

(2) The high rate of inflation in the United States has increased the cost of U.S. exports and generated more favorable domestic market for imports. The adverse effects of this phenomenon were exaggerated by the absence of a correction in the international monetary system.

(3) While the United States continued to follow liberal trade policies, which permitted relatively free importation of foreign products, U.S. exports have confronted foreign trade barriers of increasing number and significance.

(4) The U.S. dependence on foreign mineral resources and, to a limited degree, certain foreign manufactured products has increased.

(5) The U.S. has annually expended large sums abroad to meet our international responsibilities and commitments.

(6) In certain important areas, U.S. industry has suffered from unfair international competition such as dumping and subsidization of exports.

Recognizing the urgent need for corrective action, U.S. representatives have succeeded in scheduling negotiations with our trading partners and preliminary discussions have already taken place. Essentially, the proposal that the Administration has made represents a request for authority to participate effectively in these negotiations. This request has been coupled with a promise that the authority granted will be used by the U.S. negotiators in an effort to achieve the objective of a more equitable and open world of trade—to get a "fair shake" for American workers and American companies.

International operations of Owens-Illinois

For the past two years much of the discussion regarding international trade has centered on U.S. multinational corporations. The charge has repeatedly been made that these companies export jobs by investing in foreign manufacturing plants which sell their products into the U.S. market. Many studies have been published which refute that charge including a very lengthy and extensive study by the United States Tariff Commission.

The decisions of Owens-Illinois to locate manufacturing plants in foreign countries has not resulted in the exportation of U.S. jobs nor was low-cost foreign labor ever a determining factor in any of the decisions to build a foreign manufacturing plant. The determining factors in the foreign location decisions of Owens-Illinois have been transportation costs, tariff restrictions, the service requirements of foreign customers, and the availability of raw materials.

We would like to set the record straight on a few important points which relate specifically to Owens-Illinois:

(1) During the period 1961 to 1973, Owens-Illinois increased the number of its foreign manufacturing facilities from 15 to 69. Notwithstanding that increase, Owens-Illinois also increased its U.S. exports, during the same period from $14.2 million to $30 million, or approximately 110 percent.

(2) The international business of Owens-Illinois produces employment for 1,500 U.S. employees who receive an annual compensation of approximately $15 million. This represents an increase in domestic employees working on international business of 100 percent in the past ten years.

(3) Total sales of all Owens-Illinois foreign affiliates were $468 million in the year 1972. Of those sales, less than one-half of one percent were made into the U.S. market.

(4) During the past seven years, the income received by Owens-Illinois from the sale of products to affiliates, licensees and customers overseas has exceeded its outlay of U.S. capital for foreign investments by an average of $27 million a year. In this regard, Owens-Illinois receives approximately $10 million a year from the sale of services and equipment to its foreign operations and these foreign operations purchase an additional $10–$20 million worth of U.S. goods and services from other U.S. suppliers.

(5) The total amount of taxes paid by Owens-Illinois in 1971 on its foreign source income remitted to the United States aggregated approximately $36 million. $14 mililon was paid in U.S. taxes and $22 million was paid in foreign taxes.

The facts celarly reflect that the expanded international operations of Owens-Illinois have resulted in increased domestic employment and a net favorable balance of trade and payments. In addition, only a miniscule portion of the products manufactured by the overseas plants of Owens-Illinois were sold into the U.S market. Finally, Owens-Illinois pays the United States Treasury a substantial amount of tax on its foreign earnings repatriated to the United States.

ADMINISTRATION TAX PROPOSALS

Owens-Illinois agrees with the statements made by the President in his Trade Message and by Secretary Shultz and Assistant Secretary Hickman, in their testimony before the Committee, that the present method of taxing foreign source income and the use of the foreign tax credit as a means of avoiding double taxation are basically sound. However, the Administration submitted tax proposals

which were purported to counter some "artificial" incentives that induce U.S. capital to be invested abroad. The Admiinstration has described these proposals as recommendations for change which will "deter tax-motivated foreign investment". Ostensibly, these tax proposals were intended to relate to "tax holidays" and "run-away plants". In general, the Administration proposals provide that the income of a U.S. controlled foreign corporation will be subject to U.S. tax currently, rather than when repatriated, if the foreign corporation receives a "tax holiday" or maintains a "run-away plant".

In our view, the Administration's tax proposal relating to "tax holidays" is not tailored to its announced purpose; rather, in the form presently presented, the proposal could completely frustrate the Administration's intent, as announced by Secretary Shultz, that U.S. businesses, which have done so in the past, may continue to operate abroad without current U.S. taxation in cases in which the investment is not "tax motivated".

Our experience, which we believe is typical of the vast majority of American business, is that investments in foreign manufacturing facilities are made because the exigencies of foreign business opportunities and foreign marketing requirements prohibit, at least from an economic standpoint, U.S. exports to these markets. Foreign tax rates or incentives of a particular country enter into a foreign investment decision only after a determination has been reached that a foreign facility is required. At that point, when the question is one of determining in which foreign country the facility will be located, the tax factors are considered from the overall suitability standpoint. Foreign tax incentives are not, of course, obtained by a mere purchase of stock in an existing foreign corporation.

When market, service, and transportation factors require that a foreign facility be built, the choice of the foreign country in which the facility will be constructed should be a matter of concern of the foreign countries involved and not that of the United States. Where, in this situation, the investment is to be made in new facilities abroad, efforts to obtain available foreign tax incentives are primarily to provide the foreign corporation with the maximum amount of funds for expansion, reinvestment or remittance to Owens-Illinois as dividends. Through the operation of the foreign tax credit, such tax incentives in the foreign country result in additional tax liability of the U.S. parent to the United States. Thus, the United States is the ultimate beneficiary when it recovers U.S. taxes on the income of the foreign facility. Under the circumstances described above, to subject the *unremitted* earnings of such foreign corporation to current U.S. taxation would require a level of dividends from such corporation which is otherwise not justified from the business standpoint, while a non-U.S. controlled foreign corporation operating in the same market might reinvest its earnings for expansion of its production facilities. The increased output of the foreign competitor would give that competitor a cost advantage that would cause the U.S. owned foreign corporation to lose its market share and experience a profit reduction which in turn would reduce income subject to U.S. tax. Also, such dividend requirement would be particularly troublesome where the controlled foreign corporation is not wholly owned by the U.S. corporation. This result would deter others from taking a minority interest in such a corporation.

Scope of "Tax Holiday" Definition.—Our principal concern with respect to the "tax holiday" provision is the *extreme breadth and indefiniteness* of the proposed definition of the term "foreign tax investment incentive". As explained by the Treasury Department in its explanation released April 30, 1973, the proposed definition could include tax investment incentives even if they were not significant as to amount or effect.

As Assistant Secretary Hickman stated to the Committee on Ways and Means during his testimony on May 10, 1973, ". . . It will include any income tax related benefit, however effected, which is intended to encourage or has the effect of encouraging investment in the foreign country which provides the benefit and whether or not granted to nationals as well as foreigners. . . ."

If an incentive is not significant as to amount or effect, it clearly could not "induce American business to make foreign investments which they would not otherwise make"—the abuse Secretary Shultz described. Virtually every country in the world, *including the United States*, has provisions in its tax laws which would be considered tax investment incentives. The net effect of the definition would be that any new investment in a foreign country, or, more seriously, an increased investment exceeding 20% in tangible property and real property of any controlled foreign corporation, could result in the creation of a foreign tax haven manufacturing corporation status.

It should also be noted that the exemption extended to existing facilities will be only temporary. This exemption is provided by excluding existing facilities so long as replacement and/or expansion costs do not exceed 20% of the facilities' existing basis. Any foreign facility which remains in operation will sooner or later exceed the permitted 20% replacement rule under the broad definition of tax incentives indicated by the Treasury Department. Furthermore, as long as the foreign corporation remains in operation, the U.S. tax penalty continues forever.

In addition, if this provision became effective it would not limit the foreign income subject to current U.S. taxation to the income generated by the investment sought to be restricted by the proposal. Rather, all earnings and profits of a controlled foreign corporation would be subject to current U.S. taxation, not just the income generated by new investment involved with a tax investment incentive. Furthermore, a separate foreign tax credit calculation would be required under the proposal on all income with respect to which the provision applied, even though some or all of such income might be currently distributed.

Benefits of proposal to United States.—Assistant Secretary Hickman stated in his testimony before the Committee that one of the chief effects of current U.S. taxation of earnings and profits of controlled foreign corporations would be to increase the amount of taxes paid foreign governments, since accelerated U.S. taxation would surely accelerate declaration of dividends and require payment of dividend withholding taxes to foreign governments. Generally, after payment of such dividend withholding taxes, there would be little residual U.S. tax liability and thus little increased revenue for the United States. This is precisely the result which would be generated by the Administration's proposals. It should also be noted that if the Administration's "tax holiday" proposal were adopted, one of the major effects would be to encourage U.S. corporations to alter the existing investment pattern so as to take minority ownership positions in future foreign ventures and to sell down existing ownership to a minority position. Such action would further reduce U.S. revenues and adversely affect the trade and payments balance.

Administrative authority and burdens.—The Administration's proposals would create severe uncertainty in the areas of foreign investment, since the keystone definition of the "tax holiday" provision, "foreign tax investment incentive", is to be left to administrative determination by the Internal Revenue Service. In addition, an administrative nightmare would be created, since the proposed fractionalization of the overall and per country limitations of the foreign tax credit would place great importance on the rules regarding allocation of income and deductions among the various foreign corporations or a branch located outside the country of organization of a single foreign corporation.

Conclusion.—Our views in this area are consistent with those expressed subsequently regarding Trade Reform. We believe that: (1) U.S. businesses operating internationally are beneficial to the American economy; (2) these businesses invest in facilities abroad because the foreign markets cannot be served by exports; and (3) if the U.S. companies do not fulfill the needs of these foreign markets, foreign-owned firms will.

The proposal of the Administration relating to "tax holidays" could impose a significant tax burden on U.S. companies that operate abroad. In effect, this proposal could subject the income of virtually all U.S. foreign subsidiaries to current taxation. No other major industrial country taxes currently the unremitted earnings of the foreign subsidiaries of its domestic corporations. In our view, it is neither necessary nor wise, from a policy standpoint, to impose such a serious competitive disadvantage on the foreign operations of U.S. companies.

Rather than using an approach which could apply to virtually all U.S. controlled foreign corporations and authorize the Treasury to grant relief where it finds no abuse, which, because of administrative delays, could abort a proposed investment, the Administration should identify more specifically any areas of abuse, if they exist, and should fashion legislative proposals to curb such abuses in terms specifically designed to deal with the identified abuses. Moreover, in formulating the legislative proposals to deal with the identified abuses, we suggest that techniques other than revision of the tax laws might be more appropriate than tinkering with the present tax structure. As stated by Secretary Shultz, "income taxes are not the cause of our trade problems, and income tax changes will not solve these trade problems".

These comments on the Administration's tax proposals relating to the taxation of foreign source income were prepared before the Treasury issued its statement of June 11, 1973 which explained the "tax holiday" proposal in "greater detail." It was not possible to analyze and prepare meaningful comments on the modified "tax holiday" definition prior to June 15, 1973.

THE TRADE REFORM ACT OF 1973—NEGOTIATING AUTHORITY

General trade agreement authority.—Owens-Illinois supports the proposal that the President be accorded authority to raise, lower or eliminate U.S. tariffs pursuant to negotiated trade agreements. This support is based on the expectation that the negotiated agreements will reflect the stated overall objective—"to obtain a fair shake for U.S. interests". The only major reservation we have in this area is that some reasonable limitation should be placed on the authority granted the President to increase tariffs. We would expect that the limitation would not apply in certain specific areas, such as where existing non-tariff barriers are converted to tariffs or that a separate limitation would be provided in those areas.

Owens-Illinois also supports the bills introduced by Chairman Mills and Chairman Long to establish a Joint Committee on Foreign Trade (H.R. 7603 and S. 1732). In our view, this additional legslation will facilitate the obtainment of a fair shake for U.S. interests in the forthcoming negotiations. One of the principal benefits of this proposal will be to establish the mechanism for cooperation and coordination deemed appropriate by the Congress. A direct benefit of this arrangement should be a unified U.S. position during the negotiations.

Non-tariff barrier authority.—In the past forty years, international trade has greatly increased the economic interdependence among the nations of the world. An adjunct result has been a heightened awareness of non-tariff practices—both government and private—that distort international competition. We refer to government procurement policies, internal tax structures, subsidies, border procedures, valuation practices, health and safety standards and a host of other measures. In addition, new trade problems, especially in connection with product safety standards and environmental controls are now emerging.

It is generally recognized that there are in excess of 800 non-tariff barrier items affecting trade in industrial products. A realistic view of the prospects of eliminating or reducing these non-tariff barriers must be that progress will be slow and difficult. For the most part, the major non-tariff barriers are statutory rules and therefore their elimination becomes a political as well as an economic matter.

Consider the existing situation with respect to export subsidies. Most developed countries have signed a declaration in GATT under which they agree not to grant, directly or indirectly, any form of subsidy on the export of any manufactured product that results in the sale of such product for export at a price lower than that charged domestic users. Although this declaration has been of some assistance in preventing direct subsidies on exports of manufactured goods, it has not been successful in limiting a variety of indirect export aids. A major part of the problem is that there is no definition of the word "subsidy" in GATT and much uncertainty exists as to whether individual measures fall within the scope of the subsidy ban. Notwithstanding the somewhat bleak forecast for immediate or significant success with respect to the elimination of non-tariff barriers, a beginning must be made since the United States, on balance, has more to gain by the elimination of these barriers than it does from their retention.

Accordingly, Owens-Illinois believes that the Congress should provide the President with both a mandate to negotiate in this very difficult area as well as the requested authority to negotiate the elimination or reduction of non-tariff barriers.

Owens-Illinois would like to direct the Committee's attention to what we consider to be a non-tariff barrier which has not received much attention. We refer to the discriminatory ocean freight rates which presently favor exports from Europe and Japan. For example, it costs less to ship from Hamburg to New York than to ship the same item from New York to Hamburg. In addition, although it is further, by ship, from Hamburg to Sao Paulo or Rio de Janiero than it is from New York or Philadelphia, it is cheaper to ship an item from Hamburg to those ports than it is from New York or Philadelphia. The principal reason for these discriminatory ocean freight rates is that a U.S. exporter must pay a fixed transportation tariff while the European exporter can negotiate its

transportation charges. The discrimination in ocean freight rates should be eliminated.

RELIEF FROM DISRUPTION CAUSED BY FAIR COMPETITION (SAFEGUARD AUTHORITIES)

The basic purpose of the escape clause formulation of the Trade Expansion Act of 1962 was to provide assistance to industries and their employees when they are seriously injured by increased imports by granting higher tariffs or quotas in the case of injury. That program was a failure because of its qualification standards. The Administration's proposal would reduce the qualification standards by eliminating the requirement that a causal relationship between past tariff concessions and import increases be demonstrated. In addition, the other major test, the relationship of imports to serious injury, would be changed from one whereby imports must be a "major" cause of injury to one whereby imports are a "primary" cause. Under the proposed "primary" test, primary would mean the single largest cause. Owens-Illinois supports these changes.

With respect to a determination of whether the primary cause test is met, a new test is provided which, in our judgment, is rather loose. The new test provides that if the Tariff Commission finds an industry is experiencing serious injury while a market disruption is present, then market disruption would constitute *prima facie* proof that imports are the primary cause of serious injury. Market disruption, for this purpose, is defined to mean substantial and rapidly increasing imports being sold at prices below those of domestic producers.

In our view, the Administration is proposing the replacement of the restrictive qualification standard of the existing escape clause provision wth a test which obviates the necessity of a causal relationship between the serious economic difficulties being encountered by a U.S. producer and import competition. However, our concern about the looseness of the market disruption test is, on balance, offset by the factors which the proposal provides are to be taken into account by the Tariff Commission in determining injury due to imports and by the President in determining whether and in what form to provide import relief.

Suggested Amendments.—We subscribe to the view that the economic cost of any protection is a sacrifice of some of the benefits flowing from unimpeded international trade. Import restrictions applied to particular products will almost always have the effect of shifting resources from more economic to less economic production, thereby reducing the income of the economy as a whole. In addition, protection of this type not only causes a general reduction of productivity and income, it transfers income from the rest of the population to the protected industry. Moreover, in view of the present inflationary spiral in which the U.S. economy finds itself, it is appropriate to note that import restrictions are an adverse factor in any anti-inflationary policy since those restrictions offset the benefits which can usually be expected from import competition.

Notwithstanding these views, we believe that there are certain major industries in the United States which must be maintained. For this reason, we believe that the Committee should expand the considerations to be given by the Tariff Commission and the President in implementing this concept so as to include the significance and the importance to the United States economy of the industry under question.

In addition, the Tariff Commission should be given more than three months (with a possible two-month extension) to make its determination under this provision. As a minimum, we believe that the period should be expanded to six months with a possible extension of three months in particular situations.

AUTHORITY TO SUSPEND ITEMS 806.30 AND 807.00

The purpose of these items has been to promote the use of U.S. made components in products assembled or processed in foreign countries by charging duty only on the value added in the foreign country. If these tariff schedule items are suspended, the businesses and workers dependent upon the products which are shipped abroad for assembly or processing will be severely harmed because in many cases, the U.S. made parts will be replaced with foreign made parts. The Tariff Commission in its study of these items ("Economic Factors Affecting the Use of Items 807 and 806.30") also concluded that their repeal would reduce the United States balance of trade $150–$200 million. Owens-Illinois, accordingly, opposes granting authority to suspend these tariff schedule items.

ADJUSTMENT ASSISTANCE

If the overall objectives of the forthcoming trade negotiations are reached, it must be expected that increased import competition will produce additional market dislocations. When these dislocations occur, as a result of a trade policy adopted to enhance the economic well-being of the nation as a whole, the nation has an obligation to ease economic dislocation and facilitate adjustment.

The existing adjustment program has failed and its ineffectiveness has been permitted to endure for too long. It was unfortunate that the portion of the Trade Act of 1970 which related to this area was not enacted.

It is the view of Owens-Illinois that a new trade adjustment program should be devised. This new program should: (1) provide a mechanism for identifying the expected areas where import penetration will produce dislocations; (2) provide assistance to the workers and industries in those areas so as to maximize their ability to compete with expected imports; and (3) where import competition cannot be met, provide the means of shifting resources (primarily the work force) to the more vibrant areas of the domestic economy.

In this latter situation, where import competition has caused dislocations, a means must be found to provide realistic and meaningful retraining programs directed in such a manner so as to locate the worker in a job at the conclusion of the program. The emphasis of the program must be in placing the worker in a job and not in providing the worker with the largest possible subsistence payment for the longest period of time. For this reason, we do not believe that Federal standards for unemployment compensation is the answer to the problem that exists in this area. We, accordingly, believe that the subject of such Federal standards should be eliminated from the Trade Bill and considered separately and thoroughly when legislation on that subject is considered by the Committee. Further, it is our view that the introduction of the question of Federal standards for unemployment compensation, in this legislation, will divert the efforts of the Committee from creating a proposal which is responsive to the basic problem in this area and that is the location of these displaced employees in jobs.

RELIEF FROM UNFAIR TRADE PRACTICES

This section of the proposed legislation authorizes the President to take action (retaliate) against any foreign country which (1) maintains unjustifiable or unreasonable tariff or other restrictions (including variable levies) which impair trade commitments made to the United States or which burden, restrict or discriminate against United States trade; (2) engages in unjustifiable or unreasonable discriminatory or other acts or policies, such as non-tariff barriers, which directly or indirectly burden or restrict United States trade; or (3) subsidizes its exports to third countries which substantially reduce sales of competitive United States exports to those countries.

This provision must be considered for what we believe it to be—primarily a bargaining tool. If the President is accorded this authority, his negotiating position vis-a-vis non-tariff barriers and export subsidies of our trading partners will be substantially strengthened. As we commented above, negotiation on the subject of non-tariff barriers will be difficult and prolonged but the authority granted by this provision should, if any authority can, facilitate the achievement of agreements on the elimination of non-tariff barriers over a reasonable period of time.

Although we recognize the dangers which the exercise of this authority could create, a sort of "trade brinksmanship", we do not envision that this authority will be misused and, if it were, the Congress could always reverse such action. Owens-Illinois supports this provision of the proposed legislation.

ANTI-DUMPING AND COUNTERVAILING DUTIES

In general, the provisions of the proposed legislation relating to the Anti-dumping and Countervailing Duties statutes are designed primarily to speed the procedural processes through which Anti-dumping and Countervailing Duty complaints are considered. Owens-Illinois supports these provisions.

We believe that if suggestions are made to the effect that the Secretary of the Treasury should be granted more than twelve months to make his determinations with respect to fair value, these suggestions should be rejected. We believe that the twelve month period provided in the proposed legislation is a sufficient period of time for the making of the necessary determinations. We assume that the choice of the time period provided in the proposed legislation was made with

the concurrence of the Secretary of the Treasury. Surely, that Department is in a better position to determine the required period of time for making these determinations than any other source.

We also agree with the proposal of the President that as a condition for imposing a Countervailing Duty such products should be subject to an injury test to determine whether or not they have caused injury to domestic producers. This proposed statutory change will conform the United States Countervailing Duty statute with the technical requirements of the GATT.

BALANCE OF PAYMENTS AUTHORITIES

The area of the proposed legislation authorizes the President to impose either import surcharges or import quotas on products from all countries or from selected countries in order to preserve the United States payments position. This authority would become operative only when the United States balance of payments has been in serious deficit for four consecutive quarters, and it is projected that the deficit will continue for an indefinite period. Conversely, this provision provides that the President will have authority to reduce or eliminate U.S. tariffs when the balance of payments is in a persistent surplus.

Owens-Illinois supports these provisions of the proposed legislation but we suggest that Congress provide more certainty as to the circumstances under which this authority could be utilized. The proposed triggering standards certainly should not be made automatic but neither should they be so vague as to permit great inconsistency in the future utilization of this provision.

In our view, it would be advisable to provide for post-imposition public hearings. When the import surcharge was imposed in 1971, there arose a number of hardship situations. A public forum should be provided for the airing of these hardship cases.

OTHER MAJOR PROVISIONS

Owens-Illinos supports the provisions of the proposed legislation which relate to "International Trade Policy Management." Also, we favor the enactment of the provisions which would authorize the President to extend the Most Favored Nation treatment to the Soviet Union, the People's Republic of China, and other nations not now enjoying Most Favored Nation status. Finally, we believe that providing developing countries with freer access to U.S. markets and markets of the other developed nations will assist in establishing greater harmony in the existing world economic order. Accordingly, we support the provisions of the legislation which would grant the President authority, for a ten year period, to extend generalized tariff preferences to imports from developing countries.

CONCLUSION

This statement must be viewed as supportive of the Administration's major proposals and in opposition to the proposals contained in Burke-Hartke. However, as stated at the outset, this support is based on the expectation that the authority being requested will be used by the Executive to achieve a more equitable and open world of trade. Certainly, the proposed legislation, if adopted, will provide the U.S. negotiators the ability to achieve that goal and it only remains to be seen whether our trading partners share that objective and, if so, to what extent.

Owens-Illinois is appreciative of the opportunity to present these views and will supply any additional information or data which the Committee might consider of assistance to its deliberations.

Mr. ULLMAN. Our next witness today consists of a panel including Dr. Teper, Sol Stetin, Howard D. Samuel, and Murray H. Finley. You gentlemen represent a great number of people.

We welcome you to the committee and look forward to hearing your views. I assume that you will conduct the discussion, Dr. Teper.

PANEL CONSISTING OF LAZARE TEPER, RESEARCH DIRECTOR, INTERNATIONAL LADIES' GARMENT WORKERS' UNION; SOL STETIN, GENERAL PRESIDENT, TEXTILE WORKERS UNION OF AMERICA; AND HOWARD D. SAMUEL, VICE PRESIDENT, AMALGAMATED CLOTHING WORKERS OF AMERICA

Mr. SAMUEL. Mr. Ullman, my name is Howard Samuel. I am here in behalf of the Amalgamated Clothing Workers of America. Dr. Teper is on my left, representing the International Ladies' Garment Workers' Union. President Sol Stetin is on my right, representing the Textile Workers Union of America.

If we may, Dr. Teper, will open the presentation and I will follow and Mr. Stetin will conclude.

Mr. ULLMAN. Thank you very much. You are recognized.

STATEMENT OF LAZARE TEPER

Mr. TEPER. My name is Lazare Teper. I am director of research of the International Ladies' Garment Workers' Union. I appreciate the opportunity given us to present the views of our organization and its 410,000 members in the United States and Puerto Rico on the problem of imports which steadily and progressively have undermined job opportunities for workers in our industry.

Factory production of apparel originated in this country. It continues to be carried on by small firms. The average plant producing apparel employs 70 workers at the height of the season. The average firm owns on the average but 1.1 plants. To supplement their own output firms in the industry rely on contracting establishments where apparel is produced in whole or in part from goods owned by the work-supply firms and to their specifications.

The apparel industry in the United States is widely scattered throughout the Nation even though it is more heavily concentrated in the East (appendix 1 presents a regional distribution of the industry's work force). About 30 percent of workers come from rural areas where an apparel plant is frequently the sole source of manufacturing employment. Over a third of the workers are employed in those metropolitan areas in which the apparel industry provides more than 10 percent of manufacturing jobs.

The apparel industry itself is one of the most competitive in this country. It does not require large capital. Its technology is relatively simple. New firms can easily go into business. This is further facilitated by the relatively low skill required of the industry's labor force. The intense competition does, of course, contribute to high business mortality. But it also spurs on firms in the industry to attain the biggest possible productivity. It also provides internal discipline that keeps prices in line with costs and prevents profiteering and price-gouging. The ultimate consumers of the industry's products are thus assured at all times of getting good value for their money.

Because technology is comparatively simple, it is easy to train workers directly on the job. The skills that might have been required in the past have been gradually diluted by newer production techniques and fine subdivision of labor which enable workers to perform simplified tasks. After elementary instruction they can readily attain peak proficiency within a relatively short time. As a result, the industry does not call for high educational requirements on the part of its workers—1 out of every 4 persons in the industry's labor force has not completed primary schooling and virtually 3 out of 4 have not finished high school.

The industry is also a major employer of women and workers from minority groups, many of them from the ranks of the hardcore unemployed. Years back, many of the industry's workers were immigrants from Eastern and Southern Europe. Today nearly 1 out of every 5 workers is of Latin American origin, nearly 1 out of 6 is black.

Women constitute about 80 percent of the industry's workforce. Their abliity to move to other localities in search of jobs is typically limited by family ties. About a third of them are either single, widowed, divorced, or separated. Work for most women workers is essential not only for their own support, but also for the support of their dependents. About 64 percent of women workers in the industry, as shown by a women's bureau study of a sample of ILGWU members, had to support or partially support children, husbands, parents or other relatives in addition to themselves. More married women than single women actually had to use all of their earnings for daily living expenses, irrespective of whether they were or were not the sole supporters of the family.

The apparel industry's workers have few other alternative job opportunities. They do want to work and earn a living at their work. Little wonder therefore that they want their jobs safeguarded against the erosion caused by the increasing penetration of apparel imports.

The rise of apparel imports is of comparatively recent orgin. It began in our own industry in the mid-fifties when Japan started to ship scarves to their country. The volume was such that, for all practical purposes, domestic production was wiped out.

This was only the beginning. An increased variety of apparel began coming in. With every trade concession granted by the United States to other nations, apparel imports surged ahead. After all, this country was open to all trades. Other nations, on the other hand, used varied devices to keep foreign-made apparel away from their borders.

Recognizing that the domestic problems caused by a rising tide of textile and apparel imports were serious, President Kennedy inaugurated a program in 1961 to deal with the issue. As a result, a multinational agreement was concluded under GATT auspices to regulate the flow of cotton textiles and apparel. Renewed thereafter, this agreement also stimulated the signing of a number of bilateral agreements with key exporting countries to supplement this program. The impact of these agreements was offset, however, by increased shipment of apparel made from other fibers. Even so, imports of cotton apparel (in square yards of material required for their manufacture) rose 110 percent between 1961 and 1972. Even though the demand for wool apparel faltered at times in this period, still their imports rose 168 percent, while imports of apparel produced from

man-made textile fibers skyrocketed by 5,553 percent. On an overall basis, apparel imports moved up 605 percent. Annual figures on apparel imports, by type of fiber are shown in appendix 2 in square yards equivalent and in appendix 3 in poundage. What was the result of this growth?

In 1961 imported apparel accounted for 6.4 percent of domestic consumption (5 years earlier in 1956 it was only 3.8 percent).

In 1972, however, imports preempted 25.2 percent of domestic apparel consumption. (Yearly figures showing apparel imports in relation to domestic consumption and domestic production are shown in appendix 4.)

These are global figures. But here are some specifics on the rise of imports between 1961 and 1972. Imports of women's and children's playsuits went up 101 percent; blouse imports gained 251 percent; women's and children's slacks and shorts—368 percent; raincoats for men and women up 699 percent; and imports of skirts grew 1,324 percent, those of underwear 1,407 percent, sweaters for both sexes 1,518 percent and women's and children's coats a stupendous 3,347 percent. Quantities of key women's and children's wear imports are shown in appendix 5. For comparative purposes domestic production of the same products is given in appendix 6.

More recently checks on import growth of wool and man-made fiber textiles and apparel were attained when the United States concluded agreements first with Malaysia in 1970, then with Japan, South Korea, Taiwan and Hong Kong in 1971, and with Macao in 1973. Prolonged and most difficult negotiations were needed to reach these limited agreements while imports kept growing and growing.

Bear in mind in this connection that the cotton textile agreement concluded under GATT auspices is due to terminate unless renewed at the end of September 1973. Some bilateral agreements relating to cotton textiles and apparel expire unless renewed this year, others thereafter. Agreements dealing with wool and man-made fiber textiles and apparel are scheduled to terminate unless renewed in 1974 in the case of Malaysia and Japan, in 1976 in the case of South Korean, Taiwan and Hong Kong, and in 1977 in the case of Macao. In the meantime, while the growth of wool and man-made fiber apparel exports by these six countries is limited, other nations have begun to speed up their shipments, producing some of their exported apparel frequently from yarn and fabrics originating in the countries with which we do have agreements. Thus, for example, Japanese fabrics are used in other Asian and in Latin American countries to produce apparel for export to the United States. As a result, while imported wool apparel from the countries under agreement with the United States rose 12.4 percent in 1972, shipments from other nations forged ahead 29.5 percent. While shipments of apparel made from man-made fiber textiles declined 4.2 percent in the case of signatories, shipments from other countries jumped 69.3 percent in that 1 year. The rapid buildup of exports that is taking place illustrates the need for help to the employment of garment workers in this country which will persist so long as import growth is not subject to control on a world-wide basis.

And this is indeed a serious matter. If not for the increase in imports, we estimate that this country could have provided work for some 310,000 additional apparel workers between 1961 and 1972. Bear in

mind the workers come from the hard-core unemployed and from communities where other employment may not be available. Yearly figures on the number of potential jobs lost in this country as a result of an increase in apparel imports since 1961 are shown in appendix 7.

Peak employment of production workers engaged in the making of apparel and accessories from knit and woven materials was reached in the United States in 1966. Thereafter, under the impact of imports and other economic adversities, employment faltered. Thus, 39,100 fewer production workers were employed in the industry in 1972 than in 1966. At the same time, the total number of man-hours spent at work was down 1,693,000 hours per week, or 88 million man-hours in the year. Yearly data on the number of production workers engaged in making apparel from knit and woven materials and their average weekly man-hours are shown in appendix 8.

Unless the problems stemming from the past and potential import growth are faced squarely, workers in this industry will continue to be severely affected. Yet they are the ones that can least afford to face this impact. They are the ones for whom it is hard to find alternate employment elsewhere, no matter how hard one tries.

In years past, the apparel industry was notorious for its poor working conditions. As a result of public indignation, legislative intervention and union activity, the industry's labor standards have been gradually improved. Yet today, in the face of competition from abroad, the earnings of apparel workers continue to lag behind other American industries. This is readily understandable when one examines what American apparel workers have to compete against. Here are some sample wages abroad. These figures are all for 1971 because this was the year for which we could make the maximum number of comparisons with other countries:

Ten cents an hour in Korea; 12 cents an hour in Pakistan; 13 cents an hour in India; 17 cents an hour in Taiwan; 18 cents an hour in Singapore; 23 cents an hour in Portugal; 29 cents an hour in Brazil; 34 cents an hour in Jamaica; and 70 cents an hour in Japan—to cite a few examples. Data on hourly earnings for additional countries are shown in appendix 9. Bear in mind that technology in the apparel industry is internationalized and there are no substantial differences in productivity of workers as between the different countries.

Sweatshop wages, child labor, long hours of work—everything that we have succeeded in banning from the American scene as a matter of public policy—have to be faced by American workers all over again when they face competition from abroad.

The problem is further aggravated by the increasing resort by some domestic entrepreneurs to the provisions of item 807.00 of the tariff schedules of the United States. These permit the American businessmen to produce apparel abroad out of parts cut over here and then pay only fractional duties on finished goods when they are brought back to this country. This is done either by setting up contracting operations in foreign countries controlled by American firms or else by relying on the services of foreign contractors. Aside from the lure of lower unit labor costs and lower U.S. customs duties, domestic entrepreneurs are also enticed to move their contracting operations abroad by tax concessions, remission of custom duties on imports of machinery and other materiel, subsidized plant construction, special low-interest loans

and remissions of income and other taxes provided and that is an important proviso, that the goods processed in the particular foreign country are not sold there and the whole output is exported 100 percent.

Even though such tax remissions and subsidies would justify the imposition of countervailing duties under the existing law, this has never been done.

Bear something else in mind:

On the average, roughly one production worker in an apparel plant out of every 20 does the work related to the cutting of fabrics and finishing operations that are not done abroad in order to qualify to bring back these goods under item 807.00. Thus resort to this section causes an export of some 19 apparel worker jobs for every one that remains in this country.

The incorporation of item 807.00 into our tariff schedules has served as an additional catalyst to move apparel production abroad. Together with other stimuli, such as low wages and the subsidies offered by foreign countries, item 807.00 led to a stupendous rise in such imports. Thus, in the short span from 1965 (when the Census Bureau first began to collect data on item 807.00 shipments) through 1972, the dollar volume of these imports rose 5,390 percent. Appendix 10 shows the dollar volume of item 807.00 apparel imports by type of product in valuation at the point of entry into the United States, and appendix 11 provides similar data on quantities shipped.

The rise in item 807.00 apparel imports is all the more shocking since its growth is on top of the already excessive expansion in the level of other apparel imports. The public interest would indeed be best served if item 807.00 were expunged from our books and if countervailing duties were imposed in all cases of import subsidies such as are called for under the existing law.

I have outlined some of the problems of job erosion and job disappearance faced by garment workers. Today their problems are, of course, not unique even though apparel and textiles do possess special importance to the Nation's economy justifying the efforts made by the United States in the past to slow down the tempo of their import penetration.

What needs to be done?

As we see it, the administration's Trade Reform Act of 1973, H.R. 6767, will not meet the needs of our industry and its workers any more than it will meet the needs of other American industries and their workers. In many respects too numerous to mention now, but reviewed extensively by I. W. Abel in his testimony on behalf of the AFL–CIO before your committee, this bill fails to meet the challenge currently posed by the growing threat of imports and the activities of multinational corporations. It would even scrap the one bit of information still left to the American consumer which identifies the foreign origin of the finished product. We are fully in accord with the valid critique of H.R. 6767 offered on behalf of the AFL–CIO and will not repeat it.

Legislation should require positive action. That is why it is the considered judgment of the International Ladies' Garment Workers' Union that in order to strengthen the hand of the President of the United States in dealing with foreign nations and in negotiating agreements designed to check import growth in textiles and apparel, and to

assist workers who are faced with a loss of their jobs in other industries under the impact of growing imports, that this committee should recommend and the Congress should pass legislation such as is embodied in H.R. 62 introduced by the distinguished member of this committee, Congressman Burke, and many of his colleagues, and the companion bill S. 151 introduced in the other body by Senator Hartke. The passage of such legislation woudl check import growth, improve the ability of the President to negotiate agreements with foreign countries and eliminate the inducements currently present in our tax structure that encourage American companies to move their production activities outside the United States in order to produce goods for sale to the American buyer.

Mr. Chairman, I thank you.

Mr. BURKE [presiding]. Without objection the appendixes that you have attached to your statement will be included in the entire record.

Mr. TEPER. Thank you.

[The appendixes referred to follow:]

APPENDIX 1

NUMBER OF ESTABLISHMENTS AND EMPLOYMENT, APPAREL (KNIT AND WOVEN) INDUSTRY, BY REGION, MID-MARCH 1971

	Establishments	Employment
New England	997	66,495
Middle Atlantic	11,167	495,304
East North Central	735	62,923
West North Central	423	40,954
South Atlantic	2,689	355,056
East South Central	810	182,994
West South Central	570	89,776
Mountain	127	12,478
Pacific	1,891	74,825
Puerto Rico	415	37,710
United States	19,824	1,418,513

Note: Products of the apparel (knit and woven) industry not covered by the data are leather, rubber and plastic gloves, vulcanized rubber garments and garments made from rubberized fabrics produced in the same establishment, surgical corsets produced in establishments primarily engaged in manufacturing surgical and orthopedic appliances, and artificial flowers, Products covered by the data which are not products of the Apparel (knit and woven) Industry are hosiery, knit fabrics, and fur goods.

Source: U.S. Bureau of the Census, County Business Patterns, 1971.

APPENDIX 2

GENERAL IMPORTS OF COTTON, WOOL, AND MANMADE FIBERS APPAREL, UNITED STATES (EXPRESSED IN MILLIONS OF SQUARE YARDS EQUIVALENT)

Period	Cotton	Wool	Manmade fiber	All fibers
1961	257.8	28.2	28.2	314.1
1962	381.8	45.6	48.9	476.3
1963	384.2	54.6	53.7	492.5
1964	414.7	53.9	92.1	560.7
1965	457.1	67.6	159.5	684.1
1966	485.0	62.9	229.5	777.4
1967	475.4	59.3	343.0	877.7
1968	514.7	79.8	558.3	1,152.8
1969	524.5	80.8	914.8	1,520.1
1970	477.8	76.1	1,140.3	1,694.2
1971	497.8	63.7	1,536.1	2,097.6
1972	545.0	75.6	1,605.6	2,226.2

Source: U.S. Department of Commerce, Office of Textiles (1961 data estimated by ILGWU Research Department).

APPENDIX 3

IMPORTS FOR CONSUMPTION OF COTTON, WOOL AND MANMADE FIBER APPAREL, UNITED STATES

[Expressed in thousands of pounds equivalent]

Year	Cotton	Wool	Manmade	Total
1961	60,267	13,717	5,033	79,017
1962	91,823	22,790	10,443	125,056
1963	94,204	28,039	12,847	135,090
1964	107,578	28,421	21,842	157,841
1965	119,891	35,443	30,798	186,132
1966	128,000	33,021	38,613	199,634
1967	133,092	33,771	61,056	224,919
1968	140,047	41,358	91,511	272,916
1969	142,716	41,473	144,054	328,243
1970	135,223	38,124	188,179	361,526
1971	149,404	31,218	255,994	436,616
1972	177,893	27,459	283,611	488,963

Source: U.S. Department of Agriculture.

APPENDIX 4

IMPORTS AS PERCENT OF DOMESTIC PRODUCTION AND CONSUMPTION APPAREL (KNIT AND WOVEN), UNITED STATES

Year	Percent of—		Year	Percent of—	
	Production	Consumption		Production	Consumption
1961	6.8	6.4	1967	15.8	13.8
1962	10.2	9.3	1968	18.8	15.5
1963	10.6	9.6	1969	22.6	18.6
1964	11.9	10.7	1970	24.9	20.1
1965	13.5	12.0	1971 [1]	28.7	22.5
1966	14.2	12.6	1972 [1]	33.4	25.2

[1] Preliminary estimate.

Source: ILGWU Research Department.

APPENDIX 5

IMPORTS OF SELECTED WOMEN'S AND CHILDREN'S GARMENTS

	1961	1966	1972	Percent of change 1961–72	Percent of change 1966–72
Coats	558,000	3,452,000	19,235,000	+3,347	+457
Suits	75,000	181,000	992,000	+1,223	+448
Dresses	3,323,000	9,441,000	26,917,000	+710	+185
Blouses	29,426,000	63,647,000	103,209,000	+251	+62
Skirts	504,000	3,221,000	7,178,000	+1,324	+123
Sweaters (for both sexes)	7,201,000	38,779,000	116,535,000	+1,518	+200
Slacks and shorts	31,146,000	49,509,000	145,677,000	+368	+194
Playsuits	10,988,000	7,224,000	22,087,000	+101	+206
Raincoats (for both sexes)	1,337,000	4,187,000	10,681,000	+699	+155
Dressing gowns and robes	476,000	3,629,000	3,176,000	+567	−12
Nightwear and pajamas	4,492,000	7,287,000	10,872,000	+142	+49
Underwear	1,650,000	3,517,000	24,870,000	+1,407	+607
Brassieres	31,523,000	31,428,000	71,594,000	+127	+128

Note: Peak employment in the U.S. apparel industry producing garments and accessories from knit and woven materials occurred in 1966.

Source: U.S. Bureau of the Census and ILGWU Research Department.

APPENDIX 6

PRODUCTION OF KEY ITEMS OF WOMEN'S AND CHILDREN'S GARMENTS, 1961, 1966, AND 1972

	1961	1966	1972	Percent change 1961–72	Percent change 1966–72
Coats	35,400,000	39,600,000	32,400,000	−8	−18
Suits	23,600,000	25,100,000	13,100,000	−44	−48
Dresses	390,100,000	435,600,000	381,400,000	−2	−12
Blouses	232,400,000	259,300,000	268,900,000	+16	+4
Skirts	122,300,000	148,600,000	116,800,000	−4	−21
Sweaters (both sexes)	165,200,000	197,000,000	183,800,000	+11	−7
Slacks and shorts	108,700,000	191,800,000	[1] 238,800,000	+120	+24
Playgarments	198,900,000	213,000,000	140,000,000	−30	−34
Raincoats (both sexes)	22,000,000	25,000,000	[1] 19,200,000	−13	−23
Dressing gowns and robes	27,900,000	40,800,000	[1] 40,600,000	+46	0
Nightwear and pajamas	191,900,000	234,400,000	[1] 272,300,000	+42	+16
Underwear	788,400,000	766,900,000	613,500,000	−22	−20
Brassieres	207,600,000	250,500,000	[1] 231,300,000	+11	−8

[1] The latest available data are for 1971.

Note: Peak employment in the apparel industry producing garments and accessories from knit and woven materials occurred in 1966.

Source: U.S. Bureau of the Census and the ILGWU Research Department (National Cotton Council data for dressing gowns and robes).

APPENDIX 7

Net loss of potential jobs attributable to import growth apparel (knit and woven) industry, United States 1961–72

Period:	*Job loss (−)*	Period:	*Job loss (−)*
1961 to 1962	45,500	1967 to 1968	31,600
1962 to 1963	5,500	1968 to 1969	59,200
1963 to 1964	18,500	1969 to 1970	30,500
1964 to 1965	26,300	1970 to 1971	47,300
1965 to 1966	14,600	1971 to 1972	62,300
1966 to 1967	21,600	1961 to 1972	309,600

Source: ILGWU research department.

APPENDIX 8

AVERAGE PRODUCTION WORKER EMPLOYMENT AND WEEKLY MAN-HOURS APPAREL (KNIT AND WOVEN) INDUSTRY, UNITED STATES

Period	Production workers	Weekly man-hours	Period	Production workers	Weekly man-hours
1961	1,030,600	36,501,000	1967	1,185,100	42,610,000
1962	1,075,000	39,025,000	1968	1,193,800	43,202,000
1963	1,088,000	39,311,000	1969	1,195,900	42,975,000
1964	1,109,500	39,835,000	1970	1,167,300	41,386,000
1965	1,160,400	42,281,000	1971	1,156,600	41,439,000
1966	1,198,200	43,677,000	1972	1,159,100	41,984,000

Note: Products of the apparel (knit and woven) industry not covered by the data are leather, rubber and plastic gloves, vulcanized rubber garments and garments made from rubberized fabrics produced in the same establishment, surgical corsets produced in establishments primarily engaged in manufacturing surgical and orthopedic appliances, and artificial flowers. Products covered by the data which are not products of the apparel (knit and woven) industry are knit fabrics, and fur goods.

Source: U.S. Bureau of Labor Statistics.

APPENDIX 9

Estimated average hourly earnings, apparel industry, United States and abroad, 1971

(Expressed in U.S. dollars)

Country:	*Average hourly earnings*
United States	$2.49
Austria	.91
Barbados	.29
Brazil	.29
British Honduras	.27
Canada	2.07
Colombia	.28
Costa Rica	.30
Dominican Republic	.38
France	.97
French West Indies	.37
Germany	1.57
Guatemala	.29
Haiti	.22
Honduras	.28
Hong Kong	.29
India	.13
Ireland	.98
Israel	.58
Italy	.75
Jamaica	.34
Japan	.70
Leeward and Windward Islands	.23
Mexico	.34
Pakistan	.12
Panama	.64
Philippine Republic	.24
Portugal	.23
Salvador	.32
Singapore	.18
South Korea	.10
Spain	.35
Taiwan	.17
Trinidad and Tobago	.30
United Arab Republic	.16
United Kingdom	1.05

NOTE.—These figures do not take account of earnings of cottage workers (i.e., industrial homeworkers) in foreign countries. In some areas their number is significant. Homeworker wages are but a fraction of the earnings of factory workers in the same countries.

APPENDIX 10

DOLLAR VOLUME OF IMPORTS UNDER ITEM 807 TSUS, APPAREL (KNIT AND WOVEN), BY PRODUCT (IN VALUATION AT THE POINT OF ENTRY INTO THE UNITED STATES)

Product	1965	1966	1967	1968	1969	1970	1971	1972
Coats, men's and boys			$421,165	$746,600	$699,465	$864,764	$1,012,668	$3,296,410
Coats, women's, girls', and infants'		$36,299	433,498	835,086	1,684,368	2,454,166	2,791,543	4,547,840
Rainwear		567	173,464	71,470	890,713	1,757,354	1,954,255	1,483,622
Suits, men's and boys'	$1,563	363	27,703	59,460	133,057	124,587	67,527	83,877
Suits, women's girls', and infants'		14,734	25,580	120,337	737,054	283,700	186,015	137,499
Dresses, women's girls', and infants'	124,688	706,640	1,312,226	3,094,812	5,619,404	4,758,012	6,644,641	8,704,802
Shirts, not knit, men's and boys'	317,642	71,740	633,727	832,414	756,902	3,093,458	5,943,940	6,359,061
Shirts, knit, men's and boys'	278			2,027	9,974	130,973	613,365	2,075,171
Blouses, women's, girls', and infants'	9,606	508,268	[1] 604,459	[1] 1,807,619	[1] 3,041,757	5,482,288	4,725,886	6,115,935
Sweaters	14,648	9,375	4,985	17,379	23,265	18,732	34,349	11,218
Skirts, women's, girls', and infants'	2,426	230,190	[1] 146,720	[1] 728,988	[1] 425,172	361,986	663,919	630,688
Trousers, slacks and shorts, men's and boys'		9,310	1,047,752	1,260,045	1,944,104	1,605,771	2,301,192	3,672,691
Trousers, slacks and shorts, women's, girls', and infants'	3,850	466,328	[1] 348,935	[1] 1,671,337	[1] 4,266,492	5,411,167	7,836,320	11,719,111
Playsuits, Washsuits, sunsuits			30,801	194,735	77,930	225,727	831,252	1,067,651
Underwear, men's and boys'		49,871	80,945		11,773	25,455		
Underwear, women's, girls', and infants'				376,271	584,013	706,475	1,488,021	1,262,851
Body supporting garments	304,161	2,292,575	4,200,954	5,509,156	7,830,952	9,890,181	15,736,823	22,467,453
Pajamas and other nightwear	1,136	765	20,441	136,780	182,932	35,143	46,927	471,323
Dressing gowns, bathrobes, beachwear		277,336	120,000	360,484	338,901	284,253	144,827	14,094
Neckties, men's and boys'			9,302	3,476		15,409	177,453	122,785
Mufflers, scarves, and shawls			449	8,870				
Handkerchiefs	712							
Gloves		11,781	582,423	3,059,218	5,842,624	6,917,713	6,642,088	6,676,162
Other apparel	324,558	1,670,902	1,973,615	3,364,198	5,398,211	5,937,964	9,450,161	14,081,984
Total	1,730,377	6,360,913	12,215,829	24,002,702	40,537,850	50,385,278	69,293,172	95,002,229

[1] Figures adjusted for cotton products reported in sets under TSUSA 382.33.92.

Source: U.S. Bureau of the Census.

APPENDIX 11

QUANTITY OF IMPORTS UNDER ITEM 807 TSUS, APPAREL (KNIT AND WOVEN), BY PRODUCTS

[Numbers, pairs, or pounds]

Product	1965	1966	1967	1968	1969	1970	1971	1972
Coats, men's and boys'			59,880	173,242	175,200	223,227	320,717	728,305
Coats, women's, girls', and infants'		6,349	153,446	156,870	325,617	559,974	500,096	816,206
Rainwear		72	31,320	16,920	87,840	177,588	180,648	188,016
Suits, men's and boys'	33	13	812	1,635	8,080	2,480	1,054	2,921
Suits, women's, girls', and infants'		1,245	2,715	12,099	50,410	220,900	155,395	95,976
Dresses, women's, girls', and infants'	104,172	105,038	400,593	1,204,873	1,689,068	2,444,363	3,230,844	3,851,172
Shirts, not knit, men's and boys'	275,088	56,712	651,516	521,028	621,852	3,101,400	5,299,632	4,640,820
Shirts, knit, men's and boys'	564			1,500	3,432	64,500	324,984	1,029,192
Blouses, women's, girls', and infant's	4,404	188,181	[1] 265,327	[1] 1,046,128	[1] 2,103,720	3,999,437	2,883,732	3,314,110
Sweaters	3,551	2,544	13,383	12,192	7,407	4,292	10,140	4,056
Skirts, women's, girls', and infants'	948	69,980	[1] 76,421	[1] 320,144	[1] 287,844	187,375	316,369	266,989
Trousers, slacks, and shorts, men's and boys		5,247	614,688	893,532	1,376,710	831,573	861,966	1,361,787
Trousers, slacks, and shorts, women's, girls', and infants'	2,400	464,352	[1] 155,097	[1] 1,084,480	[1] 2,727,992	2,655,669	3,730,521	5,510,322
Playsuits, washsuits, sunsuits			10,440	136,884	65,028	197,964	926,556	1,900,320
Underwear, men's and boys'		283,248	443,500		64,512	27,240		
Underwear, women's, girls', and infants'				1,785,648	1,502,484	1,326,168	6,206,136	4,963,884
Body supporting garments	44,352	3,847,248	6,365,224	9,718,584	13,155,168	17,862,732	32,201,376	44,003,436
Pajamas and other nightwear	276	996	12,000	74,004	96,768	17,208	28,308	293,772
Dressing gowns, bathrobes, beachwear		390,684	123,564	308,616	123,324	143,040	65,280	9,355
Neckties, men's and boys'			13,920	11,424		28,740	228,396	146,316
Mufflers, scarves and shawls			240	36,000				
Handkerchiefs	4,080							
Gloves (pairs)		11,328	393,948	2,726,640	4,363,392	5,639,640	8,428,176	11,639,868
Other apparel (pounds)	142,162	524,591	405,785	871,483	[2] 1,353,658	[2] 1,169,435	[2] 1,890,917	[2] 4,035,549

[1] Figures adjusted for cotton products reported in sets under TSUSA 382.33.92.
[2] Excludes products for which quantity data were not reported, valued at $361,318 in 1969; $1,103,817 in 1970; $1,157,659 in 1971, and $2,186,959 in 1972.

Source: U.S. Bureau of the Census.

Mr. SAMUEL. Mr. Chairman, shall I make my presentation?

Dr. Teper has covered much of the material which is in my statement also, so that I am going to summarize, if I may, and perhaps simply highlight a few comments in behalf of my organization.

Mr. BURKE. Your entire statement will appear in the record.

STATEMENT OF HOWARD D. SAMUEL

Mr. SAMUEL. The Amalgamated is very pleased to appear before this committee today. However, we can't help wishing that this committee could have talked with the members who came to visit our office the other day—a few victims of a U.S. trade policy that is so destructive to the apparel industry and to the men and women who labor in its shops. This was not an unusual visit, nor was it an unfamilar story they had to tell.

The delegation that came to our office worked in a shop that was working 2 weeks a month because of the competition of rising imports. They were discouraged and angry and wanted an answer from their union. We tried to explain what we were hoping to do and we talked about our coming appearance before this committee. This was small comfort and really no answer at all. Only you and this Congress can answer these members and the many thousands like them whose destiny is in your hands.

It is time for our Nation to face the facts of modern international trade and design new policies to cope with new challenges to our economy; a policy that will provide the workers in endangered industries with an opportunity to work, to produce, to be part of the mainstream of our industrial society.

This committee has heard many times, with singular patience, about the disruption caused by imports manufactured in other countries. But if it is possible, the loss of a job is more feared in the textile and apparel industries than in most others. Our workers are mostly semiskilled, often educationally disadvantaged and usually minorities and women—the kind of people who are found at the end of the employment queue. They are untrained for other kinds of work and their employment means not only income but it also means dignity and being self-sustaining. The alternative, most often, is not another job but public support and loss of pride.

We are not an inconsequential industry to be abandoned, or even ignored. We are, in fact, the manufacturing industry with the largest employment in the United States, double the number of production workers in the steel and auto industries combined, approximately 2.35 million workers. Many of these employees, as we said, are women. Most entered the industry without advanced skills, yet they are willing workers who, once they become victims of an unfair trade policy, will almost inevitably fall into the category of unemployed who will require some sort of assistance—be it welfare or other aid. By ignoring problems of trade on the one hand, we simply create even more difficult problems on the other.

As a labor intensive industry, we are especially vulnerable to competition from low-wage countries. Some would argue that the U.S. economy can do without any industry at all where labor, rather than technology is the major cost of production. We cannot agree. In fact,

we believe the case for an American textile-apparel industry is credible and conclusive. A domestic textile-apparel industry provides a large number of jobs to the people who are most difficult to place in our economy, those who are least able to compete in a technologically oriented society. At a time when more than 4½ million people are out of work, we cannot tolerate the loss of more job opportunities in an industry which provides more manufacturing jobs than any other.

There is no way our industry can compete on even terms with the bulk of industry abroad. If it were a matter of technology, merchandizing, or management we would have nothing to fear. The fact is that in these areas we retain our lead over most employers in the major exporting nations. Competition from abroad is based not on these factors, but on the huge competitive advantage they have in labor costs. Would you have American workers, who work at an average rate of $2.50 to $3.50 an hour, work at the same hourly rate—as of 1972–73—as the young girls of Japan at $1 an hour or Hong Kong at 50 cent an hour, or Taiwan at 25 cent or Korea at 12½ cents? There is at least one major manufacturing sector in Korea where working hours average more than 70 hours a week and wages average less than 5 cent an hour. The answer is obvious. We cannot compete—and indeed we have no wish to compete.

As a consequence of this enormous disparity in labor costs, the level of imported apparel products continue to climb. Despite treaties with some apparel producing nations limiting the levels of imports, the total level of imports has not declined or leveled off. It continues to climb.

Look at a few examples:

In the fast growing manmade fibers area, imported shirts made up just under half (49.8 percent) of U.S. production in 1971, compared to less than a quarter (21.8 percent) of domestic production in 1967. The import growth in men's and boys' coats and jackets is even more startling rising to 57.4 percent of domestic production from only 3.6 percent in 1967. Imported men's and boys' suits in this category have risen to over 8 percent of the domestic market where, in 1967, imports amounted to only one-half of 1 percent.

Similar gains are also being registered for imports of wool and cotton shirts, men's and boys' coats and jackets, trousers and slacks, and shorts and suits.

The rising trade imbalance in apparel has been a major factor in our U.S. balance-of-payments situation. Our textile and apparel import levels in dollar value continue to be three and four times as great as our exports. In 1971 this imbalance in textiles was a whopping 86.9 percent of our Nation's negative trade balance total. In 1972, with a more than $2 billion deficit in apparel trade, the total was almost one-third of our soaring $6.4 billion trade deficit.

Let us give you just one example of the problem we presently face. Singapore, a small island nation of 2 million people, exported to the United States 190,000 square yards of wool and manmade textile and apparel products in 1968. In 1972 their exports of these products to us had climbed to just under 50 million square yards. It is obvious our market had not increased at anything near this rate, and the only result of import patterns like this must be disruption and unemployment.

The problem is made even worse by the effects of section 807 of the Tariff Schedules, which provides for minimal duty, based on value added, for articles assembled abroad. This section seems to be a direct invitation to U.S. manufacturers to uproot existing plants and move offshore—perhaps only across the Mexican border—to reap the dual advantages of low labor costs and low tariffs, plus whatever benefits are offered by the host nation. It may make economic profit for the employer, but economic disaster for his workers here and economic chaos for the United States.

The statistics clearly indicate that apparel imports are growing, and unless a new policy of restraint is adopted they will continue to grow. The evidence is there for all of us to see whether we see it through the individuals who suffer from that policy—like that delegation who came into our office—or through the stark reality of statistics.

It might seem, for such an enormous labor-based industry, that a few jobs lost here and there could almost be ignored. And in terms of overall totals, this might seem the case. After all, in 1972 the apparel industry had 1,159,100 production workers. But in 1966, 6 years earlier, the total was 1,198,200. In the interim, the economy had expanded greatly, and so had the number of people in the labor force who need jobs.

Despite this economic and population expansion, the number of jobs in our industry declined by almost 40,000. In addition there was a reduction in man-hours of 8 million hours per year. And it isn't technology and automation that is doing it. We can't use that as an excuse.

It is the sheer loss of work opportunities because our industry can't compete with the products coming in from low-wage nations. We can't compete, and we know of no one who suggests that the wages of U.S. apparel workers should be lowered to meet foreign competition.

But we must somehow meet that competition through fair and effective trade policies if our industry and its workers are going to survive.

Ours is a basic and critical industry in the U.S. economy. Our workers are a vital asset to our Nation's productive capacity. We cannot afford to abandon this industry or its employees.

What can we do about it? There are a number of alternative approaches which have been suggested. They include: To do nothing; to depend on adjustment assistance; to give the administration the power to negotiate restraint agreements; or to adopt mandatory quotas. Let us take each in turn.

1. If we do nothing, we are saying that the apparel industry is dispensable, that we don't need it as part of the U.S. economy, that such a labor-intensive industry has no place in our technologically advanced society. At a time when unemployment is already high, we cannot bury our heads in the sand of an outdated trade policy and give up more badly needed job opportunities.

2. Adjustment assistance is the Pied Piper's tune, which for years has enticed liberals into the trap of unrestricted free trade. We are told that our workers should put their trust in adjustment assistance. which, it is claimed, needs only to be improved and then they need not fear the loss of their jobs to imports. Unfortunately, the existing adjustment assistance program is not only a case of too little and

too late—and everybody, even the chamber of commerce agrees with that—but it is not a practical answer to the problems that face us now and will continue to face us in the future. The plain fact is that adjustment assistance cannot be "improved" or made palatable, for two reasons. It is based on a fallacy. And the cost is too high. The fallacy is that the people who are put out of work by the unfair competition from imports can easily be moved into another, and equally well paying job, and that all it takes is money. But that is not true. The people who lose their jobs to imports in our industry cannot be easily moved, or retrained, or relocated. And unless we assure ourselves a permanent full employment economy, there probably would not be another job available anyway.

We are not talking about young college graduates with no particular ties to any one place or career. We are talking about adult workers with families, living in established homes in their own communities, with few skills; often women with family responsibilities; sometimes older workers.

Even if we had full employment, and training programs were feasible, the cost of any adjustment program which was serious about the real problems in an industry as large as ours would be exorbitantly high; higher than the Federal Government would be willing to go. If we assume that only 2 percent of the present number of employees in the apparel industry lose their jobs to imports each year, and we pay them in adjustment allowance equal to 100 percent the average weekly wage for a total of 1 year, and we also provided to them the manpower training to which they would be theoretically entitled—the total cost just for these workers in the apparel industry would be about $153 million—an average weekly benefit of $97 for 52 weeks to 23,000 workers representing 2 percent of the total apparel industry employment at the present time, plus an average cost of $1,600 for each. Please remember this is just for apparel workers. It does not include any workers in other industries entitled to adjustment assistance. I ask you to compare this $153 million with the $43 million that is included in the fiscal year 1974 President's budget for adjustment assistance allowances and the zero dollars included in that budget for manpower training for workers eligible for adjustment assistance.

3. The third option, which is incorporated in the administration bill, is to give to the Executive the power to raise or lower tariffs as it feels the situation demands in each industry. We are not displeased at this first recognition by any recent administration that steps should be taken to avoid unemployment caused by disruptive levels of imports, but we respectfully suggest that decisions of this nature are too important to the Nation's economy to be left entirely to the discretion of the executive branch. Even the best of good intentions are not enough. For the past several years this administration has made its ostensible goal the negotiation of international agreements regulating imports of manmade and wool fiber textiles and apparel, similar to the cotton fiber Long-Term Agreement first signed in 1963. Despite the evident determination of the administration, it took almost 4 years to negotiate agreements with the major Far Eastern exporting nations, and at this time there is no assurance that we will be able to extend this pattern on a worldwide basis. We believe it is time to enact legislation to give

the administration a stronger mandate by establishing a definite policy, not only for our industry, but for all industries vulnerable to disruption caused by imports.

4. This is why we support the concept of mandatory quotas, proposed in title III of the Burke-Hartke bill. Such a mandate by establishing a national policy would give to the President the tools with which to avoid disruption and excessive unemployment, either through negotiated agreements on a multilateral basis, or through the self-imposed quota.

Let me point out that most of our major trading partners have already established quotas or other kinds of nontariff barriers to assure orderly marketing in sensitive and important industries. What we propose is nothing new or startling, but is rather an accepted institution in international trade. Our goal is not to cut off trade or even necessarily to reduce it in most cases, but to regulate it in a way to protect one of the Nation's most precious resources: Jobs for our people.

In the light of the extensive commentary on the administration trade bill you have already heard from AFL–CIO leadership, there is no need to discuss it at length. We would like to comment on one aspect only, the section which would remove the present country-of-origin identification. We believe that foreign-made products are not automatically similar to domestic products, even when they bear the same trade names, and that it would be a disservice to consumers as well as to workers to eliminate the country-of-origin requirement. As a matter of fact, we have long believed that country of origin should not only be identified on the products themselves, but also in advertising for foreign products. Currently such retail advertising of foreign-made products seeks to hide this fact, in an effort to fool consumers into thinking that an advertised product is U.S. made. The only party which benefits from this practice is the retailer.

The delegation of members who came to our office recently understood—better than many economists—the significance of what had occurred to them. They were working to help their family's standard of living, and they knew instinctively that the gradual closing of their shop was only a symptom of a much greater problem. Let us remind you that these workers are not only our members but your constituents, and they look to us for a solution to this problem. We are confident you will not let them down.

The CHAIRMAN. Francis Schaufenbil, the president of the United Textile Workers of America, was supposed to be here, but he advised us he wouldn't be here. Our next witness is Mr. Sol Stetin. You may proceed, sir.

STATEMENT OF SOL STETIN

Mr. STETIN. I am Sol Stetin, the president of the Textile Workers Union of America. On behalf of the 200,000 workers represented by our organization who are engaged in the production of synthetic fibers and textile mill products in the United States and Canada, we welcome this opportunity to present our views in support of the Burke-Hartke bill—H.R. 62, S. 151.

Our support for this bill grows out of the bitter experience of witnessing unrestrained imports of textile products entering this

country in ever-expanding volumes, wiping out hundreds of thousands of American jobs for the last 25 years. Mr. Peter G. Peterson, who was assistant to the President for International Economic Affairs at the time, stated on October 15, 1971, that the "sharp and sudden increase in the amount of textiles imported from other countries had accounted for a job loss of more than 100,000 since January 1969."

It was to stem this tide of imports that the United States entered into agreements with the four largest suppliers of manmade fiber and wool products imports—Japan, Hong Kong, Taiwan, South Korea. The October 1971 agreements permit regulated growth in imports from these countries. They were patterned after the Long-Term Arrangement on Cotton Textile Trade, which has permitted regulated growth in imports of cotton products since 1962.

We submit that the principles supplied by the United States to govern trade in cotton, man-made fiber and wool products have served this Nation well. In the words of Mr. Stanley Nehmer, former Deputy Assistant Secretary of Commerce,

> The LTA (Long-Term Arrangement) has clearly provided a framework for orderly international trade in cotton textiles * * * It has resulted in adequate supplies of cotton textiles at reasonable prices * * * and at the same time has provided much needed foreign exchange earnings for the exporting nations.

It is noteworthy that imports of cotton products rose by 46 percent in the decade of the sixties (from 1.1 billion equivalent square yards in 1960 to 1.5 billion in 1970). Moreover, they have continued to grow substantially, reaching 1.9 billion in 1972, a rise of 25 percent in the past 2 years.

Similarly, the agreements respecting man-made fiber and wool product imports have achieved what Mr. Peterson described as "an appropriate balance between * * * the interests of our people and our industry in this country and, on the other hand, permitting fair access to our markets from these other countries." In the first year of these bilateral agreements total U.S. imports of covered products rose by 6 percent to 4.4 billion square yards. In the first quarter of the second year, U.S. imports of wool and manmade fiber textiles exceeded an annual rate of 4.6 billion square yards, 11 percent higher than in the corresponding period of the previous year.

BURKE-HARTKE EXTENDS REGULATED GROWTH CONCEPT

We commend the principle of regulated growth embodied in the textile trade arrangements. It recognizes the need for permitting growing access to American markets for foreign goods. At the same time it imposes restraints on the rate of growth to prevent imports from disrupting our markets and destroying our jobs.

This is the basic concept of title III of the Burke-Hartke bill. This title would restrain imports in each category of goods for 1974 to the annual average of imports during the base period of 1965 to 1969. Increases thereafter would be permitted in proportion to the increase in domestic production of these goods.

The application of this principle would safeguard the jobs of those textile workers who are not covered by the agreements respecting cotton, wool, and manmade products. A group of such workers who are

in urgent need of protection are the several thousand people engaged in the manufacture of hard-fiber and synthetic cordage products. Imports of farm twines have risen to the point where virtually all of U.S. consumption is accounted for by foreign products. Similarly, imports have captured more than 93 percent of the industrial twine market in this country. The only sector of the hard-fiber and synthetic cordage industry in which American producers are still supplying a substantial portion of the market is the rope sector.

Domestic industry sales of hard-fiber rope have declined steadily from a 1965–69 average of 52 million pounds to 29 million pounds in 1972. Imports have continued to increase, reaching 22 million pounds last year, 38 percent higher than the 1968–69 average. Unless a sliding scale formula such as the Burke-Hartke bill provides, is applied to this category, imports will surely erode the ability of the domestic industry to survive.

THE NEED FOR EFFECTIVE ADJUSTMENT ASSISTANCE

Our experience with the adjustment assistance provision of the Trade Expansion Act of 1962, and this is the final point I want to make, has convinced us that it is unworkable. This provision imposes upon the Tariff Commission the task of determining whether particular cases of unemployment are due "in major part" to increased imports, which in turn are due "in major part" to concessions granted under trade agreements. This task has involved the Commission in a series of mental gymnastics which has contributed very little to meeting the real needs of textile workers. Only one of the nine petitions we submitted on behalf of displaced textile workers has received a favorable decision by the Commission.

The Government's responsibility for easing the problems of displaced workers can best be met by requiring the payment of severance pay to all workers who lose their jobs as a result of plant liquidations for the many years of service that they gave to that corporation. The difficulties of adjustment are not limited to those whose unemployment can be traced to imports. The most severe adjustment problems are faced by workers displaced as a result of a plant closing. They generally have no opportunity to transfer to another job. Frequently the closing of a plant has a serious impact on the entire community, compounding the difficulties confronted by the unemployed workers.

We therefore urge the committee to adopt an amendment to the Foreign Trade and Investment Act of 1973 to require employers to contribute to a severance pay fund so that employees who are displaced as a result of plant liquidation will receive a severance allowance sufficient to enable them to make the necessary adjustments. Payment of an allowance equal to pay for a week and one-half's work for each year of service would go a long way toward meeting the workers' needs.

The United Kingdom has had such legislation in effect since 1965. The Redundancy Payments Act assures workers who are dismissed because of redundancy, payments to ease their transition to other work. Surely the United States should do no less.

So we say in conclusion that the enactment of the Burke-Hartke bill, with an amendment to provide severance pay to employees displaced

by plant liquidation, would achieve a trade policy for America which is fair to our trade partners and to ourselves.

The CHAIRMAN. We thank you gentlemen for your very fine statements. Is there another statement to be made or does that conclude your testimony?

Mr. STETIN. I might say that with me is George Perkel, the director of research, but he is not going to make a statement at this time.

The CHAIRMAN. Do you want the statement of Mr. Francis Schaufenbil to appear in the record? Do you want his statement in the record?

Mr. SAMUEL. He has no statement.

The CHAIRMAN. Are there any questions of this fine group of witnesses? Yes, Mr. Burke.

Mr. BURKE. I want to commend each and every witness who testified here, because they have really spelled out what the problems in these labor-intensive industries are, particularly the textile industry. I am particularly interested in the remarks referring to the people who are employed in this industry and their difficulty in getting placed in another job once they lose their jobs.

I know that in the city of New York they have over 12 percent of their population on welfare. I think in Boston it is up around 15 percent. Most of these people come from Brooklyn and Harlem in New York and most of them are employed in the garment, footwear, and handbag industries and several of the other industries. They are severely injured by imports. I am somewhat concerned about some of my very liberal friends who don't seem to be concerned about the plight in which these people find themselves.

They are not concerned about these minority groups who lose their jobs and then again, on the other hand, we find the conservative element in the country charging them with violating the work ethic, that they are loafers, they are on welfare, they don't want to work. I know in Boston that the people who are from the Roxbury district who have lost their jobs in the garment and footwear industry just have no place to turn.

They talk about giving them training for jobs, but training for what jobs? So I want to commend the panel here for their explanation here. I think that if the figures are accurately put right now, that there are more likely 400,000 permanent jobs lost in the textile industry if we take the figures of 1973. What is the increase of imports in textiles? Does anybody have those figures as to the average increase since 1965?

Mr. STETIN. I don't have the exact figures, but I can tell you that in 1948 there were 1,300,000 textile workers employed in this country. As colonial countries began to give freedom to the countries in Asia and Africa, the first industries they built up were textiles and so we began to have a rash of imports of textile fabrics, textile goods.

Today there are 900,000 textile workers: 400,000 textile jobs have disappeared in the last 25 years and this continues to be accelerated. I don't have the exact figures.

Mr. BURKE. Also at a time when the population of the country is growing. So that this indicates to me that although there are 400,000 jobs lost, when you take it percentage-wise it is a lot more than 40

percent of the jobs which have been lost because of the increased population of the country.

Mr. STETIN. Let me finish this. These same workers that lost their jobs were given no benefits for all the years that they served their employers. Some of them have 20, 25 and 30 years.

Mr. PERKEL. Mr. Chairman, the figures on total imports of textile manufacturers are as follows: In 1965 they were the equivalent of 2.1 billion square yards; in 1972 they were the equivalent of 6.5 billion square yards. So that they more than tripled in that period.

Mr. BURKE. My 5 minutes are up, Mr. Chairman.

The CHAIRMAN. If we are going to have further interrogation of this group of witnesses, I think we had better ask them to come back at 2 o'clock. We have to report a bill. There will probably be a quorum call in just a few minutes and I would like to get the bill reported.

Can you be back at 2 o'clock?

Mr. STETIN. Yes.

The CHAIRMAN. If those guests in the room will vacate the room as rapidly as they can, we will go into executive session.

[Whereupon, at 12:10 p.m., the committee recessed, to reconvene at 2 p.m.]

AFTERNOON SESSION

Mr. ULLMAN [presiding]. The committee will be in order. Are there further questions? Mr. Collier?

Mr. COLLIER. In general I think you have made a strong case for your position on trade legislation. There are a couple of questions that come to my mind, however.

Since you are all very practical gentlemen in the field of legislation as I trust to some degree I am, I think we could probably conclude that the Burke-Hartke bill as a practical matter has little chance of being passed by the Congress.

Assuming that I am correct in that presumption, what would be your feeling with regard to dealing with the problem which your members face in terms of an alternative trade bill. Let me elaborate just briefly on that. Some of the provisions that were offered by Mr. Stewart, who was an earlier witness which would provide more stringent controls by the Congress over the authority granted to the executive in its negotiating, do you feel this would be a reasonably adequate safeguard. If not, what would you recommend as a safeguard, again suggesting that the Burke-Hartle bill has very little chance at least at this juncture of being law.

Mr. TEPER. On your assumption and I am relying solely on your assumption, I want to remind the members of this committee of a bill, H.R. 18970, the Mills bill. 91st Congress, second session which was reported favorably by you. In its title II, it had specific provisions with regard to the textile, apparel and footwear industry.

Mr. Stewart, if I am not mistaken, supported that legislation at that time. That bill dealt with our narrow problem of textiles and apparel. On your assumption, this title, readopted now, would deal with our problem.

Mr. COLLIER. Let me say that I specifically said that was a presumption based upon my travel and in the event that I am wrong, we have no problem. In the event that I am right, then we ought to have an alternative, and that is the point that I was making.

Mr. SAMUEL. Mr. Collier, with respect to what Dr. Teper has said, it certainly deserves very serious consideration. I think my union is not yet willing to give up the ship on the concept, not talking necessarily on the exact language which obviously will be gone over very carefully by the committee, but the concept of the Burke-Hartke bill.

After a good deal of consideration and about 2 years of discussion, we think it is the only proper way to meet the problem in our industry and I think that would be true to most industries affected by imports.

Mr. COLLIER. Mr. Teper, what was the position of the ILGWU on the 1962 trade bill?

Mr. TEPER. In 1962, we supported the trade legislation. Also at that time we argued for the need of international agreements. If you recall, the first international agreement dealing with apparel and textiles was negotiated in 1961 spurred on by President Kennedy. It dealt with standards for regulating trade in cotton textiles and cotton apparel and cotton made-up goods.

We urged at that time that the principles of that agreement be extended to other fibers because we could see how the buildup of foreign trade could negate employment and seriously threaten the welfare of the garment and textile workers in this country.

We did say at that time that, while we preferred negotiations, we did see the need for legislation should negotiations fail. Even at that time the United States was meeting serious difficulties in negotiating bilateral cotton textile agreements. Although efforts were made to negotiate agreements covering textiles and apparel made of wool and man-made fibers, they were not successful.

So we visualized the possibility of legislation. We did not advance a specific recommendation for such legislation at that time. They were, however, gradually developed.

Mr. COLLIER. Isn't it a fact, however, that the palliative and I use the word advisedly, in that bill was the adjustment assistance provisions? Did they not become the defense of organized labor in many instances for lending their support to the 1962 act? For the record I opposed that bill and was charged with an antilabor vote at the time.

I doubt whether that would be the position of many pople in organized labor today if this were the 1964 campaign. But be that as it may, the adjustment assistance provisions that you were critical of and understandably so in this bill, are cetrainly an improvement over the adjustment provisions in the bill that was offered as the palliative in 1962 inasmuch as there is no adjustment provision to the industry itself but in the administration proposal it would be adjustment assistance, not just to an industry but in fact to a particular plant.

At this time you say that is not going to be adequate and you may be right. However, I find some degree of inconsistency in the position which many people in organized labor took at that time and the position which they are taking now notwithstanding the fact that the handwriting was certainly on the wall even when we enacted the 1962 legislation.

Mr. TEPER. On this particular point, sir, there is no question that you are right in saying that there is an apparent inconsistency. Some people in the American labor movement placed much greater faith in the particular 1962 draft than was justified.

I personally, and here I am not talking for my organization, thought that that particular section would not work. But this much is true: The current administration bill in its unemployment assistance provisions to persons who may lose their jobs as a result of imports, is less generous in some respects than the current legislation.

For example, under the current legislation, an individual could collect benefits up to 1 year, assuming that he would be eligible for it, and in some instances, for longer periods. Such compensation is payable at the rate of two-thirds of his regular wages as determined under the law. Under the administration proposal, in its bill that deals with unemployment insurance standards generally rather than with trade adjustments, the worker who becomes unemployed due to imports would only get 50 percent of his wages as a benefit.

Admittedly, the maximum ceiling for benefits is raised. There is no guarantee however that that unemployed individual could collect benefits for more than a small number of weeks, rather than for a full year because there is nothing in the administration bill that provides for a standard that guarantees minimum duration during which benefits could be paid. Such standard is totally omitted. So, one will have a higher maximum benefit, but no assurance of the period for benefit payments. The average benefit would be lower than now. So that it is a poorer bill than one currently on the books.

However, the main objection, based on the experience of the past, is the soundness of adjustment assistance at the time when the Nation still has 5 percent unemployed, as shown by the official statistics compiled by the Bureau of Labor Stastics. These data also show that there are quite a number of persons who are jobless but who are discouraged from seeking work because there is none available in their communities. Their number increases the unemployment percentage, if they were counted as unemployed by another 1 or 1½ percent.

When we do not have jobs for all the people, what are we going to do with the workers displaced by imports? The special problem, of course, is presented by the garment worker, as I pointed out in my testimony, who has low educational attainment, who has limited opportunities for retraining. His problem is a most serious one when he loses his job due to imports.

Mr. COLLIER. Let me say that in using the word "inconsistent" there as an implication of criticism. I did not mean it to be that way.

Mr. TEPER. I understand.

Mr. COLLIER. Because time and conditions change and we learn from experience. So that I didn't intend to be critical. In fact, in this area, I am quite sympathetic.

Mr. STETIN. I would like to add to what Dr. Teper has said. You talk about the improbability of Burke-Hartke being considered. It is now 11 years later. We were talking about the 1962 period. At the moment and only at the moment there happens to be a little better employment picture. The economy is at a maximum. All indications indicate that even though we are aware that we are moving toward a greater degree of, let's call it recession or call it unemployment as we move into the latter part of the year.

I submit to you, sir, that at this juncture, in considering this problem, we are not taking into consideration that there is a continuing

acceleration of more and more companies in our industry, in the textile manufacturing that are opening up plants all over the world.

We just had an experience where a plant was liquidated by a company known as United Merchants, in Aragon, Ga. They liquidated that plant but they did not liquidate the plants they have in some 12 other countries throughout the world and this is what we are concerned with in dealing with the whole problem of he multinational corporations. I didn't say too much about it in my presentation.

I subscribe to what I. W. Abel, the president of the Steel Workers Union, said on behalf of the AFL–CIO that this problem is going to become much more serious when we get into a period such as economists are predicting.

I just came back from a meeting in Amsterdam of the representatives of textile, garments, and leather workers from 40 countries where we discussed the problem. They are as much concerned about the problem of multinational corporations as we are.

The real problem, as I see it, is the problem of continual unemployment except when there is a war. The only time we don't have a real serious unemployment problem in this country, going back through all the period, from the First World War to the Second World War to Korea to Vietnam, is when our people are at work on machineguns for killing people and, if we could develop a society where there is full employment, we wouldn't be concerned about people importing goods from other parts of the world.

The real problem is how to deal with the unemployment problem. I say that sooner or later the American labor movement, the American society is going to be confronted with a much more serious problem if unemployment increases again, as I think it will if you believe what the economists are saying, and that is why we believe that we must do something about the multinational corporations who will close down the plants in this country and operate the plants overseas. To me, the multinational corporation is merely the principle of the runaway shop.

I come from Paterson, N.J. In the Paterson-Passaic area we had 25 years ago, 30,000 textile workers. I don't believe there are 8,000 textile workers there now. The mills moved out of there to Pennsylvania and New England; they moved to the South, and now they are moving all over the world.

This is a very serious problem for the workers in the textile manufacturing industry. You may not see it this way at the moment because employment happens to be at a higher level in textiles, but I predict that it is going to get much worse.

Mr. COLLIER. I recognize the implications certainly and I want to repeat what I said in terms of what I felt was going to be the fate of the Burke-Hartke bill per se which was as I have said my personal opinion but, of course, I don't have a crystal ball.

I can fully understand the scope of what you are saying and recent trends, and I thank you very much, sir.

Mr. ULLMAN. Mr. Corman will inquire.

Mr. CORMAN. Thank you, Mr. Chairman. I wonder if you could help me try to figure out what the labor content is in your product. Let's take textiles, a dozen of something or an item that sells for $100 retail. How much of that is markup for the retailer?

Mr. TEPER. I will be very glad to give you some figures. The retail markups have been going steadily up. Here are some of the recent figures which are based on data published by the National Retail Merchants Association.

Take women's coats and suits. In 1947, 65 percent was added on top of the price paid by retailers as their markup. In other words, if they paid $10 for a coat, they sold it on the average for $16.50.

In 1970, retailers added 81.9 percent on top of the price they paid to their suppliers. Thus, if they paid $10 for the coat they sold it for $18.19.

Mr. CORMAN. So that item that would cost the consumer $100 would be sold at wholesale for what, $60, something like that?

Mr. TEPER. Excuse me again, because I have had this mark-on expressed as a percentage of wholesale price. If you have $100.

Mr. CORMAN. Where was that made by the way?

Mr. TEPER. This calculator was made in Japan out of American parts. When the retailer paid $59.71 at wholesale, the garment would be sold for $100.

Mr. CORMAN. Of that $60 that is the wholesale price, how much is labor content?

Mr. TEPER. In women's coats and suits, it would be 30 percent of the wholesale price.

Mr. CORMAN. Thirty percent of that wholesale price?

Mr. TEPER. The wholesale price.

Mr. CORMAN. And the advertising and shipping and all that is the balance of that?

Mr. TEPER. No, there is also the cost of material which would approximate 40 percent.

Mr. CORMAN. Is the material about the same price here and abroad? Can you buy material for about the same price as you can buy it for abroad? I am trying to figure the difference in production costs.

Mr. TEPER. American fabrics may be somewhat more expensive than Japanese fabric prices in Japan. It is conceivable that foreign-made fabrics may be sold for less because Japanese wages, which is the major differential in cost, are substantially lower than in this country.

Mr. CORMAN. That would be how much of that $100?

Mr. TEPER. Thirty percent would be about $15 or $16 labor cost.

Mr. CORMAN. What is the tariff?

Mr. TEPER. It is apt to be in the vicinity of plus or minus 20 percent.

Mr. CORMAN. That is 20 percent of the wholesale cost.

Mr. TEPER. The wholesale price.

Mr. CORMAN. That means that there is a $12 tariff, a $18 labor cost.

Mr. TEPER. Sir, aren't you assigning a tariff duty on the American costs? I gave you a breakdown of the cost of U.S. products.

Mr. CORMAN. I am taking two items, each of which sells for $100. I am trying to figure out what kind of a tariff it would take to give a reasonable adjustment for labor cost. In other words, I am trying to figure out if we can't solve the trade problems with tariffs, rather than with quotas.

I am asking you if we structure our tariffs to compensate for the difference in labor costs, isn't that going to be a fair way to approach the problem?

Mr. TEPER. I don't think so, sir.

Mr. CORMAN. All right. Why?

Mr. TEPER. For this reason: for example, at the time when the first devaluation of the U.S. dollar took place, Japan, to use an example, readjusted her pricing so that there was virtually no change in price on Japanese fabrics and Japanese apparel sold in this country. I am not suggesting that that is a process that can go on ad infinitum, but when you are dealing with flexible articles such as apparel or textiles constructions can be varied in many ways. So that there are ways of absorbing costs, and tariffs are not the solution. Quotas are much more meaningful.

Mr. CORMAN. In other words, if you could have a system that would say the tariff on an item would be equal to the American labor cost you still would not be satisfied, that is what you are saying?

Mr. TEPER. In theory, you can say that. In practice, I don't think you could work out such an equation because the labor costs are not going to have a constant interrelationship as we have here when we are dealing with averages.

Secondly, when one deals with an industry such as apparel, where there are some 25,000 firms in the field, you have a highly competitive situation. Each domestic firm, within the limit of its costs, tries to produce as economically as possible.

Furthermore, you cannot deal with markups as constants because typically retailers take much greater markups on imported goods than on domestic goods. The average markups that I gave you are averages published for the whole retail sector, which includes both domestic and imported goods. But there are markups of as high as 150 percent on top of the price paid by retailers that are taken on goods imported from abroad.

Mr. CORMAN. But the markup on the import is higher.

Mr. TEPER. Yes.

Mr. SAMUEL. Mr. Corman, may I give a couple of examples: Supplementing what has been said. A dozen imported knit shirts, which are very popular now, and the prices I give you are fairly accurate, would cost about $35 from the Far East imported f.o.b. west coast.

We can make them good quality for $55. That differential I think would be difficult to make up through a tariff. A suit from Korea which lands f.o.b. California at $45 and is sold for $125 in a department store in this country, that same suit would cost us to make about $65 to $70. It is apparent immediately why the retailer would very much favor a rising rate of imports. He is making an extra $20 to $25 per suit.

Mr. CORMAN. I assume he still has to sell it cheaper than the American product.

Mr. SAMUEL. No, he does not.

Mr. CORMAN. Why, is the import better?

Mr. SAMUEL. No, not particularly. He simply does not.

Mr. CORMAN. If they are the same price, are they going to opt for the imported?

Mr. SAMUEL. We have some manufacturers who can make an inexpensive suit, not equal to the one I mentioned before, which could sell for $39 or $40. There are some imports particularly from the iron curtain countries which come for even less. These come from

countries where the labor cost simply cannot be fixed because there is no free market.

Mr. CORMAN. What I am trying to find out is if there is some way to have a free market here. I suspect that there are going to be more beneficiaries of your quota system than the people who sit at sewing machines.

As a matter of fact, I think they will be the last ones really to benefit.

Mr. TEPER. Why do you say that, sir?

Mr. CORMAN. Because I think that as soon as you start rigging the market and you remove the element of competition, you are still going to have competition in a labor market became the labor market is an unskilled one. They are still going to be able to hire people at relatively low wages.

The consumer is going to pay higher prices because the quota system is going to remove whatever element of competition there is from foreign items.

Mr. SAMUEL. May I give you two examples of where the reverse has happened? This is the case of cotton textile and apparel which has been regulated by quota for 12 years. Until the recent worldwide shortage, the price of cotton remained lower than the cost of living in the United States generally despite the fact that it was subject to worldwide quotas. The quotas there do not have any unfavorable effect. Just the opposite is true of wool.

Mr. CORMAN. My suggestion is that cotton was competing with something and you want to remove that thing that cotton was competing with.

Mr. SAMUEL. Wool is a free market. However, because of the fact that there is no regulation in wool the market has been largely captured by the Japanese and the American textile industry has lost the capacity to produce wool fabrics to the extent that we need it. As a result of the rising monopoly by the Japanese the price has climbed to almost double in the past year and will be the major factor in the rise in the cost of apparel because the Japanese have gotten a monopoly in the supply of wool fabrics.

Mr. TEPER. Furthermore, the Japanese cornered the raw wool market by buying up the Australian and New Zealand wool far in excess of their own needs. As a result the price of raw wool in the past year has increased fivefold in this country.

Look for proof at the statistics issued by the Department of Agriculture for the period of phase 2 and thereafter. It should also be noted that price escalation in raw wool occurred because Japanese were financed partly by Export-Import Bank and partly by other American international banks. Credits were advanced for periods anywhere from 6 months to a year. Japanese were banking essentially on the decline in the value of the dollar. That is why they bought raw wool far in excess of their ability to process it. This is an important factor that caused price increases which are going to be reflected ultimately in prices of wool fabrics and prices of wool apparel.

It has nothing to do with quotas. Japanese are buying up California cotton. I understand that pretty much one-half of the California cotton crop has been purchased by the Japanese for next year.

Mr. CORMAN [presiding]. If I understand Mr. Vanik's statement, he is afraid we are all going to starve to death in cheap Japanese suits. Mr. Duncan?

Mr. DUNCAN. Thank you, Mr. Chairman. I want to thank you for a fine presentation. I want you to know that the suit I have on was manufactured in Knoxville, Tenn., my home town. Certainly conditions have changed in trade during the past several years.

At one time we had an advantage in technology. Do we still have that.

Mr. TEPER. The apparel, technology is interationalized simply because the same engineering firms that service American industry now service firms abroad. The same machine companies like Singer, Union Special, not only supply their services to foreigners, but they also are beginning to manufacture their equipment abroad. I think there may be only one sewing machine company that still makes industrial sewing machines in this country.

So we do not have any technological advantage in apparel.

Mr. DUNCAN. You mentioned earlier today the wages that you must compete with. For example in South Korea I believe you said 10 cents an hour, Japan, 70 cents.

Mr. TEPER. Yes, sir.

Mr. DUNCAN. What is the average in the United States?

Mr. TEPER. The average wage in 1971 and that was the year for which comparisons were made was $2.49 an hour for all of apparel. The wages, of course, have increased and they are closer to $2.73 this March in the United States. Foreign wages have also increased.

Mr. DUNCAN. You mentioned the fact that in 5 years, textiles had gone up from 2.5 billion yards to 6.3 billion. Did I understand that correctly?

Mr. TEPER. That was the import figure given in square yards equivalent.

Mr. DUNCAN. If we had not allowed the rise of imports, additional people would have been put to work in the United States.

Mr. TEPER. We have done just that computation for the apparel industry. You will find in appendix 7 to my presentation the job loss figures, year by year from 1961 through 1972. In the entire 1961–72 period, we figured that close to 310,000 persons could have been added to employment rolls in this country in the apparel field if not for the increase in imports.

Mr. DUNCAN. I have noticed in the mills in my hometown, and incidentally, at one time, we had a great number of mills. Today there is almost 1 million square feet of floor space that at one time was used in the textile manufacturing industry, that is being used for other purposes or is vacant. The industry employed a large number of minority people and poor people that otherwise perhaps couldn't find employment anywhere else. Is that still true today?

Mr. TEPER. Yes.

Mr. DUNCAN. I think the textile industry employs a lot of women.

Mr. SAMUEL. The skills required in our industry at the threshold, at the time they enter the factories, are very limited. They are untrained people with limited education who can come in and become productive in a short time.

Mr. DUNCAN. Do we have barriers erected in other countries against our products?

Mr. TEPER. For example, if you tried to bring in imports of ready-made clothing to Korea you couldn't do that. Or Mexico, they have a tariff duty that is prohibitive. Some time ago I supplied information to the Tariff Commission. I cannot recall precisely, but it seems to me subject to correction, that around a $3 wholesale shirt might have had a $3 or $4 duty on it.

Mr. DUNCAN. Don't you think that when we buy in unlimited quantities manufactured products in places such as Korea and Taiwan and so forth, that we are actually encouraging cheap, slave labor in the world?

Mr. SAMUEL. It does, but please understand at no time do we suggest that there shall be a cessation of trade. All we are suggesting is that trade expand in some reasonable proportion to the growth in the domestic demands.

Mr. DUNCAN. I think you have always advocated the principles of international free trade, but I think now you mean that it should be a fair and on an orderly basis. That is your position?

Mr. SAMUEL. Right.

Mr. STETIN. We have a couple of organizations both at Jim Robbins Seat Belt and Holston Manufacturing in Knoxville. Your points is very well taken about the problem of the cheap labor from other countries and what we are interested in is developing international fair labor standards as the basis for cooperating throughout the world.

I might say as far as technology is concerned, I think the textile industry is constantly improving its technology, its efficiency, its productivity. But what they are doing now is sharing that with the rest of the world by their multinational plants that they own and operate in other parts of the world. That is why we want some degree of control over what is going to happen to the jobs of the people here while they keep expending overseas.

Mr. DUNCAN. Your position is well taken. My time is up, I thank you.

Mr. CORMAN. Gentlemen, thank you very much. Your testimony has been helpful to us.

The committee is going to recess for 15 minutes and when we get back, we will hear from Barry Finn, president of the International Apparel Importers Association.

[A recess was taken.]

Mr. GIBBONS [presiding]. The meeting will come to order. We will resume with Mr. Finn, and you may proceed as you wish.

STATEMENT OF BARRY FINN, PRESIDENT, INTERNATIONAL APPAREL IMPORTERS ASSOCIATION, ACCOMPANIED BY GAIL T. CUMINS

SUMMARY

Changes in Customs duties, without sufficient advance notice, are harmful to importers who must make long-term commitments with United States customers and foreign suppliers.

Congressional hearings have generally afforded, and Committee reports have provided, sufficient advance notice of impending changes in tariff duties. Changes effected by Executive actions have not.

The Trade Reform Act of 1973, as proposed, delegates to the President and his nominees unfettered legislative power in respect to Customs duties and valuations. Such delegation of legislative power is unconstitutional.

The bill, in its present form, would transfer effective tariff making powers to the President and should not be enacted.

Mr. GIBBONS. We will put your statement in the record as if it had been delivered.

Mr. FINN. May I commence with my statement, sir?

Mr. GIBBONS. Go ahead.

Mr. FINN. My name is Barry Finn. I am president of International Apparel Importers Association. The lady on my right is Mrs. Gail Cumins of Sharrets, Paley, Carter and Blauvelt, who are counselors to the association.

We are an association of over 25 major importers of apparel and apparel accessories and collectively supply the retail stores of the United States with a large segment of the apparel sold to the U.S. consumer. The great majority of these imports were the result of firm contractual obligations entered into long before the actual imports.

Thus, the typical situation is a contract between a member of the association and a retail store chain calling for delivery, 6 months or a year later, of thousands of dozens of specified articles at a fixed price per unit. The actual importations required to meet the contractual obligation are, in turn, the subject of contracts with foreign suppliers at a fixed unit price. The business is highly competitive, and the profit margins of American apparel importers are comparatively low. A vital element in arriving at the U.S. contract price is the customs duty to which the goods are subject when they reach the United States.

American importers realize that the constitutional power of the Congress to levy duties upon imported merchandise is unlimited and that the Congress can enact legislation changing the rate of duty and the value upon which ad valorem duties will be computed. Practical experience over a great many years has taught us that Congress and its committees rarely enact trade legislation without affording all interested parties an opportunity to be heard. The reports of congressional committees, particularly the reports of this committee, have, in the past, provided guidance to importers in the nature of the long-term contractual obligations they must make if they are to remain in business.

However, in those instances where the executive branch of the Government has been empowered by the Congress to impose additional duties or import restrictions at the discretion of the President, the effects upon the American importer have sometimes been unexpected and financially disastrous. A recent example has been the imposition of the 10-percent surcharge in 1971.

The International Apparel Importers Association urges this committee and the Congress to retain effective controls over the duties to which imported merchandise is subject. It is the considered opinion of this association that the Trade Reform Act of 1973, as proposed, would, in effect, divest the Congress of control over tariff duties and allow the President to exercise his own unfettered discretion in these vital tariff matters.

The members of my association feel very strongly that the Congress, in the exercise of its constitutional powers to regulate foreign trade, should not delegate its sovereign powers to the President.

Although I am not a lawyer, legal counsel for our association has advised me of the numerous court decisions concerning the delegation of legislative power. A complete discussion of these decisions is contained in our written presentation, prepared with the assistance of counsel, which has been filed with the committee.[1]

As it has been explained to me, these decisions hold that Congress cannot delegate legislative power to the President to an unfettered discretion, nor can he be given the authority to make whatever laws he deems needed or advisable for the rehabilitation or expansion of trade or industry.

A constitutional delegation of powers requires that the act must specify when the powers conferred may be utilized by establishing a standard or intelligible principle which is sufficient to make it clear when action is proper.

The Trade Reform Act of 1973 fails to meet the tests for a valid delegation of legislative authority to the President. Not only does the pending bill delegate authority to the President but section 701 permits the President to delegate the power, the authority, and the discretion conferred upon him by this act to the heads of such agencies as he may deem appropriate.

Section 701 also provides that the head of any agency performing functions under the act may authorize the head of any other agency to perform any function and then prescribe such rules and regulations as may be necessary to perform these functions. The bill would delegate complete discretionary authority down the chain of command in the executive branch of the Government. Clearly, under the Constitution and court decisions, such a delegation of legislative authority is not permissible unless it is specifically limited by congressional guidelines so as to make the decisions of the Executive or his designates ones that are exercised in pursuance of the law rather than decisions by the Executive deciding what the law shall be.

The Trade Reform Act of 1973, in its present form, delegates to the executive branch of the Government the decisions as to what the law shall be in several very important areas.

Thus, section 101 would give to the President or his delegate authority to modify or increase duties, without limitation, when he determines such duty changes are appropriate to carry out any trade agreement he has negotiated.

All previous trade agreement legislation, starting with the act of 1934, has imposed limits upon the degree of duty changes and have forbidden the change from dutiable status to free and vice versa.

Section 103(c) would give the President authority to change the method of U.S. customs valuation, that method which establishes the quantities upon which duty assessments are made and the requirements for marking the country of origin upon imported merchandise.

The only legislative guidelines contained in the bill are those that give the President sole privilege for determining those changes which are required or appropriate to carry out any trade agreement which he has negotiated. We can assume that the President would not negotiate any trade agreement unless he believed it to be in the interests of the United States. Hence, the delegation to the President of power

[1] The court decisions referred to are reproduced following Mr. Finn's oral statement.

to alter the method of valuation, measurement of imported commodities, and marking requirements is limited only by the good intentions of the President.

If the authority to change the present method of customs valuation should be exercised by making all imports dutiable upon the basis of c.i.f. values instead of f.o.b. values, the amount of duty due upon apparel imports, most of which come from the Far East, would be increased approximately 25 percent even if present rates remained the same.

Mr. GIBBONS. We have to vote. We will be back as quickly as we can.

[A recess was taken.]

Mr. GIBBONS. We are back in session.

Mr. FINN. Another alarming feature of the bill, section 401, is the proposal to delegate to the President authority to impose import surcharges and/or quota limitations whenever the President determines special import measures are required to deal with a serious balance-of-payment deficit or an international balance-of-payments disequilibrium without any advance notice to the American importer.

The exercise of Presidential discretion under section 401 by the imposition of a surcharge could result in financial distress to members of my association if such a surcharge was imposed without long advance notice. Imports by members of the association are generally the result of contracts entered into 6 months or more before the date of importations. Prices are calculated upon a known rate of duty. Under section 401, that rate of duty could be increased by any amount of surcharge at any time. The contractural obligations would result in substantial loss to the American importer even if the surcharge amounted to no more than the 10 percent surcharge imposed without warning by the President in August 1971. Only the short duration of the 1971 surtax prevented great loss to any American importer. A higher rate of surtax and/or a longer duration of the surtax would prove disastrous to the American importer who is subject to long term contractural obligations. In the words of the Supreme Court long ago, the power to tax is the power to destroy. The power to tax imports is exclusively the responsibility of the Congress; it should not be delegated to the President or his designees.

The International Apparel Importers Association is not appearing today in opposition to trade legislation per se, even if such legislation would have the ultimate effect of inhibiting imports. We are here today, however, to urge that any such legislation should provide for adequate notice and hearings to the trade so as to avoid the application of such legislation to imports already under contract.

We are also appearing before you to urge this body to retain its historical responsibility for control of foreign trade. This responsibility resulted from the principles of separation of powers which are the cornerstone of the American political system. Since we believe that the Trade Reform Act of 1973, in transferring the power over foreign trade to the executive branch, is contrary to the fundamental principles of separation of powers, it is the hope of the International Apparel Importers Association that this committee will not recommend the passage of the Trade Reform Act of 1973 in its present form. Thank you.

[Supplementary material submitted for the record follows:]

COURT DECISIONS SUBMITTED IN SUPPORT OF TESTIMONY OF BARRY FINN

In 1928, the Supreme Court upheld the constitutionality of the flexible tariff provision of the Tariff Act of 1922, section 315. *J. W. Hampton Jr. & Co.* v. *United States*, 276 U.S., 394, 48 Sup. Ct. 348. Chief Justice Taft, speaking for a unanimous Court said:

"If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to fix such rates is directed to conform, such legislative action is not a forbidden delegation of legislative powers."

The Court held that the flexible tariff provision of the Tariff Act of 1922, section 315, did lay down such an intelligible principle in that the President, after hearings and findings by the Tariff Commission, was permitted to equalize the difference in the cost of production of imported goods with domestically produced similar merchandise.

However, on January 7, 1935, the Supreme Court held that Congress had illegally attempted to delegate to the President the power to prohibit the transportation in interstate and foreign commerce of petroleum produced in excess of any state law or regulation because Congress had not laid down any proper guidelines.

Panama Refining Co. et al. v. *Ryan*, 293 U.S. 388, 55 Sup. Ct. Rep. 241. Chief Justice Hughes, speaking for a majority of the Court said:

"So far as this section is concerned, it gives to the President an unlimited authority to determine the policy and to lay down the prohibition, or not to lay it down, as he may see fit."

On May 23, 1935 the Supreme Court held the attempted delegation of legislative power to the President, in National Industrial Recovery Act, was unconstitutional. *A. L. A. Schecter Corporation* v. *United States*, 295 U.S. 495, 55 Sup. Ct. Rep. 897. Chief Justice Hughes, speaking for a unanimous Court, said:

"But Congress cannot delegate legislative power to the President to exercise an unfettered discretion to make whatever laws he thinks may be needed or advisable for the rehabilitation and expansion of trade or industry."

The Court referred to the *Hampton* decision and said:

"The court fully recognized the limitations upon the delegation of legislative power."

In concluding that the act under consideration was unconstitutional, the Court stated:

"To summarize and conclude upon this point: Section 3 of the Recovery Act (150 S.C.A. sec. 703) is without precedent. It supplies no standards for any trade, industry or activity.

* * * * * * *

"* * * section 3 sets up no standards, aside from the statement of the general aims of rehabilitation, correction, and expansion described in section 1. In view of the scope of that broad declaration and of the nature of the few restrictions that are imposed, the discretion of the President in approving or prescribing codes, and those enacting laws for the government of trade and industry throughout the country is virtually unfettered. We think the code making authority thus conferred is an unconstitutional delegation of legislative power."

The Court of Customs & Patent Appeals sustained the constitutionality of the Trade Agreements Act of 1934 in *Star-Kist Foods, Inc.* v. *United States*, 47 CCPA 52, C.A.D. 728.

An American producer of canned tuna fish had challenged the authority of the President to reduce the statutory rate of duty by a trade agreement negotiated under authority of the Act.

The Court of Customs and Patent Appeals reviewed the decisions of the Supreme Court in *Hampton, Panama Refining* and *Schecter*, previously discussed, and concluded:

"A constitutional delegation of powers requires that Congress enunciate a policy or objective or give reasons for seeking the aid of the President. In addition the Act must specify when the powers conferred may be utilized by establishing a standard or "intelligible principle" which is sufficient to make it clear when action is proper. And because Congress cannot abdicate its legislative functions and confer carte blanche authority on the President, it must circumscribe that power in some manner."

INTERNATIONAL APPAREL IMPORTERS ASSOCIATION MEMBERSHIP LISTING

Adorence Co., Inc.
CBS Imports Corp.
Charlie's Girls Inc.
Colage International Set
Gotham Knitting Mills, Inc.
Holly Stores Inc.
S. S. Kresge Company
Marlene Industries Corp.
McGreevey, Werring & Howell Inc.
Men's Wear International, Inc.
Outlander Group Ltd.
Paramount Apparel Ltd.
R. L. Pritchard & Co., Inc.
Regal Accessories Inc.
Regal Apparel Ltd.
Republic-Cellini Corp.
Ronnie International, Inc.
Seltex Factors Corp.
Spanro Trading Co.
Starlight Trading Co.
Talia Fashions, Inc.
Terry Turner Fashions
Transasia Industrial Corp.
Zado Goldenberg Inc.
Zecron International.

Mr. GIBBONS. Thank you, Mr. Finn.

Mr. DUNCAN. Mr. Finn, your membership is made up of what kinds of business firms?

Mr. FINN. Basically, national import firms of ladies', men's, and children's wearing apparel.

Mr. DUNCAN. Do you then wholesale those products?

Mr. FINN. That is correct; we sell wholesale to national chains, department stores, discounters, et cetera.

Mr. DUNCAN. Why do you favor the Congress retention of the powers over the President. Do you think you will get a better deal out of Congress?

Mr. FINN. As a matter of fact, we feel, because the very nature of our business requires long-term commitments well in advance of a selling season, that it would certainly not be in the best interests of our industry or the consumers if any one party had the authority or position to, at any given time, change the status that would regulate the import of these products.

Mr. DUNCAN. Does it also have some bearing upon your position that Congress is a little slower in acting upon these matters?

Mr. FINN. Well, our experience has shown us Congress is not quite as fast as a one-man decision, but it is generally somewhat more considered and thought out and the proper advance planning is done, so we favor that approach.

Mr. DUNCAN. What are your views on the import barriers that some other countries place upon our products that go into those countries?

Mr. FINN. Our association has not discussed it. As a matter of policy, addressing myself to it personally, I think there are a good number of inequities in the trade postures of some of our trading policies.

Mr. DUNCAN. How would you get them to change their minds?

Mr. FINN. I am not a trade negotiator and I don't know what our position would be. I could probably research it and come up with a right kind of answer, I expect, but I cannot at the moment.

Mr. DUNCAN. Most of your members favor free trade across the board?

Mr. FINN. Yes, sir, I think I can say that.

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

Mr. GIBBONS. The next witnesses are Mr. Sid Doolittle, Mr. Edwin Elbert, and Mr. Michael Daniels. Would you come forward and identify yourselves for the record, and you may proceed as you wish.

STATEMENT OF SID DOOLITTLE, APPAREL QUOTA GROUP, AMERICAN IMPORTERS ASSOCIATION, ACCOMPANIED BY MICHAEL P. DANIELS, GENERAL COUNSEL, AND EDWIN A. ELBERT, SECRETARY

Mr. GIBBONS. We will put your statement in the record as if read.

Mr. DANIELS. We also have an economic analysis appendix to this. We would ask this be included in the record.

Mr. GIBBONS. Without objection, it will be included in the record.

Mr. DOOLITTLE. Mr. Chairman, members of this committee, my name is Sid Doolittle. I am director of import and export operations for Montgomery Ward & Co., Inc., Chicago, Ill. I appear before the committee on behalf of the Apparel Quota Group of the American Importers Association (AIA). Montgomery Ward is represented on the steering committee of the group. I am accompanied by Mr. Michael P. Daniels, counsel to the group, and by Mr. Edwin Elbert, secretary to the group and assistant executive vice president of the AIA. We greatly appreciate this opportunity to appear before the committee and to present our views.

I would like to briefly summarize our statement and request that it appear in the record as submitted in written form, together with a brief economic analysis of the textile and apparel industries and the impact of imports.

Mr. GIBBONS. Without objection, it is so ordered.

Mr. DOOLITTLE. We assert and can demonstrate that there has not been, and there is not now, any economic justification for the series of bilateral quota agreements on textiles and apparel which have been negotiated by the United States or the negotiation of further bilateral agreements which we understand are now in progress or the current efforts of the United States to negotiate a multilateral textile agreement encompassing all of the major textile suppliers and importers.

We believe it accurate to state that the existing agreements have been far from voluntary. Rather, they have been accomplished by an extraordinary application of pressure on other nations by the United States.

We also believe that the reason for the negotiation of these agreements is to be found not in the realm of economics but rather in the political arena.

The main conclusions of our economic analysis appended to this statement are that the textile industry has generally followed the ups and downs of the economy as a whole. Since early 1971 all economic indicators demonstrate a vigorous recovery of the textile industry from the recessionary period of 1970, a recovery which has continued through 1972 and the first half of 1973, with performance at record levels.

Just as the difficulties of these industries in 1970 cannot be attributed to imports, their recovery cannot be attributed to quotas. The vigorous upturn in performance commenced well before the institution of quotas. The reasons are to be found in the overall performance of the economy.

At the present time, unemployment in the textile and apparel industries is virtually nonexistent. These industries are, in fact, faced with

a severe shortage of labor, with substantially higher job vacancy rates than for all other manufacturing industries.

We object to singling out textiles and apparel for special treatment and ask only that they be brought within the ambit of the law as it applies to all other imports.

Quite specifically, we believe that the law should be amended so that no voluntary arrangements or multilateral arrangements between nations restricting the trade in textiles and apparel or any other product be entered into unless and until there is a finding of serious injury by the Tariff Commission, as is provided for all other manufactured products both in the Trade Expansion Act of 1962 and the proposal of the administration.

It is only in this way, in our view, that any administration can be insulated from the political pressures which resulted in the painful experience in textiles over the last several years.

When Mr. Maurice Stans, in his then capacity as Secretary of Commerce, proposed to this committee that special quotas be enacted by the Congress on textiles, he had indeed opened Pandora's box. It was this proposal which made it impossible to enact trade legislation in 1970 because it engendered pressure for quotas on shoes and finally an overall proposal which became known as the Byrnes Basket, which would have completely undermined U.S. trade policy.

We therefore propose that the Congress provide in this legislation that existing agreements be allowed to run only for a suitable transition period, perhaps 1 year after enactment, and that, in the interim, textiles come under the escape clause for determination as to whether, in particular product areas, import restraint can be justified by the facts.

As part of this legislation, we also suggest to the committee that it assert its jurisdiction in this area by deleting "textiles" and "textile products" from the ambit of section 204 of the Agricultural Adjustment Act, which presently empowers the President to negotiate international agreements on agricultural products, textiles, and textile products without having to pass through the escape clause procedures. Because we are dealing with manufactured goods and especially since manmade fiber products now are predominant, we see no reason to allow this critical area of nonagricultural trade policy to be left outside the jurisdiction of this committee in its enactment of general trade measures.

A bill has been introduced in the Senate which would further amend section 204 so as to allow the current series of bilaterals to be used as a basis for the imposition of controls on imports from those countries not having bilateral agreements. This, in our view, would be subject to clear abuse and is an end run which should not be tolerated by the Congress or this committee. Section 204 and the proposed amendment grant to the President the authority to negotiate agreements restricting international trade without standards, criteria, or guidelines established by the Congress, without having first established that imports are causing or threatening serious injury, without consultation with the Congress, or without an opportunity for those, such as ourselves, who are vitally affected by such action, to appear and make our views known in a proper forum.

Our main complaints are as follows:

1. UNCERTAINTY

It is becoming increasingly difficult, if not impossible, for importers and retailers to plan their purchasing programs overseas because of the uncertainty as to the availability of quota. Even if we have placed firm orders and, in some instances, even if we have received assurances or even been presented with evidence of an export license, much to our dismay there have been recurrent experiences of abrupt closing of quota. This has been caused by a variety of factors, none of which can be attributed to the administration of these quotas by the U.S. Government.

I wish to add that these remarks do not apply to all countries under quota. Most of our difficulties at the moment involve one country, but there have been difficulties with other countries in the past. If these arrangements proliferate, we can expect similar difficulty in the future.

In some extreme instances, quota has been sold twice by unscrupulous foreign suppliers. In other instances, the foreign government has simply not been able to keep adequate statistics on export licenses granted and the level of shipments.

We greatly appreciate the efforts of the administration and the Department of Commerce to straighten out these situations and the flexibility they have evidenced in recognizing hardship situations occasioned by these conditions. Nonetheless, we have been faced with chaotic races to the docks and procedures at the Customs Office which can be compared only to the Oklahoma land rush.

Even, however, were some of the worst abuses remedied, we would still be faced with the same problems of uncertainty. As importers, particularly when large quantities are involved, buying and merchandising programs must be planned well in advance and orders placed 6 months or longer before anticipated delivery.

2. LACK OF FLEXIBILITY

The apparel market is subject to rapid change in fashion and taste. In addition, we have been witnessing over recent years a shift to knit clothing rather than clothing made of broadwoven goods and, of course, a shift from natural to man-made fibers. Given the nature of these changes and the rigid structure of these agreements by category and by fiber, we are faced with some unfilled categories and other categories completely filled early in the quota year.

We believe, short of abandoning these ill-conceived agreements, that, at the very least, broader categories and a larger degree of interfiber and interconstruction flexibility as well as swing between categories be allowed within the overall limits negotiated by the United States.

Mr. GIBBONS. Mr. Doolittle, we must interrupt you. We will be back as quickly as we can. The meeting is adjourned temporarily.

[A recess was taken.]

Mr. GIBBONS. Without objection, we will proceed.

Mr. DOOLITTLE. I was on Point 3, Classification and Customs Problems. We are plagued by difficult problems of classification and customs treatment under these agreements. The most pressing problem

is the distinction between knit shirts and sweaters. Customs has adhered to a definition which it formulated at least a decade ago in relation to cotton apparel reflecting the fashions of the early sixties.

We have wrestled with this problem, which has created uncertainties and cancellations, and have come to the conclusion that it is really impossible to come up with a technical definition which is wholly satisfactory. We have had conflicting classifications of the same item by different ports. To further compound the problem, there have been instances where foreign governments' classification for purposes of export license have differed from classification by the U.S. Customs, leading to utter confusion.

We are trying to work constructively with the Department of Commerce and the Bureau of Customs on this problem. We have suggested that the only realistic manner in which to solve the difficulties involved is to combine categories so that the classification distinction becomes irrelevant but, as yet, no solution has been forthcoming despite months of effort.

4. LACK OF PROPER PROCEDURES AND CONSULTATION

The administration of these quotas and the formulation of textile policy is almost entirely a matter beween the U.S. Government and foreign governments, together with full consultation with the American textile and apparel manufacturers and labor unions.

There is not adequate consultation with American importers and retailers on these matters, nor have procedures been established which would allow us to present our complaints in a proper forum. The Importers Textile Advisory Committee, organized by the Department of Commerce, up to this point has been a ceremonial body which we consider a mere sop to our interests.

We believe that we should have full participation in the Industry and Labor Advisory Committee and be allowed to participate in the formulation of textile policy. Proper procedures should be established not only for hardship cases but for relief when goods are not available in sufficient domestic supply or when inflationary trends would make relaxation of quota clearly in the public interest.

The Committee is no doubt familiar with the significant price increases which have occurred in the textile and apparel sectors in the last few months. Price increases already recorded this year for both domestic and imported goods, coupled with growing fabric shortages and increasingly long delays in delivery schedules, can add up to only one inescapable fact: The American consumer will be paying greatly increased prices for apparel in the fall.

These inflationary trends have their root cause in many factors, and it is not possible to isolate the effect the quotas have had. Among other reasons, one must certainly count increases in prices for natural fibers, the series of revaluations which have, across the board, increased prices for imports, inflationary trends abroad, and the high demand for textile and apparel products in markets other than the United States.

However, we are convinced that the quota has had a substantial effect. Quotas in the aggregate were oversubscribed in the 1972 quota year, not undersubscribed. In particular apparel categories, quotas

have been oversubscribed or filled up close to the quota cutoff point in most significant areas.

In addition, because quotas are based on quantitative limitations, here is an obvious inducement for foreign exporters to utilize quotas for higher value merchandise.

Finally, to the extent that domestic products are competitive with imports, quotas have removed a necessary element of competition and price discipline for domestically produced goods.

We would also call to the attention of the committee that importers in many instances have been forced to pay for quota in addition to the cost of goods. This greatly increases our costs and hence the price which we must charge our customer.

The consumer in the end has paid a heavy price for these quotas. All of the factors that we have referred to have aggravated inflationary trends. In some instances, low end goods which were exclusively supplied from abroad and are not available from American producers have completely disappeared from the marketplace.

This is particularly true in the infants' and children's fields. Quotas have particularly penalized our low-income consumers and those with growing families spending a large part of their household budget on clothing.

In conclusion, textile quotas have severely hampered our ability to conduct our business and have injured the consumer. The economic data supports our contention that they are unnecessary and unjustified. There is no occasion for further extending their application to cover all textile suppliers to the United States.

We urge the committee to seriously consider our suggestions that existing textile quotas be phased out and, before any multilateral agreements are negotiated, that serious injury must be established under the escape clause. This is essential, in our view, not only to protect American consumers but to insulate the body politic from undue political pressures. Textiles and apparel imports are not a special case in any economic sense.

We believe it important that the rule of law be reestablished and that the American public be protected from unfettered Executive action such as is involved in the negotiation and administration of these agreements.

[Mr. Doolittle's prepared statement and supplementary material follow:]

STATEMENT OF SID DOOLITTLE, AMERICAN IMPORTERS ASSOCIATION, APPAREL QUOTA GROUP

Mr. Chairman, Members of the Committee, my name is Sid Doolittle. I am Director of Import and Export Operations for Montgomery Ward and Company, Inc., Chicago, Illinois. I appear before the Committee on behalf of the Apparel Quota Group of the American Importers Association (AIA). Montgomery Ward is represented on the Steering Committee of the Group. I am accompanied by Mr. Michael P. Daniels, Counsel to the Group, and by Mr. Edwin A. Elbert, Secretary to the Group and Assistant Executive Vice President of the AIA. We greatly appreciate this opportunity to appear before the Committee and to present our views.

We assert and can demonstrate that there has not been, and there is not now, any economic justification for the series of bilateral quota agreements on textiles and apparel which have been negotiated by the United States, or the negotiation of further bilateral agreements which we understand are now in progress, or the

current efforts of the United States to negotiate a multilateral textile agreement encompassing all of the major textile suppliers and importers.

We believe it accurate to state that the existing agreements have been far from "voluntary." Rather, they have been accomplished by an extraordinary application of pressure on other nations by the United States.

We also believe that the reason for the negotiation of these agreements and the attempt to negotiate further bilateral agreements and a multilateral agreement is to be found, not in the realm of economics, but rather in the political arena.

We believe that in any forum devoted to the analysis of factual material we could prove conclusively that there has not been serious injury to the United States textile and apparel industries due to imports, and that in any realistic appraisal of the facts, no threat of such injury could be established. We make this assertion with some confidence, since in 1969 a report of the United States Tariff Commission bore out our contention. We believe the findings of the Commission in that impartial investigation and its projections for the future have been substantated by subsequent developments.

Appended to this statement is a brief analysis of the economic performance of the textile and apparel industries over the past decade. To briefly summarize the results of our research, we would note first that the up's and down's of the textile and apparel industries have, for the most part, closely paralleled developments in the economy in general. In the beginning of 1971, as the economy began to turn upward from the recessionary period of 1970, the textile and apparel industries showed a vigorous recovery as well. In fact, production and sales by both the textile and apparel industries rose faster in 1971 over 1970 than did all manufacturing industries. Profits also showed significant increases in 1971 with after-tax profits increasing 35 percent for the textile mill products industry and 31 percent for the apparel industry, well above the increase in profits for all manufacturing industries as a whole.

Just as the difficulties of these industries in 1970 cannot be attributed to imports, their recovery cannot be attributed to quotas. The vigorous upturn in performance commenced well before the institution of quotas. The reasons are to be found in the overall performance of the economy.

The upward trend in the economic fortunes of the textile and apparel industries has continued unabated through the first half of 1973. In 1972, sales were at record levels and it is clear that new records will be achieved in 1973. Profits in the textile and apparel industries continued to increase at a more rapid rate than for all manufacturing industries in 1972 and, in 1973, these two industries will reach record profit levels.

At the present time, unemployment in the textile and apparel industries is virtually non-existent. These industries are in fact faced with a severe shortage of labor. It is clear from reports within the trade as well as in Government labor statistics that this situation is growing worse rather than better, with substantially higher job vacancy rates than for all manufacturing industries.

What we object to is the comprehensive, categorical nature of these agreements and their administration, together with the effort to encompass all textile and apparel imports within the ambit of a multilateral quota agreement.

The vices of quotas are the same whether they are established by "voluntary" action or by unilateral action on the part of the United States. We object to singling out textiles and apparel for special treatment and ask only that they be brought within the ambit of the law as it applies to all other imports.

Quite specifically, we believe that the law should be amended so that no "voluntary" arrangements or multilateral arrangements between nations restricting the trade in textiles and apparael, or any other product, be entered into unless and until there is a finding of serious injury by the Tariff Commission, as is provided for all other manufactured products, both in the Trade Expansion Act of 1962 and the proposal of the Administration.

It is only in this way, in our view, that any Administration can be insulated from the political pressures which resulted in the painful experience in textiles over the last several years.

When Mr. Maurice Stans in his then capacity as Secretary of Commerce proposed to this Committee that special quotas be enacted by the Congress on textiles, he had indeed opened "Pandora's Box". It was this proposal which made it impossible to enact trade legislation in 1970 because it engendered pressure for quotas on shoes, and finally an overall proposal which became known as the "Byrnes Basket", which would have completely undermined United States trade policy.

Continued pressure by the Administration for textile quotas on a multilateral basis covering all suppliers, and the continuance of existing bilaterals, involves the same risks.

We therefore propose that the Congress provide in this legislation that existing agreements be allowed to run only for a suitable transition period, perhaps one year after enactment, and that in the interim textiles come under the escape clause for determination as to whether in particular product areas import restraint can be justified by the facts.

For our part, we are confident that in most textile and apparel areas, the test of "serious injury" cannot be met. Relief would, however, be provided for those products where the test of serious injury can be met. We would welcome the opportunity to test our contentions in a proper proceeding before the Tariff Commission, which has been designated by the Congress as the appropriate forum for such adjudication.

As part of this legislation we also suggest to the Committee that it assert its jurisdiction in this area by deleting "textiles" and "textile products" from the ambit of Section 204 of the Agricultural Adjustment Act which presently empowers the President to negotiate international agreements on agricultural products, textiles and textile products without having to pass through the escape clause procedures. Because we are dealing with manufactured goods and especially since manmade fiber products now are predominant, we see no reason to allow this critical area of non-agricultural trade policy to be left outside the jurisdiction of this Committee in its enactment of general trade measures.

A bill has been introduced in the Senate which would further amend Section 204 so as to allow the current series of bilaterals to be used as a basis for the imposition of controls on imports from those countries not having bilateral agreements. This, in our view, would be subject to clear abuse and is an end run which should not be tolerated by the Congress or this Committee. Section 204 and the proposed amendment grant to the President the authority to negotiate agreements restricting international trade, without standards, criteria or guidelines esablished by the Congress, without having first established that imports are causing or threatening serious injury, without consultation with the Congress, or without an opportunity for those such as ourselves who are vitally affected by such action to appear and make our views known in a proper forum.

The President in conjunction with foreign governments, is permitted to set the terms and conditions under which imports will be allowed into this country. Furthermore, since Section 204 allows the President to establish regulations, again without standards or criteria, for the implementation of such agreements, we are faced with arbitrary decisions by the Executive branch, on a daily basis, which regulate the imports of textiles and apparel, again, without proper procedures and without recourse.

This has resulted in the establishment of a bureaucracy unfettered by anything other than its dealings with foreign nations. Furthermore, the Administration, invoking the argument that relations with foreign countries are involved, operates in great secrecy and is unwilling to provide access by American citizens to fundamental aspects of these quota agreements, including their complete terms and administration.

All of the difficulties under the agreements do not stem from arbitrariness or capriciousness on the part of our administrators, who are faced with an extremely difficult task, and have generally exhibited to us a cooperative and friendly manner. The problem rather is inherent in the nature of quota agreements, negotiated under Section 204.

Because quotas are in large part administered by foreign nations, even with the best will in the world, American officials have been unable, even though we believe they are willing, to rectify serious problems and dislocations caused by these agreements and their implementation abroad.

This, in our view Mr. Chairman and Members of the Committee, is unconscionable. It makes the conduct of our businesses extraordinarily difficult, deprives us of vital rights, and subjects us to procedures and practices which are inherently subject to gross abuse.

Our main complaints are as follows:

1. *Uncertainty.* It is becoming increasingly difficult if not impossible for importers and retailers to plan their purchasing programs overseas because of the uncertainty as to the availabiilty of quota. Even if we have placed firm orders, and in some instances even if we have received assurances or even been presented with evidence of an export license, much to our dismay there have been

recurrent experiences of abrupt closing of quota. This has been caused by a variety of factors, none of which can be attributed to the administration of these quotas by the United States Government. I wish to add that these remarks do not apply to all countries under quota. Most of our difficulties at the moment involve one country, but there have been difficulties with other countries in the past. If these arrangements proliferate we can expect similar difficulty in the future.

In some extreme instances, quota has been sold twice by unscrupulous foreign supplies. In other instances, the foreign government has simply not been able to keep adequate statistics on export licenses granted and the level of shipments.

We greatly appreciate the efforts of the Administration and the Department of Commerce to straighten out these situations, and the flexibility they have evidenced in recognizing hardship situations occasioned by these conditions. Nonetheless, we have been faced with chaotic races to the docks and procedures at the Customs office which can only be compared to the Oklahoma land rush.

Even, however, were some of the worst abuses remedied, we would still be faced with the same problems of uncertainty. As importers, particularly when large quantities are involved, buying and merchandising programs must be planned well in advance and orders placed six months or longer before anticipated delivery.

It is almost impossible for us to project the availability of quota, given these long lead times. In some countries very good systems of export licensing procedures have been arranged which give us greater security. In some markets and some products we can anticipate that quotas will not be filled. However, in many significant categories, demand is so strong and competition so intense that it is not possible for us to have confidence that quota will be available and that our goods in fact will be allowed in the country. This causes cancellation or severe disruption of our merchandising programs.

Our position is that these quotas should be abolished but, so long as they do exist, improved procedures must be found. In addition, we believe that procedures must be established to handle hardship cases. We do believe, however, as long as there is a system of rigid categories, that we will continue to be plagued by these problems of uncertainty.

At the very least we believe that our Government should obtain for us reliable information as to the availability of quota of controlled products. To this end, we believe that it should be a duty of U.S. commercial counselors in foreign capitals to report up to date, reliable data, and that this should be broadly disseminated to the import and retail trade.

2. *Lack of Flexibility.* The apparel market is subject to rapid change in fashion and taste. In addition we have been witnessing over recent years a shift to knit clothing rather than clothing made of broadwoven goods, and, of course, a shift from natural to manmade fibers. Given the nature of these changes and the rigid structure of these agreements by category and by fiber, we are faced with some unfilled categories and other categories completely filled early in the quota year. The provisions for "swing" and interfiber flexibility are clearly inadequate to meet these changes in market conditions. The division of quota between categories reflects a historical period which in many instances is no longer applicable to today's market. We believe, short of abandoning these ill-conceived agreements, that at the very least broader categories and a larger degree of interfiber and interconstruction flexibility, as well as swing between categories, be allowed within the overall limits negotiated by the United States.

3. *Classification and Customs Problems.* We are plagued by difficult problems of classification and customs treatment under these agreements. The most pressing problem is the distinction between knit shirts and sweaters. Customs has adhered to a definition which it formulated at least a decade ago in relation to cotton apparel reflecting the fashions of the early 60's. We have wrestled with this problem which has created uncertainties and cancellations, and have come to the conclusion that it is really impossible to come up with a technical definition which is wholly satisfactory. We have had conflicting classifications of the same item by different ports. To further compound the problem, there have been instances where foreign governments' classification for purposes of export license have differed from classification by the U.S. Customs, leading to utter confusion. We are trying to work constructively with the Department of Commerce and the Bureau of Customs on this problem. We have suggested that the only realistic manner in which to solve the difficulties involved is to combine categories so that the classification distinction becomes irrelevant (since it is irrelevant for duty

purposes because both shirts and sweaters take the same rate of duty), but as yet no solution has been forthcoming despite months of efforts.

4. *Lack of Proper Procedures and Consultation.* The administration of these quotas and the formulation of textile policy is almost entire a matter between the United States Government and foreign governments, together with full consultation with the American textile and apparel manufacturers and labor unions. There is not adequate consultation with American importers and retailers on these matters, nor have procedures been established which would allow us to present our complaints in a proper forum. The Importers Textile Advisory Committee, organized by the Department of Commerce, up to this point has been a ceremonial body which we consider a mere sop to our interests. We believe that we should have full participation in the Industry and Labor Advisory Committee and be allowed to participate in the formulation of textile policy. Proper procedures should be established not only for hardship cases, but for relief when goods are not available in sufficient domestic supply or when inflationary trends would make relaxation of quota clearly in the public interest.

We have thus far dealt with the difficulties that quotas have occasioned for us as importers and retailers. Implicit in all of these difficulties, however, are real penalties for American consumers. The biggest penalties paid have been in inflation of apparel prices, and the unavailability of goods, particularly low end clothing.

The Committee is no doubt familiar with the significant price increases which have occurred in the textile and apparel sectors in the last few months. Price increases, already recorded this year, for both domestic and imported goods, coupled with growing fabric shortages and increasingly long delays in delivery schedules, can only add up to one inescapable fact: the American consumer will be paying greatly increased prices for apparel in the fall.

Further, there appears to be no immediate prospect for stable prices in the near future. As prices continue to rise in the months ahead, apparel manufacturers, retailers and the American consumer can expect another round of price increases in the spring of 1974.

These inflationary trends have their root cause in many factors, and it is not possible to isolate the effect the quotas have had. Among other reasons one must certainly count increases in prices for natural fibers, the series of revaluations which have across-the-board increased prices for imports, inflationary trends abroad, and the high demand for textile and apparel products in markets other than the United States. However, we are convinced that the quota has had a substantial effect.

Contrary to the report of the U.S. Tariff Commission to this Committee, which was based on annual figures, quotas in the aggregate were oversubscribed in the 1972 quota year, not undersubscribed. This statement is based upon performance reports issued by the Department of Commerce. In particular apparel categories, quotas have been oversubscribed or filled up close to the quota cutoff point in most significant areas.

In addition, because quotas are based on quantitative limitations, there is an obvious inducement for foreign exporters to utilize quotas for higher value merchandise.

Finally, to the extent that domestic products are competitive with imports, quotas have removed a necessary element of competition and price discipline for domestically produced goods.

We would also call to the attention of the Committee that importers in many instances have been forced to pay for quota in addition to the cost of goods. Such payments run about 10 to 15 percent in scarce items, with higher payments of as much as 20 to 25 percent in some instances. Leaving aside our distaste for such payments to those who own quota in foreign countries, at the very least our complaint is that this greatly increases our costs and hence the price which we must charge our customer—the American consumer.

The consumer in the end has paid a heavy price for these quotas. All of the factors that we have referred to have aggravated inflationary trends. In some instances, low end goods which were exclusively supplied from abroad and are not available from American producers, have completely disappeared from the market place. This is particularly true in the infants' and children's fields. Quotas have particularly penalized our low income consumers and those with growing families spending a large part of their household budget on clothing.

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In conclusion, textile quotas have severely hampered our ability to conduct our business and have injured the consumer. The economic data supports our contention that they are unnecessary and unjustified. There is no occasion for further extending their application to cover all textile suppliers to the United States.

We urge the Committee to seriously consider our suggestions that existing textile quotas be phased out and before any multilateral agreements are negotiated, that serious injury must be established under the escape clause. This is essential in our view not only to protect American consumers but to insulate the body politic from undue political pressures. Textiles and apparel imports are not a "special case" in any economic sense. We believe it important that the rule of law be re-established and that the American public be protected from unfettered Executive action such as is involved in the negotiation and administration of these governments.

NOTE

On page 13 it is stated:

"Contrary to the report of the U.S. Tariff Commission to this Committee, which was based on annual figures, quotas in the aggregate were oversubscribed in the 1972 quota year, not undersubscribed. This statement is based upon performance reports issued by the Department of Commerce. In particular apparel categories, quotas have been oversubscribed or filled up close to the quota cutoff point in most significant areas."

The reference to the Tariff Commission report is to "Briefing Materials Prepared for the use of the Committee on Ways and Means in connection with hearing on the subject of Foreign Trade and Tariffs," May 1973, on page 248.

The reference to the Commerce Department performance reports should be qualified by the following statement of the Department of Commerce that—

"* * * these performance reports contain raw data, and have not been adjusted for the various types of flexibility or special provisions contained in any of the agreements. This would include interfiber flexibility, swing between groups, swing between categories, and carryover.

"In most of the instances where there are apparent overshipments, the proper adjustments resolve the problem. There are a few instances of apparent overshipments where these adjustments do not appear to take care of the overshipments and these are being or will be discussed with the countries concerned to ascertain the reasons for the discrepancies and to resolve the problem in a mutually satisfactory manner."

MEMORANDUM ON THE PERFORMANCE OF THE UNITED STATES TEXTILE AND APPAREL INDUSTRIES AND THE IMPACT OF IMPORTS ON THESE INDUSTRIES, SUBMITTED BY THE AMERICAN IMPORTERS ASSOCIATION, APPAREL QUOTA GROUP

There has not been, nor does there exist today, any economic justification for the extraordinary level of protection given the domestic textile industry from foreign competition in the last two years. A review of sales, profitability, and employment in the domestic textile and apparel industries and the impact of imports confirms this fact.

In the following pages, we will briefly review the domestic industry in terms of its economic performance over the last decade, the industry's recovery from the general economic recession in 1970, and, finally, the economic performance of the industry today and the outlook for the near term future.

There has been no attempt to analyze the hundreds of subcategories existing within the overall domestic textile and apparel industries. We do not wish to imply that particular subsectors of the domestic textile and apparel industries have not been faced with increased competition from imports and that certain of these subsectors may well have suffered what could properly be construed as "serious injury" due to imports. There are adequate laws and procedures to remedy such particular situations. However, when reviewing the performance of the domestic textile industry in its totality, we are firmly convinced that there is no economic justification for the recent bilateral textile agreements restricting all manmade fiber and wool textile and apparel products, across the board, from our major Far Eastern suppliers, nor can we agree with the current attempts to further extend this unwarranted protection by way of further bilateral agreements or a comprehensive multilateral agreement covering all foreign suppliers of textile products to this country.

THE ECONOMIC PERFORMANCE OF THE TEXTILE AND APPAREL INDUSTRY IN THE LAST DECADE DOES NOT JUSTIFY PROTECTION ON AN INDUSTRY-WIDE BASIS

Sales

The overall record of sales for the U.S. textile and apparel industries during the last decade reveals no evidence of injury. (Table 1). Aggregrate sales of textile and apparel manufacturers rose at an annual compounded rate of 6.9 percent from 1960 to 1972 while all manufacturing corporations registered a 7.8 percent annual rate of growth during the same period. The annual rate of growth for apparel manufacturers during this period was 8.3 percent, exceeding the average for all manufacturing industries, while the textile mill products industry recorded an annual rate of growth of 5.6 percent.

Following the general economic recession in 1970, sales of textile and apparel manufacturers rose significantly in 1971 with both textile mill products and apparel industries showing a greater increase than that reached by all manufacturing industries. Sales continued to increase in 1972, at a sharply accelerated rate, reflecting the continued recovery of the domestic economy. Sales of textile and apparel manufacturers rose 16.4 percent between 1971 and 1972, again outperforming the average for all manufacturing industries.

Profits

The U.S. textile and apparel industries recorded a sharp upward trend in profits during the last decade. (Table 2). From 1960 to 1972, profits of textile and apparel manufacturers rose at a compounded annual rate of 7.9 percent, compared with an annual growth in profits for all manufacturing industries of 7.2 percent during the same period.

The overall pattern of textile and apparel industry profitability suggests that these industries remain highly sensitive to cyclical movements in the domestic economy. In each of the three years when aggregate textile and apparel profits declined by more than 1 percent, there were also declines in the aggregate profits of all manufacturing industries. (Table 2). All three of these declines (1961, 1967, 1970) paralleled general declines in overall domestic economic activity. Although textile and apparel manufacturers reported substantially greater profit declines than the average manufacturing industry during each of these three cyclical downturns, they also reported substantially greater increases in profits in the years immediately thereafter.

Since the 1970 recession, the profitability of textile and apparel industries has rebounded dramatically upward. Textile and apparel industries' profits rose 22.6 percent in 1971, more than double the rate of growth for all manufacturing industries (10.0 percent). This growth continued in 1972, with aggregate profits in the textile and apparel industries rising 17 percent over the previous year.

The textile and apparel industries traditionally have had a lower rate of profit on sales than all manufacturing industries, a characteristic which has been consistent throughout the period examined. This relates more to the low profit margin structure of the industry and the markets it serves rather than to any adverse impact of import competition (See Table 3 and Chart 1). It is striking, however, that the ratio of profits to sales has remained relatively consistent over the last decade with up's and down's in profitability closely correlated to movements in the economy as a whole. If anything, the record since 1960 demonstrates an increasing level of profitability on sales in the apparel sector.

Turning to the return on stockholders' equity, the textile sector has been consistently below that for all manufacturing industries, but again evidencing a close correlation with changes in profitability of all manufacturing industries. For the apparel sector, however, a pattern of below average profitability was reversed in 1966, with return on stockholders' equity consistently above that for all manufacturing in the years since that time. (Table 4). Charts 1 and 2 bring out the correlation with all industry performance, and also bring out the absolute lack of correlation between profitability and increases in imports.

Business failures

Business failures in the textile and apparel industries tended steadily downward throughout the 1960's, both absolutely and relative to total business failures among all mining and manufacturing industries. (Table 5). Analysis of the record of business failures disclosed no evidence of any significant relationship between business failures and import competition.

Employment

Perhaps the most erroneous claim made by textile and apparel manufacturers and the labor unions in these industries against foreign competition has been their claim that imports have caused massive job layoffs. A careful analysis of the figures in Table 6 reveals the highly exaggerated nature of these claims.

1. Over the period measured, 1960–72, there was an actual increase in employment for both the textile and apparel industries.

2. Contractions in employment during recessionary periods have not been exceptional in relation to the record for all manufacturing industries.

3. Such contractions in employment as did occur are clearly not attributable to import competition, but rather to the performance of the economy as a whole.

From 1960 to 1972, employment in the textile and apparel industries rose 7.3 and 8.3 percent, respectively. Further, employment in the textile and apparel industries declined at a slower rate than the decline in employment for all manufacturing industries during the 1969–71 recession. While employment in the textile mill products and apparel industries fell by 3.4 and 1.9 percent respectively in 1970, employment for all manufacturing industries decreased by 4 percent during the same period. In 1971, employment in the textile and apparel industries declined by 0.3 and 1.7 percent, respectively, a lower rate of decline than recorded in the previous year. Employment in all manufacturing industries, on the other hand, fell by 4.0 percent in 1971, well above the declines in textiles and apparel and at a greater rate of decline than record by all manufacturing industries in 1970. (Table 6).

This pattern was somewhat reversed in 1972 with textile industry employment actually increasing by 3 percent compared to the change in all manufacturing of 1.7 percent, whereas apparel employment declined by 2 percent. Given the increase in sales in the apparel industry in 1972, one must look for structural reasons for this change.

Throughout the last decade the average weekly hours and overtime hours worked in the textile mill products industry have continuously been above that of all manufacturing industries. The apparel industry continued to work a shorter work-week with fewer overtime hours throughout the decade, reflecting the historically short work-weeks in the garment trade, particularly in the ladies' garment sector. (Tables 7 and 8).

As the tables show, however, in both the textile and apparel industries in 1972, average weekly hours and average overtime hours compare favorably with previous peak years.

The trend of labor turnover rates in the textile and apparel industries reveals the historically volatile nature of employment in these industries. For both industries the rate of quits has been consistently higher than that of all manufacturing industries, as has the rate of new hires. The layoff rate in the apparel industry has been somewhat higher than average, reflecting perhaps the highly seasonal and fashion-oriented nature of production in many sectors of industry, but in textiles the layoff rate has been significantly below that for all manufacturing industries. (Table 9).

In 1970, the Bureau of Labor Statistics began publication of a most revealing new measure of employment—job vacancy rates by major industry. In both 1971 and 1972, job vacancy rates in the textile and apparel industries have been double those of all manufacturing industries. (Table 10). In terms of long-term job vacancy rates, (defined as jobs which have remained unfilled for 30 days or longer) the textile mill products industry reports rates 50 to 100 percent above that of all manufacturing industries, while the apparel industry has consistently reported three times the number of long-term job vacancies than shown for all manufacturing industries. As a result of their comparatively high job vacancy rates, the textile and apparel industries have collectively accounted for roughly one-fourth of all job vacancies in United States manufacturing industries since 1970.

In summary, we feel two important points are evidenced by the facts presented. First, the domestic textile and apparel industries have enjoyed a long-term growth in sales, profits and employment over the last decade and, in some instances, have out-performed the average manufacturing industry. Secondly, and equally significant, we would point to the fact that, as in years past, the domestic textile and apparel industries responded vigorously early in 1971 to the upturn in the economy, generally out-performing the average for all manufacturing industries. It should further be pointed out that this recovery in 1971 can in no way be related to the current "voluntary" agreements on textiles implemented in October of 1971.

THE CURRENT PERFORMANCE OF THE DOMESTIC INDUSTRY DOES NOT WARRANT FURTHER IMPORT RELIEF

The domestic textile and apparel industries are in the midst of an unprecedented economic expansion. Virtually every economic projection indicates that 1973 will be a record year for the domestic textile and apparel industries. In a recent survey by *Business Week* magazine (May 10, 1973) sales by those textile and apparel firms surveyed were reported to have risen 13 percent in the first quarter of this year over the first quarter of 1972. Further, *Textile World* has projected a 13.6 percent increase in shipments in 1973 and promises that its exclusive "Textile World Index" will reach new record levels in the coming months. The publication also reports that the current "operating rate" for the textile industry stands at a very high 87.0, well above the 79.0 recorded one year ago and significantly above the current rate of 83.5 reported for all manufacturing industries.

The dynamic growth in profits in the textile and apparel industries shows no sign of letting up. Again, a recent survey conducted by *Business Week* indicates those textile and apparel firms surveyed showed a 23 percent increase in profits in the first quarter this year over the first quarter of 1972. According to First National City Bank's recent survey of corporate profits, textile manufacturers surveyed showed a whopping 50 percent increase in first quarter profits over the same period last year, while apparel manufacturers showed a 13 percent increase in profits in the same period.

A survey by *Textile World* reports that U. S. textile manufacturers are expecting a 15 percent increase in pre-tax profits in 1973. Further, the survey reports that *all* of the respondents expect higher profits and the vast majority anticipate higher profit margins in 1973.

The survey indicates that 100 percent of the carpet makers, 92 percent of the broadwoven fabric producers, 57 percent of the knitters, and 75 percent of the miscellaneous textile manufacturers expect higher profit margins this year. No respondent anticipates lower profit margins in 1973.

Textile World goes on to report that both profits and profit margins would rise even higher in 1973 were it not for the Government's economic stabilization programs, which has inhibited growth in profit margins. According to their survey, textile manufacturers reported that profit margin ceilings this year will cut profits by $27.5 million. They further report that 1972 profits were reduced by $29.4 million because of the restrictions placed on profit margins.

Other economic indicators also point to the continued success of the domestic industry. In January of this year, the Department of Commerce reported that textile manufactures were expected to decrease capital outlays by 9.3 percent in 1973. However, perhaps as a result of continued optimism within the industry, this no longer appears to be the case. According to a recent survey in *Business Week*, textile manufacturers are expected to increase capital spending by 14 percent this year. Textile machinery manufacturers expect a 13 percent increase in new orders in 1973. *Textile World's* new orders index for textile machinery rose 18.2 percent in February and stood 42 percent ahead of February of last year.

For the textile and apparel industries, one can no longer think in terms of declining employment or underemployment, but of what is now considered by the industry itself as a severe labor shortage.

Textile expansion has been severely curtailed, especially in the southern states, because of a lack of labor. Though difficult to measure, the inability to find sufficient labor has surely cost the industry untold millions in sales as a result of delayed (or cancelled) plant expansions, increasingly slow deliveries, idle production facilities and lower product qualities.

The trade press has been repleat with discussions on the current labor problems facing the industry. Perhaps the following quote from a *Daily News Record* report (DNR 11/1/7) entitled "Youth Resisting Textile Recruiting" sums up the situation best, "Mills have been complaining for years of a shortage of 'qualified' job applicants. In 1972 'qualified' is no longer relevant. Mills will take anyone willing to work."

Mill employment is certainly not suffering for lack of effort on the part of the textile industry to attract new workers. Under the auspices of the ATMI, April of this year was designated "textile career" month under the common theme, "in textiles, a career comes with every job." The ATMI is going to rather extreme lengths, considering its historically conservative image, to attract new

labor. A most revealing article relating to the current problem in employment was published in the *Daily News Record* (2/14/73) under the headline, "ATMI Urges Recruiting Sex Appeal" and is attached as Exhibit 1.

Further, the trade press reports that in Greenville, South Carolina, the local population has been receiving "Dear Occupant" letters in the mail describing the attractions of full or part time work at Deering Milliken's Judson Mill. Greenville newspapers are filled with ads beseeching young and old, with or without experience, to come to work in the many mills short of manpower.

Apparel manufacturers in Pennsylvania and New York also report increasing difficulties in finding enough people to keep their operations running at full capacity.

The point seems clear enough. Rather than a loss of jobs, there now appear to be more jobs available than people willing to fill them. It is difficult to imagine how, under these circumstances, import competition can be considered as a detriment to the jobs of America's textile and apparel workers.

One need not look far to see the impact the present textile boom is having on the domestic textile industry.

For the domestic industry, the increased costs of doing business because of increased labor, raw material and capital costs, coupled with raw material and labor shortages, in the face of rising demand, has precipitated rising prices, fabric shortages, and delivery problems.

Continued expansion by the knitting industry plus renewed interest in wovens has placed a heavy strain upon the industry. The resurgence in demand has created a situation in which supply has been unable to keep up with demand.

The trade press is filled with reports of the increasingly tight situation in woven goods. Apparel manufacturers are being forced to buy farther and farther into the future in order to assure adequate supplies. As a result, fashion and marketing are often taking a back seat to simple demand for goods. Apparel manufacturers are already well into 1974 in terms of making commitments to the mills. Obviously, they are being forced to play fast and loose with fashion, gambling that they are making the correct move.

Knitters, too, are beginning to feel the pinch, especially in the area of synthetic yarns where serious shortages and increased prices are beginning to develop. Pressed by rising prices and tightening supplies, beginning with the raw material stage and reaching right on through to the apparel manufacturers, the current price levels at retail for apparel simply cannot be maintained.

As Table 11 shows, prices for textile mill products have been moving up rapidly in the last several months and there are few who foresee any relief during the rest of this year. Most troubling is the fact that price increases are actually accelerating at a very uncomfortable pace. For example, Table 12 reports the change in the wholesale price index for broadwoven goods, by fiber, for the past 12 months. While the price rises have been considerable in the past 12 months, what is significant is the rate of these price increases in the past 3 months. During the period January-April of this year, the wholesale price index for manmade fiber broadwoven goods has risen 12.0 percent, while wool broadwoven and cotton broadwoven goods have moved up 6.3 percent and 6.9 percent, respectively, during the same period.

As Table 11 shows, the wholesale price index for apparel has been moving up fairly slowly through the first part of this year. However, because of the rapidly rising prices in semi-manufactured goods such as broadwoven fabrics, there is no doubt that apparel prices will begin to rise rapidly in the Fall when the domestic industry's current production and pricing structure of broadwoven fabrics will hit the market in terms of higher prices for apparel at the retail level.

Furthermore, there appears to be no immediate prospect for stable fabric prices in the near future. As prices continue to rise in the months ahead, apparel manufacturers, retailers, and the American consumer can expect another round of price increases in apparel products in the Spring of 1974.

IMPORTS HAVE ASSUMED A MODEST SHARE OF THE DOMESTIC MARKET

The overall penetration of imports in relation to domestic textile consumption has shown a moderate rate of increase during the past decade, rising from 5.6 percent of domestic consumption in 1960 to 9.3 percent in 1970 (Table 13). The advocates of restrictions on textile and apparel imports have attempted to obscure this basic fact by isolating the growth of imports on a percentage basis without relating such growth to U.S. production or consumption. However, an im-

port penetration ratio of 9.3 percent for the entire domestic textile and apparel industry cannot, in our view, support the claims by the domestic industry that it is being seriously injured, across the board, by foreign competition. This rate of import penetration compares favorably to that in other industries.

This modest rate of impact penetration is, in fact, found in all major segments of the domestic industry. We will review very briefly the role of imports in the following major textile categories: manmade fiber textile products; wool textile products; cotton textile products; broadwoven fabrics; knit fabrics and wearing apparel.

Manmade Fiber Textile Products—The largest growth in textile imports during the past decade was in the area of manmade fibers, the sector of the industry which also recorded the greatest growth in domestic production. The domestic industry has continually pointed to the extremely rapid rate of growth in this area, using such statistics as justification for import relief. Yet, Table 14 clearly shows that manmade fiber textile imports, as a percent of domestic consumption, rose from 1.7 percent in 1960 to a very modest 6.6 percent in 1971. In 1972, this figure actually declined to 6.1 percent. The five-fold increase in U.S. mill consumption of manmade fibers from 1960 to 1972 (Table 14) makes a mockery of any allegation that the admittedly rapid rise in such imports has disrupted or seriously injured the domestic manmade textile products industry.

Wool Textile Products—U.S. mill consumption of wool textile products has been trending downward since the early 1960's. (Table 15). Imports of wool textile products remained fairly constant throughout the early 1960's, but have declined annually since 1968. The penetration of wool textile products into our market peaked in 1970. The 1972 level of 21.4 percent of domestic consumption is the lowest level recorded since 1968.

Cotton Textile Products—As has been the case in the wool textile products area, U.S. mill consumption of cotton textile products has been trending downward for a number of years (Table 16). Imports, on the other hand, have been trending upward during the past decade, even though they have been subject to import restrictions under the LTA since 1962, and represented 14.6 percent of the domestic consumption in 1972.

Broadwoven Fabrics—The broadwoven fabric industry in this country has been strongly influenced by two major factors affecting the textile industry in general. The first factor relates to the shift in fiber composition of broadwoven fabrics, while the second relates to the shift in demand from broadwoven fabrics themselves to increased demand for knit fabrics. While the broadwoven fabric industry has been declining, imports have not moved in to claim a disruptive share of the domestic market (Table 17). In 1972, broadwoven fabric imports held just 7.1 percent of the domestic market and in the fastest growing segment of the broadwoven fabric industry, manmade fibers, imports accounted for only 3.2 percent of domestic consumption.

Knit Fabrics—The demand for knit fabrics in the United States has surged rapidly upward from the mid-1960's. Imports on a percentage basis increased rapidly as well. However, when looking at the relationship of imports to domestic consumption, we find that in 1972, knit cloth imports were equal to only 3.7 percent of apparent domestic consumption (Table 18).

Wearing Apparel—Finally, let us briefly turn to the domestic market for apparel, perhaps the area of greatest concern to domestic manufacturers. Though the latest data available relates to 1971, we think the figures presented in Table 19 are most revealing. As the table shows, apparel imports represented only 10 percent of the total domestic consumption of apparel products in the United States in 1971. Again, we point out that certain segments of the apparel industry have faced intense competition from aboard. But, in the context of the impact of imports on the apparel industry as a whole, we do not feel that the actions taken by our Government in recent years have been justified.

In summary, it is clear from the foregoing data that on a broad industry basis, there is no economic justification for the comprehensive nature of import relief

already granted these industries, and there is no justification for extension of such relief through further bilateral or multilateral agreements.

The consumer, faced with the prospect of rising apparel prices at home, is already paying a heavy price for the "volunary" quotas affecting apparel from abroad. Textile quotas are further aggravating inflationary trends present in our economy. Because of limits on imports, uncertainties relating to the availability of quotas, the lack of flexibility within the quota arrangements, and the general administrative problems associated with any quota system, importers and retailers sourcing apparel from abroad have been faced with increased costs, costs that must, at least in part, be passed on to the American consumer.

Low-end goods, many of which come exclusively from abroad, and are not produced in the United States, are rapidly disappearing from the retailers' shelves. The decline in the availability of low-priced apparel is severely penalizing low-income families as well as those with growing families who must spend a large portion of their income on clothing.

Certainly the inflationary effects of import restrictions coupled with revaluation and inflation abroad already have had their effect on the price of imported textile and apparel products into the United States. Tables 20 and 21 present some of the striking increases which have taken place in the average unit values of imports of men's and women's apparel in the past three years. Since these figures do not reflect the most recent round of changes in dollar parity vis-a-vis our major trading partners, it is anticipated that a new round of price increases for imported apparel products will be recorded in 1973.

These higher prices for imports, particularly in areas where domestic production is small or non-existent, quite obviously contribute to inflation. Quotas also undoubtedly have removed a necessary element of price discipline for domestic producers. Rigidities in quotas have prevented the traditionally antiinflationary role of imports by allowing situations of scarce supply to be met from outside of the country.

Performance reports by the Department of Commerce[1] indicate that in the quota year ending in October 1972 the four principal countries under quota filled or oversubscribed their quotas in the aggregate. Furthermore, for many categories, unadjusted figures indicate that quota was oversubscribed or that imports came very close to the quota cutoff point.

Performance reports for the quota year which will end in October 1973 are inconclusive, but it appears likely that in significant categories, quota will be filled.

It is interesting to note, however, that figures for the first quarter of calendar year 1973 show an overall decrease in imports indicating difficulties on the part of imports to compete. This is particularly notable in low profit margin areas such as yarns and fabrics. In fact, several of our major trading partners have found it advantageous to come into the U.S. market for the first time to purchase domestically produced textile products for export.

Decreasing imports in the face of rising domestic production are hardly the conditions justifying quota arrangements.

CONCLUSION

In summary, the United States' textile and apparel industries have not been seriously injured by foreign competition, and there is no justification for the voluntary quotas now restricting imports of textile and apparel products into this country. Given the current prosperity of the domestic industry and its future outlook, these arrangements should be terminated and there is certainly no justification for an extension of restrictive quota agreements to other suppliers.

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[1] NOTE.—The reference to the Commerce Department performance reports should be qualified by the following statement of the Department of Commerce that, "* * * these performance reports contain raw data, and have not been adjusted for the various types of flexibility or special provisions contained in any of the agreements. This would include interfiber flexibility, swing between groups, swng between categories, and carryover. ilnterfiber flexibility, swing between groups, swing between categories, and carryover.

"In most of the instances where there are apparent overshipments, the proper adjustments resolve the problem. There are a few instances of apparent overshipments where these adjustments do not appear to take care of the overshipments and these are being or will be discussed with the countries concerned to ascertain the reasons for the discrepancies and to resolve the problem in a mutually satisfactory manner."

TABLE 1.—U.S. TEXTILE AND APPAREL INDUSTRIES AND ALL MANUFACTURING INDUSTRIES: NET SALES, 1960–72

[Dollar amounts in millions]

Year	Textile mill products		Apparel		Textiles and apparel		All manufacturing industries	
	Net sales	Percent change	Net sales	Percent change	Net sales	Percent change	Net sales	Percent change
1960	$13,254		$11,012		$24,266		$345,690	
1961	13,398	+1.1	12,365	+12.3	25,763	+6.2	356,424	+3.1
1962	14,449	+7.8	13,241	+7.1	27,690	+7.5	389,404	+9.3
1963	15,092	+4.4	13,696	+3.4	28,780	+3.9	412,678	+5.8
1964	16,249	+7.7	14,880	+8.6	31,129	+8.2	443,072	+7.4
1965	18,028	+10.9	16,263	+9.3	34,291	+10.2	492,201	+11.1
1966	19,513	+8.2	18,110	+11.4	37,623	+9.7	554,180	+12.6
1967	18,672	−4.3	18,170	+.3	36,842	−2.1	575,427	+3.8
1968	20,841	+11.6	20,718	+14.0	41,559	+12.8	631,911	+9.8
1969	21,780	+4.5	22,687	+9.5	44,467	+7.0	694,584	+9.9
1970	21,599	−.8	22,011	−3.0	43,610	−1.9	708,810	+2.0
1971	22,938	+6.2	23,695	+7.7	46,633	+6.9	750,832	+5.9
1972	25,616	+11.7	28,684	+21.1	54,300	+16.4	850,806	+13.3
Percentage change, 1960–72		+93.3		+160.5		+123.8		+146.1
Average annual change, 1960–72		+5.6		+8.3		+6.9		+7.8

Source: Quarterly Financial Report for Manufacturing Corporations, Federal Trade Commission, Securities and Exchange Commission.

TABLE 2.—PROFITS OF THE TEXTILE MILL PRODUCTS AND APPAREL INDUSTRIES COMPARED TO ALL MANUFACTURING INDUSTRIES, 1960 TO 1972

[Dollar amounts in millions]

Year	Textile mill products		Apparel		Textiles and apparel		All manufacturing industries	
	Profits before taxes	Percent change	Profits before taxes	Percent change	Profits before taxes	Percent change	Profits before taxes	Percent change
1960	$677		$311		$988		$27,521	
1961	589	−13.0	331	+6.4	920	−6.9	27,508	−0.1
1962	724	+22.9	415	+25.3	1,139	+23.8	31,863	+15.8
1963	721	−.5	414	−.2	1,135	−.4	34,924	+9.6
1964	947	+31.3	553	+33.5	1,499	+3.2	39,567	+13.2
1965	1,268	+33.8	644	+16.4	1,912	+27.6	46,487	+17.4
1966	1,272	+.3	740	+14.9	2,012	+5.2	51,787	+11.4
1967	982	−22.7	728	−2.1	1,710	−15.0	47,772	−7.7
1968	1,276	+29.9	931	+27.8	2,207	+29.1	55,405	+15.9
1969	1,245	−2.4	953	+2.4	2,198	−.4	[1] 58,133	[1] +4.9
1970	884	−29.0	823	−13.6	1,707	−22.3	48,116	−17.2
1971	1,066	+20.6	1,027	+24.8	2,093	+22.6	52,907	+10.0
1972	1,212	+13.7	1,237	+20.4	2,449	+17.0	63,289	+19.6
Percentage change, 1960–72		+79.0		+297.7		+147.9		+130.0
Average annual change		+5.0		+12.2		+7.9		+7.2

[1] Profit data for 1969 include an increase in the net profits of the printing and publishing industry of $953,000,000 from 1968 to 1969. This increase is attributable almost entirely to the inclusion of newspapers in industry coverage for the first time. The percentage change in profits excuding this increase would have been only +3.2 percent for all manufacturing industries.

Source: Quarterly Financial Report for Manufacturing Corporations, Federal Trade Commission, Securities and Exchange Commission.

TABLE 3.—RATE OF PROFIT ON SALES:[1] TEXTILE MILL PRODUCTS INDUSTRY, APPAREL AND RELATED PRODUCTS INDUSTRY, AND ALL MANUFACTURING INDUSTRIES, 1960–72

[In percent]

Year	Textile mill products industry	Apparel and related products industry	All manufacturing industries
1960	5.1	2.8	8.0
1961	4.3	2.6	7.7
1962	4.8	3.1	8.2
1963	4.8	3.0	8.5
1964	5.8	3.7	8.9
1965	7.0	3.9	9.5
1966	6.5	4.1	9.3
1967	5.3	4.0	8.3
1968	6.1	4.5	8.8
1969	5.7	4.2	8.4
1970	4.1	3.7	6.8
1971	4.6	4.3	7.0
1972	4.7	4.3	7.5

[1] Before taxes.

Source: Quarterly Financial Report for Manufacturing Corporations, Federal Trade Commission, Securities and Exchange Commission.

TABLE 4.—RATE OF PROFIT ON STOCKHOLDERS' EQUITY:[1] TEXTILE MILL PRODUCTS INDUSTRY, APPAREL AND RELATED PRODUCTS INDUSTRY, AND ALL MANUFACTURING INDUSTRIES, 1960–72

[In percent]

Year	Textile mill products industry	Apparel and related products industry	All manufacturing industries
1960	12.0	15.7	16.7
1961	10.5	15.0	15.9
1962	12.7	17.6	17.6
1963	12.4	16.8	18.4
1964	15.8	20.3	19.8
1965	19.8	21.6	21.9
1966	18.2	22.8	22.5
1967	13.8	20.8	19.3
1968	17.1	23.6	20.8
1969	15.8	21.8	20.1
1970	10.9	18.0	15.7
1971	12.7	20.3	16.5
1972	13.8	21.8	18.4

[1] Before taxes.

Source: Quarterly Financial Report for Manufacturing Corporations, Federal Trade Commission, Securities and Exchange Commission.

TABLE 5.—BUSINESS FAILURES IN ALL MINING AND MANUFACTURING INDUSTRIES AND IN TEXTILE MILL PRODUCTS AND APPAREL INDUSTRIES, 1940, 1950, AND 1960–72

[Value figures in thousands of dollars]

Year	Mining and manufacturing		Textile mill products and apparel		Textile mill product and apparel as a percentage of all mining and manufacturing	
	Number	Liabilities	Number	Liabilities	Number (percent)	Liabilities (percent)
1940	2,455	66,799	611	10,975	24.9	16.4
1950	2,074	95,094	420	14,909	20.3	15.7
1960	2,612	289,635	435	36,374	16.7	12.6
1961	2,825	325,282	467	40,647	16.5	12.4
1962	2,575	400,001	393	36,764	15.2	9.1
1963	2,409	557,699	348	50,141	14.4	9.0
1964	2,254	361,864	375	41,476	16.6	14.6
1965	2,097	350,324	317	39,128	15.1	11.2
1966	1,852	352,861	276	50,296	14.9	14.3
1967	1,832	325,869	234	31,493	12.8	9.7
1968	1,513	291,700	195	43,036	12.9	14.8
1969	1,493	406,450	238	60,344	15.9	14.8
1970	2,035	817,841	311	105,520	15.3	12.9
1971	1,932	712,611	258	107,218	13.3	15.0
1972	1,576	766,991	247	80,532	15.7	10.5

Source: Dun & Bradstreet, "Quarterly Record of United States Failures" by detailed divisions of industry, various.

TABLE 6.—AVERAGE NUMBER OF EMPLOYEES: TEXTILE MILL PRODUCTS AND APPAREL AND RELATED PRODUCT INDUSTRIES, AND ALL MANUFACTURING INDUSTRIES, 1960–72

[In thousands]

Year	Textile	Percent change	Apparel	Percent change	Total textiles and apparel	Percent change	All manufacturing	Percent change	Nondurable goods	Percent change
1960	924		1,233		2,157		16,796		7,336	
1961	893	−3.4	1,215	−1.5	2,108	−2.3	16,326	−2.8	7,256	−1.1
1962	902	+1.0	1,264	+4.0	2,166	+2.8	16,853	+3.2	7,373	+1.6
1963	885	−1.9	1,283	+.2	2,168	+.1	16,995	+.8	7,380	+.1
1964	892	+.8	1,303	+.2	2,195	+1.2	17,274	+1.6	7,458	+1.1
1965	926	+3.8	1,354	+.4	2,280	+3.9	18,062	+4.6	7,656	+2.7
1966	964	+4.1	1,402	+.4	2,366	+3.8	19,214	+6.4	7,930	+3.6
1967	959	−.5	1,398	−.3	2,357	−.4	19,447	+1.2	8,008	+1.0
1968	991	+3.3	1,408	+.7	2,399	+1.8	19,781	+1.7	8,155	+1.8
1969	999	+.8	1,412	+.3	2,411	+.5	20,169	+2.0	8,277	+1.5
1970	965	−3.4	1,385	−1.9	2,350	−2.5	19,393	−3.8	8,190	−1.1
1971	962	−.3	1,362	−1.7	2,324	−1.1	18,610	−4.0	8,020	−2.1
1972	991	+3.0	1,335	−2.0	2,326	+.1	18,933	+1.7	8,049	+.4
Percentage change, 1960–72		+7.3		+8.3		+7.8		+12.7		+9.7

Source: U.S. Department of Labor, "Employment and Earnings."

TABLE 7.—AVERAGE WEEKLY HOURS: TEXTILE AND APPAREL INDUSTRIES, ALL MANUFACTURING INDUSTRIES, 1960–72

Year	Textile mill products	Apparel and related products	All manufacturing
1960	39.5	35.4	39.7
1961	39.9	35.4	39.8
1962	40.6	36.2	40.4
1963	40.6	36.1	40.5
1964	41.0	35.9	40.7
1965	41.8	36.4	41.2
1966	41.9	36.4	41.3
1967	40.9	36.0	40.6
1968	41.2	36.1	40.7
1969	40.8	35.9	40.6
1970	39.9	35.3	39.8
1971	40.6	35.5	39.9
1972	41.3	36.0	40.6

Source: U.S. Department of Labor, "Employment and Earnings."

TABLE 8.—AVERAGE OVERTIME HOURS: TEXTILE AND APPAREL INDUSTRIES, ALL MANUFACTURING INDUSTRIES 1960–72

Year	Textile mill products	Apparel and related products	All manufacturing
1960	2.6	1.2	2.4
1961	2.7	1.1	2.4
1962	3.2	1.3	2.8
1963	3.2	1.3	2.8
1964	3.6	1.3	3.1
1965	4.2	1.4	3.6
1966	4.4	1.5	3.9
1967	3.7	1.3	3.4
1968	4.1	1.4	3.6
1969	3.9	1.3	3.6
1970	3.3	1.1	3.0
1971	3.8	1.2	2.9
1972	4.4	1.4	3.5

Source: U.S. Department of Labor, "Employment and Earnings."

TABLE 9.—LABOR TURNOVER RATES: TEXTILE MILL PRODUCTS, APPAREL AND RELATED PRODUCTS INDUSTRIES, AND ALL MANUFACTURING (1960–71)

[Per 100 employees]

Year	All manufacturing					Textile mill products					Apparel and related industries				
	Accession rates		Separation rates			Accession rates		Separation rates			Accession rates		Separation rates		
	Total	New hires	Total	Quits	Layoffs	Total	New hires	Total	Quits	Layoffs	Total	New hires	Total	Quits	Layoffs
1960	3.6	2.2	4.3	1.3	2.4	3.2	2.0	3.7	1.6	1.5	5.4	3.2	6.1	2.3	3.2
1961	4.1	2.2	4.0	1.2	2.2	3.5	2.2	3.4	1.6	1.3	5.7	3.1	5.8	2.0	3.1
1962	4.1	2.5	4.1	1.4	2.0	3.6	2.5	3.7	1.9	1.2	5.5	3.5	5.8	2.3	2.7
1963	3.9	2.4	3.9	1.4	1.8	3.6	2.5	3.8	1.9	1.2	5.3	3.3	5.5	2.2	2.6
1964	4.0	2.6	3.9	1.5	1.7	3.8	2.7	3.8	2.1	1.1	5.5	3.3	5.6	2.2	2.6
1965	4.3	3.1	4.1	1.9	1.4	4.3	3.3	4.1	2.5	.8	5.8	3.7	5.8	2.6	2.4
1966	5.0	3.8	4.6	2.6	1.2	5.1	4.1	5.1	3.5	.7	6.1	4.2	6.1	3.3	2.0
1967	4.4	3.3	4.6	2.3	1.4	4.9	3.8	5.0	3.4	.8	5.6	3.7	6.0	2.9	2.3
1968	4.6	3.5	4.6	2.5	1.2	5.3	4.3	5.1	3.6	.6	5.6	3.8	5.7	2.9	2.1
1969	4.7	3.7	4.9	2.7	1.2	5.5	4.4	5.6	3.9	.7	5.6	3.8	6.0	3.1	2.0
1970	4.0	2.8	4.8	2.1	1.8	4.9	3.7	5.5	3.5	1.0	5.4	3.5	6.1	2.9	2.4
1971	3.9	2.5	4.2	1.8	1.6	5.1	3.9	5.3	3.4	.9	5.3	3.5	5.7	2.8	2.1

Source: U.S. Department of Labor Bureau of Labor Statistics, "Employment and Earnings, 1908–71," BLS Bulletin 1312–8, 1972.

TABLE 10.—JOB VACANCY RATES[1] IN ALL MANUFACTURING INDUSTRIES AND IN THE TEXTILE MILL PRODUCTS AND APPAREL, AND RELATED PRODUCTS INDUSTRIES BY MONTHS, 1970–72

Month	Textile mill products			Apparel			All manufacturing		
	1970	1971	1972	1970	1971	1972	1970	1971	1972
Job vacancy rates:									
January	0.9	0.7	0.8	1.6	1.2	1.2	0.9	0.4	0.5
February	.9	.6	.9	1.6	1.2	1.2	.8	.4	.5
March	1.0	.8	1.1	1.6	1.3	1.4	.8	.4	.6
April	1.1	.8	1.2	1.5	1.3	1.3	.8	.5	.7
May	1.1	.9	1.2	1.5	1.3	1.4	.8	.5	.7
June	.8	.9	1.1	1.4	1.3	1.4	.6	.5	.6
July	.9	.8	1.2	1.4	1.3	1.5	.6	.5	.7
August	1.0	1.0	1.6	1.5	1.4	1.6	.7	.6	.8
September	1.0	.9	1.5	1.4	1.2	1.5	.6	.5	.8
October	.8	.9	1.4	1.1	1.2	1.4	.5	.5	.7
November	.6	.8	1.2	1.1	1.0	1.4	.4	.4	.7
December	.6	.8	1.2	1.1	1.1	1.4	.4	.4	.7
Annual average	.9	.8	1.2	1.4	1.2	1.4	.7	.5	.7
Long-term job vacancy rates:[2]									
January	.3	.2	.2	.8	.7	.5	.4	.2	.1
February	.3	.2	.2	.8	.7	.6	.3	.1	.1
March	.3	.2	.2	.8	.7	.6	.3	.1	.2
April	.3	.2	.3	.8	.7	.6	.3	.2	.2
May	.3	.2	.3	.8	.6	.6	.3	.1	.2
June	.2	.2	.3	.8	.6	.6	.2	.1	.2
July	.2	.2	.3	.7	.6	.5	.2	.1	.2
August	.2	.2	.3	.8	.6	.6	.2	.2	.2
September	.2	.2	.4	.7	.6	.6	.2	.1	.2
October	.2	.2	.4	.6	.6	.6	.2	.1	.2
November	.2	.2	.3	.6	.5	.6	.2	.1	.2
December	.1	.2	.3	.6	.5	.6	.2	.1	.2
Annual average	.2	.2	.3	.7	.6	.6	.3	.1	.2

[1] Computed by dividing the number of vacancies by the sum of employment plus vacancies and multiplying that quotient by 100.
[2] Long-term job vacancies are those vacancies that have remained unfilled for 30 days or more.

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Earnings" (monthly).

TABLE 11.—U.S. WHOLESALE PRICE INDEX FOR SELECTED COMMODITIES, APRIL 1972–73

[1967=100]

	All manufacturing	Textile and apparel products	Cotton products	Wool products	Manmade fiber products	Apparel products
1972:						
April	117.3	112.6	120.5	93.0	107.2	114.2
May	117.6	113.3	121.5	98.3	108.0	114.3
June	117.9	113.6	122.6	99.2	108.6	114.4
July	118.1	114.0	123.0	100.0	108.9	115.1
August	118.5	114.1	122.8	101.1	108.7	115.1
September	118.7	114.3	123.6	102.5	108.6	115.3
October	118.8	114.8	124.0	106.6	108.6	115.6
November	119.1	115.1	124.2	107.1	109.5	115.9
December	119.4	115.6	124.8	108.8	110.3	116.0
1973:						
January	120.0	116.6	126.0	114.5	111.4	116.5
February	121.3	117.4	128.2	119.2	111.8	116.8
March	122.7	119.0	130.0	127.7	115.2	117.0
April	124.4	120.8	133.3	129.8	118.7	117.7
Percent change April 1972 to April 1973	+6.1	+7.3	+11.0	+40.0	+11.0	+3.0
Percent change January 1973 to April 1973	+4.0	+4.0	+6.0	+13.0	+7.0	+1.0

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Wholesale Prices and Price Indexes."

TABLE 12.—U.S. WHOLESALE PRICE INDEX FOR MANMADE FIBER, COTTON, AND WOOL BROADWOVEN FABRICS, APRIL 1972-APRIL 1973

[1967=100]

	Manmade fiber broadwoven fabrics	Cotton broadwoven fabrics	Wool broadwoven fabrics
1972:			
April	114.9	120.5	100.7
May	116.6	121.5	100.4
June	118.0	122.9	100.4
July	118.6	123.3	101.2
August	118.4	123.1	102.1
September	118.2	124.4	102.6
October	118.3	125.2	103.6
November	120.3	125.7	104.3
December	122.4	126.4	104.6
1973:			
January	124.7	127.7	106.5
February	125.8	130.3	109.8
March	133.0	132.0	113.2
April	139.7	135.8	113.8
Percent change, April 1972 to April 1973	+21.6	+12.9	+13.0
Percent change, January 1973 to April 1973	+12.0	+6.3	+6.9

Source: U.S. Department of Labor, Bureau of Labor Statistics, Wholesale Prices and Prices Indexes.

TABLE 13.—U.S. MILL CONSUMPTION, IMPORTS, EXPORTS, DOMESTIC CONSUMPTION [1] AND RATIO OF IMPORTS TO DOMESTIC CONSUMPTION OF ALL FIBERS, 1960-72

[In millions of pounds]

Year	U.S. mill consumption	Imports of textile manufacturers	Exports of textile manufacturers	Domestic fiber consumption	Ratio of imports to apparent consumption (percent)
1960	6,557.7	367.9	327.3	6,591.4	5.6
1961	6,650.7	286.2	328.5	6,601.7	4.3
1962	7,115.3	435.4	313.7	7,230.5	6.0
1963	7,296.8	435.0	308.5	7,416.9	5.9
1964	7,887.1	438.8	325.4	7,993.8	5.5
1965	8,529.5	554.7	308.3	8,760.1	6.2
1966	9,043.6	733.8	334.4	9,438.4	7.8
1967	9,028.9	665.8	326.7	9,365.2	7.1
1968	9,792.0	771.4	322.9	10,236.5	7.5
1969	9,883.0	841.6	383.5	10,337.8	8.1
1970	9,550.0	878.3	351.2	10,075.3	8.7
1971	10,720.1	1,009.9	382.5	11,345.8	8.9
1972	11,669.5	1,150.5	498.4	12,319.6	9.3

[1] U.S. mill consumption, less fiber equivalent of U.S. exports of textile manufacturers, plus fiber equivalent of imports of textile manufacturers.

Source: Textile Organon, March 1973.

TABLE 14.—U.S. MILL CONSUMPTION, IMPORTS, EXPORTS, DOMESTIC CONSUMPTION[1] AND RATIO OF IMPORTS TO DOMESTIC CONSUMPTION OF MANMADE FIBERS, 1960–72

[In millions of pounds]

Year	U.S. mill consumption	Imports of textile manufacturers	Exports of textile manufacturers	Domestic fiber consumption	Ratio of imports to apparent consumption (percent)
1960	1,874.7	31.3	90.8	1,815.2	1.7
1961	2,054.6	23.5	86.4	1,991.7	1.2
1962	2,412.8	30.6	90.5	2,352.9	1.3
1963	2,775.0	36.2	97.1	2,741.1	1.3
1964	3,162.2	50.0	108.5	3,103.7	1.2
1965	3,614.1	79.0	129.1	3,564.0	2.6
1966	3,990.1	123.1	140.0	3,973.2	3.1
1967	4,245.3	138.8	133.0	4,251.1	3.3
1968	5,305.5	193.3	129.0	5,369.8	3.6
1969	5,552.2	257.5	146.2	5,663.5	4.5
1970	5,501.3	329.3	147.1	5,683.5	5.8
1971	6,534.0	451.1	146.7	6,838.4	6.6
1972	7,570.2	480.6	177.4	7,873.4	6.1

[1] U.S. mill consumption, less fiber equivalent of U.S. exports of textile manufacturers, plus fiber equivalent of imports of textile manufacturers.

Source: Textile Organon, March 1973.

TABLE 15.—U.S. MILL CONSUMPTION, IMPORTS, EXPORTS, DOMESTIC CONSUMPTION[1] AND RATIO OF IMPORTS TO DOMESTIC CONSUMPTION OF WOOL FIBERS, 1960–72

[In millions of pounds]

Year	U.S. mill consumption	Imports of textile manufacturers	Exports of textile manufacturers	Domestic fiber consumption	Ratio of imports to apparent consumption (percent)
1960	480.0	84.3	3.2	561.1	15.0
1961	481.0	73.8	2.9	551.9	13.4
1962	503.5	95.0	2.9	595.6	16.0
1963	486.5	94.5	3.6	577.4	16.4
1964	431.3	88.6	3.7	516.2	17.2
1965	457.0	105.0	5.5	556.5	18.9
1966	427.9	100.4	4.9	523.4	19.2
1967	366.6	83.6	5.3	444.9	18.8
1968	378.4	104.3	5.7	477.0	21.9
1969	354.9	96.2	5.2	445.9	21.6
1970	273.3	85.9	4.9	354.3	24.2
1971	219.3	66.2	9.4	276.1	24.0
1972	247.5	59.2	30.5	276.2	21.4

[1] U.S. mill consumption, less fiber equivalent of U.S. exports of textile manufacturers, plus fiber equivalent of imports of textile manufacturers.

Source: Textile Organon, March 1973.

TABLE 16.—U.S. MILL CONSUMPTION, IMPORTS, EXPORTS, DOMESTIC CONSUMPTION [1] AND RATIO OF IMPORTS TO DOMESTIC CONSUMPTION OF COTTON FIBERS, 1960–72

[In millions of pounds]

Year	U.S. mill consumption	Imports of textile manufacturers	Exports of textile manufacturers	Domestic fiber consumption	Ratio of imports to apparent consumption (percent)
1960	4,196.1	252.3	233.3	4,215.1	6.0
1961	4,108.4	188.9	239.2	4,058.1	4.7
1962	4,192.5	309.8	220.3	4,282.0	7.2
1963	4,028.9	304.3	207.8	4,125.4	7.4
1964	4,286.9	300.2	213.2	4,373.9	6.9
1965	4,452.6	360.7	173.7	4,639.6	7.8
1966	4,621.0	510.3	189.5	4,941.8	10.3
1967	4,414.2	443.4	188.4	4,669.2	9.5
1968	4,104.1	473.8	188.2	4,389.7	10.8
1969	3,972.6	487.9	232.1	4,228.4	11.5
1970	3,773.6	463.1	199.2	4,037.5	11.5
1971	3,965.1	492.6	226.4	4,231.3	11.6
1972	3,849.8	610.7	290.5	4,170.0	14.6

[1] U.S. mill consumption, less fiber equivalent of U.S. exports of textile manufacturers, plus fiber equivalent of imports of textile manufacturers.

Source: Textile Organon, March 1973.

TABLE 17.—BROADWOVEN FABRICS: U.S. PRODUCTION, IMPORTS, EXPORTS, AND APPARENT U.S. CONSUMPTION, 1961 AND 1965–72

[In millions of square yards]

Year and fiber	Production	Imports	Exports	Apparent U.S. consumption	Ratio percent of imports to consumption
1961:					
Cotton	9,546	273	484	9,335	2.9
Wool	448	43	1	490	8.8
Manmade	3,252	40	139	3,153	1.3
Total	13,246	356	624	12,978	2.7
1965:					
Cotton	11,270	578	375	11,473	5.0
Wool	441	85	1	525	16.2
Manmade	5,459	170	149	5,480	3.1
Total	17,170	833	525	17,478	4.8
1966:					
Cotton	11,492	684	402	11,774	5.8
Wool	437	67	1	503	13.3
Manmade	5,928	263	157	6,034	4.4
Total	17,857	1,014	560	18,311	5.5
1967:					
Cotton	10,761	612	376	10,997	5.6
Wool	394	54	1	447	12.1
Manmade	5,976	176	161	5,991	2.9
Total	17,131	842	538	17,435	4.8
1968:					
Cotton	9,720	613	366	9,967	6.2
Wool	401	69	1	469	14.7
Manmade	7,285	204	157	7,332	2.8
Total	17,406	886	524	17,768	5.0
1969:					
Cotton	9,058	685	307	9,436	7.3
Wool	368	63	1	430	14.7
Manmade	7,522	225	174	7,603	3.0
Total	16,978	973	482	17,469	5.6

TABLE 17.—BROADWOVEN FABRICS: U.S. PRODUCTION, IMPORTS, EXPORTS, AND APPARENT U.S. CONSUMPTION, 1961 AND 1965–72—Continued

[In millions of square yards]

Year and fiber	Production	Imports	Exports	Apparent U.S. consumption	Ratio percent of imports to consumption
1970:					
Cotton	8,119	624	307	8,436	7.4
Wool	295	48	1	342	14.0
Manmade	7,039	239	185	7,093	3.4
Total	15,453	911	493	15,871	5.7
1971:					
Cotton	8,000	679	387	8,292	8.2
Wool	188	23	1	210	11.0
Manmade	6,829	250	174	6,905	3.6
Total	15,017	952	562	15,407	6.2
1972:					
Cotton	7,223	881	379	7,725	11.4
Wool	175	15	1	189	7.9
Manmade	8,312	264	204	8,372	3.2
Total	15,711	1,160	584	16,287	7.1

Source: All data for 1961 from U.S. Tariff Commi sion. Production data for subsequent years from U.S. Department of Commerce converted to square yards on the basis of conversion factors reported by that Department. Data on import and exports from U.S. Department of Commerce, TQ series.

TABLE 18—KNIT CLOTH: U.S. SHIPMENTS, IMPORTS, EXPORTS, APPARENT CONSUMPTION, AND RATIO OF IMPORTS TO CONSUMPTION, 1966–72

Year	Quantity (in millions of pounds)				Ratio of imports to consumption (percent)	Estimated U.S. consumption (millions of square yards)
	Production	Imports	Exports	Apparent consumption		
1966	652.3	4.8	7.7	649.4	0.7	2,343.6
1967	718.6	6.6	8.7	716.5	.9	2,586.6
1968	828.8	7.1	8.4	827.5	.9	2,987.3
1969	876.8	8.7	10.7	874.8	1.0	3,158.0
1970	966.5	20.6	13.1	974.0	2.1	3,359.5
1971	1,136.2	57.4	10.7	1,182.9	4.9	4,003.5
1972	1,159.3	43.7	11.4	1,191.6	3.7	4,301.7

Source: U.S. Department of Commerce, Current Industrial Reports, series MQ–22K.

TABLE 19.—WEARING APPAREL OF COTTON, WOOL, AND MANMADE FIBERS: U.S. PRODUCTION, IMPORTS FOR CONSUMPTION, EXPORTS OF DOMESTIC MERCHANDISE, AND APPARENT CONSUMPTION, 1961 AND 1965–71

[In millions of pounds, raw-fiber equivalent]

Year and fiber	Production	Imports	Exports	Apparent consumption	Ratio (percent) of imports to consumption
1961:					
Cotton	1,809.9	60.3	14.5	1,855.7	3.2
Wool	368.8	13.7	.5	382.0	3.6
Manmade	704.1	5.0	7.6	701.5	.7
Total	2,882.8	79.0	22.6	2,939.2	2.7
1965:					
Cotton	1,890.7	119.9	18.0	1,992.6	6.0
Wool	372.2	35.4	.9	406.7	8.7
Manmade	1,205.6	30.8	7.5	1,228.9	2.5
Total	3,468.5	186.1	26.4	3,628.2	5.1

TABLE 19.—WEARING APPAREL OF COTTON, WOOL, AND MANMADE FIBERS: U.S. PRODUCTION, IMPORTS FOR CONSUMPTION, EXPORTS OF DOMESTIC MERCHANDISE, AND APPARENT CONSUMPTION, 1961 AND 1965–71—Continued

[In millions of pounds, raw-fiber equivalent]

Year and fiber	Production	Imports	Exports	Apparent consumption	Ratio (percent) of imports to consumption
1966:					
Cotton	1,872.1	123.1	20.4	1,974.8	6.2
Wool	358.0	33.0	.9	390.1	8.5
Manmade	1,387.5	37.6	7.6	1,417.5	2.7
Total	3,617.6	193.7	28.9	3,782.4	5.1
1967:					
Cotton	1,690.4	133.1	23.2	1,800.3	7.3
Wool	330.8	20.8	1.0	360.6	8.5
Manmade	1,512.7	61.1	8.0	1,565.8	2.9
Total	3,533.9	255.0	32.2	3,726.7	6.0
1968:					
Cotton	1,674.5	140.0	27.5	1,787.0	7.8
Wool	1,764.8	41.4	1.0	345.9	12.0
Manmade	305.5	91.3	9.7	1,846.4	4.9
Total	3,744.8	722.7	38.2	3,979.3	6.8
1969:					
Cotton	1,573.1	141.2	35.8	1,678.5	8.4
Wool	2,822.0	41.5	1.0	322.7	12.9
Manmade	1,730.2	143.5	12.6	1,861.1	7.7
Total	3,585.5	326.2	49.4	3,862.3	8.4
1970:					
Cotton	1,524.6	135.2	30.0	1,629.8	8.3
Wool	218.2	38.1	1.0	255.3	14.9
Manmade	1,841.2	187.8	12.8	2,016.2	9.3
Total	3,584.0	361.1	43.8	3,901.3	9.3
1971:					
Cotton	1,571.6	149.4	30.2	1,609.8	8.8
Wool	168.1	31.2	1.0	198.3	15.7
Manmade	2,215.8	256.0	16.1	2,455.7	10.4
Total	3,955.5	436.6	47.3	4,344.8	10.0

Source: Compiled from U.S. end-use consumption data published in "Textile Organon" (annual) and from data on the raw fiber equivalent of U.S. imports and exports as reported by the U.S. Department of Agriculture in periodic issues of "Wool Situation" and the "Cotton Situation."

TABLE 20.—AVERAGE UNIT VALUES FOR SELECTED MEN'S AND BOY'S IMPORTED APPAREL, 1970–72

[Average unit values in dollars per dozen]

TSUSA No.	Men's apparel (dozen)	Average unit values			Percentage change		
		1970	1971	1972	1970–71	1971–72	1970–72
380.8132	Men's and boys' shirts, NES, acrylic, knit	13.21	13.60	17.69	+3.0	+30.1	+33.9
380.8136	Men's and boys' shirts, NES, manmade fiber, knit	9.34	11.09	16.98	+18.7	+53.1	+81.8
380.8142	Men's and boys' sweaters, acrylic, knit	16.01	16.94	19.87	+5.8	+17.3	+24.1
380.8420	Men's and boys' coats, NES, manmade fiber, woven	21.24	22.06	27.43	+3.9	+24.3	+29.1
380.8435	Men's and boys' dress shirts, manmade fiber, woven	10.51	11.11	12.19	+5.7	+9.7	+16.0
380.8445	Men's and boys' sport shirts, manmade fiber, woven	10.83	11.43	12.92	+5.5	+13.0	+19.3
380.8455	Men's and boys' trousers, slacks, etc., manmade fiber woven.	19.80	21.12	27.13	+6.7	+28.5	+37.0
380.8415	Men's and boys' suit type coats, manmade fiber, woven.	27.98	30.36	58.92	+8.5	+94.1	+110.6
380.8134	Men's and boys' shirts, NES, polyamide, knit	7.12	7.18	12.32	+.8	+71.6	+73.0
780.8120	Men's and boys' T-shirts, NES, manmade fiber knit	5.17	5.43	7.54	+5.0	+38.9	+45.8

Source: U.S. Department of Commerce, IM 146.

TABLE 21.—AVERAGE UNIT VALUES FOR SELECTED WOMEN'S AND CHILDREN'S IMPORTED APPAREL, 1970–72

[Average unit values in dollars per dozen]

TSUSA No.	Women's apparel (dozen)	Average unit values 1970	1971	1972	Percentage change 1970–71	1971–72	1970–72
382.7802	Women's, girls', infants' blouses, acrylic, knit	$12.41	$13.99	$15.55	+12.7	+11.2	+25.3
382.7804	Women's, girls', infants' blouses, polyamide, knit	7.89	7.68	8.21	−2.7	+6.9	+4.1
382.7806	Women's, girls', infants' blouses, NES, knit	9.66	10.82	14.54	+12.1	+34.3	+50.5
382.7816	Women's, dresses, NES, manmade fiber, knit	48.65	42.19	51.68	−13.3	+22.5	+6.2
382.7830	Women's, girls', infants' playsuits, manmade fiber, knit	12.09	12.91	13.12	+6.8	+1.6	+8.5
382.7860	Other women's, girls', infants' shirts, NES, manmade fiber, knit	9.55	10.56	12.58	+10.6	+19.1	+31.7
382.7872	Other women's, girls', infants' sweaters, acrylic, knit	17.35	18.21	19.30	+5.0	+6.0	+11.2
382.7876	Women's girls', infants' sweaters, other, manmade fiber, knit	12.47	15.25	18.04	+22.3	+18.3	+44.7
382.7880	Women's girls', infants' trousers, manmade fiber knit	13.14	13.44	14.65	+2.3	+9.0	+11.5
382.8102	Women's blouses, NES, manmade fiber, woven	11.40	12.02	15.36	+5.4	+27.8	+34.7
382.8110	Women's, girls', infants' coats, NES, manmade fiber, woven	22.22	27.25	31.03	+22.6	+13.9	+39.6

Source: U.S. Department of Commerce, IM 146.

EXHIBIT I

[From the Daily News Record, Feb. 14, 1973]

TEXTILES—ATMI URGES RECUITING SEX APPEAL

GREENVILLE, S.C.—The textile industry should use S-E-X to sell young men on textile as a career.

So advises the industry's central trade organization, the staid and highly conservative American Textile Manufacturers Institute.

"Stage a mill beauty contest," ATMI urges member mills, adding archly, "There's no better way to attract young men to the textile industry than to let them know there are some pretty girls around.

"It's sure-fire publicity in local newspaper and on TV. It's certainly good industrial relations."

Deadly serious, ATMI suggests the contest winners could be known as "Miss Spinning Frame of 1973," or "Miss Textile Careers."

"Whatever you call her can be used for newspaper, radio and TV interviews. She can also appear at school functions—provide a beautiful bridge for the so-called generation gap."

No dumb beauty queens, please, they make good pictures, poor copy. Mills are warned to instruct contest judges to "consider personality and intelligence as well as physical attributes."

Beauty contests are just one of several suggestions ATMI offers mills planning participation in April's "Textile Careers Month." The campaign is designed to lure new workers into labor-short plants and mills are hoping for better luck this time. A similar campaign in 1970 told the public that mills were a great place to work. The message was drowned in a sea of worker layoff announcements highlighting the textile recession.

The idea of using a pretty face to lure young males into mills may stem from the theme used by youthful Ellison S. McKissick Jr., cochairman of ATMI's campaign-sponsoring public relations and educations committee and head of Alice Manufacturing Co., Easley, S.C.

McKissick's firm is currently enticing new workers with newspaper ads featuring a pretty blonde inviting prospects to "Call Alice."

"Alice," purrs the ad, "is the girl who makes it easy for you to apply for a job. If job interviews make you nervous, don't worry. Talk to Alice first . . . You'll be glad you did."

Alice's number, incidentally, is 859–2300.

ATMI, in whipping up member enthusiasm this week for April's big push, is offering meeting of mill men throughout the South all sorts of ploys to con media editors out of page and program space.

One idea that brings mills the shudders envisions youngsters taking over every job in a plant for a day—from top executives to hourly wage jobs. The kids would be asked to take notes and report their findings back to classrooms. Always mindful of the mill workers, ATMI suggests "employes on piece rate would, of course, be reimbursed for time lost . . . perhaps even given a bonus."

Meanwhile, "your publicity chairman will be busy arranging interviews, television coverage and newspaper photo."

Other ATMI inspirations includes sending selected youngsters into the New York textile market—at company expense; staging pop group concerts at schools, and promoting "textile career fairs."

These approaches could insure maximum exposure for the campaign in the media. Editors, ATMI believes, will be anxious to support the mill publicity program and will "share your pride in the textile industry's many accomplishments."

"But you've got to tell them."

—A. T. PEDERSEN.

Mr. GIBBONS. Thank you. Do the other witnesses have statements? Let me ask you a few questions before I leave to go vote.

I assume the country you are having trouble with is Korea, is that right?

Mr. DOOLITTLE. That's right.

Mr. GIBBONS. How much have clothing prices increased generally speaking in the last year? Do you know roughly?

Mr. DOOLITTLE. It is a difficult question to answer.

Mr. GIBBONS. Let us take a suit of clothes, men's clothes.

Mr. DOOLITTLE. U.S. prices probably 5 to 10 percent.

Mr. GIBBONS. How about the average woman's dress if there is such a thing, or woman's average dress. Let us put it that way.

Mr. DOOLITTLE. Those types of products we normally buy in the United States. They would increase about 5 or 10 percent.

Mr. GIBBONS. Where has the big increase been?

Mr. DOOLITTLE. The big increase is coming. There have been steady increases over the last several years. But the big increases are coming in piece goods and yarns which are going to affect our prices in the fall.

Mr. DANIELS. If you will refer to table 20 in our economic presentation you will see that we have set out a number of apparel categories which account for a very large proportion of the trade, of the import trade. There we have precise figures at least on the value for customs purposes. I think a perusal of that table will indicate the very substantial degree to which import prices have increased. We have great difficulties both with the wholesale price index and with the consumer price index as reliable indicators of how apparel prices have actually increased. You can look at particular items and see a large increase in average price.

As Mr. Doolittle said, we are coming into a period of shortage of the whole pipeline being jammed so that the trade is now screaming about fabric shortages, which undoubtedly will affect the price in the fall.

Mr. DOOLITTLE. Thank you.

Mr. GIBBONS. Thank you. Mr. Brotzman, do you have any questions?

Mr. BROTZMAN. No; I have just started to read his paper. We have been out of the room so much. We thank you on both occasions.

Mr. GIBBONS. The next witness will be Mr. James C. England.

Without objection all statements will appear in full. You have 5 minutes, Mr. England.

STATEMENT OF JAMES C. ENGLAND, EXECUTIVE DIRECTOR, FEATHER & DOWN ASSOCIATION, INC., ACCOMPANIED BY JOHN B. REHM, COUNSEL

Mr. ENGLAND. Mr. Chairman, this is Mr. John Rehm, special counsel to the association.

Mr. GIBBONS. We are acquainted with Mr. Rehm. We welcome him here.

Mr. REHM. Thank you, Mr. Gibbons.

[Mr. England's prepared statement follows:]

STATEMENT OF JAMES C. ENGLAND ON BEHALF OF THE FEATHER & DOWN ASSOCIATION, INC.

Mr. Chairman, members of the Committee, my name is James C. England. I am the Executive Director of the Feather & Down Association, Inc., and with me is John B. Rehm, special counsel to the Association.

On behalf of the Association, I urge this Committee to recommend to the House of Representatives the elimination of the duty on imports of crude feathers and downs. Such action is necessary in order to permit the members of the Association and their customers to compete effectively against the rapidly growing imports of finished products containing feathers and downs.

This urgent problem concerns only feathers and down that come from waterfowl, that is, ducks and geese. The United States is far from self-sufficient in waterfowl feathers and downs and must import about 75% of total demand. Only about 25% is produced domestically by those who grow ducks and geese for meat.

Waterfowl feathers and downs are ideal for the manufacture of products such as pillows, comforters, sleeping bags, and outerwear garments like parkas and skiing jackets. Chicken feathers, which are produced in huge quantities in this country, are far less suitable for such purposes.

The members of the Association import most of the waterfowl feathers and downs brought into this country. They also process virtually all of the imported and domestic waterfowl feathers and downs utilized in the United States. In addition to processing, the members of the Association manufacture the vast majority of the feather and down pillows and comforters sold in this country. They sell the remainder of the processed feathers and downs to manufacturers of such products as sleeping bags and outerwear garments.

Waterfowl feathers and downs are classified under item 186.15 of the TSUS and are subject to a rate of duty 15% ad valorem. In 1972, the principal suppliers of waterfowl feathers by value were Taiwan, France, and Mainland China, at an average foreign value of about 95 cents per pound. In the same year, the principal suppliers of waterfowl downs by the value were France, Taiwan, and Yugoslavia, at an average foreign value of about $3.06 per pound.

Most finished items made with waterfowl feathers and downs are separately classified in the TSUS. Pillows, for example, are classified under item 727.80 with a rate of duty of 15% ad valorem. Comforters are classified under item 363.85 with a rate of duty of 12.5 cents per pound plus 15% ad valorem. Item 748.40, however, which carries a rate of duty of 7% ad valorem, covers "articles not specially provided for, of feathers", and in 1964 this item was held by the Bureau of Customs to include such articles in chief value of feathers or downs as sleeping bags (see T. D. 56462(10)). Consistent with this ruling, outerwear garments in chief value of feathers or downs have been classified under this item as well.

Item 748.40 has therefore created a clear anomaly. On the one hand, crude waterfowl feathers and downs must pay a rate of duty of 15% ad valorem, but sleeping bags and outerwear garments made of such materials pay less than half—7% ad valorem. By contrast, the rate of duty applicable to imports of pillows is 15% ad valorem, and it is even higher for comforters. It is manifestly anomalous and unfair for the more advanced article to be subject to such a lower rate of duty than the article in its crude form.

Originally, under paragraph 1518(a) of the Tariff Act of 1930, the rate of duty applicable to crude feathers and downs, as well as manufactures thereof, was uni-

formly 20% ad valorem. The rate of duty on crude feathers and downs was subsequently reduced to 10% ad valorem in a trade agreement with Nationalist China, but the rate reverted to 20% in 1951, when that trade agreement was terminated. The present rate of 15% ad valorem on crude waterfowl feathers and downs resulted from the Kennedy Round. The rate of duty on manufactures of such feathers and downs, not otherwise provided for, dropped successively as a result of trade negotiations to 17%, 14%, and finally 7% ad valorem.

This clear anomaly is not only unfair, it threatens to cause economic injury to the domestic processors of crude, sorted, or treated waterfowl feathers and downs and their customers, the domestic manufacturers of sleeping bags and outerwear garments. Imports of sleping bags and outerwear garments are increasing very rapidly. As noted above, these articles are classified under item 748.40 of the TSUS. Imports of other articles under this item, like ornamental or millinery feathers, have remained static or even declined. By deducting the value of such other articles, the Association estimates that imports of sleeping bags and outerwear garments have increased from $400,000 in 1970, to $1.7 million in 1971, and then to $4.0 million in 1972. On the basis of imports to date, the Association estimates that such imports will total abou $7.0 million in 1973. In other words, the import-consumption ratio will have moved from less than 2% in 1970 to 13% by the end of 1972, and an estimated 18% by the end of 1973.

Moreover, the Association knows of substantial new investment abroad in plants designed to process waterfowl feathers and downs and to use them in the manufacture of sleeping bags and outerwear garments. One American company has already established a large plant in Japan to produce sleeping bags primarily for exportation to the United States. Moreover, other American companies are known to be giving serious consideration to doing the same in Hong Kong and Taiwan. Meanwhile, about 35 sets of washers and processors are being installed in Russia and 110 in Mainland China. By contrast, the Association estimates that in all of the United States there are only about 20 equivalent sets. It is only a matter of time before the Russians and Chinese will use their processed feathers and downs to manufacture and export such profitable items as sleeping bags and outerwear garments.

In other words, a continuing and rapid increase in imports of such articles over the low rate of duty of 7% ad valorem is inevitable. It is therefore only a matter of time before such imports will cause a reduction in the sale of domestic articles and thereby harm both the American processors and manufacturers.

By requesting the elimination of the column 1 and 2 rates of duty on crude waterfowl feathers and downs, the Association is not seeking a privileged position. It is only asking for a fair chance to compete with the finished products that are presently subject to a rate of duty that is less than half of the rate on the raw material. The domestic industry manufacturers sleeping bags and outerwear garments of superior construction and styling. It has created the market for such articles in this country. It is manifestly unfair and economically harmful to allow a tariff anomaly to give that market over to imports.

If the duty on the raw material were eliminated, there is a reasonably good chance that the United States could begin to export sleeping bags and outerwear garments. The American products now enjoy a special reputation, and if the raw material were duty-free, they could compete in foreign markets. Thus, the elimination of the duty would not only assure the health of the domestic industry in this market but give it an export potential as well.

Finally, it should be emphasized that the action that the Association is urging can be taken in a timely fashion only by legislation. It is theoretically possible that, if the Administration's trade bill became law, the duty on waterfowl feathers and downs could be eliminated as the result of trade negotiations. But there is no assurance that the President will be given the authority to eliminate duties, and certainly no assurance that the duty on waterfowl feathers and downs will be eliminated. Even if it were, it would not take place for another two or three years at the earliest, and by that time imports of the finished products might well have caused serious and even irreparable harm to the domestic processors and manufacturers.

Accordingly, in order to eliminate this anomaly and avoid such harm, the Association proposes that items 186.10 and 186.15 of the TSUS be amended in basically three respects.

First, feathers and downs would be divided into two new categories. A new item 186.10 would cover crude feathers and downs and those that have been sorted or treated, that is rinsed in a solution with a preservative, but not cleaned

for manufacture. A new item 186.15 would cover those that have been cleaned for manufacture but not otherwise processed.

Second, with respect to the feathers and downs that have been cleaned for manufacture, the column 1 and 2 rates of duty would remain unchanged.

Third, with respect to the crude, sorted, or treated feathers and downs, the column 1 and 2 rates of duty would both be eliminated. By eliminating these rates of duty, the crude product and the finshed product like sleeping bags would once again be placed in a proper relationship. Moreover, access would be assured to the available stocks from Mainland China, which is the world's largest supplier of waterfowl feathers and downs.

The Association believes that the new rates of duty should apply to articles entered for consumption on or after the date of enactment. The Association also urges that importers be permitted to obtain a refund of the duties paid in excess of the new rates on or after January 1, 1973, when the anomaly became economically significant by virtue of the Kennedy Round.

This amendment would not affect the domestic waterfowl farmers. In the first place, because demand in this country for waterfowl feathers and downs so far exceeds domestic supply, the farmers would always have an assured market for their feathers and downs. In the second place, there is no reason to believe that the farmers would not continue to obtain an adequate return on their sales of domestic waterfowl feathers and downs.

At the same time, the proposed changes would assist the domestic processors of crude feathers and downs, the domestic manufacturers of pillows, comforters, sleeping bags, and outerwear garments, and consumers as well. In short, the proposed changes would significantly assist several sectors of the economy, without causing harm to anyone.

To summarize, the members of the Association who process waterfowl feathers and downs—and, in turn, their customers who make products like sleeping bags and outerwear garments—need the elimination of the duty applicable to crude, sorted, or treated waterfowl feathers and downs. Without such elimination, they will face increasing and injurious competition from foreign manufacturers of sleeping bags and outerwear garments. With such elimination, no domestic interests will be prejudiced. On the contrary, the economy will benefit.

The Feather & Down Association urges this Committee to give serious consideration to this proposal and to recommend it to the House of Representatives either as part of the trade bill or as a separate measure.

Thank you, Mr. Chairman.

Mr. ENGLAND. The reason we are here is to ask the Congress to try to straighten out what we feel is an inequity in the tariff schedules of the United States. We now find that we are importing raw feathers and downs into the United States at a 15 percent rate of duty, whereas finished articles, namely, sleeping bags and outer wear garments such as parkas and ski jackets, are coming into the United States at 7 percent rate of duty.

Mr. GIBBONS. Let me ask you a question. How in the world did we ever get ourselves in that mess? Why do we charge a higher duty on raw materials—we ran into in the other day on copper—than we do on finished goods? How did this come about?

Mr. ENGLAND. After tariff schedules were revised, I believe it was in 1963, there didn't seem to be a place for sleeping bags. They were included in a catchall category by a Treasury Department decision. At that particular time this was an emerging industry. The sales of jackets and sleeping bags were of no significance either as domestic or imported products. Now we find ourselves in a situation where we have developed a good industry in America and obviously we can't even compete for our own business.

Plants are now being set up overseas to produce for the U.S. market and we want an opportunity to compete on a fair and equal basis for a business that we have developed ourselves. That is what we are looking for today.

Mr. GIBBONS. Is there any reason why we ought to have a tariff at all on feathers and down? I can't imagine any reason for it. Maybe I am ignorant. A duck is a duck is a duck. [Laughter.]

Mr. ENGLAND. Yesterday a bill was introduced by Mr. Ullman and Mr. Carey that would eliminate the duties on raw feathers and downs. As a matter of fact, when we had wage and price controls a year and a half ago, feathers and downs were exemtped from coverage because they were considered a raw agricultural commodity. No, I don't see any reason why there should be any duty on raw feathers and downs. There is very little logic to it, since a finished article can come in at less than half the duty that we are paying on the raw commodity.

Mr. GIBBONS. You have my vote. Mr. Brotzman.

Mr. BROTZMAN. You have persuaded me, too. If I understand you correctly, under the present circumstances it militates against the manufacture and production in this country.

Mr. ENGLAND. That is correct.

Mr. BROTZMAN. It is just the reverse of what the incentive should be.

Mr. ENGLAND. We don't have available to us domestically anywhere near the supply of feathers and downs that we need. As a matter of fact, we import about 75 percent of the feathers and downs that are used in the various products that we manufacture in America. We have to import.

We find ourselves facing a real hardship in competing with imported products if they are coming in at half the rate of duty that we are paying on the raw materials that we have to process in the United States.

Mr. BROTZMAN. How do we compare qualitywise on this type of product in this country with those produced abroad? Favorably, I hope. Let us take ski parkas, for example, something that is rather important out in Colorado.

Mr. ENGLAND. Right. As a matter of fact, in Boulder, Colo., we have several plants.

Mr. BROTZMAN. Which is where I happen to live.

Mr. ENGLAND. Our styling and construction are far superior to that of the imports. As a matter of fact, we are regulated for content by the Federal Trade Commission and by 30 States.

Last year, when these imports started increasing by leaps and bounds, they were being knocked off right and left by the State agencies and by the FTC. However, I think to underestimate our competition would be foolish. Now they are coming in OK. I see no reason why they can't duplicate our construction. It is not so unique that they can't duplicate it. We have spent a lot of money researching these products in several universities for the thermal insulation qualities, and the U.S. Army has done a great deal of this also.

It is my opinion that it can be duplicated and without a great deal of difficulty. We also find ourselves in a position that, as fas as processing is concerned, some of the foreign countries are setting up tremendous processing capabilities. They will be selling these feathers and downs to third countries who will produce the finished garments and, in turn, send them to the United States.

The United States is just a tremendous market for these types of products.

Mr. BROTZMAN. Thank you very much.

Mr. GIBBONS. We don't wear many parkas in Florida, but we do use sleeping bags and I have 4 or 5 of them. I think all were made in this country, I am glad to say.

Let me ask your counsel something if I can. I know he has had experience in trade negotiations. If he gives me an adverse answer, I won't blame him on you. What additional authority do you think we need to give the President to negotiate now vis-a-vis the Europeans? You have had some experience in this area. We don't catch many people up here who have had experience. You have looked over the rest of this bill. Do you think it is a good bill? What should we do about it?

Mr. REHM. Let me take both parts of your question, Mr. Gibbons. When you ask what additional authority should be given, you mean additional to what we have today?

Mr. GIBBONS. Yes, sir.

Mr. REHM. I would agree, I think most people would agree, that a new delegation of authority to the President is required in order to make further reductions in duties and, indeed, the President may need some authority to go to zero, which of course the administration's trade bill would provide.

I myself am a little uncertain as to how valuable a duty eliminating authority would be, because I sense a strong reluctance on the part of the European Community to consider any widespread elimination of duties on industrial products. But perhaps the authority would be useful nevertheless and, on a broader scale than was contained in the 1962 act.

Let me just note, although it does not really go to your question, that I am bothered by the fact that in section 101 of the administration's trade bill, as well as a number of other provisions, there are no upper limits on what the President can do. Contrary to what Mr. Flanigan may have told you, I think that is indeed unprecedented and unwise.

That makes me turn then to the whole area of nontariff barriers, and that is obviously where the ballgame is going to be. I would not suggest that we have reached the point in world trade where tariffs are inconsequential. I don't think that is true. But I really feel that in the next round of multilateral trade negotiations, if they do begin as I hope they will, the major focus will be placed on nontariff trade barriers.

Now what should be done in this area, given our own system of separation of powers, is a very difficult issue.

Mr. GIBBONS. That is the one I wanted you to discuss along with its relationship to the problems that the Europeans are going to have in getting their agreements ratified. Really, how much bargaining authority will they have?

Mr. REHM. I think that is a very good question. Suggestions have been made before this committee, in speeches, and the like, on the part of officials of the administration that somehow the EEC Commission will go to the bargaining table with unlimited powers to commit the Community.

I don't believe that will happen. It didn't happen in the Kennedy round. I think some of the internal strains in the Community. par-

ticularly with the advent of new members, suggest that there may be even greater difficulty on the part of the member states in agreeing upon a mandate to be given to the Commission. So I don't see the Commission sitting down in Geneva with the United States, Japan, Canada, and the other countries with anything like unlimited authority. But what should the U.S. representatives have? I have real problems with this. Admittedly, there is no question but that in the Kennedy round we had real difficulties because on issues like American selling price, for example, which became very critical in the negotiations, we did not have the authority to commit the United States finally and irrevocably.

We had to come back to Congress, as you well know, and as yet the Congress has not seen fit to pass the necessary legislation to eliminate the ASP agreement.

I myself have written an article, published a few months ago, in which given our system and present, I think, undeniable difficulties in the relationship between the Executive and the Congress, I advocated a sense of the Congress resolution whereby the Congress would serve notice that it was encouraging and inviting the President to negotiate on U.S. nontariff barriers in an effort to get the reciprocal reduction or even elimination of foreign nontariff barriers. But I reached the conclusion that the Congress would not be likely to, and probably should not, give the President a blank check in this field. I really think, for example, that the provisions in the administration trade bill dealing with customs valuation, the marking of country of origin, and the wine gallon system of appraisement, are a blank check and unwise.

That may sound paradoxical because if passed, it would permit the President to put into effect an ASP agreement, but conceptually I have difficulty with that provision. So that a blank check, I think, is unwise and inadvisable.

On the other hand, I think we all acknowledge that it is probably impossible, in the literal sense of the word, for the Congress to grant specific delegations of authority for particular nontariff barriers before the negotiation gets underway.

Now it seems to me that leaves you with either a sense of the Congress resolution of the sort that I have proposed or else, of course, the 90-day provision in the administration's trade bill. I am not a constitutional lawyer. I want to make that definitely clear.

Mr. GIBBONS. Not very many people are. They just claim to be.

Mr. REHM. But I have real questions in my mind about the constitutionality of the 90-day provision. It seems to me that it leans too far in giving the President authority in this field because, as you very well know, it would permit the President to come back with an agreement concerning a nontariff barrier, put it before the Congress, and wait for 90 days, and if neither House rejected it, then the agreement would enter into force.

Well, it seems to me that that is a far cry from what the Constitution requires in the normal procedure. That is to say, if an agreement of that kind is concluded and cannot be implemented without new legislation, then in the normal case, a bill would be submitted. In that case, it is not a matter of negative action by either House of the Congress; it

is a matter of affirmative action by both Houses of Congress before that agreement can be implemented.

During and after the Kennedy round I was in the Office of the Special Representative for Trade Negotiations, and we certainly had our difficulties with the Congress, though more with the other body. There were times, I suppose, when we wondered why do we have to contend with this thing called the Congress, why can't we put into effect what we feel to be meritorious agreements? Nevertheless, and this brings us down to the much debated, but I think fundamental, system of separation of powers; it does mean that another coequal body can sit in judgment, if you like, on what the President does.

It is, after all, the Constitution which gives the Congress a clear authority in this field. However, under the administration's proposal, the President would be able to come back and put an agreement, and it may be a very complicated agreement, before the Congress and then say, "Well, if a short period of time like 90 days goes by and neither House rejects it by a simple resolution or something of that sort, then, boom, in effect a new law is passed to permit an agreement to go into effect which otherwise could not have gone into effect under preexisting law. I can only register a very serious question about the propriety of that procedure.

Mr. GIBBONS. Of course there is another route you could go. You could treat it as if it were a treaty and submit it to the Senate for ratification. That would really require an affirmative act rather than the prevention of an affirmative act.

Mr. REHM. That is certainly a good point.

Mr. GIBBONS. Let me ask you this. You have dealt with the European Community and you perhaps have some sketchy knowledge at least of the Treaty of Rome and the subsequent amendments. What kind of position are the Europeans going to be in? Is the Treaty of Rome strong enough so that they can remove the nontariff barriers without having to submit these agreements back to their member states?

Mr. REHM. I am not sure, Mr. Gibbons, that I can give you a fully adequate answer to that. I believe it is article 111 of the Rome Treaty that envisages tariff negotiations.

My recollection is not clear as to how far it goes in the field of nontariff barriers. In any case, it seems to me that the Commission as the negotiating arm, and ultimately the Council of Ministers which must ratify what the Commission does, are going to enter the field of nontariff barriers with considerable hesitancy and even uncertainty. I think there are a lot of reasons for that. I think that the Commission, the Council, and the Community are beset by the same problems and pressures and difficulties as any government in trying to deal with nontariff barriers, many of which, as you very well know, are deep-seated, with social and economic as well as political aspects to them. Certainly in the agricultural sector there is no doubt in my mind that there will be great difficulty.

Mr. GIBBONS. They have such terrific barriers within their own operation on wine and beer—those just happen to come to my mind—and pharmaceutical products; my gosh, I can sit here and think of a number of things. I am not sure that bargaining is not going to be a lot tougher for them than for us as far as the mechanics of what has to happen.

Mr. REHM. I must say there is a lot to that. You know, under our system which is, of course, a curious one—I use the word curious as compared to other countries which have parliamentary systems—our separation of powers stands out very starkly. The world knows that if the President wants a piece of legislation, he has to send a bill up. It goes through a rather elaborate procedure, and it may or may not emanate from the Congress in the final analysis.

The people who observe our system are very conscious of the clear separation between the two branches. When you look at the system which is still evolving in the Community, you have the sense of a commission here, a council there, but they are all in the same framework.

Mr. GIBBONS. They really operate under the rule of unanimous consent. They have never done anything that I know of so far that didn't require unanimous consent. Am I correct there? Or do you know?

Mr. REHM. Frankly I don't know, but I do know this: Whether it is a formal rule of unanimous consent, when the issue is a tough one——

Mr. GIBBONS. It is not a formal rule. It is a practical rule, exactly, de facto.

Mr. REHM. It is a de facto rule. Otherwise they risk a serious division within the Council. When we read about the marathon sessions that go on for 3 or 4 days without break, and they stagger out at 4 o'clock in the morning, you know that the unanimity rule, in effect, has operated.

But to go back to your question, I think there will be real difficulties in giving the Commission anything like the sort of broad and sweeping mandate that people have suggested they will have, particularly in the field of nontariff barriers. Whether greater or lesser than whatever mandate our negotiators will have, I think theirs will have to be, I should think, limited. Therefore, and this is the point I am leading up to, the notion of an executive branch returning to Congress for legislation in the normal way may not be all that different from what the Commission may have to do vis-a-vis the Council of Ministers.

Mr. GIBBONS. Maybe before the Congress goes too far, we ought to invite representatives of the European Community to come in here and sit down with us. The Congress ought to, as a coequal branch of Government, say: "Show us the color of your money. Show us the powers that you have. You claim all these powers. Tell us that you can do these things."

I am afraid when you ask them, they will say, "We really don't operate under a unanimous-consent rule, but we can't point to a historical example during all these years when it has not been unanimous consent." When any one of those countries over there begins to kick up its heels, then whatever deal was made is out of the window; right?

Mr. REHM. That's right. If you did invite them and they were here today, I am sure they would point to the American selling price agreement——

Mr. GIBBONS. They do that.

Mr. REHM [continuing]. As an example of how our system breaks down.

Mr. GIBBONS. Never have we given so much for so little in the way of credibility as far as bargaining is concerned as when we failed to repeal that little thing for the benefit of about 100,000 or 150,000 peo-

ple, who could have been retrained and relocated and put in probably better jobs than they have now but we foolishly didn't do it.

Every time you talk to the Europeans seriously about anything they throw the American selling price in your face.

Mr. REHM. It has become a very convenient pretext for them, that's right.

Mr. GIBBONS. I think we could well go into their credentials to bargain before we sit down with them and before Congress makes this great grant of power.

I personally appreciate the thoughts that you have left here today. Mr. Brotzman, do you have any questions?

Mr. BROTZMAN. No questions, Mr. Chairman.

Mr. GIBBONS. Mr. England, let me say I appreciate your bringing such talented counsel to the table with you. To show you my gratitude, I am going to join in on that feathers and down bill.

Let the feathers fly.

Mr. ENGLAND. Thank you, Mr. Chairman.

Mr. GIBBONS. The next witnesses will be Jerome B. Libin and Dan M. Byrd. Will you come forward and enlighten us with your views?

You gentlemen are recognized.

STATEMENT OF JEROME B. LIBIN, COUNSEL, SPRINGS MILLS, INC., ACCOMPANIED BY DAN M. BYRD, JR., VICE PRESIDENT, GENERAL COUNSEL, AND SECRETARY

Mr. LIBIN. Thank you, Mr. Chairman. Mr. Byrd is vice president, general counsel and secretary of Springs Mills, Inc., on whose behalf we are appearing today. We are going to talk about taxation rather than about tariffs and quotas.

Our reason for being here is to oppose the Treasury proposal dealing with tax holidays which would, as you know, impose current U.S. taxation on foreign manufacturing subsidiary income earned in countries that grant tax holidays.

Our reasons for opposing this proposal are three-fold.

First, we believe it is an unwise reversal of well-established longstanding congressional policy which has encouraged private investment in the less-developed countries of the world.

Second, we think it is very unfair to make such a radical change in U.S. taxation policy with respect to manufacturing projects that are already underway at this time.

Finally, as our prepared statement explains in more detail, we think it is unwise to add a provision of this type to the present rules contained in subpart F of the Internal Revenue Code, thereby adopting an operative definition which requires only more than 50 percent American ownership of the foreign subsidiary. We think an 80 percent ownership test, with properly revised attribution rules, is more appropriate.

[The prepared statement follows:]

STATEMENT OF SPRINGS MILLS, INC.

Mr. Chairman and members of the committee: I am Jerome B. Libin, a member of the law firm of Sutherland, Asbill & Brennan, Washington, D.C., counsel to Springs Mills, Inc. With me is Dan M. Byrd, Jr., Vice President, General Counsel and Secretary of the corporation.

Springs has its corporate headquarters in Fort Mill, South Carolina. It operates twenty-four textile plants in both North and South Carolina, and also has a wholly-owned food products subsidiary. In its first and only foreign manufacturing venture to date, Springs has recently joined with a number of other investors in the establishment in Indonesia of the P. T. Daralon Textile Manufacturing Corporation ("Daralon").

We are here today to oppose the Administration proposal for the current taxation of income earned by foreign manufacturing subsidiaries enjoying tax holidays abroad.

NATURE OF DARALON PROJECT

For several years, the Government of Indonesia has been extremely anxious to encourage the construction of a local fully integrated textile plant. Because of its know-how and technical capabilities, Springs in December, 1969, was requested to conduct a feasibility study for such a project. In January, 1971, Springs informed the Indonesian Government that it could not participate in the project on the scale originally contemplated. It was then strongly encouraged to co-sponsor a smaller textile project, and in August, 1971, the Indonesian Government endorsed Springs' proposal for the present project. Officially organized in February, 1973, Daralon has now begun construction of a plant near Djakarta to produce polyester and rayon blended fabrics for sale solely with Indonesia.

Total capitalization of Daralon will amount to $16.7 million by 1974, of which $6.2 million will represent equity capital, $1 million will be in the form of convertible debentures, and $9.5 million will constitute long-term debt. Springs will contribute about $2.55 million of the equity capital through a qualified less developed country corporation holding company which will ultimately acquire a 50.5% interest in Daralon. Springs will own a 70% interest in the holding company, and through it a 36% indirect interest in Daralon. Three other U.S. investors, unrelated Edge Act corporations, will each contribute $350,000 in equity for a 10% interest in the holding company and approximately a 5% indirect interest in Daralon. A fifth unrelated U.S. corporation will directly contribute $100,000 in equity capital for less than a 2% interest in Daralon.

The remaining equity capital will consist of $1.5 million to be invested by the International Finance Corporation ("IFC"), a World Bank affiliate which will acquire about a 20% equity interest; and $1 million in cash and land from a group of local Indonesian investors for a 28% interest. IFC will also make a loan of $4.5 million, and the Private Investment Company for Asia ("PICA") will participate in IFC's share of both equity and debt capital. The Overseas Private Investment Corporation ("OPIC") will purchase $1 million of convertible debentures, marking the first time it will make such a purchase in connection with any Indonesian investment. OPIC has also extended its investment guarantees to a portion of the equity investment made by the U.S. investors, as well as to a U.S. bank loan of $5 million. (As a condition of its participation in the Daralon project, OPIC has also imposed Draconian prohibitions on the sale of Daralon's products in the U.S. Should any such sales be made. OPIC's debentures may have to be retired and its investment guarantees may be terminated.)

As can be seen from the foregoing, no single investor in Daralon will acquire, directly or indirectly, a majority of the corporation's outstanding stock, and only one U.S. investor (Springs) will acquire, directly or indirectly, more than a 10% equity interest. However, by reason of the special constructive ownership attribution rules that are presently contained in section 958((b), Subpart F, of the Internal Revenue Code, Daralon will technically meet the definition of a "controlled foreign corporation." Since Daralon has been granted a five-year tax holiday by the Indonesian Government, Springs and the three Edge Act corporations thus will be subject to current U.S. taxation on their respective proportionate shares of Daralon's annual profits if the Administration's Tax Holiday proposal is adopted.

Our opposition to the Administration proposal rests on three principal grounds:

(1) The proposal runs directly counter to the long-standing policy of our Government to encourage private investment in the less developed countries of the world;

(2) Insofar as it applies to pre-existing as well as new projects, the proposal unfairly penalizes investors who relied upon what was thought to be well-established Government policy in this area; and

(3) By taking the form of an appendage to Subpart F, the proposal inappropriately adopts as the operative definition of a "controlled foreign corporation" a definition designed to apply to cases involving genuine tax haven operations.

IMPACT ON INVESTMENT IN LESS DEVELOPED COUNTRIES

The Committee has already heard from a number of other witnesses who have testified on the adverse impact the Tax Holiday proposal would have on private investment in less developed countries. The reason for this, of course, is the fact that less developed countries frequently and deliberately utilize the tax holiday device to attract outside capital for the purpose of strengthening their economies.

The Treasury has stated, however, that the purpose of its proposal is "to remove the income tax factor from influencing foreign investment." The assumed premise is that foreign tax incentives cause U.S. corporations to make overseas manufacturing investments that might otherwise be made at home if tax factors were completely neutralized. The fallacy in the Treasury's position is that many of the investments that would be affected by its proposal, especially those made in less developed countries, would not likely be made at home regardless of tax factors.

In the case of the Daralon project, for example, Springs would not under any circumstances have considered participating in a joint venture here in the United States to construct a plant that would manufacture textile products to compete in the Indonesian market. The economics of such a venture simply would not justify the requisite capital outlay, regardless of the applicable tax rate. Thus, whether or not benefits may be derived from a policy of tax neutrality in other cases, no such benefits would have been realized here. It should be clear, therefore, that the quest for tax neutrality is not a valid justification for the far-reaching proposal which the Treasury currently espouses.

In addition, the Treasury proposal represents a complete turnabout in our tax policy of encouraging private investment in less developed countries. As this Committee stated just four months ago, in explaining a provision contained in the bill extending the Interest Equalization Tax (IET") :

"The less developed country exclusion [in section 4916 of the Code] is designed to avoid cutting down the flow of private capital to those nations with chronic capital shortages, urgent development needs, and limited capability for foreign borrowing on normal commercial terms. The Congress has previously recognized that the United States has long had a responsibility for assisting these nations in their struggle to achieve improved standards of living, and therefore recognized that the application of the tax to issues of these countries would work against that objective." [House Comm. on Ways and Means, H.R. Rep. No. 93–7, 93rd Cong., 1st Sess. 19 (1937)].

The exclusion referred to, which applies to the acquisition of stock or debt obligations of qualified less developed country corporations, has been a part of the IET provisions since their original enactment in 1963. Its adoption closely paralleled the exception provided in section 954(b)(1) of Subpart F, enacted in 1962, under which the income derived by a controlled foreign corporation from qualified investments in less developed countries is not subject to current U.S. taxation at the shareholder level if properly reinvested within one year. See also section 1248(d)(3), also enacted in 1962. Thus, for over a decade the Congress for sound policy reasons has specifically accorded favorable tax treatment to investments made in less developed countries, a decision again reaffirmed earlier this year with the extension of the IET.

Still further, the Internal Revenue Service guidelines under section 367 of the Code expressly provide that, contrary to the normal rules, the transfer of stock or securities of a less developed country corporation by a U.S. person may be allowed on a tax-free basis if the transferee foreign corporation qqualifies as a "less developed country corporation holding company." This provision of the guidelines is but a further implementation of our long-established tax policy of encouraging private investment in less developed countries.

We believe the Springs investment in Daralon is unquestionably an example of the type of investment which the United States Government should continue to encourage rather than discourage. American know-how and technical expertise are being furnished, in a true multi-party joint international venture, to establish an important manufacturing facility in a country whose relationships with the United States are of great significance.

Moreover, no United States jobs are being sacrificed because (a) the Indonesian market could not be reached profitably through a textile plant located here at home, and (b) there will be no importing of Daralon products into the United States. In point of fact, U.S. employment will actually be benefited by the exporting of American machinery and equipment for use in the Indonesian plant. Approximately $8.5 million of Daralon's capital will be utilized for this purpose,

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with the Daralon plant to serve as a showcase in the Far East for the textile machinery, electrical equipment, and water purification facilities that will be purchased from U.S. suppliers. No other manufacturing facility in that part of the world presently utilizes American-made equipment of this type.

In addition, as indicated, the Daralon venture is supported by OPIC, a United States Government agency, and by IFC, a World Bank affiliate to which the United States contributes approximately one-third of the capital. These agencies obviously recognized Indonesia's need for a modern textile plant constructed and managed with American know-how, and were willing to take a financial position in the project for that reason. Further, OPIC studies have established that projects such as Daralon have a positive effect on the U.S. balance-of-payments.

Both OPIC and IFC function for the express purpose of encouraging and promoting selective private investment in the developing nations. The Administration proposal thus runs directly counter to the objectives of these agencies, by discouraging Americans from joining local investors in projects to be established in less developed countries which choose to utilize tax incentives to attract vitally needed investment.

UNFAIRNESS TO EXISTING PROJECTS

When the size and scope of the Daralon project were under study, its economic feasibility was determined on the assumption that the current U.S. tax laws governing investment in less developed countries would remain in effect. Financial planning, expasion projections, and capital contribution commitments were all geared to the continuation of existing tax laws. The absence of current U.S. taxation, in combination with the five-year Indonesian tax holiday, led the participants to conclude that Daralon would be able to generate sufficient internal funds in its early years to meet its expansion needs and to provide adequate reserves. Any change in our laws that would now force the repatriation of earnings to satisfy U.S. tax liabilities on a current basis, as the Treasury proposal is quite likely to do, thus could dramatically affect the success of the project.

On the other hand, if in order to minimize the adverse impact on the project that a change in U.S. tax laws would be certain to have, the U.S. investors are forced to satisfy their current U.S. tax liabilities out of nonrepatriated funds, the result would be a diversion of dollars that might otherwise be utilized for the very type of domestic investment the Treasury seems to be trying to promote.

It thus seems clear that the Treasury proposal will operate in an unfair or counterproductive manner with respect to U.S. investors who have entered into investment commitments in manufacturing projects in less developed countries on the assumption that existing U.S. law would apply to their investments. At the very least, therefore, the new provisions should not apply to corporations with manufacturing projects already in operation, or under construction, or subsequently constructed pursuant to binding commitments entered into, prior to the announcement date of the Treasury proposal.

Precedent for such a prospective approach in favor of previously committed investors can be found in the enactment of the Interest Equalization Tax. While the IET was generally applied to acquisitions occurring after the date of President Kennedy's tax message of July 18, 1963, announcing the proposed new tax, the Treasury recommended and Congress agreed that the IET should not apply to purchases which the buyer was unconditionally obligated to make on that date, to acquisitions under contracts which were partly performed on that date, or to acquisitions subject to certain pre-existing commitments. P.L. 88–563, § 2(c), 78 Stat. 841.

Similarly, when earlier this year Congress repealed the IET exclusion for less developed country shipping companies, pre-existing commitments to acquire the stock or debt obligations of such companies were specifically excepted from the repeal. P.L. 93–17, § 3(c) (April 10, 1973). The Congress again was obviously concerned with the unfairness of imposing the tax on acquisitions subject to firm commitments as of the effective date.

A similar inequity would occur here if the Tax Holiday proposal were to be applied to projects already constructed, in the process of construction, or subject to firm construction commitments, on the announcement date. Moreover, applying the new proposal to such projects would in no way further the Treasury's purpose of achieving tax neutrality in investment decisions, unless it is seriously contemplated that affected facilities might be abandoned in midstream.

In light of the dramatic shift in governmental policy that would be involved, and in the absence of any compelling reason to the contrary, any change in the

applicable rules in this area should be made on a prospective basis only, and should not affect those corporations with projects previously completed, under construction, or subject to firm commitments, prior to announcement of the new proposal.

INAPPROPRIATENESS OF PRESENT DEFINITION OF "CONTROLLED FOREIGN CORPORATION"

Other witnesses have presented sound arguments as to why no changes should be made in the existing rules governing the taxation of foreign manufacturing income. We agree with those arguments.

If, however, changes are to be made in the present tax treatment afforded the earnings of foreign manufacturing subsidiaries in an attempt to achieve "tax neutrality," we urge the Committee to increase the degree of ownership required of the U.S. parent to a level sufficient to realize the desired objective. We recommend that the more-than-50% ownership requirement now utilized in Subpart F be increased to a minimum 80% ownership requirement, with the attendant constructive ownership attribution rules tailored accordingly, before foreign manufacturing earnings would be subject to current U.S. taxation.

When Congress enacted Subpart F in 1962, its purpose was to impose a current U.S. tax at the shareholder level on certain types of earnings of certain types of foreign subsidiaries. Specifically, the types of earnings subjected to the pass-through concept were, essentially, passive investment income and so-called "base company" sales or service income. The corporations subjected to the pass-through were labeled "controlled foreign corporations," and the degree of U.S. ownership considered sufficient to justify the pass-through was deemed to be reached if U.S. persons with a minimum 10% ownership interest owned, either directly, indirectly, or constructively, more than 50% of the voting power of the subsidiary in the aggregate.

But Subpart F was aimed at the classic "tax haven" operation—the creation of a foreign subsidiary in a low-tax or no-tax country for the purpose of engaging in offshore investment activities, or in selling or servicing activity in a third country on behalf of the parent or another related corporation. The tax abuses in this area were considered sufficiently great to justify current U.S. taxation whenever a subsidiary utilized for this purpose was subject to a bare minimum of U.S. control. Indeed, it was apparently believed that unless the U.S. ownership requirement was reduced to such a level, with sweeping constructive ownership attribution rules in force, continued avoidance might be enjoyed merely by bringing in a sufficient number of outside dummy investors whose mere presence in the tax haven operation would permit the continuation of tax benefits for all.

Now that the focus is being shifted to manufacturing operations, however, an entirely different set of considerations becomes applicable. As is true with respect to the Daralon project, there will be many instances where U.S. investors will be more than equal partners with other genuine unrelated investors in the overseas manufacturing enterprise. Indeed. with more and more countries insisting upon a substantial degree of local ownership and control in connection with any new capital in their countries, it is likely that some form of joint venture, rather than complete U.S. ownership and control, will become the rule rather than the exception in the manufacturing area.

When a U.S. corporation is invited to participate as a partner in such a foreign enterprise, however, its investment options are distinctly limited. Either it elects to participate in the venture or it does not. A choice of countries for locating the project is simply not available.

Given the Treasury's stated objective of achieving tax neutrality, therefore, we believe imposition of a current U.S. tax on income of foreign manufacturing subsidiaries can be justified, if at all, only in those situations where the U.S. parent is in sufficient control of the enterprise to make the ultimate decision as to where it will be located. In the case of a wholly-owned, or even an 80%-owned, subsidiary the requisite degree of control would, of course, be present. Where the U.S. investor is no more than a mere 50% partner, however, a comparable degree of control over the project typically would not exist and, as indicated, a choice of location typically would not be available.

Thus, for example, informing the participants in the Daralon project that the governing tax law would be the same whether the project was located in Indonesia or in the United States would have had no bearing whatever on the basic decision of where to locate. This project has at all times been an Indonesian project. It was fostered from its inception by the Indonesian Government and a

group of Indonesian investors. It was considered economically feasible only because the five-year tax holiday was granted, coupled with the assumption that there would be no current U.S. taxation on the earnings of the corporation. Because Daralon is an Indonesian project, an adverse change in the U.S. tax rules would not have caused the participants to consider relocating in the United States, or to make any other changes of a business nature in order to preserve the project.

For this reason, we strongly urge that if any changes in existing law are to be made with respect to bona fide foreign manufacturing operations, they should be made applicable only to those situations where the U.S. parent corporation has sufficient ownership of the foreign subsidiary to control the basic investment decisions. They should not be made applicable to any corporation that merely happens to meet the existing definition of a "controlled foreign corporation" under the sweeping constructive ownership rules presently contained in Subpart F.

CONCLUSION

We find no compelling reason for the Congress at this time to legislate any changes in existing law, and most particularly any changes that will reverse the well-established and recently reaffirmed policy of our Government of encouraging private investment in less developed countries.

At the very least, we strongly urge that any changes that are made in this area be prospective only, with no application whatever to corporations with projects already completed, under construction, or subject to firm commitments, at the time the Treasury proposal was announced.

Finally, we have heard no arguments that justify current U.S. taxation of the earnings of a true multi-party overseas manufacturing investment that would not under any circumstances be relocated in the United States even if the Treasury proposal were adopted. We therefore urge that any change in existing law with respect to the earnings of foreign manufacturing subsidiaries be limited to those situations where the U.S. parent corporation has at least 80% ownership of the foreign enterprise under appropriate attribution rules.

To assist the Committee in its deliberations, we have attached suggested statutory language implementing our proposals.

SUGGESTED AMENDMENTS TO ADMINISTRATION TAX HOLIDAY PROPOSALS

I. Less Developed Country Corporation Exclusion.—The term "foreign tax haven manufacturing corporation" shall not include a corporation which is, or a branch of a foreign corporation which if separately incorporated would be, a "less developed country corporation" as defined in section 955(c).

II. Exception to Tax Holiday Rules for Corporations Owning Facilities Constructed, in the Process of Construction, or Subsequently Constructed Pursuant to a Binding Contract Entered into, Prior to April 10, 1973—Section ——— (applying the Tax Holiday provisions to new or additional investments) shall not apply to a foreign tax haven manufacturing corporation owning a manufacturing or processing facility constructed, in the process of construction, or subsequently constructed pursuant to a binding contract entered into, prior to April 10, 1973.

III. Special Definition of "Controlled Foreign Corporation".—For purposes of section ——— (defining a "foreign tax haven manufacturing corporation") the term "controlled foreign corporation" means any foreign corporation of which more than 80 percent of the total combined voting power of all classes of stock entitled to vote is owned (within the meaning of section 958(a)) or is considered as owned by applying the rules of ownership of section 958(b), by United States shareholders (as defined in section 951(b)) on any day during the taxable year of such foreign corporation, except that for purposes of this section, in applying section 958(b)(2) the phrase "80 percent" shall be substituted for the phrase "50 percent."

Mr. GIBBONS. Another reason that appeals to me, and I want to try it out on you, whether you are for or against tax holidays—I happen to be against them—there is no sense in treating an American firm worse than you would treat some foreign nation. Also, the taxation way is a very clumsy way of beating our own people over the head and letting those foreigners get away with murder in the tax haven.

Mr. LIBIN. There can be no question about that. We agree with you completely.

Mr. GIBBONS. I won't talk you to death then. You are doing very well. What else do you have to offer?

Mr. LIBIN. The project in which Springs is participating is an Indonesian project. Indonesia is an important country to this country. We think it would be a great mistake to enact legislation that would discourage an American corporation from engaging in investment over there.

Mr. GIBBONS. We certainly want to be friends of Indonesia, the fifth most populous nation in the world, a nation that is very rich in natural resources, a country that has reversed a direction toward communism and has come back to a market economy. There is no reason why we want to hit that friend in the head even if we might be mad at your client, which we aren't.

Mr. LIBIN. We are glad to hear that.

Mr. GIBBONS. I have a great deal of sympathy for the position that you state.

Now we have some more bells ringing up there. Let me yield to my colleagues over here.

Mr. BROTZMAN. You have just one example of the so-called tax holiday?

Mr. LIBIN. That is the only one we are concerned with, yes, sir.

Mr. BROTZMAN. Is this a practice in your industry?

Mr. LIBIN. It is a common practice for less-developed countries——

Mr. BROTZMAN. I mean for countries to grant——

Mr. LIBIN. Yes; less-developed countries in particular when they are seeking to encourage private investment. They will negotiate tax holidays for that purpose, yes. Usually they are limited to a certain period of years, so that the venture can get started and develop some reserves.

Mr. BROTZMAN. It probably would not be the best diplomacy, would it, for us to reject this sort of friendly gesture or gratuity to American industry.

Mr. LIBIN. Absolutely not.

Mr. BROTZMAN. Thank you very much.

Mr. GIBBONS. We have to get at them if we can get at them on a tariff basis rather than a tax basis. At least we treat all imports the same. It is kind of stupid to go at this the way the administration proposal is.

Mr. Clancy?

Mr. CLANCY. I have no questions.

Mr. GIBBONS. You have done a fine job here. You have enlightened us a great deal. We appreciate your coming and your patience in remaining with us.

Without objection the meeting is adjourned. We will convene at 10 a.m. tomorrow morning.

[The following was submitted for the record:]

STATEMENT OF THE NATIONAL COTTON COUNCIL OF AMERICA

SUMMARY

A satisfactory level of cotton exports is vital for the well-being of the U.S. cotton industry. The National Cotton Council of America supports the concept of

expanded international trade. The Council recognizes that the President needs additional authority to negotiate reductions in tariff and non-tariff barriers but considers that limitations should be placed on any reductions that could be negotiated in tariff rates. In negotiating new trade agreements, the Council considers that special efforts should be made to protect U.S. interests. The Council recommends that the United States accord MFN treatment to additional countries when the President considers that such action would be in the best interests of our country. Before any non-reciprocal tariff preferences are granted to any developing countries, the Council recommends that the Administration assure that the granting of such preferences will not adversely affect the interests of the U.S. cotton industry. The Council urges that our Government take the necessary actions to provide reasonable restraints against imports of cotton, cottonseed, products manufactured from cotton and cottonseed, and those commodities directly competitive therewith in order to preclude such imports from causing excessive interference in the domestic markets of the U.S. cotton industry. As a means of protecting the interests of U.S. agriculture, the Council recommends that agricultural and agri-business representatives be included in future U.S. Delegations for trade negotiations. The Council considers that U.S. agricultural exports should be assured of the lowest practical, non-discriminatory transportation rates. In order to try to assure that the best interests of the United States will be realized under any new trade agreements that are negotiated, the Council considers that Congress should have an opportunity to veto such agreements before they are implemented if Congress considers that the agreements would not be in the best interests of our country. The National Cotton Council is the central organization of the American cotton industry representing cotton farmers, ginners, warehousemen, seed crushers, merchants, manufacturers, and cooperatives in the nineteen cotton producing states from the Carolinas to California.

IMPORTANCE OF COTTON EXPORTS

U.S. Department of Agriculture records reveal that cotton has been a major export item for nearly 200 years, since 1790. While its relative importance has diminished, it still is a most significant factor in the total volume of our country's exports. During the past twenty years, exports of cotton, cottonseed and linters have generated an annual average of approximately $610 million in trade. Cotton's contribution to our balances of trade and payments can continue under conditions of a healthy world economy and trade between nations.

In order to assure a healthy and efficient cotton industry in the United States, the industry must operate on a large volume basis so that our technology can be fully utilized. If this can be done, then this gives us an advantage over many other cotton-growing countries. Under such conditions, relatively large exports are necessary if our stocks are to be maintained at a satisfactory level. Low U.S. cotton production in some recent years has resulted in gyrating prices, competitive losses to other fibers, and high per-pound production costs. In other words, we did not produce an adequate range of qualities and quantities to serve the needs of our foreign and domestic customers. We need to correct this situation so that cotton can continue to positively contribute to our country's balances of trade and payments.

TRADE EXPANSION

Since its inception, the Council has always supported the concept of expanded international trade. A high level of international trade on a multilateral basis contributes to world peace, is vital to the prosperity of the United States, and conductive to the well-being of our industry. However, we consider that our trade policy must be realistic in order to assure that it reflects the best interests of our country and our industry.

AUTHORITY TO NEGOTIATE AGREEMENTS

The Council recommends that the President be granted additional authority to negotiate trade agreements with foreign countries and instrumentalities thereof. The new authority should permit the President to negotiate reductions in tariff down to specified limits and to negotiate reductions in non-tariff barriers when indications are that such actions would increase U.S. foreign trade and improve the U.S. trade balance. We believe that the President will need the proposed additional authority in order to obtain fair and equitable access to foreign markets for U.S. exports, and in order to enable the United States to take advantage of new trading opportunities that are developing all around the world.

NONTARIFF BARRIERS

Since tariffs were lowered generally as a result of the Kennedy Round of negotiations under GATT, non-tariff barriers have become more significant as a means of restricting imports. Although non-tariff barriers are used by both the developed and the developing countries, such barriers appear to be more prevalent in the developing countries.

All nations, including the United States, seem to maintain a variety of measures, other than import duties, which protect domestic production or control imports in order to preclude the development of undesirable social or economic repercussions in their countries. Those of the United States generally are more widely publicized but indications are that they restrain trade much less than those of many other nations. The greatest impact of non-tariff barriers on U.S. trade appears to be in respect to exports of U.S. agricultural commodities.

In the broadest sense, a non-tariff barrier is any government or quasi-government measure, other than an import duty, that limits trade. Many non-tariff barriers, however, are imposed to protect public health or safety and/or to safeguard national security. To the extent that such non-tariff measures are not excessive, they have become recognized as legitimate commercial policy practices for any nation to follow. But these measures sometimes are drawn up or administered in a manner that unjustifiably restricts foreign trade. To draw the line between what is justified and what is not can only be done after analyzing the purpose and administration of each measure.

Experience has shown that non-tariff barriers oftentimes inhibit international trade to a greater degree than tariffs restrict such trade. Under the circumstances, we consider that it would be in the best interests of the United States for the President to have the authority to negotiate agreements with foreign countries for the reduction, elimination, or harbonization of non-tariff barriers and other distortions of international trade. Since the non-tariff barriers vary in intensity and scope from country to country, and sometimes are in concert with the domestic laws of the other countries, it is impossible to anticipate exactly what types of agreements should or could be negotiated with other countries in order to lessen non-tariff barriers to trade. Consequently, we consider that the President should be given reasonable latitude in carrying out such negotiations so that the U.S. position would be flexible enough to encompass varying situations from country to country.

PROTECTING U.S. INTERESTS

International trade should be a "two-way street" if it is to be carried out on a realistic basis. It is paradoxical that some countries strongly criticize the movement in the United States to limit imports, while at the same time following restrictive import policies themselves. These countries apparently want the United States to continue to maintain an open market for their export products, but at the same time, they want to close their markets to some extent to imports from the United States. Under the circumstances, our negotiators should make sure that U.S. exports receive equitable treatment from other countries.

Until recent years, the United States did not have balance of trade or balance of payments problems. Under conditions then existing, this nation could tolerate some of the unrealistic trade policies which some other countries practiced. However, under present conditions, it is considered intolerable that some other countries continue to try to "take advantage of the good nature of the United States" in trade matters. We should treat other countries fairly in trade matters and, at the same time, should demand fair and equitable treatment from them. The U.S. Government must do everything possible to protect the best interests of the United States. In those instances where unrestricted imports could adversely affect the best interests of our country or the American people, reasonable restraints on imports become important to the national interest.

MOST-FAVORED-NATION TREATMENT FOR ADDITIONAL COUNTRIES

In view of the improvement in relationships between the United States and certain Communist Bloc countries, and in view of the increased economic activity in those countries and the higher living standards that are being attained by the people in some of these countries, indications are that there is a good potential marketing opportunity for U.S. agricultural commodities (including cotton, cottonseed, and their products) in some of these countries if U.S. agricultural commodities have reasonable access to the markets in those countries.

However, since the United States does not accord Most-Favored-Nation treatment to many of these countries, U.S. agriculture commodities do not have reasonable access to the markets in certain countries because these countries apply high import duties and other restrictions on imports from the United States. Under the circumstances, it is considered that it would be in the best interests of the United States and of U.S. agriculture if certain countries were accorded MFN treatment when indications are that such action would improve U.S. trade prospects with those countries. The Council recommends that MFN treatment be granted to additional countries when the President considers that this would be in the best interests of our country.

GRANTING NONRECIPROCAL TARIFF PREFERENCES

The developing countries are insisting that the developed countries grant them non-reciprocal tariff preferences in order to assist the developing countries in their efforts to expand their economic and trade activities. While the Council recognizes and appreciates the attitude of the developing countries in this matter, the Council does not consider that the United States should grant any generalized tariff preferences to the less developed countries if such action would adversely affect any significant U.S. inndustry. Consequently, before any generalized tariff preferences are granted to the less developed countries by the United States, the Council recommends that the Administration assure that the granting of such preferences will not adversely affect the interests of the U.S. cotton industry.

REASONABLE RESTRAINTS ON IMPORTS

The Council generally supports the idea of expanded reciprocal trade; however, the Council does not consider that it would be in the best interests of our country to allow imports to reach quantitative levels which would significantly interfere with our domestic markets for U.S. produced goods. In other words, the Council considers that imports should be reasonably controlled so as to preclude significant adverse economic repercussions in the United States. Under the circumstances, the Council recommends that our Government take the necessary actions to provide reasonable restraints against imports of cotton, cottonseed, products manufactured from cotton and cottonseed, and those commodities directly competitive therewith. We consider that such imports should be held to quantitative levels which will not cause excessive interference with our domestic markets.

AGRICULTURAL AND AGRI-BUSINESS REPRESENTATION

Indications are that the U.S. Government officials who negotiated certain trade agreements in the past did not strongly support the interests of U.S. agriculture. Consequently, exports of U.S. agricultural commodities to certain countries have been restricted since our commodities have not had reasonable access to certain foreign markets. In future negotiations, the Council recommends that U.S. Government officials negotiate forcibly and firmly to assure that U.S. cotton, cottonseed, and their products have reasonable access to foreign markets, and that their movement is not unduly restricted by tariff or non-tariff barriers.

Furthermore, in order to assure that the interests of U.S. agriculture are adequately considered during future trade negotiations, the Council considers that it would be desirable for U.S. agricultural and agri-business representatives to be included in the U.S. Delegations which carry out future trade negotiations. Such representatives could articulate agriculture's position and help assure that U.S. agriculture is not discriminated against in future trade negotiations. The Council recommends that future U.S. Delegations for trade negotiations include representatives of U.S. agriculture and agri-business.

TRANSPORTATION

The Council considers that U.S. agricultural exports should be assured of the lowest practical, non-discriminatory transportation rates, and that transportation regulations for international trade should be simplified. In view of the declining U.S. Merchant Marine industry, it appears impractical to continue to require that at least 50 percent of the cargo financed under the Export-Import Bank of the

United States program and under certain other U.S. programs be carried on U.S. flag vessels, particularly since U.S. shipping rates are generally higher than rates on foreign vessels and the increased costs for transportation sometimes make it more difficult for U.S. commodities to compete in the world market at a time when we desperately need to increase our total exports. Indications are that the United States should review the shipping situation and do everything possible to assure that U.S. exporters are not competitively handicapped by high transportation costs on U.S. flag vessels. The Council considers that the U.S. cotton industry should be assured of reasonable transportation costs and regulations for our exports, and we hope that these objectives can be accomplished in the coming years. Furthermore, in order for U.S. exporters to maintain a reputation as reliable suppliers, it is necessary that U.S. exports not be jeopardized through the threat of strikes in the transportation industry. The Council considers that some way should be found to reconcile the demands of labor with the needs of management in order to preclude the adverse repercussions that result when there are strikes in the transportation industry.

CONGRESSIONAL REVIEW AND VETO

Since international trade is a complex matter, it is impossible to devise a formula for trade negotiations which can be applied to all nations and all products or commodities. Consequently, any new trade legislation should provide flexibility to the negotiators, but, at the same time, probably should require that tentative agreements be approved by Congress. Trade agreements should provide for mutual reciprocity. The Council considers that Congress should review proposed agreements and determine that the United States will beaccorded reasonable reciprocity under said agreements before the agreements are implemented.

While the Council understands and appreciates that the President must have authority which is broad enough and flexible enough for him to negotiate realistic agreements with other countries, the Council considers that it would be in the best interests of our country if the Congress has an opportunity to veto the agreements prior to their implementation if the Congress considers that the agreements would not be in the best interests of the United States. Furthermore, the Council considers that Congress should be given adequate time to consider the agreements.

GENERAL POLICY CONSIDERATIONS

While it is desirable and, of course, ultimately necessary that our overall trade be in reasonable balance, the United States cannot expect to have a surplus trade position with all countries. Rather, on a worldwide basis, we must try to achieve an equitable balance wherein we earn enough income to pay for our purchases and other expenditures through our exports and other earnings.

It is not feasible to consider our domestic agricultural policy and international agricultural policy separately since the actions taken by one country can directly affect the markets of another country. Consequently, the United States should attempt to have an agricultural program that strikes a reasonable balance between U.S. agricultural and world agriculture. Under such circumstances, our agricultural exports would encounter minimum problems in the world market.

Recently, a new awareness appears to have developed in the United States in regard to the vital role that U.S. agriculture can and should play in international trade in the future if we are to accomplish our total export objective. Actually, there appear to be significant marketing opportunities for U.S. agricultural exports all around the world if our exporters get out and develop the potential markets. Unfortunately, many U.S. businessmen are shy about developing foreign markets because they are too fearful of the risks involved. However, increased exports could cure our nation's trade deficit and could contribute towards improving our balance of payments problem which would restore world confidence in the U.S. dollar and strengthen the position of the United States in the world. U.S. exporters have a sterling opportunity to make significant contributions towards the future of our country. On our part, we will do everything that we can to influence the U.S. cotton industry to grasp the export opportunities and make its rightful contribution towards solving our nation's trade and payments problems. If realistic trade legislation is enacted during the first session of the 93rd Congress, then this could make it much easier for us to accomplish our objective.

NATIONAL WOOL GROWERS ASSOCIATION,
Washington, D.C., June 14, 1973.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means, Longworth House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This letter sets forth the views of the National Wool Growers Association on H.R. 6767 and we would therefore appreciate having it made a part of the hearing record.

Since wool is in deficit production in the United States, we are not an export industry and, as you know, both wool and dressed lamb are imported into the United States.

In the case of wool the present tariff duty on principal imports (25.5 cents per pound, clean basis) is only about 10 percent of the current price of fine wool. However, this duty is an important factor in partially compensating for higher production costs in the United States and it is also an important factor in the operation of the National Wool Act, which provides that payments made under this Act shall not exceed 70 percent of the duties collected on imports of wool and wool manufactures.

While some interests, principally in Australia, are urging that this duty be reduced or removed, domestic wool growers strongly oppose any further reductions in the duty for the reasons set forth above.

Prior to final passage of the meat import quota law, dressed lamb, which had been included in the bill passed by the Senate, was eliminated from inclusion in the quotas. When imports of dressed lamb increased substantially and had some adverse effects on sale of domestic lamb, in the years following the passage of the meat import quota law, the National Wool Growers Association and the National Lamb Feeders Association requested that reasonable quotas be imposed on dressed lamb imports. The Administration opposed this effort and it failed.

We then initiated, with the assistance of the Foreign Agricultural Service of the U.S. Department of Agriculture, a Lamb Promotion Coordination Committee in which we work with Australian and New Zealand interests for the promotion of domestic and foreign lamb sold in the United States so that foreign lamb will complement domestic lamb and have the least disruptive effect possible on the U.S. market.

With regard to H.R. 6767 we do not feel it is desirable to vest the President with carte blanche powers to modify the tariff and impose quotas. This authority, under the Constitution, still belongs to the Congress. Congress has already abdicated too much of its authority on foreign trade and should not further relinquish this authority.

We appreciate this opportunity to present our views.

Sincerely,

EDWIN E. MARSH,
Executive Secretary.

STATEMENT OF WILLIAM F. SULLIVAN, PRESIDENT, NORTHERN TEXTILE ASSOCIATION

This statement is submitted on behalf of the Wool Manufacturers Council of the Northern Textile Association, 211 Congress Street, Boston, Mass. 02110, in support of H.R. 3909, filed by Mr. Burke of Massachusetts on February 7, 1973. This bill would amend the Tariff Schedules to change the customs treatment of certain woven wool fabrics when products of an insular possession but imported into such possession as fabric for further processing.

The purpose of the bill is to reduce, but not eliminate, the amount of heavyweight woolen fabrics which are produced in foreign countries and which are shower proofed in the Virgin Islands and then re-exported to the United States duty free.

For a number of years following the establishment of tariffs on woolen fabrics in 1961, various means of avoiding or evading such tariffs were developed by importers with fabrics produced principally in Italy. The Congress has on several occasions enacted legislation to close such loopholes, but the Virgin Islands loophole, although restricted to some extent, has been enlarged in recent years.

H.R. 3909 would reduce the current 3 million linear yard quota to 2.5 million yards in 1973, to 2 million yards in 1974, to 1.5 million yards in 1975, and to 1 million yards in 1976 and thereafter.

We represent American mills engaged in the production of heavyweight woolen fabrics which are similar to and directly competitive with the woolens produced in Italy and Romania, shower proofed in the Virgin Islands then imported into the United States.

Such fabrics, when shipped directly from Italy or other foreign sources to the United States, are subject to United States tariffs. The specific and ad valorem tariffs on these fabrics, valued under $1.26 per pound, are relatively high.[1] These rates were established in 1961 by the United States in order to restrain imports of these fabrics and protect American jobs. Compensation was paid to the foreign Governments for this action.

In addition to the closing of other loopholes by legislative action, quota agreements limiting imports of such fabrics from Japan, Korea, Taiwan, Hong Kong, Malaysia and Macao have been negotiated by the President. The Virgin Islands shower proofing loophole remains, however.

The actions taken by the President and the Congress beginning in 1961 to protect mill operations and jobs in the United States are frustrated by the Virgin Islands duty-free imports of such fabrics. The jobs on the United States mainland are lost without commensurate gain in employment in the Virgin Islands because shower proofing is a minor operation involving the employment of relatively few people.[2]

The importation of these foreign woolens through the Virgin Islands causes serious hardship and unemployment in mainland mills.

It is well known that the United States wool textile industry has suffered from a severe decline. Production of woolens in the United States declined 43% between 1970 and 1972, and employment in the wool broadwoven textile industry has declined by 50% since 1970.[3]

In addition to the bilateral quota agreements mentioned above, the United States is presently engaged in trying to secure a multilateral arrangement to control imports of these and other textile products from all sources.

These quota agreements are applied on a category basis so that the heavy concentrations of particular types of fabrics and apparel are not permitted. The heavy woolen fabric imported by the Virgin Islands and transshipped after shower proofing to the United States constitutes a very heavy concentration in this type of fabric. Imports from the Virgin Islands are almost 40% of total mainland production.[4]

The concentration of these inexpensive heavyweight woolens disrupts and depresses the market for such fabrics in the United States. The reasons for this are simple—the relatively high quantity and the extremely low price. The low price is occasioned by the lack of tariff on these goods which is not offset by processing costs in the Virgin Islands. The Virgin Islands has 98% of the U.S. import market for these heavyweight, low price woolen fabrics.[5]

H.R. 3909 will gradually reduce the amount of imports of these fabrics over a three-year period, but would still permit a million linear yards a year thereafter. This is a substantial share of the United States market for such fabrics.

We urge the Committee to approve this bill.

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[1] The U.S. tariff on the heavyweight, low value (under $1.26–2/3/lb.) fabrics from Italy of the type "shower-proofed" in the Virgin Islands is 37.5¢ per lb. *plus* 60% ad valorem which for practical purposes amounts to an effective duty of about 100%.

[2] The "showerproofing" of heavy woolen fabrics does not change their appearance or end use nor effect their value or utility except in a minimal way. In fact, most United States mills sell a "showerproofed" fabric for the same price as cloth not "showerproofed". When a charge is made for "showerproofing", it does not exceed 3%.

[3] The American industry has been in a severely depressed condition for some time. Production of woolens in the United States has declined 43% between 1970 and 1972. Woolen production in 1972 declined 10% from 1971. Heavyweight woolen production for the first quarter of 1973 remains at the critically low level of the same period in 1972.

At least twenty United States woolen mills have been forced to close since 1969. At least six woolen mills closed during 1971 and at least four woolen mills closed in 1972.

Employment in the wool broadwoven fabric industry is down 50% between 1970 and 1973, but in mills making fabrics like those processed in the Virgin Islands, unemployment is undoubtedly greater. These facts cause unemployment and short time for thousands of workers.

[4] Mainland production of low value, heavyweight woolen fabrics is estimated at about 8 million linear yards annually so that the 1973 quota of 3.0 million linear yards is equal to 38% of mainland production.

[5] United States imports from sources other than the Virgin Islands of inexpensive heavyweight woolen fabrics (over 10 ozs. per square yard, not over $2.00 per pound) during 1972 amounted to 46,035 linear yards. A Virgin Island quota of 3.0 million linear yards means that it takes 98% of the import market for these fabrics.

STATEMENT OF WILLIAM A. DUNGAN, PRESIDENT, THE CORDAGE INSTITUTE OF THE UNITED STATES

Mr. Chairman and members of the committee, I submit this statement as President of the Cordage Institute of the United States, which is composed of substantially all of the rope and twine manufacturers in the United States. We appreciate the opportunity to submit this statement for consideration, along with the views of the list of distinguished witnesses and others submitting comments on the Trade Reform Act of 1973.

We are in general agreement that the President must have increased flexibility in trade negotiations and that this requires some increase in the authority of the Executive to eliminate, reduce, or increase custom duties and to take actions on nontariff trade barriers. As a small industry which has been eroded by imports and is being eroded at an increasing pace, we express our concern to you and our strong recommendations that the Congress provide in the Trade Bill that exercise of Presidential authority be subject to appropriate safeguards—statements of Congressional Policy and standards and adequate provision and time for hearings on tariff and nontariff actions having substantial adverse effects on domestic industry.

LIMITING PRESIDENTIAL AUTHORITY

The Trade Reform Act, as written, gives the President broad authority and great discretion as to whether he actually grants import relief even when he finds that domestic industry has suffered serious injury and that imports were the primary cause of such injury. It is our opinion that such authority and discretion on the part of the Executive must have limits. The President should be required to grant import relief if the penetration of the U.S. market by foreign nations reaches a given limit.

It may not be practical to state a quantitative limit in the Bill itself, but the Congressional policy on the matter can be enunciated there with a requirement that the method of determination of the critical level of market penetration or the critical level, industry by industry, be prescribed in Regulations.

MONITORING IMPLEMENTATION BY THE EXECUTIVE BRANCH

The keynote of trade arrangements must be reciprocity. Reciprocity requires ability on the part of the Executive Branch to compare the U.S. domestic industry with the comparable industry in the foreign nation. The data and the systems of classification and analysis presently existing in the Executive Branch do not, in our view, provide the basis for evaluation of reciprocity and for appraisal of the effect of imports on domestic industry. In the case of the cordage industry, a variety of items must be examined to determine the exact nature of the imports. The tariff schedules must be set up in a way to parallel more closely the domestic industry.

A grant of broad authority to the Executive in trade as in any other field must be made with assurance that the Executive Branch has the ability to monitor the effect of actions under the grant, to analyze their significance and to report to the Congress and to the people.

We cannot emphasize too strongly the importance of good classifications and good statistical reporting on imports. In our own industry, a major item of imports—braided cordage—was for some years obscured because of the tariff schedules and the lack of specificity in government reporting. It is now reported separately by the Tariff Commission and the Bureau of the Census, thus allowing accurate determination of its inroads into the domestic market.

EFFECT OF IMPORTS ON THE CORDAGE INDUSTRY

In 1970 the Cordage Institute testified before this Committee concerning the effect of imports on the cordage section of the textile industry. At that time we pointed out that U.S. producers of cordage from natural fibers were having a smaller and smaller percentage of a shrinking market, and we predicted that the rate of imports would continue to increase. We also pointed out that imports of synthetic cordage were at an accelerating rate. Our estimate at that time was that the rate of increase in imports of synthetic cordage would provide a striking parallel to the historical rises of imports of cordage from natural fibers. Subsequent events have borne out the validity of those estimates. We repeat the very words we used in the 1970 testimony: ". . . there is still time to save some

of the market for cordage made from man-made fibers, and the survival of the industry will depend upon this fact."

Imports of hard-fiber industrial twine and agricultural twine have been taking an increasing and overwhelming portion of the U.S. market. In agricultural twine, imports now have 92.9% (or $33.4 million) of the U.S. market against 14.9% in 1950. In industrial twine, imports have reached 90.2% (or $4.4 million) against 48.0% in 1950. Only in the case of hard-fiber rope, where the bulk of imports are presently controlled by an absolute quota, have domestic producers been able to retain a significant portion of the market. But even in the case of hard-fiber rope, imports account for 42.7% (or $4.2 million), and domestic production 57.2%. In 1950, imports made up only 6.3% of the market. (See attached exhibits.)

The effect of increasing imports has been to force closure of many mills. In 1950 there were 22 major domestic companies producing hard-fiber rope and twine in 23 mills. Today there are only 6 major companies operating 6 mills for producing hard-fiber ropes and twines. Many of these have reduced their spinning capacity, and all are operating at a greatly reduced level of production and sales.

This situation has been aggravated in recent years by the fct that some of the countries which hve been supplying raw hard fibers to the U.S. producers have now entered the field of production of finished ropes and twines. In order to promote the sale of these products, they are pricing the raw fibers sufficiently high and their finished products sufficiently low that the U.S. producer buying the raw fiber is at a competitive disadvantage. The U.S. producer is thus being effectively blocked out of many parts of the domestic market by a set of circumstances over which he has no control.

At the same time that our industry has been facing the major external force of imports we have been undergoing a transition as new man-made fibers have become available for the production of rope and twine. For the first time in the history of the U.S. cordage industry the development of suitable man-made fibers for cordage products has eliminated total reliance on offshore sources for either raw materials or finished products. The direction of the industry is clearly one of greater and greater use of man-made fibers for there the future of our domestic cordage industry lies. The U.S. cordage industry has been the leader in the use of these new fibers. The industry has been the leader, too, in employing the most efficient production processes so as to provide the product to the consumer at low prices. Our industry is out in front with the new technology, but here also imports are of increasing concern. Despite the highly efficient domestic production, there has been a dramatic rise in the rate of imports into the United States of cordage made from man-made fibers. Although imports still have a relatively small percentage of the total synthetic cordage market, the rate of increase is startling. If the 1972 and partial 1973 data are repeated in subsequent years, we see an annual doubling of the rate of imports of synthetic cordage.

Under a liberal trade policy, theoretically each nation should produce and sell, both domestically and to its neighbors, those goods for which it has special resources and capability. Without adequate safeguards, this can lead to a situation in which the United States loses a domestic industry entirely. This would be catastrophic from the consumer's viewpoint. It would be equally disastrous for the Government with its responsibility for national security. If the U.S. becomes wholly dependent on imports in any industry such as cordage, U.S. consumers become totally at the mercy of foreign interests. In addition, in time of national emergency, we must have the capability to produce cordage for defense purposes and at a quickly expanded rate.

FARM TWINE AND THE COST TO THE CONSUMER

One example of the effect of imports on our industry and on the American consumer: The reduction in farm-twine-spinning capacity demonstrates dramatically what can happen when import duties are removed. In 1950, the year in which farm twines were made duty free, there were 15 companies in the United States producing such twines. One by one they gave up the production of farm twines until at the present time one company is manufacturing the domestically produced hard-fiber farm twines. Today, the International Harvester plant in New Orleans is, in effect, the sole commercial producer of such farm twines, and it, too, has materially curtailed operations. The future availability of the Har-

vester plant will depend entirely on its ability to retain some part of our domestic market.

Farm twine provides a dramatic illustration of what a domestic producer can be faced with. One country has been sending farm twine into the United States at a cost of 14.5¢ per lb. for the finished product. At the same time that country has been sending in the raw fiber, from which the U.S. company would produce the farm twine, at 16¢ per lb. The U.S. producer is at a disadvantage of 1.5¢ per lb. even before he begins the manufacturing process.

NATIONAL SECURITY PROVISIONS

Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. 1862) contains provisions in subsection (a) for "prohibition on decrease or elimination of duties or other import restrictions if such reduction or elimination would threaten to impair national security." It provides further for investigations by the Director of the Office of Emergency Preparedness to determine effects of imports on national security and calls for the President and the Director of the Office of Emergency Preparedness to take into consideration "the impact of foreign competition on the economic welfare of individual domestic industries." It also provides that ". . . any substantial unemployment, decrease in revenues of government, loss of skills or investment, or other serious effects resulting from the displacement of any domestic products by excessive imports shall be considered."

In our view this national-security provision has had little meaning. Since enactment of the Trade Expansion Act of 1962, only 7 investigations of national-security impact have been made: 6 at the petition of private parties, 1 at the request of the President, and none at the request of Government departments and agencies noted as potential requesters under 19 U.S.C. 1862(b).

We note that Section 406 of the Bill has reference to the security provisions of Section 232 of the Trade Expansion Act. It is our opinion that national security as used in connection with international trade be interpreted most broadly so that the U.S. does not allow imports to so cripple and domestic industry that we become wholly dependent on foreign sources of supply. In today's world, narrow definitions of national security will not suffice.

ADJUSTMENT ASSISTANCE

Because of the closing of cordage mills during the past 20 years the matter of adjustment assistance to individual workers has been a matter of special concern to our Institute as a whole and to some of the member companies. The provisions contained in chapter 2 of Title 2 appear appropriate to provide services to separated employees. We suggest, however, that the provisions for supplements to unemployment insurance be reexamined with a view to increasing the amounts available to perhaps three-quarters of the individual's average wage.

We urge, too, that in the landmark Congressional action, which will be represented by the final Trade Reform Act, consideration be given to adjustment assistance for business itself, particularly small businesses which suffer substantially or are closed as a result of actions in international trade. The matter of how such assistance is to be provided is, of course, a complex one related to tax provisions and various programs of Government assistance now available, particularly to small businesses. We suggest, however, that the present bill, with its broad grant of authority to the Executive, provides an opportunity to consider the need for such assistance to management as well as to the worker.

SUMMARY OF STATEMENT

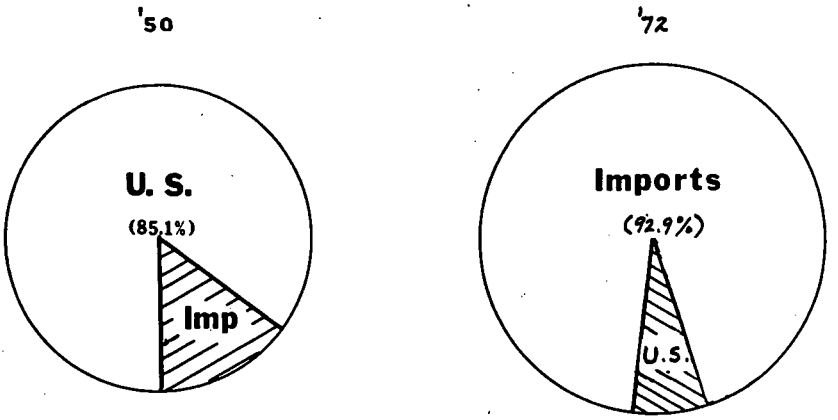
1. The domestic Cordage Industry has had a smaller and smaller percentage of a shrinking market in cordage products from natural fibers.
2. Imports have continued to increase and now take 90.2% ($4.4 million) of the U.S. market in industrial twine and 92.9% ($33.4 million) in agricultural twine.
3. The agricultural-twine situation illustrates how tariff decisions can reduce competition by elimination of domestic products, which leads to increasing the price the U.S. consumer must pay.
4. The pattern of increased imports in natural-fiber cordage is now being repeated (as the Cordage Institute predicted in 1970) in the man-made-fiber cordage field and at an even greater rate.
5. We favor a Trade Reform Act as submitted by the President but with the addition of safeguards in the form of Congressional policy and standards for the exercise of the broad authorities granted.
6. We urge the establishment of standards of import injury under which action by the President to grant import relief would be mandatory.
7. We regard the improvement of classification and of statistical reporting by the Executive Branch as essential to the proper administration of the Trade Reform Act.
8. We urge caution in those duty and nonduty trade actions which might endanger small domestic industries.
9. The Congress should consider whether the hearing provisions and the Congressional-review provisions in the Bill are adequate, and, particularly, whether the times for review are sufficiently long.
10. The national-security test of Section 232 of the Trade Expansion Act referred to in Section 406 of H.R. 6767 should be broadened so that it encompasses any major damage to a domestic industry.
11. We believe that the adjustment-assistance provisions for individual workers could be increased from a ceiling of 50% to a ceiling of 75%.

CORDAGE INSTITUTE EXHIBITS

Statistical and graphical illustrations (numbered 1–7), depicting the relationship of imports and U.S. production to the total U.S. hard-fiber market and showing rate of imports of cordage of man-made fibers.

AGRICULTURAL TWINE

HARD FIBER



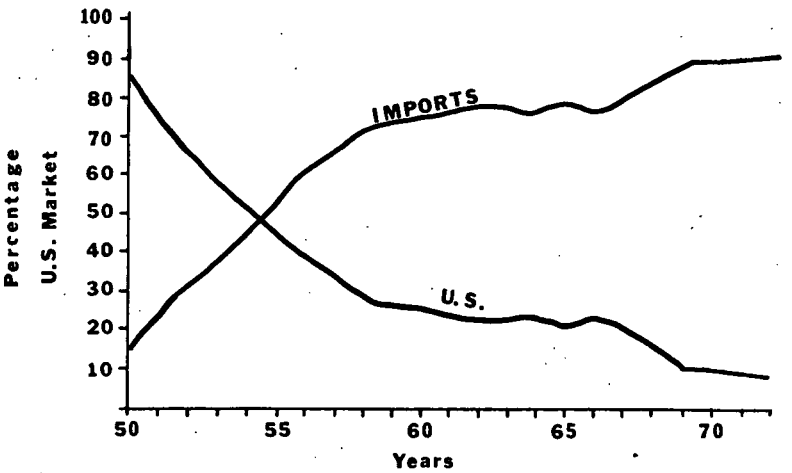
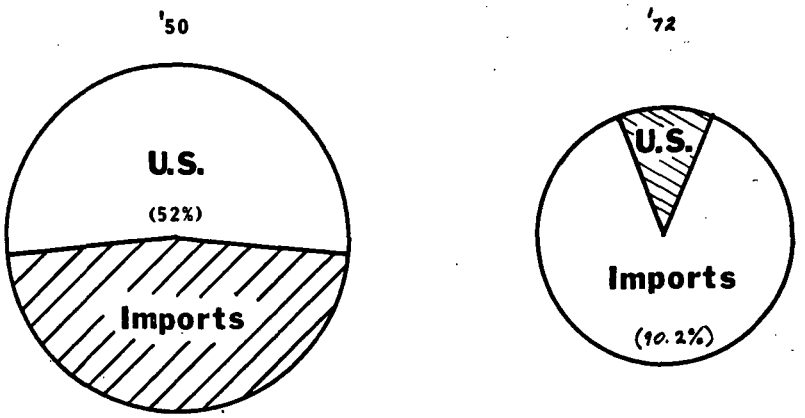


Exhibit 1

INDUSTRIAL TWINE

HARD FIBER



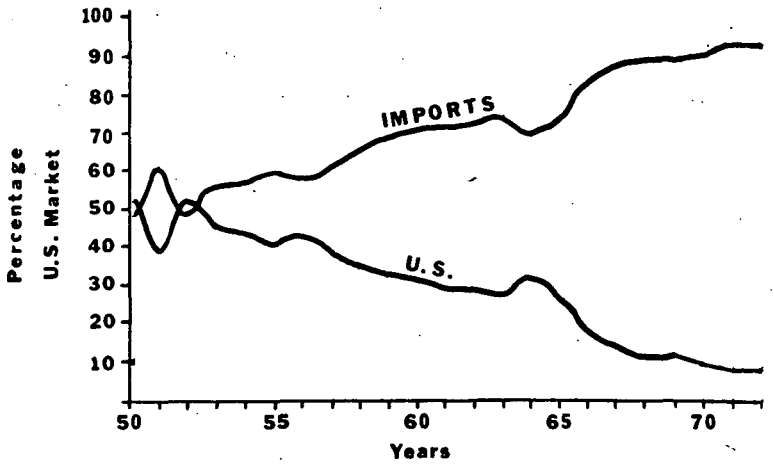
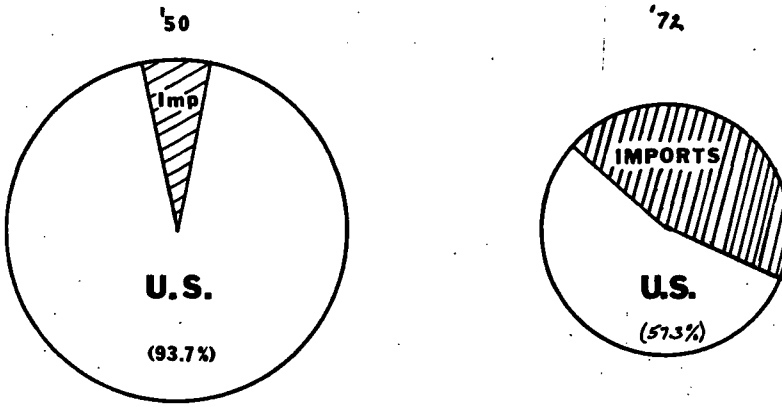


Exhibit 2

ROPE

HARD FIBER



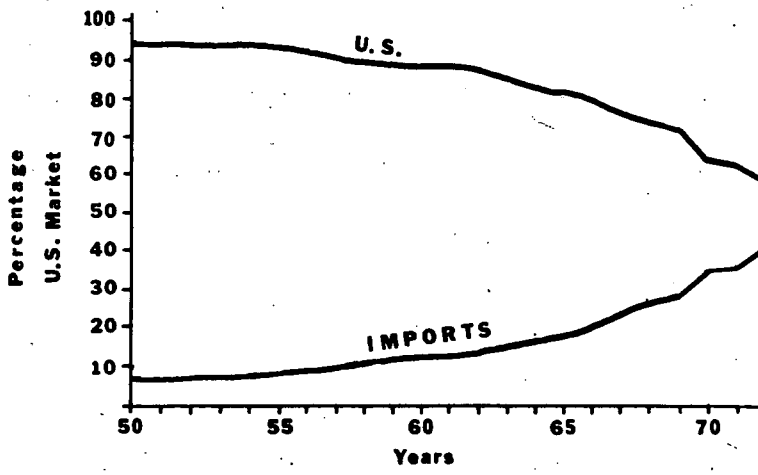


Exhibit 3

EXHIBIT 4

AGRICULTURAL TWINE—HARD FIBER

[Units in million pounds]

Source [1]	1950 [2]	1952	1954	1956	1958	1960	1962	1964	1966	1967	1968	1969	1970	1971	1972
Canada	16.8	30.2	28.7	27.6	24.4	20.8	24.6	25.6	37.4	25.1	18.2	14.0	14.0	7.2	6.6
Mexico	13.9	39.5	63.5	78.0	109.8	103.7	134.1	102.0	73.8	76.6	54.7	65.3	65.6	72.9	83.2
Netherlands	(3)	2.0	16.2	21.7	27.3	16.9	22.6	21.9	33.6	27.3	30.5	24.5	25.9	13.3	21.1
Portugal	(3)	(3)	(3)	(3)	(3)	14.3	36.3	36.2	47.8	46.4	44.6	43.5	42.2	48.4	44.3
Other	1.3	6.1	19.5	40.0	63.6	50.6	59.7	47.8	71.6	85.3	105.7	104.0	97.3	146.4	123.3
Total, imports	32.0	77.8	127.9	167.3	225.1	206.3	277.3	233.5	264.2	260.7	253.7	251.3	245.0	288.2	278.5
U.S. commercial sales	161.5	144.0	135.7	91.3	76.0	56.2	66.3	63.4	70.4	58.4	39.8	25.4	27.2	23.4	20.0
U.S. prison sales	21.2	18.0	16.9	16.0	14.2	16.0	15.2	11.2	14.0	9.0	7.6	6.1	4.0	2.2	1.3
Total, U.S. producers	182.7	162.0	152.6	107.3	90.2	72.2	81.5	74.6	84.4	67.4	47.4	31.5	31.2	25.6	21.3
Total, U.S. market	214.7	239.8	280.5	274.6	315.3	278.5	358.8	308.1	348.6	328.1	301.1	282.8	276.2	313.8	299.8
Percentage U.S. market:															
Imports	14.9	32.5	45.6	61.0	71.5	74.0	77.2	75.8	75.7	79.4	84.2	88.8	88.7	91.8	92.8
U.S. producers	85.1	67.5	54.4	39.0	28.5	26.0	22.8	24.2	24.3	20.6	15.8	11.2	11.3	8.2	7.1

[1] Each country listed has at least 10 percent of the total imports for 1 year or more.
[2] Includes adjustments for baler twine reported under industrial twine.
[3] Included in "Other."

EXHIBIT 5

INDUSTRIAL TWINE—HARD FIBER

[Units in million pounds]

Source [1]	1950 [2]	1952	1954	1956	1958	1960	1962	1964	1966	1967	1968	1969	1970	1971	1972
Mexico	26.9	16.9	24.9	27.8	29.0	30.6	31.3	22.1	18.7	16.7	18.0	15.1	14.6	17.0	16.7
Canada	4.1	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Portugal	(3)	(3)	(3)	(3)	2.2	5.9	10.1	11.2	18.2	13.5	13.8	14.8	12.7	10.5	10.7
Other	2.0	.8	1.9	3.2	4.6	3.3	3.1	1.6	1.8	1.9	1.8	1.2	1.0	.9	1.2
Total, imports	33.0	17.7	26.8	31.0	35.8	39.8	44.5	34.9	38.7	32.1	33.6	31.1	28.3	28.4	28.6
U.S. commercial sales	35.0	18.2	20.3	22.5	18.3	16.8	16.8	15.0	7.3	4.2	3.4	3.3	2.6	2.4	2.3
U.S. prison sales	.8	.4	.5	.6	.7	.7	.8	.8	1.0	1.0	1.0	.9	.8	.7	.8
Total, U.S. producers	35.8	18.6	20.8	23.1	19.0	17.5	17.6	15.8	8.3	5.2	4.4	4.2	3.4	3.1	3.1
Total, U.S. market	68.8	36.3	47.6	54.1	54.8	57.3	62.1	50.7	47.0	37.3	38.0	35.3	31.7	31.5	31.7
Percentage U.S. market: Imports	48.0	48.7	56.3	57.2	65.5	69.4	71.6	68.8	82.3	86.0	88.4	88.1	89.3	90.2	90.2
U.S. producers	52.0	51.3	43.7	42.8	34.5	30.6	28.4	31.2	17.7	14.0	11.6	11.9	10.7	9.8	9.8

[1] Each country listed has at least 10 percent of the total imports for 1 year or more.
[2] Baler twine extracted. Reported under agricultural twine.
[3] Included in "Other" or no imports that year.

EXHIBIT 6

ROPE—HARD FIBER

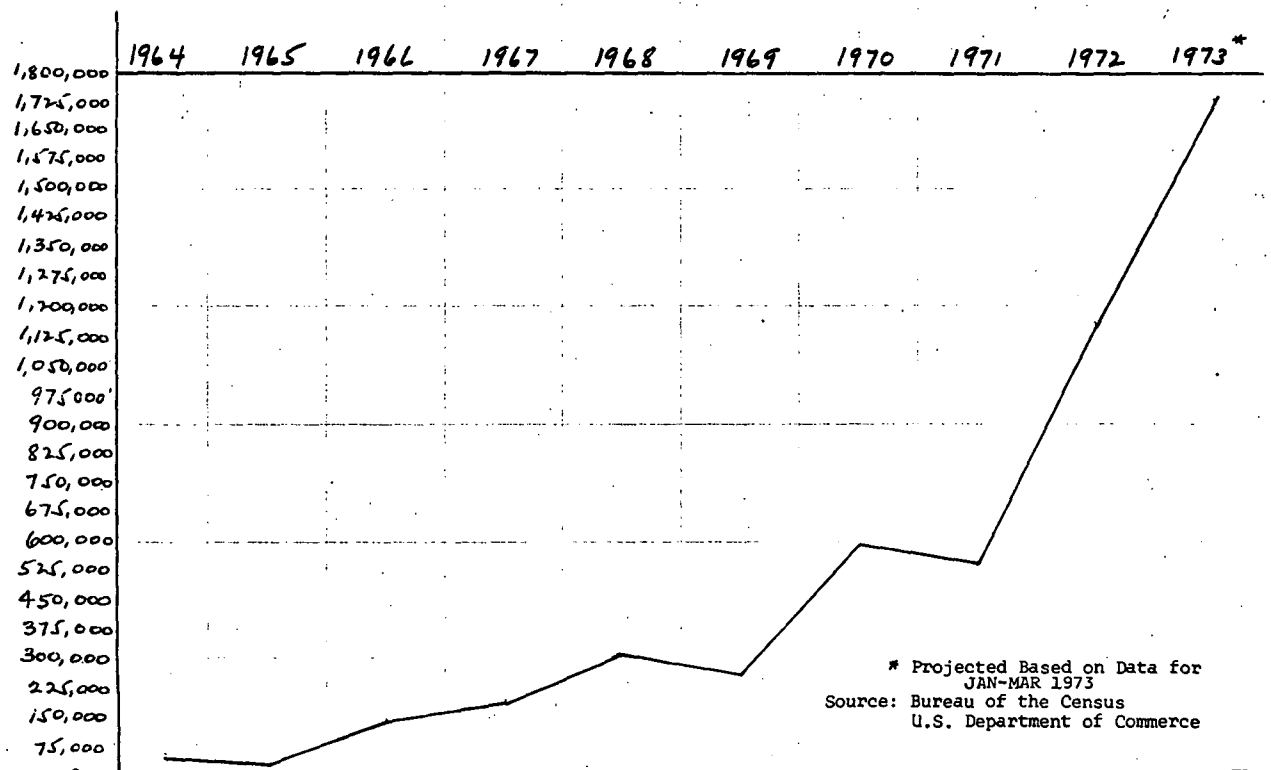
[Units in million pounds]

Source [1]	1950	1952	1954	1956	1958	1960	1962	1964	1966	1967	1968	1969	1970	1971	1972
Philippine Republic	4.3	4.4	2.5	5.5	5.4	4.6	5.2	5.8	5.7	5.8	5.5	5.1	5.9	5.2	6.8
Portugal	(2)	(2)	(2)	(2)	(2)	.4	.4	1.2	1.8	1.9	1.8	2.5	3.0	2.7	2.4
Mexico	1.3	2.5	2.1	2.5	3.0	3.5	3.3	4.3	6.1	5.8	6.8	5.8	5.8	7.5	10.3
Other	1.7	1.3	1.6	.9	1.9	1.4	1.5	1.7	2.5	3.9	3.5	3.0	3.7	2.3	2.8
Total, imports	7.3	8.2	6.2	8.9	10.3	9.9	10.4	13.0	16.1	17.4	17.6	16.4	18.4	17.7	22.3
U.S. commercial sales	107.2	109.0	83.3	101.5	82.3	67.0	64.4	56.8	62.9	53.5	47.2	40.3	35.0	32.5	29.7
U.S. prison sales	1.0	.6	.6	.4	.3	.3	.3	.2	.2	.2	.2	.2	.2	.2	.2
Total, U.S. producers	108.2	109.6	83.9	101.9	82.6	67.3	64.7	57.0	63.1	53.7	47.4	40.5	35.2	32.7	29.9
Total, U.S. market	115.5	117.8	90.1	110.8	92.9	77.2	75.1	70.0	79.2	71.1	65.0	56.9	53.6	50.4	52.2
Percentage U.S. market:															
Imports	6.3	7.0	6.9	8.0	11.1	12.8	13.8	18.6	20.3	24.5	27.0	28.8	34.3	35.1	42.7
U.S. producers	93.7	93.0	93.1	92.0	88.9	87.2	86.2	81.4	79.7	75.5	73.0	71.2	65.5	64.9	57.3

[1] Each country listed has at least 10 percent of the total imports for 1 year or more.

[2] Included in "Other" or no imports that year.

IMPORTS OF CORDAGE MADE FROM MAN-MADE FIBERS INTO THE U.S. FOR CONSUMPTION (POUNDS)



* Projected Based on Data for JAN-MAR 1973

Source: Bureau of the Census
U.S. Department of Commerce

[Whereupon, at 5:10 p.m., the committee adjourned, to reconvene at 10 a.m., Thursday, June 7, 1973.]

TRADE REFORM

THURSDAY, JUNE 7, 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. Stewart S. Cort, whom we know quite well as one of the leaders in our great American steel industry.

We appreciate having you with us, Mr. Cort.

You are recognized.

STATEMENTS OF STEWART S. CORT, CHAIRMAN, AND C. WILLIAM VERITY, JR., AMERICAN IRON & STEEL INSTITUTE

Mr. CORT. Thank you, Mr. Chairman.

My name is Stewart S. Cort. I am chairman of Bethlehem Steel Corp. and I am here today in behalf of the steel industry as chairman of the American Iron & Steel Institute.

The institute is a trade association with 63 member companies accounting for about 94 percent of the steel produced in this country.

My associates are C. William Verity, Jr., chairman of Armco Steel Corp. and Roger S. Ahlbrandt, chairman of Allegheny Ludlum Industries, Inc.

At the outset, Mr. Chairman, I want to express our sincere appreciation to you and your colleagues for this opportunity to give you the steel industry's views on the trade legislation your committee is now considering.

I can't emphasize too strongly our judgment of the great importance of trade legislation developed by this committee.

As stated in our written text the product of your labors will shape American international trade policy for years to come. And that policy in turn will in large measure decide the kind of steel industry this country will have for a long time into the future.

In view of the heavy burdens on this committee we will be as brief as the seriousness of the subject permits.

Following the format of the written statement I will outline the steel industry's recent history, present situation, and future prospects vis-a-vis steel imports.

Mr. Verity will describe the experience under the voluntary restraint arrangements and Mr. Ahlbrandt will discuss the impact of imports on specialty steel producers.

Finally, I will mention the highlights of our views on specific aspects of the proposed trade legislation that is before this committee for consideration.

Now referring to the written statement, you will find that the first section outlines the steel trade situation over the past 15 years and lists the major factors contributing to what has been an onerous problem for my industry.

The second section highlights our technology, productivity and capital investment. Here I would just like to call your attention to two points.

First, contrary to current American folklore, our industry has not fallen behind in technology. By global standards we still set the pace.

Second, again contrary to current American folklore, our industry has not fallen behind in worker productivity. In other words, I vigorously dispute the frequently heard charge that many of our problems are of our own making.

I will skip over the section covering the voluntary restraint arrangements because my associates will cover them in some detail.

The next section of our statement pinpoints three and I must say very encouraging developments that have lessened the impact of foreign steel imports, at least temporarily.

In fact, I want to emphasize the word temporarily. Short-term conditions are a faulty guide to sound long-term policy.

The next section summarizes the industry's profit situation which, as you know, remains quite unsatisfactory. Some people use these data to support the charge that steel industry management in the United States is incompetent; ergo, unworthy of sympathetic consideration.

Such people assume that our off-shore competitors on the other hand are representing enormous profits. The fact is that however inadequate our industry's profits have been, they have generally been less inadequate than those of many foreign steel makers.

In fact, some leading producers such as British Steel, Italy's Finsider, and West Germany's Rheinstahl have been plagued by losses in recent years.

The profit problems of the steel industry throughout the free world are structural. They transcend national boundaries.

In describing the view ahead, we come back to the crucial point that whatever the global steel market situation is today, the future holds a constant threat of import surges that could wreak havoc with our industry.

I think the various factors noted in our statement fully justify this analysis.

The summary on page 12 is, I believe, a concise and accurate statement of the great problem confronting my industry and with your kind indulgence I would like to read it.

1. The economy of the United States can function effectively only if it has a financially sound, modern steel industry able to supply the major part of domestic requirements.

2. The rise and fall of both volume and prices of imported steel in response to factors arising outside this country show how mis-

taken it would be to place increasing reliance on foreign steel sources.

3. If favorable changes in the economic factors affecting the U.S. industry continue, its competitive position will go on improving during the 1970's.

4. Steel requirements in the United States are increasing to such an extent that by 1980 domestic raw steel capacity will have to be 20 to 25 million tons greater than it is today, assuming that imports continue to account for their present market share.

5. Expansion on this scale together with necessary replacements and environmental control facilities will require capital expenditures on the order of $3 to $4 billion a year—an amount far in excess of the industry's current cash flow. These can be achieved only if the industry's financial results justify them.

6. The U.S. industry may not be able to maintain its present size, much less expand in anticipation of larger future demand, without being given assurance that imports will not take a disproportionate share of market growth.

7. An adequate guarantee against both continuing and spasmodic disruptive increases in imports stimulated by the domestic policies of other countries is essential to the health of both the economy and the industry.

8. The threat of such increases is a serious deterrent to expansion of capacity in this country in view of the large sums of capital and the long planning and construction time involved.

Mr. Verity will now analyze the experience of the domestic steel industry under the so-called voluntary restraint arrangements.

Mr. VERITY. Mr. Chairman, I will follow Mr. Cort's lead——

The CHAIRMAN. We are glad to have you also and you are recognized.

Mr. VERITY. Thank you, Mr. Chairman.

STATEMENT OF C. WILLIAM VERITY, JR.

Mr. VERITY. I will follow Mr. Cort's lead and merely call your attention to a few of the highlights of our written statement.

In my opinion there are two key facts about the voluntary limitation agreements:

First, it is enormously significant that two administrations—encouraged by your favorable interest, Mr. Chairman—saw the need for these arrangements. They looked beyond the parochial interest of a single industry, however large and important, and recognized a vital national interest. I think that is very significant.

Second, although everyone who worked so hard to bring about the 1969 and 1972 VRA's deserves an "A" for effort; the fact is that results have fallen far short of our hopes and expectations.

The voluntary limitations have been a step forward into bringing the overall growth of steel imports more nearly in line with the growth of steel consumption in this country, but they have failed in other important aspects.

As Mr. Ahlbrandt will point out shortly, the arrangements have been very ineffective for specialty steels and this has critically impacted that segment of uor industry.

They also failed to curb excessive import penetration on the west coast.

Jack Carlson, president of Kaiser Steel, will make a statement later and we fully support his position. VRA's have also failed on the gulf coast in the case of certain products such as plate and transmission pipe.

But the most serious problem at the moment is the rapid growth of steel imports from countries outside the arrangements.

Since 1969, the first year of the voluntary program, shipments from the present nonsignatories have more than doubled and currently account for nearly one-fourth of all the steel imported into the United States.

Considering the expansion plans of these countries and the prospect that they will continue to unload their surplus steel in the U.S. market, the situation threatens to become much worse in the future.

However, we are confident that this committee will give this full consideration in determining an appropriate trade policy and will take the necessary measures to prevent any key industry from being damaged by excessive imports from developing countries.

[The prepared statement of Stewart S. Cort and C. William Verity, Jr., follows:]

STATEMENT OF STEWART S. CORT, AMERICAN IRON & STEEL INSTITUTE

Mr. Chairman, my name is Stewart S. Cort. I am Chairman of Bethlehem Steel Corporation and I appear today in behalf of the steel industry as Chairman of the American Iron and Steel Institute, a trade association consisting of 63 domestic member companies accounting for 94% of the steel produced in this country. With me today is C. William Verity, Jr., Chairman of Armco Steel Corporation.

These hearings are exceedingly important to the future of this country and to its steel industry. Trade legislation developed by this Committee is likely to establish American international trade policy for the next decade. And that policy will, in large measure, determine the kind of steel industry this country will have in the future. At the outset, therefore, I want to express our appreciation to you, Mr. Chairman, and your colleagues for this opportunity to express the industry's views on what that legislation should provide.

I should also say that the steel industry is in accord with the basic objectives of the Administration's trade reform bill. In particular, we endorse the concept of expanding trade through the reduction of barriers. We also agree strongly that the government should have broad authority to establish safeguards against injurious imports. We do have reservations about certain of the bill's specific provisions and I shall discuss those and our suggestions for their improvement later in my testimony.

This Committee is familiar with the origins and scope of what many of us know as "the steel import problem". Thus, in the interest of conserving your time, I shall deal only briefly with the industry's present situation and how it came about. I shall then describe changes that have occurred in the conditions which gave rise to massive steel imports and discuss our assessment of future demand, supply and competitive factors.

Mr. Verity will analyze the experience under the Voluntary Restraint Arrangements adopted by European and Japanese steel producers at the request of our government.

Finally, I will state our views on the proposed trade legislation which you are considering. Thereafter we shall be glad to respond to any questions you may have at the conclusion of our testimony.

THE STEEL IMPORT PROBLEM—1959–1973

During the last 15 years, the United States has experienced a shift in its annual steel trade from a positive balance of 4.2 million tons, and $577 million, to a negative balance of 15 million tons, and a $2 billion deficit. (Table I). Looking at the last fifteen years as a whole, U.S. consumption grew at an average annual rate of slightly more than 2%. Imports, however, rose at the rate of 19%. Exports remained generally below the level of the 1950's, relieved only by a surge in 1969 and 1970 generated by boom conditions in Europe. The net result was that industry shipments increased at an average rate of only 1%, or less than half the rise in consumption. During the last third of the period, the rate was even lower.

Many factors have contributed to this turn of events, but the major ones have been as follows:

1. Support of foreign steel industries by their government;
2. Lower labor rates paid by foreign producers (Table II);
3. Unrealistic exchange rates maintained by foreign governments;
4. Chronic excesses of foreign supply over foreign domestic requirements; and
5. Periodic threats of labor disputes in the United States.

Most of those conditions encouraged foreign producers to sell steel in this country at prices substantially below those of domestic producers, especially during periods of slack demand abroad. In addition, the threat of strikes attending labor negotiations stimulated demand for foreign steel mill products, irrespective of price.

STEEL INDUSTRY TECHNOLOGY, PRODUCTIVITY AND INVESTMENT

Despite the adverse conditions caused by steel imports, we have been able to keep our steel industry the most technologically advanced in the world, producing a wider range of products than any other industry. Moreover, in recent years individual companies across the industry have made massive efforts to control their costs and increase productivity, the latter in part by establishing with the Steelworkers Union joint labor-management committees on productivity.

The United States industry has continued to lead in productivity among world steel producers. (Table III). This has been accomplished through massive capital expenditures, amounting to more than $17.2 billion during the ten years from 1963 through 1972, principally for plant modernization, without a significant increase in capacity. The amount expended was considerably more than the combined cash flow of the domestic steel companies so that long-term debt rose substantially over the period. (Table IV).

THE VOLUNTARY RESTRAINT ARRANGEMENTS

Five years ago, our government recognized the serious implications of rising steel imports to the economy as a whole and to the future of the domestic industry. Accordingly, the State Department engaged in negotiations with the major European and Japanese producers to limit their steel exports to this country for a period of three years. As you are well aware, Mr. Chairman, this effort probably would have failed without key Congressional support and involvement in those negotiations.

The present Administration, realizing that the factors giving rise to large scale steel imports had not changed significantly, persuaded the same producers plus the British to establish somewhat more realistic export limitations after the expiration of the first arrangements.

There is, consequently, no need for me to argue that those factors lay beyond the control of the domestic producers and that it is in the national interest to preserve a viable domestic steel industry by limiting the rate of growth of steel imports to the rate of growth of demand for steel in our economy. Both have been recognized by two administrations.

RECENT DEVELOPMENTS IN STEEL TRADE

Since the present restraint arrangements were announced, a number of favorable changes have occurred in the conditions affecting steel trade.

First and foremost among these is the substantial adjustment in exchange rates, although I hasten to add that, for various reasons, this adjustment has been reflected only partially in foreign steel export prices.

A second change has been an increase in demand for steel around the world which has reduced, for the present, the desire of foreign producers to export and has resulted in very sharp increases in steel export prices.

A third, and very significant change, is the agreement between the Steelworkers Union and the major domestic steel producers to settle differences between them in 1974 without resort to strike or lockout, thus assuring steel consuming industries of uninterrupted supplies at least until the middle of 1977.

INADEQUATE STEEL INDUSTRY FINANCIAL RETURNS

Despite the changes menioned above, a decade of heavy investment in improved plant and equipment, and record levels of domestic production and shipments, the financial returns of American steel companies remain far below those of other manufacturing industries in this country.

Recently, much has been made of the improvement in profits of steel companies but the base from which comparisons have been made was abysmally low. The steel industry's return on sales in 1972 was 3.4%, up from 2.8% in 1971. Return on net worth in 1972, based upon the study prepared by The First National City Bank, increased to 5.7%, from 4.2% in 1971, but is still the lowest among the forty industries ranked.

It is obvious that current profit levels are too low to support the level of investment necessary to provide the steel our country will need during the balance of the decade.

THE VIEW AHEAD

The year 1973 will probably see record steel shipments by both American and world steel producers. And there is a growing body of opinion that steel supply and demand may be more closely balanced in the United States and throughout the free world during the remainder of the 1970's. Nevertheless, steel will continue to be a cyclical industry both here and abroad. There will be times when foreign producers find themselves with surplus capacity. Unless new trade legislation contains meaningful safeguards, foreign producers will export much of that surplus to the United States at whatever price is necessary to make the sale. We shall then be in the same untenable situation we have been in during much of the past decade—high imports, unutilized domestic steelmaking capacity, and shockingly low returns on our steelmaking investment.

Moreover, rapid expansion of steelmaking facilities in less developed countries means that they, too, will seek to market surplus steel prdoucts in the United States. Expansion plans of some LDC's contemplate substantial exports here which will add further to uncertainties about the future growth and profitability of the domestic industry.

Some of the other factors which have given rise to our unfavorable balance of trade in steel products will continue to operate. Unless discouraged, foreign governments may be expected to continue policies which support their steel industries and encourage the export of steel mill products. Exchange rates may not always reflect economic value. Hourly labor costs in the United States will continue for some time to be greater than those in some of the principal foreign steel producing countries and the cost of installed plant and equipment will remain higher in the United States than in other countries.

INFLATION

This country has made some progress in reducing inflationary pressures. But this has not yet been great enough to alter foreign overall advantages significantly. The anti-inflation policies of our government must be consistently more effective than those of foreign governments to continue the improvement in our cost structure.

SOCIAL COSTS

Both our operating costs and capital requirements are affected by government programs intended to deal with social matters, such as environmental improvement, safety and health, retirement benefits, equal employment opportunities and others. While we are fully in accord with the objectives of these programs, it must be recognized that the costs of implementing them have to be covered by revenues from the sale of products. Our foreign competitors do not bear comparable costs in a number of these areas.

In the past, the United States has pursued these programs without adequate attention to their international competitive effects. If this continues to be the case, it will have seriously adverse effects on our industry and, ultimately, on the programs themselves. International trade policies, therefore, should take into account the cost disparities imposed by these programs.

FEDERAL TAX POLICIES

Our traditional advantage in availability and cost of capital will be strongly affected by federal tax policies. Even now, our business tax provisions are less favorable to investment than those of other developed countries and, if some of the so-called tax reform measures are adopted, they may become even less so. This is a particularly serious matter for an industry which must have large amounts of capital merely to hold its own.

INTERNATIONAL MONETARY PROBLEMS

We do not yet know whether the international monetary authorities will be able to develop an adjustment device which will prevent a repetition of the serious distortions in exchange rates that existed during the last ten years. Even if they do, the steel industry's experience with the 1971 and 1973 realignments indicates that adjustments are reflected in export prices only after a considerable time lag, if at all.

FOREIGN INCENTIVES TO EXPORT

Pressures on foreign steel producers to export may be expected to continue, particularly during periods of slack demand at home. Their fixed costs will continue to be high and they will have to rely increasingly on imported raw materials and sources of energy, which must be paid for by exports of one kind or another. It seems improbable that foreign governments will become any less concerned about employment. Consequently, it is not unreasonable to expect that foreign producers will return to their earlier practice of exporting at prices which cover less than full costs whenever the interests of their governments and domestic market conditions appear to make that course desirable.

IN SUMMARY

The problem now facing the U. S. industry, and also the U. S. Government, may be summarized as follows:

1. The economy of the United States can function effectively only if it has a financially sound, modern steel industry able to supply the major part of domestic requirements.
2. The rise and fall of both volume and prices of imported steel in response to factors arising outside this country show how mistaken it would be to place increasing reliance on foreign steel sources.
3. If favorable changes in the economic factors affecting the U. S. industry continue, its competitive position will go on improving during the 1970's.
4. Steel requirements in the United States are increasing to such an extent that by 1980 domestic raw steel capacity will have to be 20 to 25 million tons greater than it is today, assuming that imports continue to account for their present market share.
5. Expansion on this scale together with necessary replacements and environmental control facilities will require capital expenditures on the order of $3 to $4 billion a year—an amount far in excess of the industry's current cash flow. These can be achieved only if the industry's financial results justify them.
6. The U. S. industry may not be able to maintain its present size, much less expand in anticipation of larger future demand, without being given assurance that imports will not take a disproportionate share of market growth.
7. An adequate guarantee against both continuing and spasmodic disruptive increases in imports stimulated by the domestic policies of other countries is essential to the health of both the economy and the industry.
8. The threat of such increases is a serious deterrent to expansion of capacity in this country in view of the large sums of capital and the long planning and construction time involved.

Mr. Verity will now analyze the experience of the domestic steel industry under the so-called voluntary restraint arrangements.

STATEMENT OF C. WILLIAM VERITY, JR., AMERICAN IRON & STEEL INSTITUTE

As Mr. Cort indicated earlier, both President Nixon's and President Johnson's Administrations have recognized that a strong and growing steel industry is vital to this country, and that it was in the national interest to limit the rapid growth of steel imports which was seriously undermining our industry. Through the efforts of these Administrations, encouraged by your interest, Mr. Chairman, arrangements were worked out with Japanese and European Community steel producers to voluntarily limit their steel exports to the United States.

THE VOLUNTARY RESTRAINT ARRANGEMENTS—OVERVIEW

As you know, the initial arrangements covered 1969 through 1971. These were later modified and extended through 1974. In both cases, the signatory producers set specific limits on the total tonnage they would ship to the U.S. each year and said also that they would try to maintain approximately the same product mix and geographic distribution as existed prior to the arrangements.

In the first program, they largley disregarded product mix. They upgraded substantially and exceeded by wide margins the implicit limits on such products as cold finished bars and specialty steels (i.e., stainless steels, tool steels, and other alloy steels). Because of this, specific tonnage limits were set for these products in the current arrangements covering 1972 through 1974, but, so far, there has been little relief, except from Japan. The European producers and the non-signatory countries are continuing to increase and upgrade their exports of certain carbon and specialty steels to the U.S.

The original arrangements assumed that non-signatory countries would also exercise restraints on their steel exports to the U.S. This assumption proved totally wrong and was dropped in the new arrangements which say nothing at all about non-signatories. As I will explain shortly, the failure of the voluntary limitations program to cover all steel producers is one of its big weaknesses.

EFFECTIVENESS OF THE VRA'S

From a total tonnage standpoint, the voluntary limitations by Europe and Japan have been reasonably effective in moderating the disastrous situation which was building up through 1968. Total steel imports were within the overall limitation levels in 1969 and 1970 but breached them badly in 1971. They declined slightly in 1972, the first year of the new arrangements, and are expected to fall again in 1973 due to higher demand for steel abroad.

PRODUCT MIX

Although the voluntary arrangements have helped to slow the growth of total steel imports, they have serious imperfections in other respects. Despite the stated intentions of the signatory countries not to change the product mix of their exports, there has been a marked shift from the lower to the higher valued products. This has happened in carbon steels, but the situation has been much more critical in stainless and other specialty steels where imports exceeded the implied limits in every year of the original arrangements. Even under the more explicit provisions of the new arrangements, there have been marked departures from the agreed patterns on specialty steels—particularly in the case of the European producers.

IMPORTS FROM NON-SIGNATORY COUNTRIES

The most serious problem at this moment is the rapid growth of steel imports from countries outside the voluntary arrangements. In 1969, the first year of the program, shipments from the present non-signatories accounted for 12% of our total steel imports. By 1972, the figure had risen to nearly 20% and in the first quarter of this year it exceeded 23%. We have found out the hard way that most of these countries invade our market for special purposes at special times, with very disruptive effects on particular products and market areas. These effects have been especially troublesome to the U.S. industry's smaller producers with limited product lines.

IMPORT PRICING

Production costs are not the determining factor in steel export prices of foreign producers. They frequently price the product to get into our market in order to achieve domestic economic objectives, such as inflow of dollars, improved balance of payments, or maintenance of full employment in their steel mills.

GEOGRAPHIC DISTRIBUTION OF IMPORTS

Finally, the arrangements have been defective with respect to geographic distribution within the United States. Import penetration of the Pacific Coast increased substantially during the first voluntary program and this continues to be a problem in the new arrangements.

IN SUMMARY

1. The voluntary limitations have been a step forward in bringing the overall growth of steel imports into this country more nearly into line with the growth of steel consumption.
2. They have been very ineffective with respect to specialty steels.
3. Rapidly rising imports from non-signatories, particularly the developing nations and countries producing specialty steels, are becoming increasingly damaging. Considering the expansion plans of these countries, and the prospect that they will continue to unload their surplus steel in the U.S. market, the situation threatens to become much worse in the future.
4. The arrangements have failed to stop excessive import penetration on the Pacific Coast.

Mr. Chairman, this completes my statement.

Mr. Chairman, before we present our views on the Trade Reform Act, I wish to emphasize again that we feel trade legislation should be enacted and that we strongly support the concept of flexible negotiating authority in the President to carry out the aims of the U.S. foreign trade policy program.

The industry believes, however, that any grant of power to the President to reduce tariffs and enter into broad trade agreements which will have a profound effect on the U.S. economy should be tempered by appropriate statutory safeguards to insure that major disruptions do not occu in any United States industry.

We shall submit to the Committee our specific recommendations for revision of the Trade Reform Act. This statement merely outlines these recommendations as they pertain to the individual titles of the Act.

TITLE I—AUTHORITY FOR NEW NEGOTIATIONS

International trade policy questions are closely linked with economic and monetary policies and with the complex political relationships among nations. A unilateral trade policy is unrealistic. International trade relationships that will benefit the United States as well as other nations must be based on a "give and take" principle. *The President, therefore, should have sufficient authority to conduct meaningful trade negotiations with other nations.*

However, the authority to raise and lower tariffs should be conditioned. In the exercise of his power, the President snould take account of industries or industry sectors which have experienced or are threatened with severe impact from import competition.

In addition, special attention should be given to those sectors where the imbalance of trade is rontributing heavily to the overall U.S. balance of trade deficit. In the case of the steel industry, for example, many product categories have been severely impacted by imports and the value of imports in 1972 exceeded that of exports by $2 billion. Accordingly, we feed further tariff cuts should not be negotiated with respect to ocmmodities until these conditions improve.

Therefore, we recommend the following:

Provision should be made to prevent further reductions in domestic tariffs for commodities already severely impacted by imports. Special recognition should be given to industry sectors, such as steel, where a trade imbalance exists which contributes materially to the overall U.S. balance of trade deficit.

Provision should be made to require that non-tariff barrier agreements take effect only after affirmative action by the Congress.

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Provision should be made to authorize the President, whenever he deems it appropriate, to negotiate agreements with foreign governments limiting imports of non-agricultural commodities into the United States.

The negotiating authority we propose is identical to the authority the President now has with respect to agricultural commodities and textile products under the Agriculture Adjustment Act of 1956, as amended.

TITLE II—RELIEF FROM DISRUPTION CAUSED BY IMPORT COMPETITION

For relief from disruption caused by import competition, *we recommend a complete revision of Title II.* Under the Administration's bill, safeguards are wholly dependent upon Presidential action. We believe that this should not be the case. Safeguards for relief should be activated quickly whenever imports disrupt or threaten to disrupt markets. *Accordingly, we recommend the establishment of procedures with the following basic features:*

The Tariff Commission should be required to determine whether imports contribute toward causing or threatening to cause serious injury—not whether they are a major or primary cause of such present or threatening injury.

Congress should specify certain fixed criteria which, if met, would require a Tariff Commission finding of the existence or threat of serious injury to the domestic industry concerned.

Upon determining such a finding, the Tariff Commission should specify—within broad parameters fixed by Congress—the appropriate level of import quota relief necessary to eliminate the existence or threat of the injury.

The President should be required to act upon an affirmative finding by the Tariff Commission but should be authorized to change the form of relief to take account of international political considerations so long as he provides the degree of basic relief the Tariff Commission has determined to be appropriate.

Unless extended, the import relief should remain effective for no fewer than three nor more than five years.

We will submit promptly to the Committee a detailed proposal along the foregoing lines.

Another type of safeguard mechanism which the Committee might consider is a temporary import surcharge to take effect under conditions specified by the Congress. Section 401(a)(1)(A) of the Administration's bill would authorize the President to impose such a surcharge to correct an international balance of payments disequilibrium. The same device might also be employed to correct other problems caused by imports. We shall be glad to explore this possibility with the Committee at its convenience.

We believe that the Trade Reform Act of 1973 should signal not only reform of international negotiating procedures and practices. It should also lead to reform of domestic procedures established for the benefit of U.S. industries, firms, and workers adversely affected by import competition.

The record is clear: escape clause or safeguard procedures embodied in prior trade legislation have not worked. We want them to work not only for the obvious reason of adjustment relief but also in the interests of restoring faith in the trade agreements program as one which is responsive to justifiable U.S. domestic as well as international economic interests.

Incorporation in the Act of clearly defined conditions under which import limits are to be imposed would create the degree of reasonable certainty that is an essential condition for American industry to commit capital for improvement and expansion. This is particularly important to industries like steel with heavy capital investments and long lead time between a capital spending decision and the full operation of the facility involved. Foreign producers would also benefit by the advance notice built into U.S. trade policies.

As to adjustment assistance for workers, we generally support those sections of the Act which would provide more liberalized criteria. However, we share the view of labor that financial and other forms of adjustment assistance only after injury has occurred do not constitute responsible trade policy.

TITLE III—RELIEF FROM UNFAIR TRADE PRACTICES

Chapter 1.—This chapter is a desirable expansion of Presidential authority to deal with unreasonable or unjustifiable foreign trade restrictions which adversely affect the United States. It is our hope that the authority would be exercised to provide more effective enforcement of U.S. trade commitments.

Chapters 2 and 3.—These chapters amending the antidumping and countervailing duty statutes are extremely important to the domestic steel industry, since direct and indirect government support of foreign steel producers creates a basic competitive inequity. The provisions of chapters 2 and 3 are described as providing all the domestic safeguards needed to deal with unfair trade practices. In our view, enactment of these chapters would weaken rather than strengthen existing provisions.

We will submit promptly to the Committee our specific legislative recommendations which will

(a) require the Treasury to make its decision in an antidumping case within four to sx months after a complaint has been filed;

(b) define the concept of industry;

(c) delineate criteria for establishing injury;

(d) permit American producers to request judicial review of Treasury countervailing duty decisions, a right now granted to foreign producers;

(e) limit to six months the time period during which the Secretary of the Treasury must make his decision; and

(f) eliminate the discretion the Secretary of the Treasury would have to refuse to impose countervailing duties even where a bounty or grant is established.

Chapter 4.—We oppose removal of the enforcement authority for unfair trade practices from the Tariff Commission to the Federal Trade Commission. The Tariff Commission is better equipped than the Federal Trade Commission to deal vigorously with import practices. Also, in the interests of making Section 337 a workable provision of law, we recommend that Congress modify the statute to permit less drastic remedies than the present exclusive remedy; i.e., the exclusion from entry into the United States of the articles in question.

TITLE IV—INTERNATIONAL TRADE POLICY MANAGEMENT

We agree that the President should have permanent authority to manage trade policy. We urge, however, that this authority be tempered with adequate safeguards. Section 405 of the proposed Act would confer on the President authority to reduce or suspend duties and to increase levels of imports as a means of restraining inflation. But there is no requirement of pre-notification to the Congress, no Congressional veto power, no investigation by the Tariff Commission, and no opportunity for interested persons to be heard, either at a public hearing or otherwise. We believe that a new trade act should include all these features.

TITLE V—TRADE RELATIONS WITH COUNTRIES NOT ENJOYING MOST-FAVORED-NATION TARIFF TREATMENT

We endorse the President's efforts to improve international political relationships with the Soviet Union and other nations. It is our understanding that the U.S.-Soviet Trade Agreement signed October 18, 1972, is based on a mutual understanding of both parties that disruptive imports will be quickly reduced or terminated. If so, this understanding is clearly not reflected in the proposed Trade Reform Act, despite the statement in the analysis of the Act that Section 505 provides more easily satisfied criteria for determining whether injury to a domestic industry has occurred due to imports from such countries.

Based on past experience, it is probable that meeting the dual tests of material injury and market disruption under the Act would prove to be extremely difficult. The determination should rest on a Tariff Commission finding that imports from communist and other countries not having market economies are causing or are likely to cause material injury to a domestic industry producing like or directly competitive articles.

TITLE VI—GENERALIZED SYSTEM OF PREFERENCES

The steel industry recognizes that the national interest may require the United States to keep pace with the EEC, Japan and other developed nations on preference policy. In passing, I would note that tariff preferences may have the effect of hampering the balanced development of less developed countries by directing resources into uneconomical fields. If preferences are to be granted, however, they should not be allowed to damage further domestic industries already experiencing or threatened with severe import problems.

The threat of increased steel imports from developing countries is real. Such imports are already increasing rapidly and are beyond the reach of the voluntary restraint arrangements. Steelmaking capacity and export capabilities of developing countries are increasing. Some of these appear to be investments encouraged by their governments without regard to economic considerations. They have been disruptive to the U.S. market and should not be encouraged.

Mr. Chairman, this completes our formal testimony. I'd just like to add these thoughts—The future steel supply for our country's growing economy depends on the willingness of investors to commit funds for investment in the domestic steel industry. This, in turn, depends on the ability of our industry to participate fully in the growth of the market.

We've made great progress toward our goal of restoring our competitive position—both through our own efforts and through government policies for realigning exchange rates and curbing inflation. With realistic safeguards against unfair competition from abroad, we're confident that we can complete the job.

Mr. Chairman—now Mr. Verity and I will be glad to answer any of the Committee members' questions to the best of our ability.

TABLE I.—STEEL MILL PRODUCTS—SHIPMENTS, EXPORTS, IMPORTS, APPARENT SUPPLY, AND STEEL TRADE BALANCE

[In millions of net tons]

Year	Net domestic shipments	Exports	Imports	Apparent domestic supply [1]	Imports as percent of apparent supply	Steel balance of trade	
						Millions of tons	Amount (millions)
1957	79.9	5.3	1.2	75.7	1.5	+4.2	+$577
1958	59.9	2.8	1.7	58.8	2.9	+1.1	+372
1959	69.4	1.7	4.4	72.1	6.2	−2.7	−150
1960	71.1	3.0	3.4	71.5	4.7	−.4	+152
1961	66.1	2.0	3.2	67.3	4.7	−1.2	+41
1962	70.6	2.0	4.1	72.6	5.6	−2.1	−60
1963	75.6	2.2	5.4	78.8	6.9	−3.2	−163
1964	84.9	3.4	6.4	87.9	7.3	−3.0	−127
1965	92.7	2.5	10.4	100.6	10.3	−7.9	−670
1966	90.0	1.7	10.8	99.0	10.9	−9.1	−788
1967	83.9	1.7	11.5	93.7	12.2	−9.8	−877
1968	91.9	2.2	18.0	107.6	16.7	−15.8	−1,532
1969	93.9	5.2	14.0	102.7	13.7	−8.8	−946
1970	90.8	7.1	13.4	97.1	13.8	−6.3	−948
1971	87.0	2.8	18.3	102.5	17.9	−15.5	−2,060
1972	91.8	2.9	17.7	106.6	16.6	−14.8	−2,190

[1] Apparent supply equals net shipments less exports plus imports.

Source: American Iron and Steel Institute, U.S. Department of Commerce.

TABLE II.—HOURLY EMPLOYMENT COSTS—STEEL INDUSTRY WAGE EMPLOYEES—UNITED STATES, WEST GERMANY AND JAPAN (INCLUDES FRINGE BENEFITS)

[In U.S. dollars]

Year	United States	West Germany	Japan	Difference between United States and	
				West Germany	Japan
1960	$3.82	$1.21	$0.62	$2.61	$3.20
1961	3.99	1.37	.68	2.62	3.31
1962	4.16	1.51	.74	2.65	3.42
1963	4.25	1.59	.80	2.66	3.45
1964	4.36	1.66	.88	2.70	3.48
1965	4.48	1.81	.97	2.67	3.51
1966	4.63	1.92	1.08	2.71	3.55
1967	4.76	1.98	1.22	2.78	3.54
1968	5.03	2.09	1.40	2.94	3.63
1969	5.38	2.39	1.67	2.99	3.71
1970	5.68	3.09	2.04	2.59	3.64
1971	6.26	[1] 3.58	[1] 2.39	[1] 2.68	[1] 3.87
1972	7.08				

[1] Preliminary.

Source: American Iron and Steel Institute Based on U.S. Bureau of Labor Statistics data.

TABLE III.—MAN-HOURS PER TON OF STEEL MILL PRODUCTS SHIPPED—UNITED STATES, WEST GERMANY, AND JAPAN

Year	United States	West Germany	Japan
1960	15.0	24.3	44.2
1961	14.6	25.1	38.6
1962	13.9	24.5	40.7
1963	13.3	24.9	34.5
1964	12.7	21.6	29.8
1965	12.2	21.7	28.5
1966	12.0	21.1	23.5
1967	12.4	19.2	19.8
1968	11.9	16.9	17.7
1969	11.8	15.3	14.6
1970	12.2	15.5	12.8
1971	11.8	[1] 15.8	[1] 12.7
1972	11.1		

[1] Preliminary.

Source: American Iron and Steel Institute. Calculated from Bureau of Labor Statistics Data.

TABLE IV.—DOMESTIC STEEL INDUSTRY SELECTED FINANCIAL DATA, 1962-72

[Dollar amounts in millions]

Year	Depreciation and amortization	Net income	Total cash flow	Cash dividends paid	Net cash flow	Capital expenditures	Long term debt	Debt to equity ratio
1962	$929	$566	$1,495	$508	$987	$911	$2,854	26.7
1963	996	782	1,778	443	1,335	1,040	2,695	24.5
1964	1,062	992	2,054	462	1,592	1,600	2,874	25.2
1965	1,102	1,069	2,171	467	1,704	1,823	3,120	25.9
1966	1,172	1,075	2,247	483	1,764	1,953	3,782	31.4
1967	1,202	830	2,032	481	1,551	2,146	4,205	34.6
1968	966	992	1,958	452	1,506	2,307	4,601	36.4
1969	1,042	879	1,921	489	1,432	2,047	4,608	35.9
1970	1,044	532	1,576	488	1,088	1,736	5,134	39.6
1971	1,077	563	1,640	390	1,250	1,425	5,144	38.7
1972	1,168	772	1,940	400	1,540	1,164	5,227	38.3
Total	11,760	9,052	20,812	5,063	15,749	18,152		

Source: American Iron and Steel Institute.

Mr. VERITY. Thank you for the opportunity to present these remarks, Mr. Chairman.

Now, Mr. Ahlbrandt will discuss the situation in the specialty steel industry.

The CHAIRMAN. We are glad to have you with us also.

You are recognized.

STATEMENT OF ROGER S. AHLBRANDT, SPECIALTY METALS INDUSTRY

Mr. AHLBRANDT. I thank you, Mr. Chairman.

I appear today on behalf of the American specialty steel companies of the American Iron & Steel Institute.

This testimony supplements that presented by Mr. Cort and Mr. Verity.

The specialty metals industry differs widely in many respects from the carbon steel industry—principally in size, technology, and products. We are appearing together so that the committee may be given a more balanced view.

Specialty metals include stainless steels, tool steels, cutting and abrasion resistant materials, high temperature alloys, titanium, and electrical and electronic metals, and structural low-alloy steels. They contain varying quantities of expensive and critical alloying elements such as chromium, nickel, cobalt, molybdenum, and tungsten. Specialty products are used in extreme environments for critical applications to which they impart exceptional and unique performance. They come in various useful product forms: Bars, sheets, plates, and tubes of all kinds, including pressure and mechanical tubing.

Specialty steels and metals are essential for diverse and critical needs, including national security, energy production, transportation and rapid transit, and environmental improvement.

Companies that make up the American specialty steel industry are relatively small. Annual sales for many are below $100 million. Some are one- or two-product companies, whose very existence is threatened by loss of one or the other of their markets.

Specialty steels have been and continue to be principal targets of imports. Since 1968 import penetration of certain products in the specialty steel market has doubled. Last year foreign-made stainless steel accounted for over 15 percent of U.S. consumption.

In 1972, with the extension of the voluntary restraint arrangement in effect, foreign producers nevertheless took more than 49 percent of the U.S. market for stainless steel wire rod; over 23 percent of the U.S. market for stainless steel plates; 36 percent for stainless steel wire; and more than 15 percent for stainless steel sheets. Specialty type tubular products—alloy, heat resisting and stainless grades; and seamless carbon steel bearing tubing, each critical to both industrial and defense applications have also seen imports in these product lines increase substantially during the period 1967–72.

To understand the magnitude of the problem, it must be noted that in one decade, 1962–72, total stainless steel imports went from 27,000 to 149,000 tons. Stainless cold rolled sheets from 11,000 tons in 1962 to 44,000 in 1972. This latter figure was the lowest in 7 years for sheet imports, which went as high as 86,000 in 1971 for 33 percent of the U.S. market.

In specialty metals, we are not looking at a simple gain of a share of a growth market—the kind of market which one would expect at a 5 percent increase per year. We have been dealing rather, with a wholesale invasion of the specialty steel market with annual increases in the penetration of American industry and jobs of 200 percent.

U.S. specialty steel companies have countered foreign competition by investing heavily in new facilities and by promoting advanced technology. The result is greatly increased efficiency and productivity.

America's specialty steel producers are the world leaders in technology, and equipment and alloy developments. They have not lost any markets to foreign producers because they are behind in anyway, as some would have the government and public believe.

It is the loss of volume in our "bread and butter," standard grade products that has prevented hoped for achievement of greater cost savings benefits and adequate return on investment expected from the specialty steel facilities constructed in the past decade.

Moreover, lacking assurance of a stable future share of the domestic market, and in the face of unrestrained foreign investment which is

producing overcapacity in specialty steels worldwide, American producers and U.S. capital markets are already reluctant to make future planned and required investments.

Politicoeconomic policies of Western Europe, as a whole, and Japan have been designed to achieve dependability of raw material supply; a maximization of foreign currency earnings for the industry by public subsidy or ownership; trade protection and export incentives; cartelization under public guidance; maintenance of undervalued currencies; and effective disincentives via nontariff barriers, to hinder significant foreign investment or import penetration of their domestic steel markets by American producers.

Attitudes and goals identical with these also characterize those specialty steel producing countries which we call the "nonsignatories to the Voluntary Restraint Arrangement."

In fact, the imports of specialty steels from some of these countries exceed their known capacity to make the products, giving Americans strong suspicions that a considerable volume of material from other nations is being processed. We must conclude that foreign producers are circumventing the terms of the voluntary restraint arrangement—as in the case of imports from Korea, for example.

The voluntary restraint arrangement has not conferred a significant direct benefit upon the American specialty metals industry. While the charts we are submitting show that imports of "total stainless," as a percent of the domestic market declined from 21.9 percent in 1971 to 15.5 percent in 1972, the decline cannot be credited wholly to the effects of the voluntary restraint arrangement, but must also include the factors of the improved world demand in specialty steels and, more important, our stepped up antidumping activities.

Further, the pattern of shifting from one product to another in specialty steels was evident throughout 1972 and remains evident—by the 1973, 3-month annual rate increase in stainless bars, wire rods, and plates.

Existing legislation also has proved hopelessly inadequate to guarantee fair, equal competition in the American market. The current antidumping act, although increasingly used by the specialty metals industry in recent years, is at best a stopgap measure to help slow down the most blatant types of predatory pricing. America's countervailing duty law also is of little help as foreign governments openly funnel billions of subsidy dollars into their industries.

We affirm and support the statement of recommendations of the American Iron and Steel Institute, as submitted by Mr. Cort, for a comprehensive international trade policy for the United States, which includes:

1. Legislated safeguards which should be activated quickly whenever imports disrupt American markets.

2. Orderly marketing authority providing for government-to-government negotiations on a product-by-product basis.

3. Strengthened antidumping and countervailing duty provisions, giving U.S. industry equal opportunity to present facts and providing timely, expedited action.

The essentiality of specialty metals to our national life is beyond question. We believe the United States must provide an economic

climate and foreign trade policies under which the American specialty metals industry will continue to grow and provide critical metals for our society and employment opportunity for American workmen.

Thank you.

[Mr. Ahlbrandt's prepared statement follows:]

STATEMENT OF ROGER S. AHLBRANDT, THE SPECIALTY METALS INDUSTRY

My name is Roger S. Ahlbrandt. I am Chairman and Chief Executive Officer of Allegheny Ludlum Industries, Inc., of which Allegheny Ludlum Steel Corporation, the largest specialty steel manufacturer, is a member company. I appear today on behalf of the American specialty metals industry.

The specialty metals industry differs widely in many respects from the carbon steel industry, principally in size, technology, and products.

Specialty metals include stainless steels, cutting and abrasion resistant materials, tool steels, high temperature alloys, titanium, and structural low alloy steels. Specialty steels and metals contain alloying elements such as chromium, nickel, cobalt, molybdenum, and tungsten. Specialty products are used in extreme environments for critical applications to which they impart exceptional and unique performance. They come in various useful product forms: bars, sheets, plates, and tubes of all kinds, including pressure and mechanical tubing.

Specialty metals are difficult and costly to manufacture, are priced and sold by the pound rather than by the ton; and require equipment of great strength and high power for rolling, shaping, extruding, and other processing. Manufacturing methods in specialty metals call for the application of complex technology, requiring six to eight times more man-hours per ton to process than required in carbon steel.

Specialty steels and metals are essential for diverse and critical needs, including national security, energy production, transportation and rapid transit, and environmental improvement. As one example, their essentiality to the national security was documented before the Senate Armed Services Committee and affirmed by that panel. The Committe recommended "that responsible departments and agencies of the Executive Branch maintain careful vigilance over the declining trend of the specialty steel industry and institute necessary corrective action": and that "the Secretary of Defense determine whether the Armed Services Procurement Regulation should be amended to provide for maximum use of U.S. specialty steels in Department of Defense equipment."

The Committee expressed concern as to whether "this country can afford to lose the specialty steel industry and the currently available skills and technology associated therewith."

Another important recognition of the importance to our economy of the specialty metals industry came from Chairman Mills in his support of the extension of the Voluntary Restraint Arrangement, in which specialty steels were included for the first time. Mr. Cort has commented on the Chairman's contributions to the first Voluntary Restraint Arrangement—and our industry wishes to add this additional word of thanks for his interest.

Companies that make up the American specialty steel industry are relatively small. Annual sales for many are below $100 million. Some are one- or two-product companies, whose very existence is threatened by loss of one or the other of their markets.

The companies of which, and for which, I speak though small are widely known. They include our own, of course, Allegheny Ludlum Steel; Babcock & Wilcox; Carpenter Technology; Columbia Tool Steel; Continental Copper & Steel Industries; Braeburn Alloy Steel Division; Copperweld; Crucible Steel Division of Colt Industries; Cyclops; Eastmet; Jessop; Joslyn; Latrobe Steel; McLouth Steel; Sharon Steel; Timken; Teledyne VASCO; and Washington Steel. Large carbon steel companies that have specialty steel operations include Armco, United States Steel, Republic, J&L, and Bethlehem. There are more than 35 companies that produce specialty steels. They have operations and employees from New England to the West Coast.

Specialty steels have been and continue to be principal targets of imports. Since 1968 import penetration of certain products in the specialty steel market has doubled. Last year foreign-made stainless steel accounted for over 15% of U.S. consumption. In stainless wire rod, imports even now exceed 45% of United States consumption.

Specifically, in 1972, while operating under an extension of the Voluntary Restraint Arrangement, foreign producers took more than 49% of the U.S. market for stainless wire rod; over 23% of the U.S. market for stainless steel plates; 36% for stainless steel wire; and more than 15% for stainless steel sheets; nearly 40% of seamless stainless and heat resisting tubular products; 25% of seamless alloy steel pressure tubing; and well over 30% of specialty carbon steel pressure tubing.

Specialty type tubular producers (alloy, heat resisting and stainless grades; and seamless carbon steel bearing tubing, each critical to both industrial and defense applications) have thus seen imports in these product lines increase substantially during the period 1967–72. The fact that duties were lowered on these products in the Kennedy Round GATT agreements was just one contributing factor in the situation. The domestic steel tubular products industry is one that includes 100 or more companies—many of them small companies making just one product line.

To understand the magnitude of the problem, it must be noted that in one decade, 1962–72, the record shows that total stainless steel imports went from 27,000 tons to 149,000 tons. Stainless cold rolled sheets from 11,000 tons in 1962 to 44,000 in 1972. This latter figure was the lowest since 1966 for sheet imports, which reached 86,000 tons in 1971.

In other product areas: stainless bars went from 976 tons in 1964 to 18,000 tons in 1972; stainless plates, from zero in 1962 to 17,000 tons in 1972; stainless wire, from 1453 tons in 1962 to 16,000 tons in 1972; and stainless wire rod from 3607 tons in 1962 to 13,000 tons in 1972. In another key product line, seamless alloy steel bearing tubing, imports increased each year going from 6321 tons in 1964 to 19,700 tons in 1972.

In specialty metals, we are not looking at a simple gain of a *share* of a growth market—the kind of market within which one would expect a 5% increase per year. We have been dealing, rather, with a *wholesale invasion* of the specialty steel market—with annual increases in the penetration of American industry and jobs of 200% per year.

Parenthetically, it must be noted that tool steel imports went from 9000 tons in 1964 to 15,000 tons in 1972. For the record, details of these import statistics, including graphs for countries of origin, are being submitted with our statement today.

In the past six months the price of purchased ferrous scrap has risen dramatically. Officers of many specialty metals companies have requested government restrictions be placed on high alloy scrap leaving the country in order to put a halt on the cat-chasing-its-tail charade in which foreign producers drive up the price of American steel scrap via large purchases, process it, and reinvade the American market with lower-priced finished products.

Substantial increases in the prices of chrome, nickel, silicon, and other alloying materials our industry requires also are in our recent experience.

U.S. specialty steel companies have also countered foreign competition by investing heavily in new facilities and by promoting advanced technology, resulting in greatly increased efficiency and productivity. America's specialty steel producers are the world leaders in technology, and equipment and alloy developments. They have not lost any markets to foreign producers because they are behind in any way, as some would have the government and public believe.

In recent years, the ability to match foreign competition with respect to facility investment has become dangerously limited, largely because of the substantial market penetration by imports. This loss of volume in our standard grade products has prevented achievement of the cost savings benefits and adequate return on investment promised by the specialty steel facilities constructed in the past decade.

Moreover, lacking assurance of a stable future share of the domestic market, and in the face of unregulated and unrestrained foreign investment which is producing over capacity in specialty steels, American producers and U.S. capital markets are already reluctant to make future planned and required investments and this reluctance promises to continue.

The conditions of fair competition that America has sought but never really gained and the restricted anti-dumping approach that has been employed by our government until recently unhappily has not taken into account the most important, frequently artificial competitive advantages of foreign steel producers who were shipping record tonnages of steel into the American market, at incremental prices below full cost of manufacture.

Politico-economic policies of Western Europe, as a whole, and Japan have been designed to achieve continuous investment; dependability of raw material supply, and a maximization of foreign currency earnings for the industry by public subsidy or ownership; trade protection and export incentives; cartelization under public guidance; maintenance of undervalued currencies; and prohibition or effective disincentives, via non-tariff barriers, to hinder significant foreign investment or import penetration of their domestic steel markets by American producers.

Foreign markets in specialty steels are generally strongly cartelized and protected in their home countries. Consequently, they are better armed to "go for the jugular" in one or two product lines in the United States, as their national policies dictate and as the state of the markets here permits.

Specialty steel exports and all steel exports to the United States from these nations or blocs of nations have been encouraged as a means of both maintaining employment during slow domestic demand and supporting national policies of full employment; as a source of foreign exchange earnings; and as a device to enable the foreign producer to build installations of efficient scale and size until domestic demand could catch up.

Attitudes and goals identical with these also characterize those specialty steel producing countries which we call the "non-signatories to the Voluntary Restraint Arrangement."

The record of the last few years clearly shows that the Voluntary Restraint Arrangement, particularly during the 1969–71 period, in fact stimulated increased imports of specialty steel products. The terms of the 1968 accord stipulated only maximum tonnage of steel, not specific categories, to be imported, encouraging foreign producers to concentrate their shipments in high value specialty steel product lines. The VRA extension, 1972–74, contains provisions on more specific product mix but its effect has been effectively blunted by litigation and by substantial imports from non-signatory countries such as: Sweden, Austria, Poland, and Korea.

In its May 1, 1973, finding, the Tariff Commission stated that "in 1970 U.S. imports of stainless steel plate from Sweden amounted to 1600 net tons, or 19% of total imports; but in 1972 they amounted to nearly 10,000 tons, or 58% of total imports. Imports from Sweden were almost equal to imports from all sources in 1971—and were greater than imports from all other sources in any previous year."

In fact, the imports of specialty steels from some of these countries exceed their known capacity to make the products, giving Americans strong suspicions that a considerable volume of material from other nations is being processed. We have reports, also, that much of the specialty steel coming from Canada and Mexico is not necessarily Canadian and Mexican. And we must conclude that foreign producers are circumventing the terms of the Voluntary Restraint Arrangement—as in the case of imports from Korea, for example.

The Volunteer Restraint Arrangement therefore, has not conferred a significant direct benefit upon the American speciality metals industry. In fact, in one mill form of steel—specialty steel tubular products—the VRA appears to have no beneficial effect whatever. While the charts we are submitting show that imports of "total stainless," as a percent of the domestic market declined from 21.9% in 1971 to 15.5% in 1972—the decline cannot be credited wholly to the effects of the Voluntary Restraint Arrangement but must also include the factors of the improved world demand in specialty steels and our stepped up anti-dumping activities. Further, the pattern of shifting from one product to an-

other in specialty steels was evident throughout 1972 and remains evident—as shown by the 1975 three-month annual rate in stainless bars, wire rod, and plates.

Further, existing legislation and administrative actions have proved hopelessly inadequate to guarantee fair, equal competition in the American market. The current anti-dumping act, although increasingly used by the specialty metals industry in recent years, is at best a stopgap measure to help slow down the most blatant types of predatory pricing. America's countervailing duty law has been a blunt instrument, for while foreign governments openly funnel billions of subsidy dollars into their industries, the United States Treasury Department has discovered *one* instance of "bounties or grants" being made in the last two years.

What obviously is needed is a comprehensive trade policy, not just for specialty steels and metals, but for the entire economy. It is our view that such a policy must incorporate at least the following:

1. Firm and comprehensive guidelines for administrative action. Congress must reassert its prerogative in the field of trade policy. A recently proposed joint committee on foreign trade appears to be quite attractive. The Executive Branch should have only limited freedom to act, clearly within the intent of Congress and only within specifically defined limits. Foreign competition should be welcomed in our markets but only to the extent that it competes on a fair and equal basis with American industry. Where foreign producers are heavily subsidized by their governments, where tax systems heavily favor exports and hinder imports, where they do not recognize such social benefits as pollution control, minimum wages, occupational safety and health, unemployment compensation, *then some adjustments must therefore be made in U.S. trade policy to offset such artificial advantages.*

2. Imports should not be restricted where it can be demonstrated either that no competing American industry exists or where the relevant American industry has failed to keep itself in a competitive position.

3. America's existing trade laws must be modified to reflect commercial reality in the contemporary world. The unrealistic standards and time-consuming requirements in anti-dumping and escape clause proceedings, for example, should be changed to foster realistic, prompt decisions rather than their current reliance on artificial assumptions. Even in those cases where actions has been taken, it was a case of "closing the barn door after the horse was gone."

It is the continuing view of the top management of the speciality metals industry in the United States that, to guard against another destructive 1970–71 surge from abroad the following are needed:

1. Orderly marketing authority providing for government-to-government long-term arrangements, including Japan, EEC, Sweden, Austria, Spain, Canada, and other specialty steel producing nations.

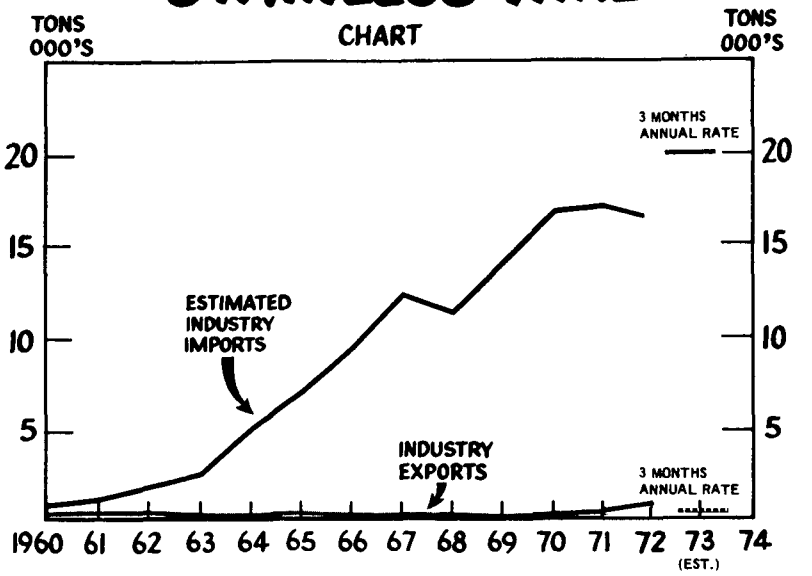
2. A legislated trigger mechanism by product line, with automatic safeguard provisions.

3. A product-by-product limitation of imports.

4. Strengthened anti-dumping and countervailing duty provisions giving U.S. industry equal opportunity to present facts and providing timely, expedited action.

The essentiality of specialty metals to our national life is beyond question. We believe the United States must provide an economic climate and foreign trade policies under which the American specialty metals industry will continue to grow and provide critical metals for our society and employment opportunity for American workmen.

STAINLESS WIRE



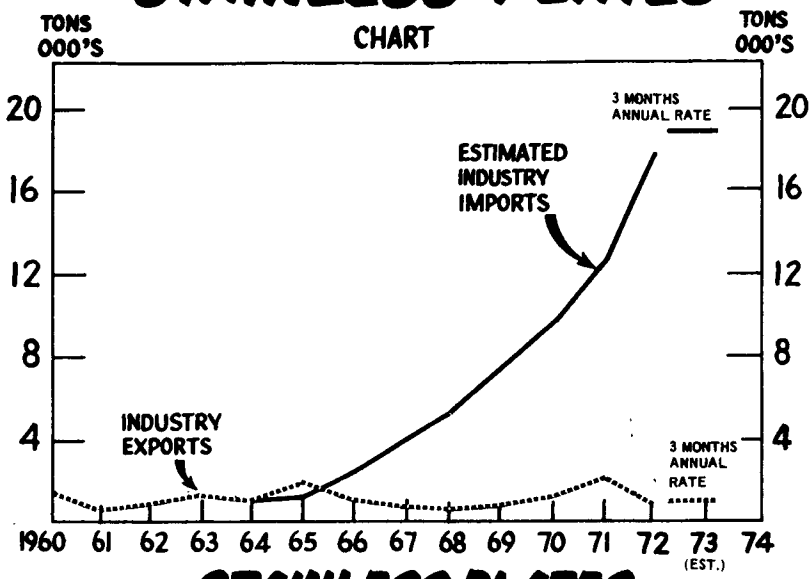
STAINLESS WIRE

INDUSTRY DATA (TONS)

		EXPORTS	ESTIMATED IMPORTS	IMPORTS AS A % OF DOMESTIC MARKET
	1960	135	798	3.3
	1961	231	1,026	4.1
	1962	269	1,453	5.2
	1963	250	2,089	8.0
	1964	236	5,028	16.6
	1965	386	6,625	19.3
	1966	140	9,156	21.6
	1967	204	12,012	29.1
	1968	178	11,364	31.6
	1969	120	13,966	35.4
	1970	246	16,804	53.6
	1971	276	16,858	48.3
	1972	393	16,771	36.3
3 Mos.	1973	25	5,055	33.3

SOURCES: U.S. BUREAU OF THE CENSUS AND AISI

STAINLESS PLATES



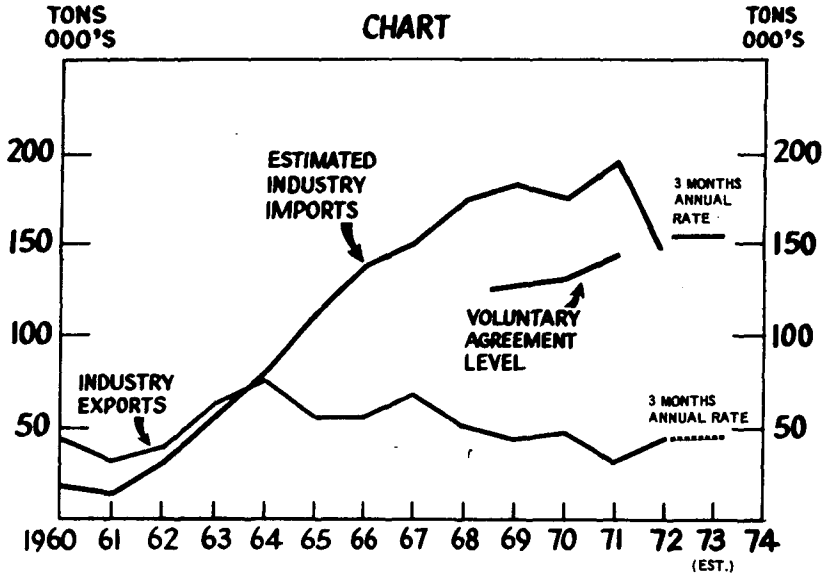
STAINLESS PLATES

INDUSTRY DATA (TONS)

	EXPORTS	ESTIMATED IMPORTS	IMPORTS AS A % OF DOMESTIC MARKET
1960	1,082	—	COMPLETE IMPORT DATA WAS NOT AVAILABLE UNTIL 1964
1961	611	—	
1962	647	—	
1963	901	—	
1964	791	786	1.3
1965	1,136	884	1.2
1966	866	1,899	2.4
1967	622	3,787	5.9
1968	423	5,198	8.4
1969	519	7,153	9.6
1970	714	8,342	13.2
1971	1,178	10,360	17.1
1972	509	17,116	23.2
3 Mos. 1973	169	4,704	22.5

SOURCES: U.S. BUREAU OF THE CENSUS AND AISI

TOTAL STAINLESS



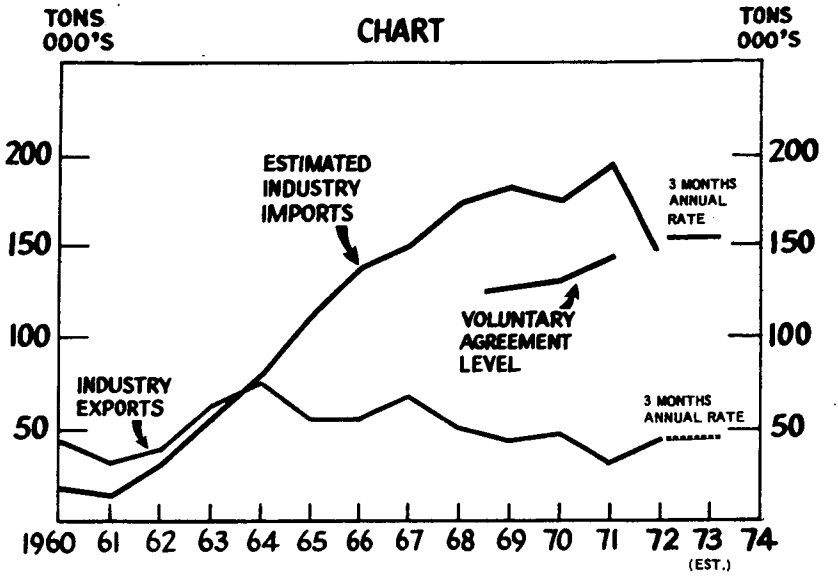
TOTAL STAINLESS

INDUSTRY DATA (TONS)

	EXPORTS	ESTIMATED IMPORTS	VOLUNTARY AGREEMENT LEVEL	ACTUAL IMPORTS VS. V.A.L. (% OVER/UNDER)	IMPORTS AS A % OF DOMESTIC MARKET
1960	41,281	14,081			2.6
1961	32,974	12,577			2.3
1962	37,737	27,102			4.4
1963	61,588	55,589			8.5
1964	75,554	79,352			10.2
1965	55,008	112,868			12.0
1966	55,777	135,327			13.4
1967	65,771	149,321			16.2
1968	51,363	171,871			18.3
1969	41,323	182,224	130,500	+39.8%	17.3
1970	48,299	177,209	135,500	+30.8%	21.1
1971	33,618	191,984	143,700	+33.6%	21.9
1972	41,267	149,124			15.5
3 Mos. 1973	11,273	38,638			13.2

SOURCES: U.S. BUREAU OF THE CENSUS AND AISI

TOTAL STAINLESS



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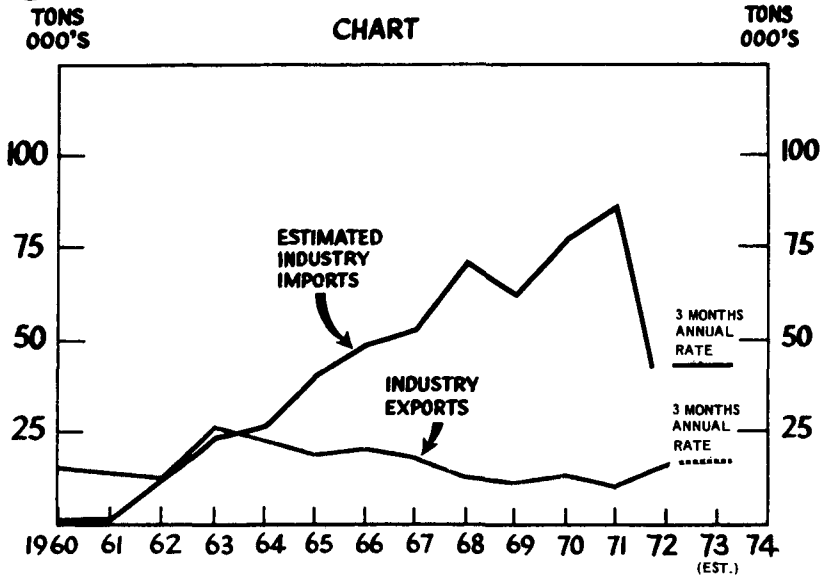
SOURCES: U.S. BUREAU OF THE CENSUS AND AISI

STAINLESS COLD ROLLED SHEETS



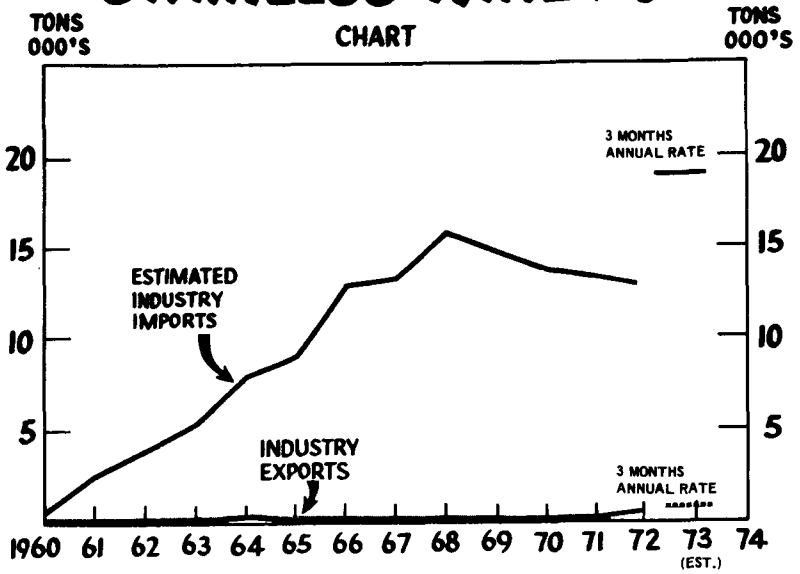
STAINLESS COLD ROLLED SHEETS

INDUSTRY DATA (TONS)

	EXPORTS	ESTIMATED IMPORTS	IMPORTS AS A % OF DOMESTIC MARKET
1960	16,208	1,954	1.6
1961	14,527	2,301	1.7
1962	12,921	11,781	8.1
1963	26,017	23,631	15.3
1964	22,008	24,985	14.2
1965	18,191	37,245	17.7
1966	19,158	47,228	20.1
1967	16,593	53,066	23.6
1968	11,593	69,012	28.0
1969	10,380	62,739	22.7
1970	13,177	75,681	34.2
1971	10,945	86,571	32.9
1972	14,555	44,548	15.4
3 Mos. 1973	4,209	10,764	11.8

SOURCES: U.S. BUREAU OF THE CENSUS AND AISI

STAINLESS WIRE ROD



STAINLESS WIRE ROD

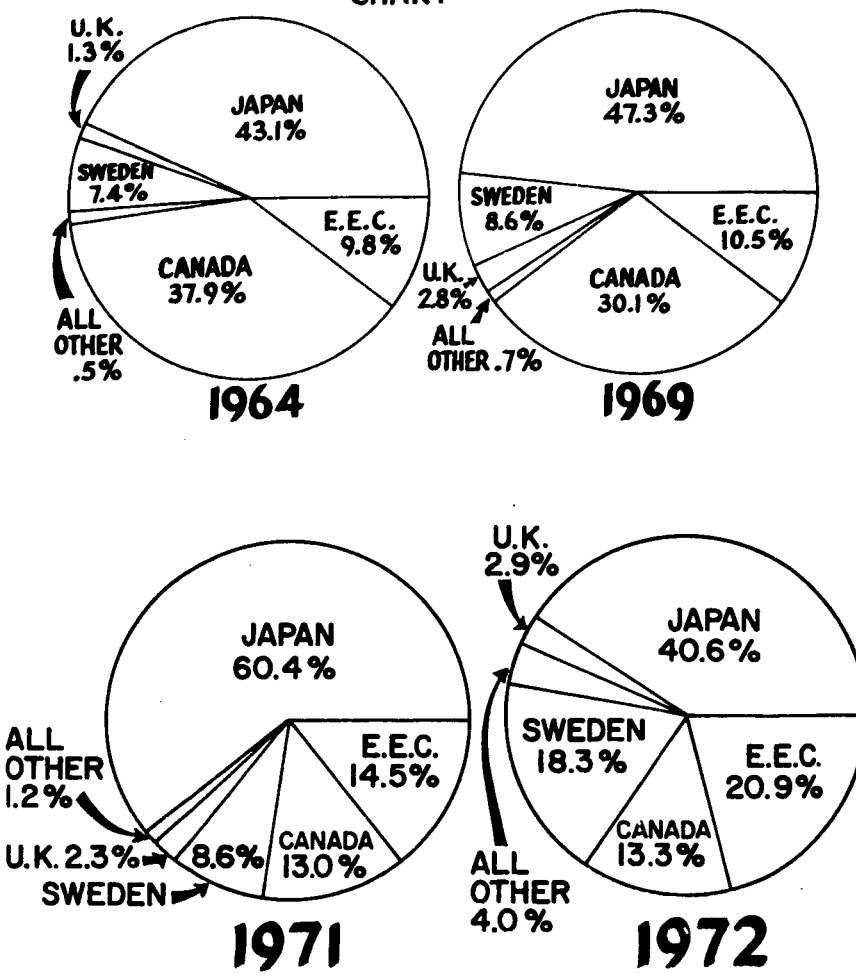
INDUSTRY DATA (TONS)

	EXPORTS	ESTIMATED IMPORTS	IMPORTS AS A % OF DOMESTIC MARKET
1960	1	739	6.4
1961	3	2,325	15.9
1962	5	3,607	19.9
1963	38	5,475	28.8
1964	156	8,076	40.3
1965	2	9,073	36.9
1966	2	12,688	42.0
1967	11	13,227	53.2
1968	18	15,925	63.7
1969	41	14,864	59.2
1970	82	13,885	66.8
1971	39	13,550	56.3
1972	113	13,002	49.1
3 Mos. 1973	47	4,822	46.3

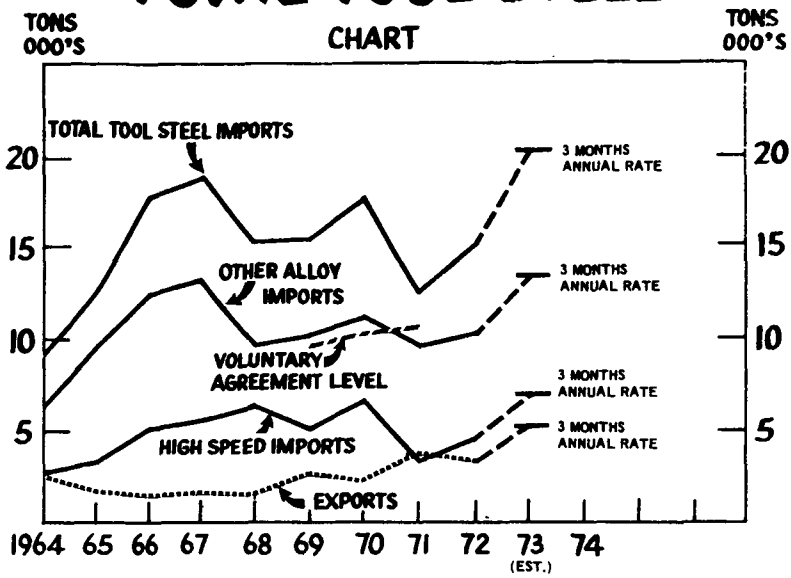
SOURCES: U.S. BUREAU OF THE CENSUS AND AISI

SOURCES OF STAINLESS STEEL IMPORTS (PERCENT OF TOTAL)

CHART



TOTAL TOOL STEEL



TOTAL TOOL STEEL

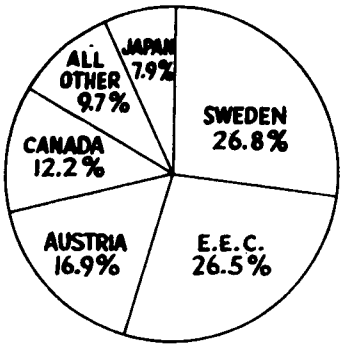
INDUSTRY DATA (TONS)

	EXPORTS	IMPORTS					
		HIGH SPEED	OTHER ALLOY	TOTAL TOOL	VOLUNTARY AGREEMENT LEVEL	ACTUAL IMPORTS VS. V. A. L. (% OVER/UNDER)	TOTAL TOOL STEEL IMPORTS AS A % OF DOMESTIC MARKET
1964	2,275	2,674	6,407	9,081			8.3
1965	1,652	3,180	9,774	12,954			10.0
1966	1,775	5,029	12,585	17,614			12.8
1967	1,639	5,574	13,285	18,859			14.8
1968	1,606	6,104	9,058	15,162			12.6
1969	2,725	5,007	10,246	15,253	9,500	+60.5%	12.1
1970	2,159	6,457	11,178	17,635	10,000	+77.1%	17.0
1971	3,617	3,195	9,557	12,752	10,500	+21.7%	14.6
1972	3,158	4,706	10,335	15,041			14.7
3 Mos. 1973	1,590	1,871	3,293	5,164			16.1

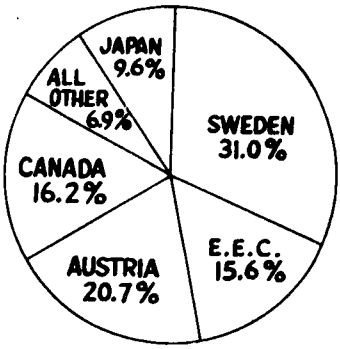
SOURCES: U.S. BUREAU OF THE CENSUS AND AISI

SOURCES OF TOOL STEEL IMPORTS
(PERCENT OF TOTAL)

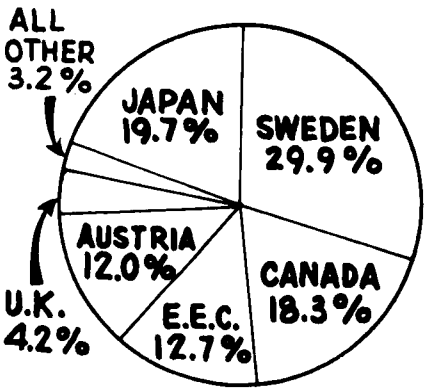
CHART



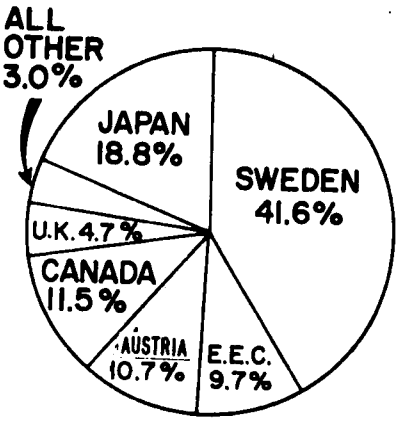
1964



1969

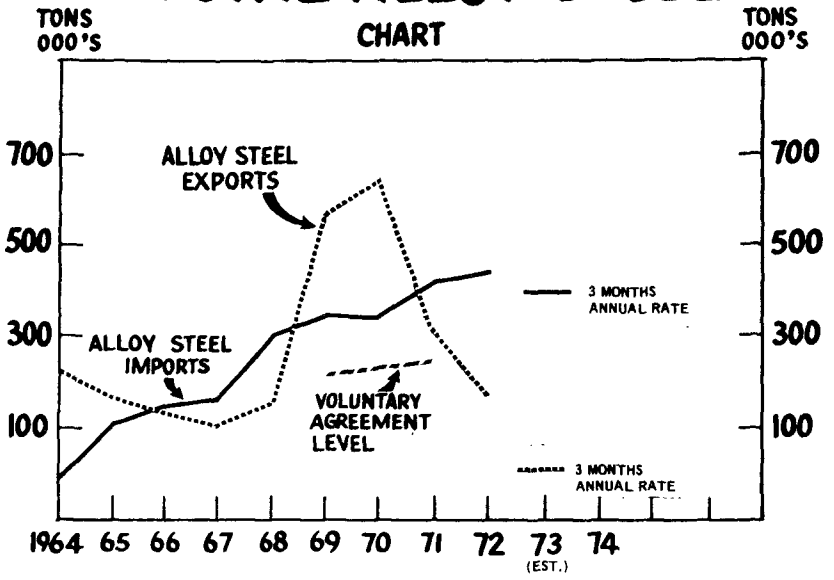


1971



1972

*TOTAL ALLOY STEEL



TOTAL ALLOY STEEL

INDUSTRY DATA (TONS)

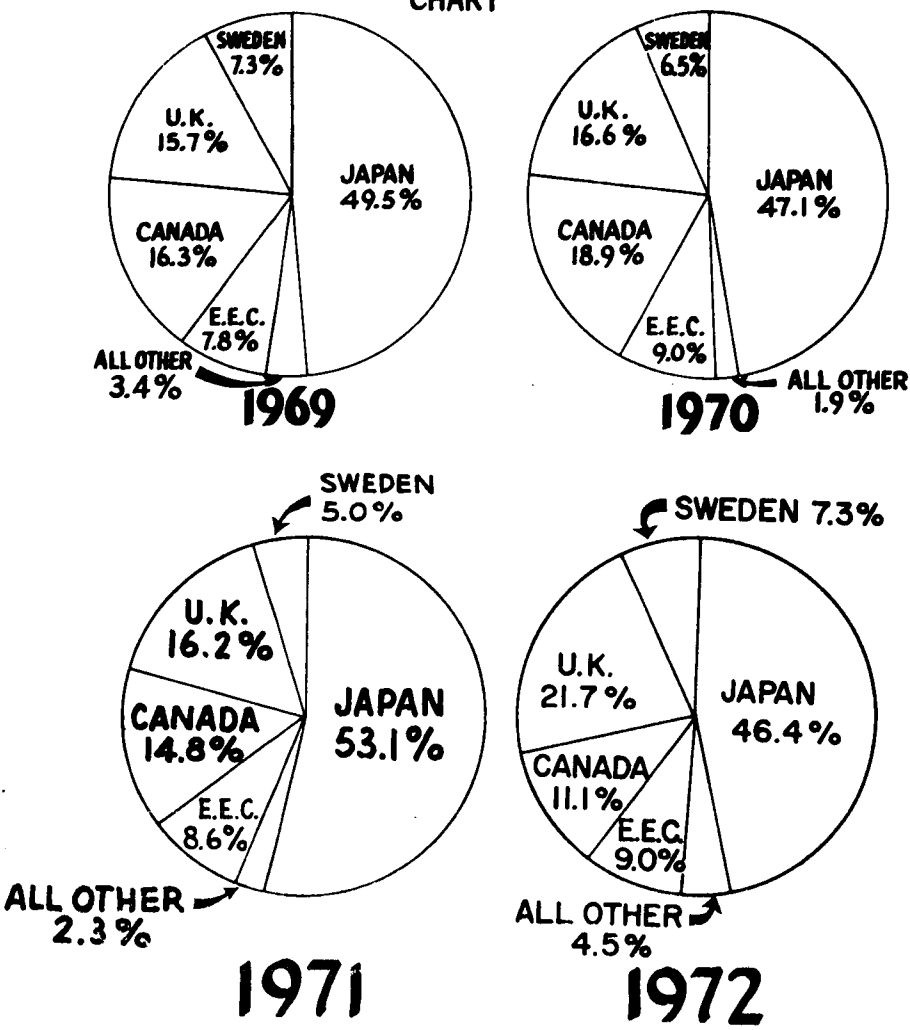
	EXPORTS	IMPORTS	VOLUNTARY AGREEMENT LEVEL	ACTUAL IMPORTS VS. V.A.L. (%OVER/UNDER)	TOTAL ALLOY STEEL IMPORTS AS A % OF DOMESTIC MARKET
1964	224,000	54,000			.9
1965	175,000	101,000			1.4
1966	127,000	157,000			2.0
1967	108,000	170,000			2.4
1968	131,000	300,000			3.8
1969	576,000	338,000	227,000	+49.2	4.5
1970	657,000	331,000	236,000	+40.4	5.1
1971	302,000	402,000	250,000	+61.0	5.7
1972	177,000	433,000			5.5
3 Mos. 1973	52,000	99,000			4.3

*DOES NOT INCLUDE STAINLESS AND TOOL STEEL

SOURCES: U.S. BUREAU OF THE CENSUS AND AISI

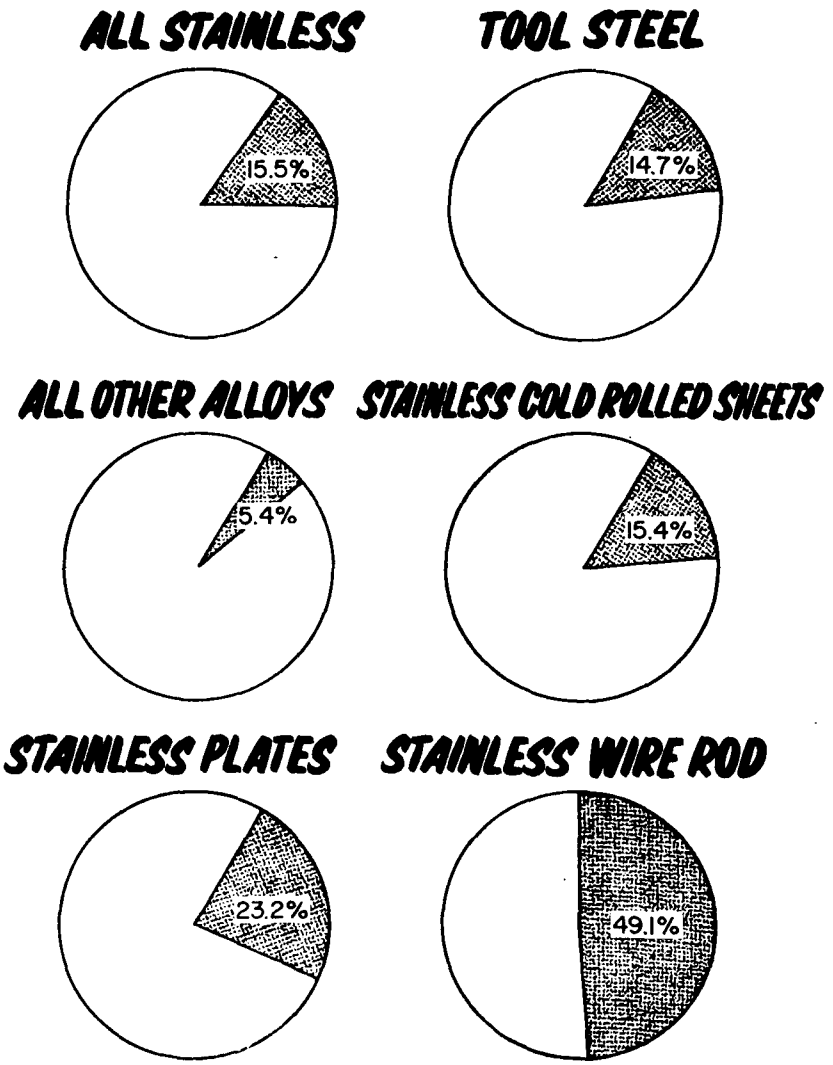
SOURCES OF ALLOY STEEL* IMPORTS (PERCENT OF TOTAL)

CHART



IMPORTS AS % OF DOMESTIC CONSUMPTION 1972

CHART



Mr. CORT. Mr. Chairman, as to the legislation before the committee, the industry believes that any grant of power to the President to reduce tariffs and enter into broad trade agreements which will have a profound effect on the U.S. economy, should be tempered by appropriate safeguards to insure that major disruptions do not occur in any U.S. industry.

We shall submit to the committee our specific recommendations for revision of the Trade Reform Act. This statement merely outlines these recommendations as they pertain to the individual titles of the act.

The authority to raise and lower tariffs should be conditioned. In the exercise of this power, the President should take account of industries or industry sectors which have experienced or are threatened with severe impact from import competition.

In addition, special attention should be given to those sectors where the imbalance of trade is contributing heavily to the overall U.S. balance-of-trade deficit.

Therefore, we recommend the following:

Provision should be made to prevent further reductions in domestic tariffs for commodities already severely impacted by imports. Special recognition should be given to industry sectors, such as steel, where a trade imbalance exists which contributes materially to the overall U.S. balance-of-trade deficit.

Provision should be made to require that nontariff barrier agreements take effect only after affirmative action by the Congress.

Provision should be made to authorize the President, whenever he deems it appropriate, to negotiate agreements with foreign governments limiting imports of nonagricultural commodities into the United States.

The negotiating authority we propose is identical to the authority the President now has with respect to agricultural commodities and textile products under the Agriculture Adjustment Act of 1956, as amended.

For relief from disruption caused by import competition, we recommend a complete revision of title II. Under the administration's bill, safeguards are wholly dependent upon Presidential action. We believe that this should not be the case.

Safeguards for relief should be activated quickly whenever imports disrupt or threaten to disrupt markets. Accordingly, we recommend the establishment of procedures with the following basic features:

The Tariff Commission should be required to determine whether imports contribute toward causing or threatening to cause serious injury—not whether they are a major or primary cause of such present or threatening injury.

Congress should specify certain fixed criteria which, if met, would require a Tariff Commission finding of the existence or threat of serious injury to the domestic industry concerned.

Upon determining such a finding, the Tariff Commission should specify the appropriate level of import quota relief necessary to eliminate the existence or threat of the injury.

The President should be required to act upon an affirmative finding by the Tariff Commission but should be authorized to change the form of relief to take account of international political considerations so long

as he provides the degree of basic relief the Tariff Commission has determined to be appropriate.

Unless extended, the import relief should remain effective for no fewer than 3 or more than 5 years. We will submit promptly to the committee a detailed proposal along the foregoing lines.

[The following was received for the record:]

AMERICAN IRON AND STEEL INSTITUTE,
Washington, D.C., June 18, 1973.

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

DEAR MR. CHAIRMAN: Attached hereto are specific recommendations for revision of the Trade Reform Act submitted on behalf of the domestic steel industry.

Sincerely,

STEWART S. CORT,
Chairman, American Iron and Steel Institute,
Chairman, Bethlehem Steel Corporation.

Enclosure.

PROPOSED AMENDMENTS TO TRADE REFORM ACT OF 1973 (H.R. 6767)

Summary

TITLE I

Sec. 101(a): The President's authority to enter into agreements pursuant to this section would be limited with respect to articles covered by subsection (b).

Sec. 101(b): The President would be prohibited from negotiating reductions in existing duties on articles imported into the United States in such quantities as to (1) cause or threaten to cause serious injury to domestic industry or (2) contribute materially to the overall balance of trade deficit of the United States.

Sec. 101(c): The President would be authorized whenever he deemed appropriate, to negotiate binding agreements with foreign governments limiting imports. (This provision would in effect extend section 204 of the Agriculture Act of 1956 (7 U.S.C. § 1854) to all products.)

Sec. 103(c)(1): The President would be required to submit to Congress a copy of any proposed trade agreement affecting NTB's, any proposed orders necessary to implement such agreements, and his reasons for recommending the agreement and orders.

Sec. 103(c)(2): The President would be authorized to enter into trade agreements affecting NTB's and to issue implementing orders only upon an affirmative vote of the majority of the authorized membership of both Houses of Congress.

TITLE II

Sec. 201(a): Any trade association, firm, labor union, or group of workers could petition the Tariff Commission for import relief.

Sec. 201(b)(1): Upon petition or government request, the Tariff Commission would make an investigation to determine and would determine whether imports are contributing to causing or threatening to cause (whether or not imports are a major or a primary factor) serious injury to the domestic industry concerned.

Sec. 201(b)(2): The Tariff Commission would be required to find "serious injury" if (i) a significant number or proportion of workers in the industry have or are threatened to become totally or partially separated; (ii) for a significant number of firms in the industry, production in relation to domestic consumption remains unchanged, is decreasing, or threatens to decrease; or (iii) a significant number of firms in the industry are unable to operate at a reasonable level of profit. The proposed amendment requires the Tariff Commission to consider certain specific factors in making the last determination.

Sec. 201(c): If the Tariff Commission should find that imports are causing or threaten to cause serious injury, it would determine the duration and amount of a quota necessary to eliminate such injury or the threat thereof. The dura-

tion of the quota could not be less than 3 or more than 5 years; the amount of the quota would be carefully circumscribed.

Sec. 201(d): The Tariff Commission would report the results of its investigation to the President within *ninety* days of the filing of a petition for relief or the governmental request.

Sec. 202(a): Within *fifteen* days after receiving a report of an affirmative determination by the Tariff Commission, the President could give notice of his intention to review the determination.

Sec. 201(b): Within *thirty* days of giving such notice, the President would be required to issue a proclamation approving the Tariff Commission's determinations, reducing the amount of the quota determined by the Commission, imposing a duty or other import restriction which would provide substantially equivalent protection for the domestic industry concerned, or taking any combination of such actions.

Sec. 202(c): Any action taken by the President would become effective *thirty* days following the issuance of his proclamation. If the President should fail to give notice of his intention to review the determinations of the Tariff Commission, the quota determined by the Tariff Commission would become effective *thirty* days after the expiration of the fifteen day period.

Sec. 202(d): At any time during the effectiveness of import relief provided under the Act, the President would have power to negotiate orderly marketing agreements providing substantially equivalent protection to that afforded by the quota determined by the Tariff Commission and, if such agreements become effective, he could suspend or terminate in whole or in part the import relief then in effect.

Sec. 202(e)(1): The Tariff Commission would be required to make annual (or, upon request, more frequent) reports to the President concerning developments in any industry which has received import relief.

Sec. 202(e)(2) + (3): Upon petition on behalf of the industry concerned, the Tariff Commission would be required to determine whether renewal of import relief is necessary to prevent actual or threatened serious injury to the domestic industry concerned and, if so, the appropriate duration of such renewal (between 1 and 2 years).

Sec. 202(f): Upon an affirmative determination by the Tariff Commission on a renewal petition, the President would be required to extend import relief; however, the President would remain free to negotiate orderly marketing agreements and, if they take effect, he could suspend or terminate other import relief then in effect.

Sec. 203: The Tariff Commission would be required to hold hearings on any petition for import relief or for the renewal thereof, but such proceedings would not be subject to the Administrative Procedure Act. Determinations by the Tariff Commission would not be subject to judicial review.

TITLE V

Sec. 505: Relief from imports from non-market countries could be obtained pursuant to the same procedures provided for in Title II except that the presence or threat of "material injury" caused by imports would be sufficient to trigger relief.

TITLE VI

The "legislative history" of Title VI as contained in the President's Message to Congress should be clarified in the Committee report to indicate an intention to exclude all "steel mill products"—rather than "certain steel products"—from preferential treatment under Title VI.

Text of Proposed Amendments

TITLE I

Proposed Amendment No. 1: Delete Section 101 and substitute the following new section:

(a) Except as provided in subsection (b), whenever the President determines that any of the purposes of this Act will be promoted thereby, the President may—

(1) after the date of enactment of this Act, and before five years from that date, enter into trade agreements with foreign countries or instrumentalities thereof; and

(2) provide for such modification or continuance of any existing duty, such continuance of existing duty free or excise treatment, or such additional duties, as he determines to be required or appropriate to carry out any such trade agreement.

(b) In exercising the authority granted by subsection (a), the President shall not enter into any trade agreements providing for a reduction of existing duties upon any article imported into the United States in such quantities—

(1) as to contribute toward causing or threatening to cause (whether or not such imports are a primary or major factor) serious injury to a domestic industry producing an article which is like or directly competitive with the imported article; or

(2) as to contribute materially to the overall balance of trade deficit of the United States.

(c) The President may, whenever he determines such action appropriate, negotiate with representatives of foreign governments in an effort to obtain agreements limiting the export from such countries and the importation into the United States of any article, and the President is authorized to issue regulations governing the entry or withdrawal from warehouse of any such articles to carry out any such agreement. In addition, if a multilateral agreement has been or shall be concluded under the authority of this section among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may also issue, in order to carry out such an agreement, regulations governing the entry or withdrawal from warehouse of the same articles which are the products of countries not parties to the agreement.

Proposed Amendment No. 2: Delete subsections (c), (d), and (e) of Section 103 and substitute the following new subsection:

(c) (1) Whenever the President negotiates a trade agreement pursuant to subsection (b), he shall deliver to the Senate and House of Representatives a copy of the proposed agreement, a proposal for such orders as may be necessary for the United States to fulfill its obligations under the proposed agreement, and a statement of his reasons as to how the agreement serves the interests of United States commerce and as to why the proposed orders are necessary to carry out the proposed agreement.

(2) Upon a vote of the majority of the authorized membership of the Senate and House of Representatives approving his proposed action, the President may enter into a trade agreement negotiated pursuant to subsection (b) and issue such orders as may be necessary for the United States to fulfill its obligations under the agreement.

TITLE II

Proposed Amendment: Delete Chapter 1 and substitute the following new Chapter:

CHAPTER 1.—IMPORT RELIEF

Sec. 201. Investigations and Determinations by the Tariff Commission.

(a) (1) A petition for import relief may be filed with the Tariff Commission by an entity, including a trade association, firm, certified or recognized union, or group of workers, which is representative of an industry. The petition shall include a statement describing the specific purpose for which import relief is being sought, which may include such objectives as facilitating the orderly transfer of resources to alternative employment and other means of adjustment to new conditions of competition.

(2) Whenever a petition is filed under this subsection, the Tariff Commission shall transmit a copy thereof to the Special Representative for Trade Negotiations and the agencies directly concerned.

(b) (1) Upon request of the President or the Special Representative for Trade Negotiations, upon resolution of either the Committee of Finance of the Senate or Committee on Ways and Means of the House of Representatives, upon its own motion, or upon the filing of a petition under subsection (a) (1), the Tariff Commission shall promptly make an investigation to determine whether

an article is being imported into the United States in such quantities as to contribute toward causing or threatening to cause (whether or not such imports are a primary factor or a major factor) serious injury to the domestic industry producing an article which is like or directly competitive with the imported article.

(2) For purposes of this section, present or threatened serious injury to the domestic industry concerned shall be deemed to exist if—

(i) A significant number or proportion of workers in the industry have become totally or partially separated, or are threatened to become totally or partially separated; or

(ii) For a significant number of firms in the industry, production of the article in relation to domestic consumption remains unchanged, is decreasing, or threatens to decrease; or

(iii) A significant number of firms in the industry are unable to operate at a reasonable level of profit. In making this determination, the Tariff Commission shall consider the relationship of present profits to the past profitability of the industry, the relationship of present profits to the profitability of relevant industry groupings (such as agriculture, manfacturing, mining, etc.), and the ability of the industry to secure additional capital.

(c) In the event that the Tariff Commission shall make an affirmative determination pursuant to subsection (b), it shall determine the duration and amount of a quota on imports necessary to eliminate the present or threatened serious injury to the domestic industry concerned: *Provided*, that in no event shall the duration of the quota determined by the Tariff Commission be less than three or more than five years and in no event shall the amount of the quota be—

(1) so large as would permit the share of estimated domestic consumption supplied by imports to exceed the average share of domestic consumption supplied by imports during the four immediately preceding calendar years; or

(2) so small as would prevent the importation of sufficient quantities of an article to supply any difference between the estimated domestic production and the estimated domestic consumption of that article.

(d)(1) The Tariff Commission shall report to the President its determinations under subsections (b) and (c) and the basis therefor and shall include in each report any dissenting or separate views. The Tariff Commission shall furnish to the President a transcript of the hearings and any briefs which may have been submitted in connection with each investigation.

(2) The report of the Tariff Commission pursuant to subsection (1) shall be made at the earliest practicable time, but not later than three months after the date on which the petition is filed, the request is received, or the motion or the resolution is adopted, as the case may be.

(3) Upon making its report to the President, the Tariff Commission shall also promptly make it public (with the exception of information which the Commission determines to be confidential) and have a summary of it published in the Federal Register.

(e)(1) No investigation for purposes of this section shall be made with respect to the same subject matter as a previous investigation under this section unless one year has elapsed since the Tariff Commission made its report to the President of the results of such previous investigation.

(2) No investigation for purposes of this section shall be made with respect to an industry which has received import relief under section 202 unless two years have elapsed since the expiration of the initial grant or any renewal of such import relief.

(f) Any investigation by the Tariff Commission under subsection (b) of section 301 of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act) which is in progress immediately before such date of enactment shall be continued under this section in the same manner as if the investigation had been instituted originally under the provisions of this section. For purposes of subsection (d)(2), the petition for any investigation to which the preceding sentence applies shall be treated as having been filed, or the request or resolution as having been received or the motion having been adopted, as the case may be, on the date of the enactment of this Act.

(g) If, on the date of the enactment of this Act, the President has not taken any action with respect to any report of the Tariff Commission containing an affirmative determination resulting from an investigation undertaken by it pursuant to section 301(b) of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act), the President shall remand the matter to the Tariff Commission for a further determination pursuant to subsection (c) of this section, which determination shall be made within thirty days and re-

ported to the President pursuant to subsection (d) of this section. The President shall treat such a report together with the report made under the Trade Expansion Act as a report received by him under this section.

Sec. 202. Import Relief.

(a) Within fifteen days after receiving a report from the Tariff Commission containing affirmative determinations under section 201, the President may give notice of his intention to review the Tariff Commission's determinations by having notice of his intention published in the Federal Register.

(b) In the event that the President gives notice of his intention to review the Tariff Commission's determinations pursuant to subsection (a), the President shall, within thirty days of the publication of such notice in the Federal Register, issue and publish in the Federal Register a proclamation—

(1) implementing the Tariff Commission's determinations;

(2) implementing a quota lower than that determined by the Tariff Commission;

(3) imposing a duty or other import restriction, or increasing any duty or import restriction then in effect, on the article in question which will afford protection to the domestic industry equivalent to or greater than that provided by the quota determined by the Tariff Commission;

(4) taking any combination of such actions.

(c)(1) In the event that the President takes action provided for under subsection (b), the action taken shall become effective thirty days following the publication of the President's proclamation in the Federal Register.

(2) In the event that the President fails to give notice of his intention to review affirmative determinations pursuant to subsection (a), the quota determined by the Tariff Commission shall become effective thirty days after the expiration of the fifteen day period provided for in subsection (a).

(d)(1) Whenever import relief has become effective pursuant to subsection (c) the President may at any time thereafter, while such import relief is in effect, negotiate orderly marketing agreements with foreign countries, which will afford protection to the domestic industry substantially equivalent to that provided by the import relief then in effect, and may, upon the entry into force of such agreements, suspend or terminate, in whole or in part, the import relief then in effect.

(2) In order to carry out an agreement concluded under subsection (1), the President is authorized to issue regulations governing the entry or withdrawal from warehouses of articles covered by such agreement. In addition, in order to carry out one or more agreements concluded under subsection (1) among countries accounting for a significant part of United States imports of the article covered by such above agreements, the President is also authorized to issue regulations governing the entry or withdrawal from warehouse of the like articles which are the product of countries not parties to such agreements.

(e)(1) So long as any import relief under this section (including any orderly marketing agreements) remains in effect, the Tariff Commission shall keep under review developments with respect to the industry concerned and shall make annual reports to the President concerning such developments and any additional reports which the President may request.

(2) Upon petition on behalf of the industry concerned, filed with the Tariff Commission not earlier than the date which is nine months, and not later than the date which is six months, before the date any import relief is to terminate fully by reason of the expiration of the applicable period prescribed pursuant to section 201(c) or any extension thereof pursuant to subsection (f) of this section, the Tariff Commission shall make an investigation to determine and shall determine—

(i) whether renewal, in whole or in part, of the import relief provided pursuant to section 202 is necessary to prevent actual or threatened serious injury (as defined in section 201(b)) to the domestic industry concerned; and

(ii) if renewal of import relief is determined to be necessary, the appropriate duration of such renewal (not to be less than one or more than two years).

(3) The Tariff Commission shall report to the President and publish its determinations under subsection (2) in the same manner and within the same time period provided for in section 201(d).

(f)(1) Upon receiving a report from the Tariff Commission containing an affirmative determination under subsection (e)(2), the President shall promptly

issue and publish in the Federal Register a proclamation, renewing the import relief provided pursuant to subsection (b) or (c) in accordance with the determinations of the Tariff Commission. The renewal of import relief shall become effective immediately upon the expiration of the import relief then in effect.

(2) Whenever a renewal of import relief has become effective pursuant to subsection (1), the President may at any time thereafter, while such import relief is in effect, negotiate orderly marketing agreements with foreign countries, which will afford protection to the domestic industry substantially equivalent to that provided by the import relief then in effect, and may, upon the entry into force of such agreements, suspend or terminate, in whole or in part, the import relief then in effect. In order to carry out an agreement concluded under this subsection, the President is authorized to issue regulations in accordance with the provisions of subsection (d) (2).

Sec. 203. Proceedings Before the Tariff Commission.

(a) In the course of any investigation under this chapter, the Tariff Commission shall, upon reasonable notice, hold public hearings and shall afford interested parties the opportunity to be present, to produce evidence, and to be heard at such hearings: *Provided,* that proceedings under this Section shall not be subject to the provisions of subchapter II of chapter 5 of title 5 of the United States Code.

(b) No determination by the Tariff Commission under this chapter shall be reviewed or redetermined by any court or agency.

TITLE V

Proposed Amendment: Delete Section 505 and substitute the following new section:

Sec. 505. Import Relief.

(a) A Tariff Commission investigation may be initiated under section 201 of this Act with respect to imports of an article manufactured or produced in a country, the products of which are receiving most-favored-nation treatment pursuant to this title.

(b) In any investigation initiated under subsection (a) the Tariff Commission shall follow the procedures set forth in sections 201 and 203 except that, in lieu of the determination required by section 201(b)(1), the Tariff Commission shall determine whether the article produced in the country in question is being imported into the United States in such quantities as to contribute toward causing or threatening to cause (whether or not such imports are a primary factor or a major factor) material injury to the domestic industry producing an article which is like or directly competitive with the imported article.

(c) For purposes of section 202 of this Act, affirmative determinations by the Tariff Commission pursuant to subsection (b) of this section shall be treated as affirmative determinations of the Tariff Commission pursuant to section 201 of this Act.

(d) Petitions for renewal of import relief provided pursuant to this section shall be governed by the procedures set forth in sections 202(e) and (f) and 203 of this Act except that, in lieu of the determination required by section 202 (e)(2)(i), the Tariff Commission shall determine whether renewal in whole or in part, of import relief provided pursuant to this section is necessary to prevent actual or threatened material injury to the domestic industry concerned.

TITLE VI

Proposed Amendment: Clarify the "legislative history" of Title VI to indicate an intention to exclude "steel mill products" from preferential treatment.

NOTE. In his message to Congress accompanying the proposed Trade Reform Act of 1973, the President announced his intention "to exclude certain import-sensitive products such as textile products, footwear, watches, and *certain steel products* from preferential treatment [under Title VI]." *Message of the President,* Committee Print, p. 13 (emphasis added). Since all steel mill products must be regarded as "import-sensitive," this Committee should make clear its intention to exclude all such products from preferential treatment under Title VI.

Mr. CORT. Incorporation in the act of clearly defined conditions under which import limits are to be imposed would create the degree

of reasonable certainty that is an essential condition for American industry to commit capital for improvement and expansion.

This is particularly important to industries like steel with heavy capital investments and a long leadtime between a capital spending decision and the full operation of the facility involved. Foreign producers would also benefit by the advance notice built into U.S. trade policies.

As to adjustment assistance for workers, we generally support those sections of the act which would provide more liberalized criteria. However, we share the view of labor that financial and other forms of adjustment assistance only after injury has occurred do not constitute responsible trade policy.

Chapter 1 of title III is a desirable expansion of Presidential authority to deal with unreasonable or unjustifiable foreign trade restrictions which adversely affect the United States. It is our hope that the authority would be exercised to provide more effective enforcement of U.S. trade commitments.

Chapters 2 and 3 amending the antidumping and countervailing duty statutes are extremely important to the domestic steel industry, since direct and indirect Government support of foreign steel producers creates a basic competitive inequity. The provisions of these chapters are described as providing all the domestic safeguards needed to deal with unfair trade practices. In our view, enactment of these chapters would weaken rather than strengthen existing provisions.

We will submit promptly to the committee our specific legislative recommendations which will:

(*a*) Require the Treasury to make its decision in an antidumping case within 4 to 6 months after a complaint has been filed;

(*b*) Define the concept of industry;

(*c*) Delineate criteria for establishing injury;

(*d*) Permit American producers to request judicial review of Treasury countervailing duty decisions, a right now granted to foreign producers;

(*e*) Limit to 6 months the time period during which the Secretary of the Treasury must make his decision; and

(*f*) Eliminate the discretion the Secretary of the Treasury would have to refuse to impose countervailing duties even where a bounty or grant is established.

As to chapter 4, we oppose removal of the enforcement authority for unfair trade practices from the Tariff Commission to the Federal Trade Commission.

We agree that the President should have permanent authority to manage trade policy, as proposed in title IV. We urge, however, that this authority be tempered with adequate safeguards.

As to title V, we endorse the President's efforts to improve international political relationships with the Soviet Union and other nations. It is our understanding that the United States-Soviet Trade Agreement signed October 18, 1972, is based on a mutual understanding of both parties that disruptive imports will be quickly reduced or terminated. If so, this understanding is clearly not reflected in the proposed Trade Reform Act.

Based on past experience, it is probable that meeting the dual tests of material injury and market disruption under the act would prove

to be extremely difficult. The determination should rest on a Tariff Commission finding that imports from Communist and other countries not having market economies are causing or are likely to cause material injury to a domestic industry producing like or directly competitive articles.

As to title VI, we recognize that the national interest may require the United States to keep pace with other developed nations on preference policy.

If preferences are to be granted, however, they should not be allowed to further damage domestic industries already experiencing or threatened with severe import problems.

The threat of increased steel imports from developing countries is real. Such imports are already increasing rapidly and are beyond the reach of the voluntary restraint arrangements.

Steelmaking capacity and export capabilities of developing countries are increasing. Some of these appear to be investments encouraged by their governments without regard to economic considerations. They have been disruptive to the U.S. market and should not be encouraged.

Mr. Chairman, this completes our formal testimony.

I would just like to add these thoughts: The future steel supply for our country's growing economy depends on the willingness of investors to commit funds for investment in the domestic steel industry. This, in turn, depends on the ability of our industry to participate fully in the growth of this market.

We've made great progress toward our goal of restoring our competitive position—both through our own efforts and through Government policies for realining exchange rates and curbing inflation. With realistic safeguards against unfair competition from abroad, we're confident that we can complete the job.

Mr. Chairman, now Mr. Verity, Mr. Ahlbrandt, and I will be glad to answer any of the committee members' questions to the best of our ability.

The CHAIRMAN. We appreciate the statements made by all three of you and thank you for coming to the committee and making them.

Are there any questions of this group?

Mr. Ullman?

Mr. ULLMAN. Mr. Chairman, I want to concur in welcoming the witnesses and also to commend them on their statements.

Tell me, Mr. Cort, yours is a basic industry: What is the situation in your industry with respect to future economic expectations in the country? Your orders come in long ahead of time. Do you anticipate in your industry, knowing full well that you are running at capacity now, that your future orders are such that we can expect a fairly stable growth economy into the future, at least the next 6 months or year?

Mr. CORT. Mr. Ullman, as you know, ours is a cyclical industry. Right now we are on the top of the cycle. The short term appears to be a very favorable one.

However, swings can take place very rapidly. Our best expectation is that this favorable economic atmosphere will continue into 1974 and it is reasonable to expect that our industry will experience record shipments this year.

Beyond that it is very difficult to predict. We are not a cause of economic ups and downs. We are sort of following behind and we benefit from the ups and follow the downs.

We are not a basic cause of the cycle.

Mr. ULLMAN. How rapidly are your prices escalating now, your general prices?

Mr. CORT. Well, not rapidly enough for us. We had a price increase on about 60 percent of our production in the first part of this year. We have on application a price increase for flat rolled sheets, which account for about 40 percent of our production, before the Cost of Living Council, hopefully to take effect the middle of this month.

However, we have had no favorable or unfavorable indications from the Cost of Living Council as yet.

Mr. ULLMAN. We have a fuel crisis.

Is it affecting your industry?

Mr. CORT. I will make this statement. It is from my company's point of view.

We tabulated the cost of goods and services from the first of 1972 through April of this year. The average of the cost increases ran somewhere in the neighborhood of 12 to 13 percent in that period.

Mr. ULLMAN. So it is primarily affecting you in cost, not in supplies, at this time?

Mr. VERITY. Could I add a word to that, Mr. Ullman?

Mr. ULLMAN. Yes, Mr. Verity.

Mr. VERITY. Right now as you know, there is an effort to regulate the distribution of petroleum products throughout the country and a certain base period has been chosen.

If that base period were to remain, as far as our company—Armco Steel—is concerned, it would cut our production back to 78 percent of what we are now producing.

In other words, we would not have the fuel necessary to operate our plants.

Mr. ULLMAN. Now, finally it has been said by people who should know that we are also having a minerals crisis and that the availability of minerals may very well be as critical in the future as the availability of fuel. You would experience that, I presume, in your availability of alloys.

Could you comment on that?

Mr. AHLBRANDT. Yes, sir.

The 27 or 28 raw materials and alloys used by the specialty industry, of some 35, are obtained from offshore. In other words, we are a have-not Nation in this regard.

We are very much worried about chromium at the moment. I understand there are certain resolutions or bills being brought in the Senate that will abrogate the Byrd amendment on ferrochrome and chrome ore, putting back the sanctions on Rhodesia.

In our industry we feel that that would be a very, very harmful bill so far as the United States and the specialty steel industry are concerned.

It is our best estimate that that would probably cause at least a $25 to $40 increase in chrome ore alone. I do not think that we should, as Americans, cut ourselves off from any source of raw materials, whether it be chromium, nickel, or any others. I think we ought to engage in

the marketplace worldwide just as our competition does; Japan, Europe, or whoever it might be.

I think this is going to be a very critical problem and we are going to have to engender new supplies, and we are working on that, but it is still going to be critical.

Mr. ULLMAN. Do you have problems in other alloy materials, minerals?

Mr. AHLBRANDT. So far, tungsten. As you know, very little of it is mined in the United States and very little is available throughout the world. Thank goodness for our GSA stockpile.

I hope that stockpile will be monitored; rather than be a defense stockpile we recommend it become an economic stockpile and that we ration ourselves so far as the availability of some of the very critical materials that are now held in our stockpiles.

Mr. ULLMAN. Thank you.

The CHAIRMAN. Mr. Schneebeli will inquire.

Mr. SCHNEEBELI. Thank you very much Mr. Cort, did you want to reply to Mr. Ullman?

Mr. CORT. On the question of scarcity of raw materials, this is sort of an indirect observation but many of our steel products are coated with zinc for corrosive protection.

As you know, under the pollution-control standards, about 40 percent of the zinc-smelting capability of the country has been closed down because it was in violation of environmental standards.

That indirectly could affect the production of galvanized sheet, galvanized pipe.

There is a world shortage in zinc at the moment, and prices have gone up from 14¢ to 15¢ a pound to, in the world terms, 21¢ a pound in recent months.

Mr. ULLMAN. Would you yield?

Mr. SCHNEEBELI. Yes, sir.

Mr. ULLMAN. Looking at the future, 10 or 15 or 20 years from now, you can see some real shortages in minerals then?

Mr. CORT. Not in the primary raw material requirements of the steel industry because there is ample metallurgical coal.

Iron ore, while it will undoubtedly become more expensive, is available both here and abroad in satisfactory quantities.

Mr. ULLMAN. It would only be in the alloys?

Mr. CORT. Primarily.

Mr. ULLMAN. Thank you.

The CHAIRMAN. Mr. Schneebeli?

Mr. SCHNEEBELI. Yes; thank you very much for a very important helpful statement.

One of the criticisms that we hear with respect to the voluntary quota system is that it affords a shield or buffer against foreign competition which in turn leads to increased prices.

You have discussed this to some degree with Mr. Ullman, but let me ask: Is this one of the motivations that inspires your industry to ask for continuation of quotas?

Mr. CORT. Not at all.

Since December 1968 we have had increases in metallurgical coal of 106.4 percent; scrap, 71.4 percent; nickel, 70 percent; refractory

brick, 35.7 percent; and the employment cost per manhour has gone up 41.2 percent.

In that time the composite cost or price of steel mill products has increased only 29.3 percent.

So. I wouldn't say we were using the VRA as a shield.

Mr. AHLBRANDT. May I add something?

Mr. SCHNEEBELI. Yes, sir.

Mr. AHLBRANDT. Mr. Schneebeli, as far as specialty steels are concerned, stainless steel sheets are selling today at 1967 prices and nickel has gone up something like 35 percent; silicon, 50 percent; and our scrap by 35 percent in the same period.

Mr. SCHNEEBELI. May I ask, how you do that?

Mr. AHLBRANDT. We are more efficient and we are making less return on our investment, sir.

Mr. SCHNEEBELI. The steel industry has not been doing too badly in the past 6 months as far as profits are concerned, but I am certainly mindful that you had a low profit base.

Mr. CORT. That is compared with what?

Mr. SCHNEEBELI. Your low base.

Mr. AHLBRANDT. The first quarter of this year reflected a year-to-year comparison increase that was very favorable but our return on revenues was around 4 percent.

In the midsixties and in the midfifties that return was double that, it was around 8 percent.

Mr. SCHNEEBELI. Mr. Verity, did you have some comment?

Mr. VERITY. I want to make the point that during the VRA period we have not been able to make price changes to compensate for the figures that Mr. Cort has read off. During this period our profit margins have declined until just the last 4 or 5 months, as you mentioned.

Mr. SCHNEEBELI. How much difficulty do you have with the Cost of Living Council, trying to get price increases?

Mr. VERITY. We have had available to the industry the authority to raise prices for almost 18 months, but the marketplace would not support the full price increases granted by the Price Commission until the last 2 or 3 months.

Mr. SCHNEEBELI. That is pretty much a domestic competitive situation?

Mr. VERITY. This is a domestic competitive situation.

Mr. SCHNEEBELI. In that connection, has devaluation of the dollar helped you in remaining competitive in both the domestic and international markets?

Mr. CORT. Undoubtedly it would help but it is very hard for us to get a measurement of that because during the devaluation period the world steel market has tightened up. We can't determine how much the improvement in other steel economies and consumption has affected the pressure of off-shore steel in our market.

Mr. SCHNEEBELI. I understand that much of the competition which you had in the late sixties has evaporated because foreign producers have had their own high demand situations at home. I also understand this is probably of short duration.

What is the relative production of Japan, the United States, and the EEC, today? Where do we stand percentagewise? We are well above 100 million tons a year aren't we?

Mr. CORT. Those are finished products?

Mr. SCHNEEBELI. Yes.

Mr. CORT. Roughly, our production has been in the range of 131 to 134 million tons of raw steel; Japan has been in the upper 90 million range. Would you have a comment on the EEC?

Mr. AHLBRANDT. About 150 million including the United Kingdom It is larger than the United States.

Mr. SCHNEEBELI. You say Japan is about 90?

Mr. CORT. More like 100 million tons.

Mr. SCHNEEBELI. What about this forecast that they were going to be capable of producing about 150 million tons. Is that true?

Mr. AHLBRANDT. That is 1975. I think they have slowed down in the last several years. But they will probably start to increase their production capacity again.

Mr. SCHNEEBELI. Their impetus has slowed down.

Mr. CORT. Yes.

Mr. SCHNEEBELI. Thank you.

The CHAIRMAN. Mrs. Griffiths will inquire.

Mrs. GRIFFITHS. How much unused capacity do you have?

Mr. CORT. How much unused capacity?

Mrs. GRIFFITHS. Yes.

Mr. CORT. At the moment we have no unused capacity other than that which we are unable to operate because of environmental requirements and restrictions.

There is open hearth capacity available that is not being operated because the economics did not permit the industry to add the pollution control facilities that the Federal and State and local regulations required.

I would hazard a guess that tonnage in that category is probably somewhere in the neighborhood of 5 to 7 million tons.

Mrs. GRIFFITHS. If all imports were shut off what would you do?

Mr. CORT. At the moment there would be a shortage.

Mrs. GRIFFITHS. I think these little charts you have attached to your statement are very good.

Can you explain to me why as late as 1965 steel required 28.5 manhours per ton of steel shipped from Japan as compared to 12.2 for America? Why should that be true? Weren't they completely automated by that time?

Mr. CORT. If you go back 13 years to 1960, as table III shows, the Japanese steel industry was not very efficient. There were still a number of small nonintegrated plants, which bought semifinished steel from the larger producers and processed it on old, small mills. At that time the Japanese steel industry was producing only about 30 million tons of steel a year and exporting only a small part of it, mostly to other Asian countries.

By 1965 Japan had made great strides in improving their efficiency, but many of their new steel plants were just coming into operation and they still had the employees from their old plants, although many had been moved into the newer mills. By this time they were producing 50 million tons of raw steel a year and exporting nearly a third of it. Over a third of their steel exports were going to the United States.

It was in the years following 1965 that the big Japanese expansion took place. The Japanese steel industry doubled in size. New efficient

mills were added and older, smaller less efficient plants were phased out. By the end of this period, Japanese man-hours per ton were almost as low as ours.

While we are talking about table III, I should point out that it is based on U.S. Bureau of Labor Statistics data. The BLS has attempted to the best of their ability to adjust the West German and Japanese figures to make them comparable to those they regularly compile for the United States. They have even attempted to adjust the Japanese figure to include workers in operations contracted out such as maintenance and repairs, which in the United States and most countries are performed by regular steel plant employees. I should state that in making this particular adjustment we understand that the BLS is still using 1964 factors, although in the newer plants a larger percentage of the workers are in contracted out departments than in the older ones. This would suggest that the Japanese man-hours per ton in the table slightly lower than they should be in the later years.

Mrs. GRIFFITHS. If you had strictly comparative figures then where would you be? In place of 28.5, supposing you had the exact figures, figures on the exact basis as Japan, take 1965, in place of 28.5 for Japan as opposed to 12.3 for you, what would it have been for you? It would have been much less, would it not?

Mr. VERITY. Could I help answer that.

Mrs. GRIFFITHS. What do you think it would have been?

Mr. VERITY. In 1965 if I could make this point, the Japanese had just built many of their steel mills and were bringing them into operation and they had a great many extra employees.

What they have done in the last 4 or 5 years is that, as they have built new capacity, they have taken people from those plants and brought them into their new facilities.

In so doing, they have drastically cut down the total man-hours per ton in the industry until they are almost equal to the United States.

That is really the main reason for the discrepancy in 1965.

Mrs. GRIFFITHS. If they take these people on and they are on for life I wondered if they had not been moving them into a different job. But it is a different steel mill that they have moved them into. But wouldn't your man-hours have been far less on a strictly comparative basis? Wouldn't you have something like 4.6 if it actually compared to theirs, the same thing?

You tell me you use the maintenance, the mining and so on. I should think it would be far less. Would it not?

Mr. VERITY. Not to the degree you have mentioned.

Mrs. GRIFFITHS. Would it be about a half?

Mr. VERITY. It might be closer to 7 or 8 man-hours per ton.

Mrs. GRIFFITHS. Anyhow, if we didn't have the Japanese and German steel we would have a shortage right now?

Mr. VERITY. Yes.

Mrs. GRIFFITHS. Why don't you build more steel plants?

Mr. VERITY. I think the point was made that we are hopeful that, with the increased tonnage that we now are experiencing, we will make enough money to be able to reinvest it in new facilities.

Mrs. GRIFFITHS. Professor Adams of Michigan State pointed out in these hearings that one of the really helpful things about imports was

the effect on prices when Japanese and German steel began coming into this country.

It stops those perpetual price rises that began with the steel industry.

You know, I am from Detroit and every time you folks raise the price of steel, we raise the price of cars. Every time the steel workers got a raise the auto workers got a raise.

What do you say about that?

Mr. CORT. I think steel prices in the United States have been under pressure in one form or another from the administration since the midsixties. We have not maintained our cost-price ratio and that is one of the reasons that last year, for example, our return on net worth was 5 percent, which was the lowest of the 40 major industries that were analyzed by the First National City Bank.

Mrs. GRIFFITHS. You mean you had to have $20 invested to get back $1.

Mr. CORT. That is a pretty good ratio.

Mr. AHLBRANDT. Actually if you look at the financial results of the world steel companies, the larger ones, like Nippon Steel, the first 6 months of 1973, as reported in the Japan Metal Bulletin, they had sales of $3 billion and after tax profits of only $43½ million.

Now that means to me that they are selling very close to full cost; or maybe they are selling and making a good profit in Japan, in their own market, but selling at some incremental cost and pricing at incremental prices worldwide.

Therefore, I don't think that we in America should have to compete with incremental pricing. We should hopefully become more productive, and more efficient and decrease our costs in that way, rather than having to sell our product at something less than full cost in the United States just to hold a market. That is our problem and has been our problem over the last few years.

Mrs. GRIFFITHS. Isn't that dumping?

Mr. AHLBRANDT. I would say they are dumping but it is very difficult to prove our cases. We have about five or six cases before the Tariff Commission now.

Mrs. GRIFFITHS. What does the Tariff Commission say?

Mr. AHLBRANDT. Pardon?

Mrs. GRIFFITHS. How does the Tariff Commission react to it?

Mr. AHLBRANDT. We are getting favorable hearings over there and we have several cases under investigation.

I am just reading the Tuesday, May 29, 1973, Japan Metal Bulletin here which says the stainless steel sheet prices, as best we can evaluate it, are $1,250 a ton in Japan. Yet, their export prices are $1,140 a ton and they are actually selling over here at something less than $1,000 a ton. They have to ship the steel over, pay the insurance and everything else. I say that is dumping, yes.

Mrs. GRIFFITHS. I would say it is too. I think they are doing that all over the world, not just on steel but on everything else. I think the United States really should step in and either tell them they cannot use the market at all or they have to sell it with a profit.

Exactly how we are going to operate this with the Communist countries is not real clear to me.

I enjoyed hearing you.

I have a bill in here that would give a tax break to the recyclers of metal. I think you folks should be the main supporters.

Thank you, Mr. Chairman.

The CHAIRMAN. Let me warn you on that now. You must commit yourselves.

Mr. CORT. Thank you.

The CHAIRMAN. Mr. Collier will inquire.

Mr. COLLIER. All of you have recommended that we continue the voluntary restraints on imports. However, from Mr. Verity's statement I gather that you did so with something less than enthusiasm and since there are forecasts that the steel situation will be tight both at home and abroad and since you tell us today that the voluntary restraints leave something to be desired, why do you come before us today recommending their continuation?

Mr. VERITY. I think, Mr. Collier, we make the point that imports are not a particular problem right now, but we also make the point that steel is cyclical.

Let us say that in 2 or 3 years the steel supply situation throughout the world isn't as tight as it is now. We feel that at that time there should be some safeguards, whether they be voluntary, government to government, or whatever comes out of this bill, that will protect us against the kind of imports that Mrs. Griffiths is talking about, where they come in for a national purpose.

Their national purpose may be to help unemployment, balance of trade, to get dollars, or whatever it might be. That is what we have been through in the last 4 or 5 years.

Mr. COLLIER. So it has a value as a sort of safety valve in the event this situation should change on any cyclical basis, is that about it?

Mr. VERITY. Yes, sir; that is our position.

Mr. COLLIER. But it has not been something that up to this time has had any real impact or effect upon domestic prices. Is that also a fair statement?

Mr. VERITY. We believe that is a fair statement.

Mr. COLLIER. There is one thing that has bothered me. Other experts have testified before us as you gentlemen have today registered a very understandable concern with the power granted the Executive in the negotiating procedures and decisions under the proposed bill.

I share that concern with the witnesses who have been here.

On the other hand, if we write an amendment such as has been suggested along the lines of taking from the executive branch of Government the degree of discretionary power in these decisions that is proposed and place greater mandatory power in the hands of the Tariff Commission, do you have any concern that conceivably in pursuing this concept that there would be replies always in other areas that might at some way down the road affect your industry if many foreign nations, as a result of these mandatory decisions that would be implemented by a finding of the Tariff Commission, were to find a means of reciprocating or finding a way of imposing reprisals against American imports?

Mr. VERITY. My own feeling is that the bill that is before you is dedicated hopefully to strengthening the President's hand in foreign trade and that we do have some safeguards built in. One of them is through investigations by the Tariff Commission.

I believe that if the President is required to provide import relief after an affirmative determination by the Tariff Commission, this will be a satisfactory safeguard.

Whether or not retaliation occurs because of this will be the name of the game from here on. I think the United States is going to be more active in making sure that American trade concerns are considered promptly and effectively and I think this new legislation will help our Government achieve that result.

Mr. COLLIER. Mr. Cort.

Mr. CORT. I think that any embarrassment that might come from a situation such as you described would be temporary because the International Iron and Steel Institute has made a survey of the world steel requirements out to 1985 and it indicates that capacity will have to be dealt with.

In other words, the world market will be going from 500 million metric tons today to a billion metric tons in 1985.

What we have been addressing ourselves to are the temporary cycles. I think we are talking in terms of a very, very short span.

The problem is going to be how the world finances this doubling of steel capability. It throws some light on the peculiar position that the U.S. steel industry finds itself in, in world competition where around 70 percent of the free world's steel capability today is either directly owned or controlled by Government.

There are only three countries in the world today where major steel industries are still in the hands of the private sector and they are: the United States, Canada, and West Germany.

This introduces a great problem when you are a profit-motivated industry in this dominantly socialistically owned world industry.

We have our problems in raising capital for expansion, modernization, and the implementation of the environmental requirements.

The only way we can raise that is by showing a viability profitwise that will induce people to either entrust equity investment with us or go out and borrow.

The rest of the world does not have problems as far as generating capital is concerned because their governments will either provide it directly or guarantee their loans, or get them preferential interest rates.

I would like to cite an example and I think it is the best one.

The British Steel Corp., since it has been nationalized, has lost hundreds of millions of dollars and yet in spite of the very dismal track record, the British Government has assured them that $7.5 billion for expansion and modernization will be made available to them over the next 10 years.

There is no way that they can generate half of that in their cash flow.

Mr. COLLIER. Very interesting.

My time is up.

Thank you, Mr. Chairman and thank you sir.

The CHAIRMAN. Mr. Fulton will inquire.

Mr. FULTON. Thank you, Mr. Chairman.

Mr. Cort, you mentioned earlier that you had a number of antidumping cases pending before the Tariff Commission.

How many do you have specifically?

Mr. CORT. I am sorry, I did not hear your question.

Mr. FULTON. I thought I heard you respond to Mrs. Griffiths that there were some antidumping cases pending before the Tariff Commission at this time.

Mr. CORT. There are in the specialty steels.

Mr. FULTON. Could you tell us how many?

Mr. AHLBRANDT. We have had six dumping cases before the Treasury Department. We have right now one dumping case that is under investigation by the Bureau of Customs, and one is before the Tariff Commission.

The Commission is now considering stainless steel wire rod from France, and the Bureau of Customs is investigating stainless sheet from that country.

Mr. FULTON. When was that case originally filed?

Mr. AHLBRANDT. It was filed in September of last year, sir. They have expedited their treatment.

Mr. FULTON. I think you mentioned six cases. Are all of those of recent nature?

Mr. AHLBRANDT. Yes; they are. We filed the *Swedish Tool Steel* case in January of 1971.

Mr. FULTON. Do you recall ever having had a favorable ruling?

Mr. AHLBRANDT. We have had a very favorable ruling here on stainless steel plate which was filed against Sweden last May. It was decided on the first of May this year in favor of the United States.

Mr. FULTON. Thank you. That is all.

[The following was submitted for the record:]

DUMPING

	Filed	Treasury notice	Withhold appraisement	Final Treasury decision due	Tariff hearing	Tariff decision due	Complainant
Tool steel (Sweden)	Nov. 1971	Nov. 1971	Jan. 15, 1973 (14 mos.)	Apr. 15, 1973	(1)		Allegheny Ludlum and Latrobe.
SS Wire rod (France)		Dec. 9, 1971	Jan. 8, 1973 (13 mos.)	Apr. 8, 1973 (announced)	June 12, 1973		Allegheny Ludlum, Carpenter, and Cyclops.
SS plate (Sweden)	Apr. 20, 1972	May 26, 1972	Feb. 2, 1973 (8 mos.)	Apr. 9, 1973	Mar. 27, 1973	May 1, 1973	Jessop.
SS sheet/strip (France)		Sept. 22, 1973	Apr. 3, 1973 (6 mos.)	July 3, 1973			Crucible.
SS sheet (Japan)	Feb. 9, 1971	(2)	(2)	(2)	(2)	(2)	Allegheny Ludlum, Universal Cyclops, and Washington.
SS welded pipe (Japan)	Nov. 1, 1971	(3)	(3)	(3)	(3)	(3)	Cartech, Consolidated Metals Corp., Republic, Union, Sharon, Michigan Seamless Trent, and Wallingford.

[1] Discontinued.
[2] Full scale investigation initiated March 29, 1971. Found de minimus margins. No withholding of appraisement. Discontinued with assurances.
[3] Full scale investigation initiated January 14, 1972. Found de minimus margins. No withholding of appraisement. Discontinued with assurances.

U.S. TARIFF COMMISSION, WASHINGTON

[AA1921-114]

STAINLESS-STEEL PLATE FROM SWEDEN

Determination of Injury

MAY 1, 1973.

The Treasury Department advised the Tariff Commission on February 1, 1973, that stainless-steel plate from Sweden is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. In accordance with the requirements of section 201(a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission instituted investigation No. AA1921-114 to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

A public hearing was held March 27-29, 1973. Notice of the investigation and hearing was published in the *Federal Register* of February 16, 1973 (30 F.R. 4599).

In arriving at a determination in this case, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearing, and all factual information obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

On the basis of the investigation, the Commission[1] has determined than an industry in the United States is being injured by reason of the importation of stainless-steel plate from Sweden being sold at less than fair value.

STATEMENT OF REASONS

The Antidumping Act, 1921, as amended, requires that the Tariff Commission find two conditions satisfied before an affirmative determination can be made.

First, there must be injury, or likelihood of injury, to an industry in the United States, or an industry in the United States must be prevented from being established. Second, such injury, likelihood of injury, or prevention of establishment of an industry, must be by reason of the importation into the United States of the class or kind of foreign merchandise the Secretary of the Treasury has determined is being, or is likely to be, sold at less than fair value (LTFV).

The aforementioned conditions are satisfied in the instant case. In our judgment an industry[2] in the United States is being injured by reason of imports of stainless-steel plate from Sweden sold at less than fair value. Our determination is based primarily on the following evaluation of facts developed during the investigation.

The Treasury Department found from its investigation that the bulk of the exports of stainless-steel plate from Sweden to the United States is being sold at less than fair value, and that the margins of dumping, i.e., the difference between fair value and the LTFV sales prices, are substantial.

Prices paid by distributors for LTFV imports are substantially lower than those paid for domestically produced stainless-steel plate, and the difference in price is approximately equal to the average LTFV margin found by the Treasury Department. Many distributors state that they would not purchase stainless-steel plate from any foreign source unless it was priced substantially below the price paid for U.S.-produced stainless-steel plate. Were the Swedish producers to sell at fair value the prices of imports from Sweden and of the domestic articles would be comparable, and domestic sales of imports from Sweden would be reduced. If such imports had been sold at fair value the sharp increase in imports and in U.S. market penetration by LTFV imports would never have occurred.

By reason of the LTFV sales on the part of the Swedish exporters, U.S. producers' prices have failed to increase in proportion to increased costs of domestic production. For example, the average net sales price per ton of domestically produced stainless-steel plate actually declined by 4.5 percent between 1970 and 1972, while the average hourly earnings per worker in primary metals industries,

[1] Vice Chairman Parker and Commissioners Leonard and Young did not participate in the decision.

[2] We have determined that the domestic industry being injured by LTFV imports herein considered consists of the facilities of domestic producers engaged in the production of stainless-steel plate.

of which the stainless-steel plate industry is a part, increased by 18.2 percent. Other costs of production have also increased, thus resulting in a severe profit squeeze for the U.S. producers, caused—at least in part—by their inability to raise prices sufficiently to meet competition from LTFV imports of stainless-steel plate from Sweden.

Notwithstanding greatly increased exports to the U.S. market, such export sales continued in 1971 and 1972 to account for a small proportion of Sweden's total exports of such merchandise. In 1971, exports of stainless-steel plate and sheet to the United States accounted for only 10 percent of Sweden's total exports of such merchandise, exports to Western Europe accounted for 67 percent, and exports to all other countries accounted for 23 percent. There is considerable room for expansion of exports to the United States not only by altering market priorities but also by increasing production.

Swedish producers of stainless-steel plate, despite sales at less than fair value, are able to achieve a higher net return on their sales in the United States than on their sales in any other market. Thus, the Swedish producers have the capacity to increase their exports to the United States and the higher profitability for them from their sales to the United States at less than fair value is likely to encourage them to do so.

Imports of stainless-steel plate from Sweden have increased sharply in the past several years. In 1970, U.S. imports of stainless-steel plate from Sweden amounted to 1,600 net tons, or 19 percent of total imports, but in 1972 they amounted to nearly 10,000 net tons or 58 percent of total imports. Imports from Sweden alone in 1972 were almost equal to imports from all sources in 1971 and were greater than imports from all sources in any previous year.

One of the principal reasons for increased Swedish concentration on the U.S. market was the decline in demand for stainless-steel plate and sheet in Sweden's largest market, Western Europe. From available international statistical records, Swedish exports of stainless-steel plate and sheet during the period 1968–71 increased annually, from 90,000 metric tons in 1968 to 94,000 metric tons in 1971. However, exports to Western Europe fell off by 12,000 metric tons in 1971, while exports to the United States increased sharply. With the loss of its Western European market, Sweden maintained its total export level in 1971 by increasing its exports to the United States and to other markets outside of Western Europe.

In 1970, imports of stainless-steel plate from Sweden amounted to only 2 percent of apparent U.S. consumption. In 1971, however, they amounted to more than 5 percent, and by 1972, when Treasury found LTFV sales, they amounted to nearly 12 percent of the domestic market.

There is clear relation between lost sales by U.S. producers and LTFV imports of stainless-steel plate from Sweden. The Commission contacted distributors accounting for over 80 percent of total U.S. sales of stainless-steel plate. Over 75 percent of these distributors stated that they were buying or had bought stainless-steel plate imported from Sweden since January 1, 1972. Such LTFV sales supplanted purchases that would otherwise have been made from U.S. producers. This is supported by the fact that U.S. producers' shipments were 3 percent smaller in 1972 than in 1970, whereas U.S. consumption was 9 percent greater.

A review of the accounting procedures and financial statements of the principal producers of stainless-steel plate finds an overall decline in profits and returns on investment. Net operating profits for those firms as a percentage of net sales declined from 7 percent in 1968 and 1969 to 4 percent in 1972. For their stainless-steel plate operations alone, net operating profit as a percentage of net sales of stainless-steel plate declined even more preciptiously, from 4.4 percent in 1968 to 1.5 percent in 1972. Although some of the decline in profitability of these producers may have been due to recessionary factors in 1970 and 1971, the continued low level of profits in 1972 is directly attributable to increased production costs coupled with LTFV sales of Swedish stainless-steel plate that have held domestic prices at abnormally low levels.

On the basis of the foregoing, we conclude that an industry in the United States is being injured by reason of imports of stainless-steel plate from Sweden sold at less than fair value.

The CHAIRMAN. Mr. Conable will inquire.

Mr. CONABLE. Thank you very much.

We are very interested up here in your statement that 70 percent of the steel produced in the world is produced in nationalized industries or controlled industries.

I am wondering if you can see any distinction between nationalized industries and those steel industries which are in Socialist countries as such or Communist countries. It seems to me that nationalized industries may very well be involved in trade offs and priorities within their countries to the degree that is not implicit in Communist doctrine generally. The Communists have favored the development of heavy industry regardless of its impact on the ecology of the country.

Is this true? I was surprised by your figures on the nationalized steel industry in Britain. It certainly sounds as though they are not engaging in a very sensible priority decision with respect to the steel industry if they are going ahead with a $7.5 billion investment despite all the problems they have there with their economy.

Can you generalize on this?

Mr. CORT. The example that I picked of the British Steel Corp. can be multiplied a number of times.

Finsider in Italy is currently involved in a sizable expansion move despite its losses over the recent years.

Spain is subsidizing its government-owned steel facilities. Now all of Spain's capability is not government-owned but better than half of it is.

I was addressing myself to the free world. When you get into the Communist countries you have a different problem. They never heard of cost-accounting. They could not tell you what a ton of ore costs, a ton of metallurgical coal, a ton of coke, or a ton of steel.

Mr. CONABLE. With these figures you have given us, one wonders if the free steel industry can survive at all if it is given such a high priority throughout the world except in the nonnationalized areas.

Mr. CORT. I am thankful you gave me the opportunity to answer that. We say it can if the trade bill enforces reasonable marketing and restricts unfair competition.

We can hold our own.

On the average, even with our very adequate return, we are almost double most of the other steel economies, free-world steel economies, in profitability.

Mr. CONABLE. What is happening to technology in the steel industry now? Is there a great deal of research going on and are you having major capital demands that can't be reached because of the fact that your equity financing is so difficult now and because of the high cost of borrowing? Is what is being invested in the steel industry abroad largely an effort to catch up with existing technology or does it represent new strides out into new areas of cost cutting?

Mr. CORT. To answer your first part, there is a great activity in technology both here and abroad. Steel technology and knowledge has become practically a worldwide commodity.

As far as the capital funds that are being spent abroad, in a large measure they are for expansion. They have gone through the modernization period just as we have.

The U.S. steel industry has spent an average of $1.7 billion a year for the last 10 years and practically all of that has been on modernization and a certain amount of it on pollution control facilities.

Mr. CONABLE. Can you give us any idea what percentage of the money you are putting into pollution control?

Mr. CORT. At the present time our capital outlays are about 12 percent devoted to pollution control facilities. That has a very satisfactory return of about minus 10 percent.

Mr. CONABLE. Looking ahead, is the steel industry of the world likely to shift toward the developing nations because of resource shortages in the developed nations and the exhaustion of available coal and ore in the developed nations?

Mr. CORT. Percentagewise and not in absolute terms, percentagewise there is more expansion in the developing nations. It is their effort to take their raw material wealth further into a more finished product.

The problem is what they don't have a market to absorb it. So, as they expand it is going to compound the situation in the world market over the near term. Looking ahead 12 or 15 years, a balance between supply and demand will probably exist. But the road can be very rocky up to that point.

The $1.7 billion a year that we have spent in capital outlays in the United States over the last 10 years has netted us no increase in raw steelmaking capabilities. We have added to our capacity hardly a ton.

Mr. VERITY. Your question is a very good one because I think very definitely that more of the raw steel will be produced in the semi-finished form in the developing countries, which is where the raw materials are. That material will then be brought to the developed countries for processing and shipment to the customers. That simply will be the direction of steel production in the next 10 to 15 years.

Mr. CONABLE. Everybody considers steel a pretty basic industry and therefore everybody wants to be self-sufficient in it and it is inevitable the developing countries want that also. If they are the main source of the raw material, inevitably they are going to put great pressure on their economies to generate this capacity for themselves?

Mr. VERITY. No question about that.

Mr. CONABLE. Thank you, Mr. Chairman.

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

Mr. Pettis?

Mr. PETTIS. No questions.

Mr. BURKE. Mr. Archer?

Mr. ARCHER. Yes; can you give me the labor cost per ton in the United States relative to Japan and Germany? You have the two figures, you have the man-hours per ton and you have the hourly rate. Do you have them put together there that you can give it to me?

Mr. CORT. It is hard to be precise about that. Our average hourly employment costs today are running in excess of $7.50 a ton. From the best intelligence that we can get, the Japanese in terms of fringe benefits and total employment cost would run slightly more than a third of that, about 40 percent of it.

Mr. ARCHER. But we have slightly better efficiency in our labor according to your chart also. I was wondering what labor cost per ton would be relative to Japan and West Germany?

Mr. CORT. We can supply that. We will be happy to.

[The information referred to follows:]

AVERAGE EMPLOYMENT COSTS PER NET TON OF FINISHED STEEL PRODUCTS OF STEEL INDUSTRY WAGE EMPLOYEES UNITED STATES, WEST GERMANY AND JAPAN

[In U.S. dollars]

	United States	West Germany	Japan	Difference between United States and— West Germany	Difference between United States and— Japan
1960	57.30	29.40	27.40	27.90	29.90
1961	58.25	34.39	26.25	23.86	32.00
1962	57.82	37.00	22.29	20.82	35.53
1963	56.53	39.59	27.60	16.94	28.93
1964	55.37	35.86	26.22	19.51	29.15
1965	54.66	39.28	27.65	15.38	27.01
1966	55.56	40.51	25.38	15.05	30.18
1967	59.02	38.02	24.16	21.00	34.86
1968	59.86	35.32	24.78	24.54	35.08
1969	63.48	36.57	24.38	26.91	39.10
1970	69.30	47.90	26.11	21.40	43.19
1971	73.87	[1] 56.56	[1] 30.35	[1] 17.31	[1] 43.52
1972	78.59				

[1] Preliminary.

Source: American Iron and Steel Institute, based on U.S. Bureau of Labor Statistics. The original data developed by the U.S. Bureau of Labor Statistics, on which this table is based as well as the data in tables II and III in the American Iron and Steel Institute statement to the Committee are as comparable among countries as the U.S. Bureau of Labor Statistics could make them. The USBLS covered the same categories of workers in all countries and adjusted for differences in product mix. They also adjusted the Japanese data to include workers in operations contracted out which in other countries are done by regular employees. It is understood that the factor used in this adjustment has not been revised since the original 1964 study, which would result in some downward bias in the Japanese man-hours per ton data for later years, since newer Japanese plants generally do more contracting out than the older ones.

Mr. ARCHER. What percent of the total cost of the production of steel is represented by labor cost?

Mr. CORT. It varies with certain producers but I would say the average is 40 percent of the total production cost in labor.

Mr. ARCHER. What would you say roughly is the precentage of the cost of production that is tied up in the social costs that you listed in your presentation? Environmental and all the other factors that you outlined in your statement?

Mr. CORT. The rule of thumb is that for every dollar of capital input that is made in the social field, in other words, environment control, operating costs, and maintenance costs will cost 10 cents a year.

Now the Government has had a recent survey made as to the probable total cost of conforming with existing restrictions or standards. The figure that came up was $3.5 billion between now and 1976.

Mr. ARCHER. Mr. Verity, I know that Armco has had extensive experience in international trade for many years.

What is your reaction to granting most-favored-nation treatment to the Soviet Union?

Mr. VERITY. Mr. Archer, from a philosophic point of view I believe that international trade goes a long way in creating better understanding between nations and is a very important deterrent to war. In this specific instance, it so happens that the Soviet Union has great resources of fuels and raw materials which we badly need.

On the other side we have products and technology that we would like to sell to them to increase our exports. So, for these various reasons I strongly believe that extension of the most-favored-nation treatment to the Soviet Union would be in the best interest of the United States.

Mr. ARCHER. How do you deal with a state controlled economy where you have no cost controls, as Mr. Cort said a while ago? How do you

determine whether there is unfair competitiion under those circumstances?

Mr. VERITY. The kind of trade that I would envision would be in the form of a barter arrangement.

You are selling products and technology and in return are taking products or technology and this becomes a matter of negotiation.

So, it is fair trade if the negotiation is satisfactory to you. If it is not satisfactory to you the trade does not occur. In dealings we have had with the Soviet Union to date we find a great desire on their part to trade with the United States.

Mr. ARCHER. If we grant them most-favored-nation treatment along with the other countries of the world how can we then come in and single them out and say we are not going to accept any of your products in a certain category whereas we will accept them from other countries in the world?

Mr. VERITY. I am not aware of products that we would not accept from the Soviet Union.

Mr. ARCHER. I thought your comments just a couple minutes ago were that we would be on a barter arrangement with them and therefore whatever we could or got could be restricted, whatever came into this country could be restricted.

Mr. VERITY. If I gave you the impression I was talking about restrictions, I was not. My point basically is that we would like to trade with them. If we can get dollars for our products or our technology we would be very happy.

We feel that in dealing with them you probably will have to trade on the basis of accepting products or materials that they have in great abundance.

Therefore, I see no problem in this and would put no restrictions on what could be traded.

Mr. ARCHER. Perhaps for the time being that might be true but I can anticipate that there are a number of areas that if they wished to export to this country in a state controlled economy where they have no cost figures as we mentioned, that they could become very disruptive to our domestic economy if they ever intended the use of this type of tool.

Mr. VERITY. I can visualize that but I would assume that the Soviet Union would come under the same restrictions as anyone else in the trade reform act.

Mr. ARCHER. But the question is how do you deal with a state controlled economy, which is what I am trying to get at, because even though they came under the same restrictions as other countries we don't have the same ability to get the figures and to make the determinations that we do with other types of economies.

Mr. CORT. Mr. Archer. I think one of the early trading agreements that was made that illustrates Mr. Verity's point is a well known soft drink producer, that I won't mention the name of, who made an agreement to trade syrup with Russia and in turn take a like value, as determined by barter, of vodka.

I see no disruption in a situation like that. As far as steel is concerned, they could be very disruptive and that is the reason that we are asking for some safeguards in certain areas.

Steel is a very capital intensive industry and I think that they are looking for technology and consumer products and machinery and I think they would be more inclined to go to the natural raw materials in their part of the bartering partnership than to manufactured goods.

Mr. SCHNEEBELI. Will the gentlemen yield?

Mr. ARCHER. Yes.

Mr. SCHNEEBELI. In connection with United States-Soviet exchange, it might be noted that Mr. Don Kendall is trading Pepsi-Cola for vodka.

Mr. CORT. You gave him the advertising, I didn't.

Mr. ARCHER. I am not sure from reading your statement exactly what your views are on general preferences. I have expressed to other witnesses my very serious concern that if we adopt the administration's tax proposals as a package with the Trade Reform Act provisions for general preferences to less developed nations that we are opening a tremendous door for foreign competition to establish itself in less developed nations, where our own companies will be at a great tax disadvantage, and import into the United States without restriction the products they produce there.

I wonder if you share my concern about that.

Mr. CORT. We do. That is the reason we ask for certain safeguards in the pending legislation.

Mr. ARCHER. I personally will look forward to your recommendations. I think you said you would make them a little more specific in the future.

Mr. CORT. That is right.

Mr. ARCHER. Thank you.

The CHAIRMAN. Mr. Waggonner will inquire.

Mr. WAGGONNER. Gentlemen, what you seem to be saying is that you believe that it will be good to use this trade legislation as a vehicle to grant MFN status to Russia because philosophically you think that trade is a deterrent to war, and I would agree that trade is a deterrent to war. It seems as well that you are saying that even though we do that that you can't go it alone without the involvement of this Government because you are going to be dealing with the Russian Government, and the private sector itself can't go it alone with the Russian Government, that you are going to have to have the support and the assurances of the U.S. Government that you can't get hurt if you do barter with them. Is that correct?

Mr. VERITY. Yes, sir. I believe that we as a private company can negotiate with the Soviet Union. But we certainly cannot negotiate with the Soviet Union unless we are assured that our Government is in favor of this kind of trade and will support our efforts under the necessary rules and regulations to make it a good barter arrangement.

Mr. WAGGONNER. Aren't you in fact saying you want more than that? You don't want this Government just to assure you that you can trade under these conditions; you want this Government to assure you that Russia will live up to her part of the deal?

Mr. VERITY. I think that is inherent.

Mr. WAGGONNER. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions of these witnesses? Mr. Carey?

Mr. CAREY. Thank you, Mr. Chairman.

I find in the statements quite a concern that we do nothing on the tax side to inhibit or impede the ability of our steel industry to remain competitive or to be more competitive with our foreign counterparts.

Is there any steel intelligence information as to what our major foreign competitors are doing to make their production more competitive and to step up the level of competition?

Are they getting access to any better fuels or fuel costs? Are they making long-term arranagements for energy that we are unable to make? What is developing vis-a-vis our American steel industry in the competition sector that we should be watchful for in our trade negotiations?

Mr. CORT. I don't think there is any positive move as far as raw materials are concerned to get such an arrangement. This devaluation of the dollar is a two-edged sword because most coal and iron ore contracts are made in terms of dollars.

Every time we have a devaluation it reduces the competing countries' raw material costs. But that is the only advantage that I see coming so far.

To offset that, Japan, by and large, buys its raw materials, its metallurgical coal and its ore. Most American companies are integrated.

So, we do have an advantage in producing our own raw materals. The Japanese certainly are paying some part of their purchase price in profit to the producers of these raw materials.

Mr. CAREY. Most specifically, on coal it has been my information all along that we enjoyed some help in our balance of payments; balance of trade because of our goal supply and our exports of coal to Germany and Japan.

I was quite comforted by that. But I was distressed to learn that we may not be enjoying those levels of exports, record levels of exports, very long because the Japanese have entered into more beneficial arrangement lately with the Australians and Canadians.

This would tend to lower their raw materials costs especially in the heavy industries like steel, and at the same time, reduce for long term certainly our coal exports.

So it will have an adverse impact on our balance of payment and possibly a more competitive factor entering into the Japanese steel production. Is this correct?

Mr. CORT. They are still buying. The Canadians and Australians are not going to forego a profit on their coal or raw material that they are selling the Japanese.

Mr. CAREY. I am informed they are making long term beneficial energy commitments with people like the Japanese, like the Australians and Canadians and in addition assuring long-term supplies of natural gas with Middle Eastern sources.

In other words, they are looking far ahead and making these beneficial contracts to tie up at certainly competitive and favorable levels energy supplies for the long-term future.

Are we able to do the same thing?

Mr. CORT. I think our discussions of buying liquified natural gas abroad are along that same line.

Mr. CAREY. We are talking about it but they have concluded an arrangement which is a 20-year arrangement announced in the Wall Street Journal some 3 weeks ago.

I think we ought to look to not just these trade negotiations but the efforts being made among your competitors so that when negotiations are joined, they are in a secure and satisfactory position not only on trade negotiation but they can assure long-term customers in the world that they will have supplies at favorable levels when we may be hard put to supply your mills with the sources of energy to run. That is the side I am looking at.

Mr. AHLBRANDT. That is our concern in the specialty steel industry, especially for alloys, as well as power, I can assure you. I believe that we in the United States should lay out a long-range plan and that we should be encouraged to go out and develop these sources and let the long-term contracts. We are doing it on our own, individually, I can assure you. If we shut off Rhodesia or South Africa and other countries, because of various other policies which certainly have to be taken into account, I think we are just cutting off our nose to spite our faces.

I agree with you 100 percent. I think we should be out looking for long-term agreements and satisfying our material needs because we are a have-not nation on the critical alloys.

Mr. CAREY. Some of those could be concluded on barter arrangements where our high technology could be traded off for raw material commitments.

I am not satisfied we are energetic enough in that regard, are you?

Thank you very much.

The CHAIRMAN. Are there further questions?

Mr. ARCHER. Mr. Chairman.

The CHAIRMAN. Mr. Archer.

Mr. ARCHER. In your response that labor constitutes 40 percent of the total cost of steel, are you speaking just to direct cost or are you including all your indirect labor cost?

Mr. CORT. That is total employment cost, fringe benefits and everything.

Mr. ARCHER. Does that also include the labor cost that is factored into the cost of the coal and the iron ore that you have to use in your process? If I were to buy rolled steel from you, what percentage of the price that would be represented by labor?

Mr. CORT. Mr. Archer, it varies by companies. It depends upon how fully integrated they are. In our case, we are as fully integrated back to the ore and the coal as anybody in the industry on a percentage basis. Actually our labor costs, our labor employment costs, run 45 percent. But I mentioned 40 percent as an average for the industry.

Now, some producers who buy a considerable amount of their coal and ore requirements will have a labor cost of 30, 32 percent. However, they have a much higher percentage of total cost in their purchases of materials and goods and supplies.

Mr. ARCHER. Thank you. What percentage of plant expansion do you anticipate in the industry for the next year?

Mr. CORT. There isn't any major expansion that has surfaced as yet. This is one of the problems that we have been addressing ourselves to this morning. If we are going to keep our share of the 1980 market, assuming that the import steels remain at the same percentage of the total consumption as they are today, the industry should be starting immediately with programs for expansion of raw steel capacity.

One of the reasons that none of these plans for expansion has surfaced as yet is the uncertainty of how much of this market, our domestic market, is going to be available to us after we spend these billions of dollars 3 or 4 years ahead of the then-existing market condition.

Mr. ARCHER. Under the legislation that has been proposed to this committee, I would, then, assume that we offer you no relief in this regard because we are looking at perhaps a 4- to 5-year negotiating period before we find out just exactly what we have to work with. Does that mean, then, that, if this legislation presently before this committee is adopted, you will not be able to make any plans for, say, 5 years for plant expansion?

Mr. CORT. If there are safeguards, for orderly marketing in the legislation, then, I am sure, you would see a movement of plans and programs for considerable expansion. This money that we would have to have to keep our share of this market in 1980—$3 billion to $4 billion a year—we have to borrow an awful lot of that, and our investment bankers want some assurance that we will be able to turn the wheels over 3 to 4 years from now, when the project is completed. The uncertainty is one of the things that impinges on our borrowing ability.

Mr. ARCHER. Then you feel that it is absolutely essential that we write into this legislation additional provisions with respect to orderly marketing which are not in the proposed bill in order to give you this type of environment to work in?

Mr. CORT. That is what we are recommending.

Mr. ARCHER. Thank you very much.

The CHAIRMAN. Mr. Burke will inquire.

Mr. BURKE. During the negotiations on the GATT agreement, was the steel industry consulted about any of the problems that they might have as a result of these negotiations? Were you people consulted?

Mr. VERITY. You are talking about the previous GATT agreement?

Mr. BURKE. Yes.

Mr. VERITY. Yes, sir; we did have a representative from the steel industry who was there with Ambassador Blumenthal. He was consulted. I really can't say that the consultation was effective, but he was there.

Mr. BURKE. Do you expect to participate, if this legislation gets through, in any future negotiations?

Mr. VERITY. I can't say that we have been given any assurances that we will be consulted, but we certainly would like to be.

Mr. BURKE. It seems to be one of the weaknesses in this legislation that industries are not being consulted and these decisions are being made by people who apparently are not too well acquainted with the problems of different industries. I can't understand why it is not in the bill, why some provisions aren't in the bill that the business and labor segment of our population should be consulted in some respects.

Mr. VERITY. I would certainly agree with you, Mr. Burke, because I think in the past a lot of these decisions have been political rather than economic. I would hope that the bill will come out where industry will be consulted.

The CHAIRMAN. Mr. Corman will inquire.

Mr. CORMAN. Thank you, Mr. Chairman. Gentlemen, as I understand it, trade is regulated, protected, in one or two ways—either by quotas or by tariffs. I assume, when you talk about "orderly marketing," you are talking about quotas, either voluntary or mandatory. Is that correct?

Mr. CORT. I would say, if we had a preference, we would prefer quotas.

Mr. CORMAN. Do you think that, if the President had unlimited authority to fix tariffs up or down, your industry can be reasonably protected by tariffs alone?

Mr. CORT. Well, to get back to my point that 70 percent of the free world capability is either government-owned or government-controlled, I don't think tariffs have as much of an impact on steel, for example, as other nationalistic or socialistic policies. When the surtax was put on in 1971, it had very little perceptible effect on the volume or the willingness of offshore producers to come in here and take domestic business.

Mr. CORMAN. I think, whether they measure it in dollars, man-hours, or whatever, there must be some cost to foreign production. I can't imagine, if the tariffs were high enough, that you couldn't be put in a competitive position with foreign producers.

Mr. AHLBRANDT. Generally, of your full cost of production, about one-third of that, or 35 percent is what they call direct cost. That covers your labor and materials. I think that the nationalistic economies or the bloc economies that we are competing against, not only in steel but other products nationally—they are willing to sell at these incremental prices, which are really predatory prices over here in order to absorb so much capacity that they wish to produce over there to keep their labor fully employed, and so on; also to pay the banker.

I think that is what we are talking about so far as tariffs are concerned; even if you added a 10 percent or an extra 15 percent, I don't necessarily believe that would stop the products coming into the United States at an incremental price, which would absorb that tariff or be absorbed by the country which wishes to get rid of that material.

Mr. CORMAN. We would not be putting that kind of restraint on the President. He can go as high as he wants on tariffs. There must be some hypothetical point at which maybe it would be better for us to get out of the steel business if they wanted to sell it to us free.

I am not suggesting that at all, but there must be some economic laws that would effect us where we could do it through tariffs, it seems to me. I grant you that we are talking about very modest tariffs. Perhaps that is not enough. We get into such horrendous problems trying to control through quotas.

Mr. AHLBRANDT. Stainless steel sheets several years ago were being discounted and sold over here at something like 35 percent under our own prices. They were also paying a 7 or 8 percent tariff on top of that, plus the transportation and other costs that they had. That, to me, says that tariffs did not mean an awful lot to them even if you increased them another 10 or 15 percent.

Mr. CORMAN. What about 50 percent?

Mr. AHLBRANDT. I would go for that if it would be acceptable.

Mr. CORMAN. I am sure you share my deep conviction that the free enterprise system is worth trying to salvage.

Mr. AHLBRANDT. Absolutely.

Mr. CORMAN. We destroy it with quotas.

Mr. CORT. In Mr. Ahlbrandt's case, some of his high alloy specialties, you can talk of effective increases in the tariff of $300 or $400 a ton. It gets rather astronomical.

Mr. CORMAN. Quotas present some complex problems that I can't figures my way through. It is an easy thing when you talk country to country. When you talk about the internal workings of our economy, every time we take a step either to encourage monopoly or destroy competition, we really, I think, do violence to our system.

If you were dependent on buying steel from somebody else and we were to move into a quota system, what would you like us to do to protect you?

Mr. CORT. I think if there is a quota system to insure orderly marketing, that the domestic industry would obtain the capital necessary to provide sufficient capacity to take care of the domestic consumer.

Mr. AHLBRANDT. I would like to add to that if I may. Today we have people who have relied on offshore steel as their source of supply, and they are now being shut off and their prices are being raised above the domestic prices in some cases. Therefore, I don't think that the quota system necessarily means it is going to insure you an offshore supply of material.

Mr. CORMAN. That is my very point, sir, and we have heard from some of those folks. They do indicate to us that they are presented with some insurmountable problems.

Mr. AHLBRANDT. They were buying material in the last few years; we did not have to provide for that market; supposedly there was enough material available. In 1964 the decision was made and we brought a new plant in, in 1970, at Dunkirk, N.Y., for stainless steel rod and wire and also tool steel. It cost us $25 to $30 million. By the time we brought the plant in, 50 percent of our wire rod market had been taken by foreigners.

All we are saying today is that we have to, in some way, assure that there is going to be a market 4 or 5 years from now if we are going to put a great many hundreds of millions of dollars into new plant capacity. Otherwise, we probably—as you indicate, maybe we ought to liquidate our way out; but I don't think you or I want to do that.

Mr. CORMAN. Let the record show that I am not suggesting that we do away with the steel industry.

Mr. CORT. Mr. Corman, we are in agreement with you that tariffs are probably easiest to administer and so forth. We are for them if they will go high enough.

Mr. CORMAN. I am pleased with that comment.

One other thing: What has been the change in production since the end of World War II? How many man-hours did it take to produce a ton of steel and how many does it take now? I understand there has been considerable modernization in the industry since World War II.

Mr. CORT. I would hazard a guess that there has been at least a 25-percent reduction if not more. I would say it would be probably closer to 35 percent in the last 25 years in the man-hours required to produce a ton of steel.

Mr. CORMAN. What percentage of our domestic market now is imports?

Mr. CORT. Last year it was running 18 percent—17 to 18 percent.

Mr. CORMAN. So we have lost roughly twice as many jobs to automation as we have to imports?

Mr. CORT. That is right.

Mr. BURKE [presiding]. Of course, it is true, is it not, that as a result of this energy crisis and the predictions of what our needs are going to be for oil alone, when they predict we might have to import as high as $25 billion more of oil a year, if this comes about, we will not be able to allow the disruption of many industries that will cause a wholesale loss of jobs in other areas where we are importing goods that we do not need and putting ourselves in a position of having an imbalance of payments and large deficits in trade, that we might have to look down that road of quotas in order to bring about an orderly marketing policy here in the country.

In other words, I do not see how we can afford to allow the glutting of the market with goods that we do not need, that we can produce here and keep people working and, at the same time, supply the money that we are going to need for oil and other products that we do need. I don't see how we can do it. A fellow would have to be a real Houdini to perform this trick.

Mr. CORT. We agree with you a hundred percent.

Mr. BURKE. Sometimes tariffs might be the answer but, if they are not the answer and we start having a deficit in trade totaling $25 or $35 billion a year, this will be far more of a problem than some people state when they are talking of the difference between quotas and tariffs. We are faced with some real problems in this country.

The lack of people on the board of negotiations over there—do not understand what the business problems are in the country or the economic problems. They are going down there giving away everything and getting back nothing in return.

I think we are going to need some hardheaded, old Yankee traders on our side if we are going to come out even—just even. I can see where the entire economy not only of this Nation but the entire world will collapse. I think we have a capacity to help people out but, beyond that capacity, I think we have to help ourselves.

Are there further questions?

If that completes your testimony, on behalf of the committee we wish to thank each and every one of you for your fine contribution.

Mr. CORT. Thank you very much.

[The following was submitted for the record:]

STATEMENT OF THE AMERICAN IRON AND STEEL INSTITUTE

STATEMENT IN SUPPORT OF ELIMINATION OF DUTY ON U.S. IMPORTS OF MANGANESE ORE

American Iron and Steel Institute supports the enactment of legislation to eliminate the duty on imported manganese ore, as proposed in H.R. 6669 and H.R. 6676. The duty has been on a suspended basis since July 1, 1964.

Manganese is the most important alloying additive to iron in the manufacture of all grades of steel, and one for which there is no satisfactory substitute. Consumption in steelmaking approximate thirteen (13) pounds of manganese per net ton of raw steel produced. This relationship is expected to remain fairly constant in the foreseeable future.

Manganese requirements of the United States are obtained almost entirely from overseas sources in the forms of ore, ferroalloys and metal. The nation's

last mine producing ore, concentrates, or nodules containing 35 percent or more manganese, closed at the end of 1971. Manganese ore reserves do not exist in this country for all practical purposes since recovery of low-grade domestic deposits is not economically feasible, even if world manganese prices advanced three or four times above their present levels.

Suspension of the duty since July 1, 1964 has assisted the domestic ferroalloy industry in its battle against rising production costs and ferromanganese imports. Problems of this nation related to its national defense, balance of payments, and economic well-being dictate the maintenance of a viable domestic ferromanganese industry. Permanent elimination of the duty on manganese ores is therefore urged.

STATEMENT ON PROPOSED LEGISLATION AFFECTING IMPORTS OF ZINC ORE AND ZINC METAL

The domestic steel industry normally consumes approximately 400,000 net tons of zinc annually, or 25%–30% of total U.S. zinc usage, in the coating of steel sheets, strip, pipe, wire and other products. It therefore has witnessed with growing concern the steady decline in U.S. zinc mine output, and more importantly the loss since 1969 of about half of this country's capacity to produce zinc metal.

The closing of seven smelting plants between 1969 and 1972 resulted largely from such interrelated factors as high production costs, diminishing supplies of domestic ore, plant and technology obsolescence and environmental control regulations, but also from their inability to compete with foreign plants for imported zinc concentrates. The imposition of a duty on imported zinc concentrates by the United States—the only country to do so—raises domestic zinc operating costs by $13.40 a net ton, and diverts the flow of foreign ores to duty-free nations.

The steel industry believes the long-term interests of the United States and its zinc producers will be best served by the expansion of domestic zinc ore output. Nevertheless, it recognizes that several years would be required to affect a substantial reduction in this country's present dependency on foreign ores. The steel industry, therefore, urges enactment of H.R. 6191 or similar proposed legislation to suspend the duty on imported zinc ores for a two-year period.

The effect of declining U.S. zinc production on supplies available to domestic consumers since 1971 has been substantially offset by increasing zinc metal imports, U.S. government stockpile sales, and a drastic reduction in producers' inventories. The three later sources of supply accounted for more than 50% of the 1,429,000 net tons of slab zinc consumed in 1972. It is estimated that slab zinc consumption will increase to 1,575,000 net tons in 1973, of which 595,000 tons, or only 38%, will be provided from new production (excluding re-smelted G.S.A. material); 725,000 tons, or 46%, from imports; 225,000 tons, or 14%, from government stockpiles; and the remaining 23,000 tons from producer and consumer stocks.

Producer and consumer stocks at the end of 1973 will be at minimum levels. The 515,000 tons of U.S. government stockpile zinc available for release under Public Law 92–283 of April 1972 will have been reduced to less than 100,000 tons. Whereas the Administration's Stockpile Release Program proposes the disposal of an additional 357,000 tons of government-owned zinc, the worsening zinc supply deficit in this country should dictate in favor of rationing this material slowly on a priority basis.

Some domestic zinc producers have announced their intentions of expanding smelter capacity, particularly if the duty is removed on imported ores. Nevertheless, it appears likely that U.S. consumers will be dependent on annual imports of 725,000 to 800,000 net tons of zinc metal over the next several years. It should be noted that imports of slab zinc rose from 112,000 net tons in the first quarter, 1972, to 145,000 net tons in the fourth quarter, 1972, and to 168,000 net tons in the first quarter, 1973, despite the release of more than 250,000 tons of government stockpile zinc during the period.

Zinc is one of our most important and versatile materials. A strong and healthy zinc industry is essential to a viable U.S. economy. However, because of the short zinc supply situation which will prevail at least until 1977, the domestic steel industry opposes at this time the enactment of legislation, such as H.R. 6437, which would impose duty surcharges, or other quantitative restrictions, on zinc metal imports below the quarterly rate of 200,000 net tons.

SALIENT ZINC STATISTICS

[Thousands of net tons]

	1969	1970	1971	1972	Estimated 1973
1. U.S. slab zinc production capacity, Dec. 31	1,208	1,153	905	733	729
2. U.S. slab zinc production	1,149	961	840	[1] 765	[3] 720
3. Slab zinc imports	325	270	325	523	527
4. Slab zinc exports	9	1	13	4	3
5. U.S. Government stockpile sales	17	20	13	[2] 130	[4] 100
6. Changes in producer slab stocks	+8	+66	−90	−22	−10
7. U.S. slab zinc supply (items to 2 6)	1,474	1,184	1,255	1,436	1,552
8. U.S. slab zinc consumption	1,385	1,187	1,254	1,429	1,575

[1] Includes 81,476 net tons of GSA resmelted material.
[2] Includes 34,672 net tons of GSA material shipped by producers directly to consumers, plus approximately 95,000 net tons off-shelf and Government sales.
[3] Includes 125,000 net tons of GSA resmelted material.
[4] Includes 70,000 net tons of GSA material shipped by producers directly to consumers, plus 30,000 net tons off-shelf sales.

Source: 1969 to 1972, Bureau of Mines; Zinc Institute, Inc. Estimated 1973, American Iron and Steel Institute.

AMERICAN IRON AND STEEL INSTITUTE,
Washington, D.C., June 22, 1973.

Mr. JOHN M. MARTIN, Jr.
Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C.

DEAR JOHN: Attached hereto are specific recommendations of the domestic steel industry for revision of the anti-dumping and countervailing duty sections of Title III of the Trade Reform Act.

We would very much appreciate the inclusion of these recommendations in the record of the hearing.

Sincerely.

J. F. COLLINS.

Enclosure.

SUMMARY OF PROPOSED AMENDMENTS TO TRADE REFORM ACT OF 1973 (H.R. 6767)

TITLE I

Sec. 101(a).—The President's authority to enter into agreements pursuant to this section would be limited with respect to articles covered by subsection (b).

Sec. 101(b).—The President would be prohibited from negotiating reductions in existing duties on articles imported into the United States in such quantities as to (1) cause or threaten to cause serious injury to domestic industry or (2) contribute materially to the overall balance of trade deficit of the United Sates.

Sec. 101(c).—The President would be authorized, whenever he deemed appropriate, to negotiate binding agreements with foreign governments limiting imports. (This provision would in effect extend section 204 of the Agriculture Act of 1956 (7 U.S.C. § 1854) to all products.)

Sec. 103(c)(1).—The President would be required to submit to Congress a copy of any proposed trade agreement affecting NTB's, any proposed orders necessary to implement such agreements, and his reasons for recommending the agreement and orders.

Sec. 103(c)(2).—The President would be authorized to enter into trade agreements affecting NTB's and to issue implementing orders only upon an affirmative vote of the majority of the authorized membership of both Houses of Congress.

TITLE II

Sec. 201(a).—Any trade association, firm, labor union, or group of workers could petition the Tariff Commission for import relief.

Sec. 201(b)(1).—Upon petition or government request, the Tariff Commission would make an investigation to determine and would determine whether imports are contributing to causing or threatening to cause (whether or not imports are a major or a primary factor) serious injury to the domestic industry concerned.

Sec. 201(b)(2).—The Tariff Commission would be required to find "serious injury" if (i) a significant number or proportion of workers in the industry have or are threatened to become totally or partially separated; (ii) for a significant number of firms in the industry, production in relation to domestic consumption remains unchanged, is decreasing, or threatens to decrease; or (iii) a significant number of firms in the industry are unable to operate at a reasonable level of profit. The proposed amendment requires the Tariff Commission to consider certain specific factors in making the last determination.

Sec. 201(c).—If the Tariff Commission should find that imports are causing or threaten to cause serious injury, it would determine the duration and amount of a quota necessary to eliminate such injury or the threat thereof. The duration of the quota could not be less than 3 or more than 5 years; the amount of the quota would be carefully circumscribed.

Sec. 201(d).—The Tariff Commission would report the results of its investigation to the President within *ninety* days of the filing of a petition for relief or the governmental request.

Sec. 202(a).—Within *fifteen* days after receiving a report of an affirmative determination by the Tariff Commission, the President could give notice of his intention to review the determination.

Sec. 201(b).—Within *thirty* days of giving such notice, the President would be required to issue a proclamation approving the Tariff Commission's determinations, reducing the amount of the quota determined by the Commission, imposing a duty or other import restriction which would provide substantially equivalent protection for the domestic industry concerned, or taking any combination of such actions.

Sec. 202(c).—Any action taken by the President would become effective *thirty* days following the issuance of his proclamation. If the President should fail to give notice of his intention to review the determination of the Tariff Commission, the quota determined by the Tariff Commission would become effective *thirty* days after the expiration of the fifteen day period.

Sec. 202(d).—At any time during the effectiveness of import relief provided under the Act, the President would have power to negotiate orderly marketing agreements providing substantially equivalent protection to that afforded by the quota determined by the Tariff Commission and, if such agreements become effective, he could suspend or terminate in whole or in part the import relief then in effect.

Sec. 202(e)(1).—The Tariff Commission would be required to make annual (or, upon request, more frequent) reports to the President concerning developments in any industry which has received import relief.

Sec. 202(e)(2)+(3).—Upon petition on behalf of the industry concerned, the Tariff Commission would be required to determine whether renewal of import relief is necessary to prevent actual or threatened serious injury to the domestic industry concerned and, if so, the appropriate duration of such renewal (between 1 and 2 years).

Sec. 202(f).—Upon an affirmative determination by the Tariff Commission on a renewal petition, the President would be required to extend import relief; however, the President would remain free to negotiate orderly marketing agreements and, if they take effect, he could suspend or terminate other import relief then in effect.

Sec. 203.—The Tariff Commission would be required to hold hearings on any petition for import relief or for the renewal thereof, but such procedings would not be subject to the Administrative Procedure Act. Determinations by the Tariff Commission would not be subject to judicial review.

TITLE III

Chapter 2

Sec. 310(a).—Section 201(a) of the Antidumping Act would be modified so as to require an affirmative determination if the sales below fair value or likelihood thereof contribute (whether or not as a primary or major factor) toward causing or threatening to cause injury to a domestic industry or preventing the establishment of such an industry.

Sec. 310(b).—The Secretary would be required to take initial action on antidumping complaints within 30 days.

Sec. 310(c).—Prior to making any final determination in antidumping cases, the Secretary or the Tariff Commission (as the case might be) would be required, in accordance with published regulations, to provide an opportunity to be heard to (i) any foreign manufacturer or exporter or domestic importer of the foreign merchandise in question, and (ii) any domestic manufacturer of the same or like merchandise. The Secretary and the Tariff Commission would be required to publish in the Federal Register findings and conclusions with respect to every antidumping determination and the reasons therefor.

Chapter 3

Sec. 330.—The Countervailing Duty Law would be amended to make it applicable to duty-free imports; provide for suspension of liquidation while final investigation is in progress; shorten the period of time for processing countervailing duty cases; and extend the law to cover foreign import restriction and other unfair trade practices. The new provisions would govern pending as well as new cases.

Sec. 331.—American producers would be granted the right to judicial review of negative decisions in countervailing duty cases.

TITLE VII

Sec. 705(10).—The term "domestic industry" or "industry in the United States" as used in the Trade Reform Act would be defined to include an appropriate subdivision of a broader industry.

TITLE V

Sec. 505.—Relief from imports from non-market countries could be obtained pursuant to the same procedures provided for in Title II except that the presence or threat of "material injury" casued by imports would be sufficient to trigger relief.

TITLE VI

The "legislative history of Title VI as contained in the President's Message to Congress should be clarified in the Committee report to indicate an intention to exclude all "steel mill products"—rather than "certain steel products"—from preferential treatment under Title VI.

PROPOSED AMENDMENT TO H.R. 6767

TITLE I

Proposed Amendment No. 1.—Delete section 101 and substitute the following new section:

(a) Except as provided in subsection (b), whenever the President determines that any of the purposes of this Act will be promoted thereby, the President may—

(1) after the date of enactment of this Act, and before five years from that date, enter into trade agreements with foreign countries or instrumentalities thereof; and

(2) provide for such modification or continuance of any existing duty, such continuance or existing duty—free or excise treatment, or such additional duties, as he determines to be required or appropriate to carry out any such trade greement.

(b) In exercising the authority granted by subsection (a), the President shall not enter into any trade agreements providing for a reduction of existing duties upon any article imported into the United States in such quantities—

(1) as to contribute toward causing or threating to cause (whether or not such imports are a primary or major factor) serious injury to a domestic industry producing an article which is like or directly competitive with the imported article; or

(2) as to contribute materailly to the overall balance of trade defiicit of the United States.

(c) The President may, whenever he determines such action appropriate, negotiate with representatives of foreign governments in an effort to obtain agreements limiting the export from such countries and the importation into

the United States of any article, and the President is authorized to issue regulations governing the entry or withdrawal from warehouse of any such articles to carry out any such agreeement. In addition, if a multilateral agreement has been or shall be concluded under the authority of this section among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may also issue, in order to carry out such an agreement, regulations governing the entry or withdrawal from warehouse of the same articles which are the products of countries not parties to the agreement.

Proposed amendment No. 2.—Delete subsections (c), (d), and (e) of section 103 and substitute the following new subsection:

(c) (1) Whenever the President negotiates a trade agreeemnt pursuant to subsection (b), he shall deliver to the Senate and House of Representatives a copy of the proposed agreement, a proposal for such orders as may be necessary for the United States to fulfill its obligations under the proposed agreement, and a statement of his reasons as to how the agreement serves the interests of United States commerce and as to why the proposed orders are necessary to carry out the proposed agreement.

(2) Upon a vote of the majority of the authorized membership of the Senate and House of Representatives approving his proposed action, the President may enter into a trade agreement negotiated pursuant to subsection (b) and issue such orders as may be necessary for the United States to fulfill its obligations under the agreement.

TITLE II

Proposed Amendment.—Delete Chapter 1 and substitute the following new Chapter:

Chapter 1.—Import Relief

Sec. 201.—Investigations and Determinations by the Tariff Commission.

(a) (1) A petition for import relief may be filed with the Tariff Commission by an entity, including a trade association, firm, certified or recognized union, or group of workers, which is representative of an industry. The petition shall include a statement describing the specific purpose for which import relief is being sought, which may include such objectives as facilitating the orderly transfer of resources to alternative employment and other means of adjustment to new conditions of competition.

(2) Whenever a petition is filed under this subsection, the Tariff Commission shall transmit a copy thereof to the Special Representative for Trade Negotiations and the agencies directly concerned.

(b) (1) Upon request of the President or the Special Representative for Trade Negotiations, upon resolution of either the Committee of Finance of the Senate or Committee on Ways and Means of the House of Representatives, upon its own motion, or upon the filing of a petition under subsection (a) (1), the Tariff Commission shall promptly make an investigation to determine whether an article is being imported into the United States in such quantities as to contribute toward causing or threatening to cause (whether or not such imports are a primary factor or a major factor) serious injury to the domestic industry producing an article which is like or directly competitive with the imported article.

(2) For purposes of this section, present or threatened serious injury to the domestic industry concerned shall be deemed to exist if—

(i) A significant number or proportion of workers in the industry have become totally or partially separated, or are threatened to become totally or partially separated; or

(ii) For a significant number of firms in the industry, production of the article in relation to domestic consumption remains unchanged, is decreasing, or threatens to decrease; or

(iii) A significant number of firms in the industry are unable to operate at a reasonable level of profit. In making this determination, the Tariff Commission shall consider the relationship of present profits to the past profitability of the industry, the relationship of present profits to the profitability of relevant industry groupings (such as agriculture. manufacturing, mining, etc.), and the ability of the industry to secure additional capital.

(c) In the event that the Tariff Commission shall make an affirmative determination pursuant to subsection (b), it shall determine the duration and

amount of a quota on imports necessary to eliminate the present or threatened serious injury to the domestic industry concerned: *Provided,* that in no event shall the duration of the quota determined by the Tariff Commission be less than three or more than five years and in no event shall the amount of the quota be—

(1) so large as would permit the share of estimated domestic consumption supplied by imports to exceed the average share of domestic consumption supplied by imports during the four immediately preceding calendar years; or

(2) so small as would prevent the importation of sufficient quantities of an article to supply any difference between the estimated domestic production and the estimated domestic consumption of that article.

(d)(1) The Tariff Commission shall report to the President its determinations under subsections (b) and (c) and the basis therefor and shall include in each report any dissenting or separate views. The Tariff Commission shall furnish to the President a transcript of the hearings and any briefs which may have been submitted in connection with each investigation.

(2) The report of the Tariff Commission pursuant to subsection (1) shall be made at the earliest practicable time, but not later than three months after the date on which the petition is filed, the request is received, or the motion or the resolution is adopted, as the case may be.

(3) Upon making its report to the President, the Tariff Commission shall also promptly make it public (with the exception of information which the Commission determines to be confidential) and have a summary of it published in the Federal Register.

(e)(1) No investigation for purposes of this section shall be made with respect to the same subject matter as a previous investigation under this section unless one year has elapsed since the Tariff Commission made its report to the President of the results of such previous investigation.

(2) No investigation for purposes of this section shall be made with respect to an industry which has received import relief under section 202 unless two years have elapsed since the expiration of the initial grant or any renewal of such import relief.

(f) Any investigation by the Tariff Commission under subsection (b) of section 301 of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act) which is in progress immediately before such date of enactment shall be continued under this section in the same manner as if the investigation had been instituted originally under the provisions of this section. For purposes of subsection (d)(2), the petition for any investigation to which the preceding sentence applies shall be treated as having been filed, or the request or resolution as having been received or the motion having been adopted, as the case may be, on the date of the enactment of this Act.

(g) If, on the date of the enactment of this Act, the President has not taken any action with respect to any report of the Tariff Commission containing an affirmative determination resulting from an investigation undertaken by it pursuant to section 301 (b) of the Trade Expansion Act of 1962 (as in effect before the date of the enactment of this Act), the President shall remand the matter to the Tariff Commission for a further determination pursuant to subsection (c) of this section, which determination shall be made within thirty days and reported to the President pursuant to subsection (d) of this section. The President shall treat such a report together with the report made under the Trade Expansion Act as a report received by him under this section.

Sec. 202.—Import Relief.

(a) Within fifteen days after receiving a report from the Tariff Commission containing affirmative determinations under section 201, the President may give notice of his intention to review the Tariff Commission's determinations by having notice of his intention published in the Federal Register.

(b) In the event that the President gives notice of his intention to review the Tariff Commission's determinations pursuant to subsection (a). the President shall, within thirty days of the publication of such notice in the Federal Register issue and publish in the Federal Register a proclamation—

(1) implementing the Tariff Commission's determinations;

(2) implementing a quota lower than that determined by the Tariff Commission;

(3) imposing a duty or other import restriction. or increasing any duty or import restriction then in effect, on the article in question which will afford protection to the domestic industry equivalent to or greater than that provided by the quota determined by the Tariff Commission;

(4) taking any combination of such actions.

(c)(1) In the event that the President takes action provided for under subsection (b), the action taken shall become effective thirty days following the publication of the President's proclamation in the Federal Register.

(2) In the event that the President fails to give notice of his intention to review affirmative determinations pursuant to subsection (a), the quota determined by the Tariff Commission shall become effective thirty days after the expiration of the fifteen day period provided for in subsection (a).

(d)(1) Whenever import relief has become effective pursuant to subsection (c) the President may at any time thereafter, while such import relief is in effect, negotiate orderly marketing agreements with foreign countries, which will afforded protection to the domestic industry substantially equivalent to that provided by the import relief then in effect, and may, upon the entry into force of such agreements, suspend or terminate, in whole or in part, the import relief then in effect.

(2) In order to carry out an agreement concluded under subsection (1), the President is authorized to issue regulations governing the entry or withdrawal from warehouses of articles covered by such agreement. In addition, in order to carry out one or more agreements concluded under subsection (1) among countries accounting for a significant part of United States imports of the article covered by such above agreements, the President is also authorized to issue regulations governing the entry or withdrawal from warehouse of the like articles which are the product of countries not parties to such agreements.

(e)(1) So long as any import relief under this section (including any orderly marketing agreements) remains in effect, the Tariff Commission shall keep under review developments with respect to the industry concerned and shall make annual reports to the President concerning such developments and any additional reports which the President may request.

(2) Upon petition on behalf of the industry concerned, filed with the Tariff Commission not earlier than the date which is nine months, and not later than the date which is six months, before the date any import relief is to terminate fully by reason of the expiration of the applicable period prescribed pursuant to section 201(c) or any extension thereof pursuant to subsection (f) of this section, the Tariff Commission shall make an investigation to determine and shall determine—

(i) whether renewal, in whole or in part, of the import relief provided pursuant to section 202 is necessary to prevent actual or threatened serious injury (as defined in section 201(b)) to the domestic industry concerned; and

(ii) if renewal of import relief is determined to be necessary, the appropriate duration of such renewal (not to be less than one or more than two years).

(3) The Tariff Commission shall report to the President and publish its determinations under subsection (2) in the same manner and within the same time period provided for in section 201(d).

(f)(1) Upon receiving a report from the Tariff Commission containing an affirmative determination under subsection (e)(2), the President shall promptly issue and publish in the Federal Register a proclamation, renewing the import relief provided pursuant to subsection (b) or (c) in accordance with the determinations of the Tariff Commission. The renewal of import relief shall become effective immediately upon the expiration of the import relief then in effect.

(2) Whenever a renewal of import relief has become effective pursuant to subsection (1), the President may at any time thereafter, while such import relief is in effect, negotiate orderly marketing agreements with foreign countries, which will afford protection to the domestic industry substantially equivalent to that provided by the import relief then in effect, and may, upon the entry into force of such agreements, suspend or terminate, in whole or in part, the import relief then in effect. In order to carry out an agreement concluded under this subsection, the President is authorized to issue regulations in accordance with the provisions of subsection (d)(2).

Sec. 203.—Proceedings Before the Tariff Commission.

(a) In the course of any investigation under this chapter, the Tariff Commission shall, after reasonable notice, hold public hearings and shall afford interested parties the opportunity to be present, to produce evidence, and to be heard at such hearings: *Provided*, that proceedings under this Section shall not

be subject to the provisions of subchapter II of chapter 5 of title 5 of the United States Code.

(b) No determination by the Tariff Commission under this chapter shall be reviewed or redetermined by any court or agency.

TITLE III

Chapter 2

Amendment No. 1.—Renumber Section 310(a) as Section 310(b) and add the following new subsection before that provision:

(a) Section 201(a) of the Antidumping Act, 1921 (19 U.S.C. 160(a)) is amended by adding after the first sentence thereof the following:

"The decision of the said commission shall be in the affirmative if the sales below fair value, or likelihood thereof, contribute (whether or not as a primary factor or a major factor) toward causing or threatening to cause injury to a domestic industry, or the prevention of the establishment of such an industry."

Amendment No. 2.—Delete the first eight lines of Section 310(a) (which would be renumbererd as Section 310(b) under Amendment No. 1 above) and substitute the following:

(b) Section 201(b) of the Antidumping Act, 1921 (19 U.S.C. 160(b)) is amended to read as follows:

"(b) Whenever the question of dumping has been raised or presented to the Secretary or any person to whom authority under this section has been delegated, in the case of any imported merchandise of a class or kind as to which he has not made public a finding, the Secretary shall, within 30 days, publish a notice of the commencement of an Antidumping Proceeding or notify any complainant in writing of the rejection of the complaint (setting forth the reasons for such rejection) and, except where the question of dumping has been rejected, within 6 months, or in more complicated investigations within 9 months—"

Amendment No. 3.—Delete section 310(b) and substitute the following new subsection as section 310(c):

(c) Section 210(c) of the Antidumping Act, 1921 (19 U.S.C. 160(c)) is amended to read as follows:

"(c)(1) Prior to making a final determination pursuant to subsection (a) of this section, the Secretary or the Tariff Commission (as the case may be) shall, in accordance with regulations published in the Federal Register, provide an opportunity to be heard, in person or by counsel, to

"(i) any foreign manufacturer or exporter or domestic importer of the foreign merchandise in question; and

"(ii) any domestic manufacturer of the same or like merchandise.

"(2) The Secretary, upon determining whether foreign merchandise is being, or is likely to be, sold in the United States at less than its fair value, and the Tariff Commission, upon making its determination under subsection (a), shall each publish in the Federal Register, such determination, whether affirmative or negative, together with a statement of findings and conclusions, and the reasons or bases therefor, on all the material issues of fact or law presented on the record.

"(3) The proceedings provided for hereunder shall be exempt from the provisions of sections 554, 555, 556, and 557 of the Act of September 6, 1966 (5 U.S.C. 554, 557)."

Amendment No. 4.—Renumber Section 310(c) and (d) as Section 310(d) and (e), respectively.

Chapter 3

Amendment No. 1.—Delete section 330 and substitute the following new section:

(a) Section 303 of the Tariff Act of 1930 (19 U.S.C. 1303) is amended to read as follows:

"*Sec. 303. Countervailing Duties.*

"(a) LEVY OF COUNTERVAILING DUTIES—(1) Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation, shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export

of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, then upon the importation of such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall be levied and paid, in all such cases in addition to any duties otherwise imposed, a duty equal to the net amount of such bounty or grant, however the same be paid or bestowed.

"(2) The Secretary of the Treasury shall from time to time ascertain and determine, or estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated.

"(3) Whenever, in the case of any imported article or merchandise as to which the Secretary has not determined whether a bounty or grant is being paid or bestowed, the Secretary concludes, from information presented to him or to any person to whom authority under this section has been delegated, that a formal investigation into the question of whether a bounty or grant is being paid or bestowed is warranted, he shall forthwith publish notice of the initiation of such an investigation in the Federal Register. The publication of the notice shall be within three months from the date of the filing of a complaint or the presentation to the Secretary of information suggesting the payment or bestowal of a bounty or grant, unless the Secretary sooner determines that the evidence is insufficient to warrant a formal investigation. In the latter event, the Secretary shall forthwith notify any complainant in writing of his determination, and the reasons therefor. Within three months from the publication of the notice of the initiation of an investigation (six months in complicated cases) the Secretary shall make and publish a tentative determination, either affirmative or negative, as to the payment or bestowal of a bounty or grant with respect to the imported merchandise. If the tentative determination is affirmative, he shall simultaneously direct the suspension of liquidation of entries of such merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of such tentative determination in the Federal Register until the further order of the Secretary, or until the Secretary has made public a final determination in accordance with subsection (a)(1) of this section, which final determination shall be published within three months from the publication of the tentative determination.

"(4) The Secretary of the Treasury shall make all regulations he may deem necessary for the identification of such articles and merchandise and for the assessment and collection of the duties under this section. All determinations by the Secretary, whether affirmative or negative, shall be published in the Federal Register.

"(b) APPLICATION OF AFFIRMATIVE DETERMINATIONS—An affirmative determination by the Secretary of the Treasury under subsection (a)(1) shall apply with respect to articles entered, or withdrawn from warehouse for consumption on or after the date of publication in the Federal Register of the notice suspending liquidation pursuant to subsection (a)(3) of this section.

"(c) SPECIAL RULE FOR ANY ARTICLE SUBJECT TO A QUANTITATIVE LIMITATION—No duties shall be imposed under this section with respect to any article which is subject to a quantitative limtation imposed by the United States on its importation, or subject to a quantitative limitation on its exportation to or importation into the United States imposed under an agreement to which the United States is a party, unless the Secretary of the Treasury determines, after seeking information and advice from such agencies as he may deem appropriate, that such quantitative limitation is not an adequate substitute for the imposition of a duty under this section.

"(d) COUNTERVAILING DUTIES TO OFFSET OTHER UNFAIR TRADE PRACTICES—Whenever the Secretary determines that any foreign country places any burden or disadvantage upon the commerce of the United States by—

"(1) imposing, directly or indirectly, upon the importation into, disposition in, transportation in transit through, or reexportation from such country of any article wholly or in part the growth or product of the United States, any unreasonable charge, exaction, regulation, or limitation; or

"(2) paying or bestowing, directly or indirectly, a bounty or grant upon the manufacture, production or export of any merchandise destined for sale in any third country to which the United States exports like merchandise,

if such bounty or grant has the effect of substantially reducing United States sales of like merchandise to such third country;

he may cause to be levied and paid upon merchandise imported, directly or indirectly, into the United States from the foreign country so burdening or disadvantaging the commerce of the United States, additional duties in amounts ascertained and determined or estimated by the Secretary to be sufficient to offset such burden or disadvantage. Such additional duties shall be imposed—

"(1) upon imports of merchandise like that merchandise, exported from the United States, which is burdened or disadvantaged by the foreign country; and

"(2) upon imports of any other merchandise to the extent determined to be necessary to offset the burden or disadvantage."

(b) Any investigation under section 303 of the Tariff Act of 1930 (as in effect before the date of the enactment of this Act) which is in progress immediately before such date of enactment shall be continued under this section in the same manner as if the investigation had been instituted under this section. The time limits for publication of the notice of initiation of investigation, the tentative determination and the final determination set forth in section 303(a)(1) of the Tariff Act of 1930 (as added by subsection (a) of this section), shall apply with respect to any pending complaint or investigation as if the question had been presented on the date of the enactment of this Act.

Amendment No. 2.—After Section 330 add the following new section:

Sec. 331. Judicial Review in Countervailing Duty Cases.

Section 516 of the Tariff Act of 1930 (19 U.S.C. 1516) is amended to read as follows:

"*Sec. 516.—Petitions by American Manufacturers, Producers, or Wholesalers.*

"(a) The Secretary shall upon written request by an American manufacturer, producer, or wholesaler, furnish the classification, the rate of duty and the additional duty described in section 303 of this Act (hereinafter referred to as 'countevailing duties'), if any, imposed upon designated imported merchandise or a class or kind manufactured, produced, or sold at wholesale by him. If such manufacturer, producer, or wholesaler believes that the appraised value is too low, that the classification is not correct, that the proper rate of duty is not being assessed, or that countervailing duty should be assessed, he may file a petition with the Secretary setting forth (1) a description of the merchandise, (2) the appraised value, the classification, or the rate or rates of duty that he believes property, and (3) the reasons for his belief including, in appropriate instances, the reasons for his belief that countervailing duties should be assessed.

"(b) If, after receipt and consideration of a petition filed by an American manufatcurer, producer, or wholesaler, the Secretary decides that the appraised value of the merchandise is too low, that the classification of the article or rate of duty assessed thereon is not correct, or that countervailing duties should be assessed, he shall determine the proper appraised value or classification or rate of duty or the countevailing duties in accordance with section 303 of this Act, and notify the petitioner of his determination. All such merchandise entered for consumption or withdrawn from warehouse for consumption more than thirty days after the date such notice to the petitioner is published in the weekly Customs Bulletin or, in the case of countervailing duties, after the date such notice to the petitioner is published in the Federal Register shall be appraised or classified or assessed as to rate of duty or countervailing duties in accordance with the Secretary's determination.

"(c) If the Secretary decides that the appraised value or classification of the articles or the rate of duty with respect to which a petition was filed pursuant to subsection (a) is correct or that countervailing duties shall not be assessed, he shall so inform the petitioner. If dissatisfied with the decision of the Secretary, the petitioner may file with the Secretary, not later than thirty days after the date of the decision, notice that he desires to conest the appraised value or classification of, or rate of duty assessed upon or the failure to assess countervailing duties upon, the merchandise. Upon receipt of notice from the petitioner, the Secretary shall cause publication to be made of his decisions as to the proper appraised value or classification or rate of duty or that countervailing duties shall not be assessed and of the petitioner's desire to contest, and shall thereafter furnish the petitioners with such information as to the entries and consignees of such merchandise, entered after the publication of the decision of the

Secretary at such ports of entry designated by the petitioner in his notice of desire to contest, as will enable the pettiioner to contest the appraised value or classification of, or rate of duty imposed upon or failure to assess countervailing duties upon, such merchandise in the liquidation of one such entry at such port. The Secretary shall direct the appropriate customs officer at such ports to notify the petitioner by mail immediately when the first of such entries is liquidated.

"(d) Notwithstanding the filing of an action pursuant to section 2632 of Title 28, United States Code, merchandise of the character covered by the published decision of the Secretary (when entered for consumption or withdrawn from warehouse for consumption on or before the date of publication of a decision of the United States Customs Court of Customs or of the United States Court of Customs and Patent Appeals, not in harmony with the published decision of the Secretary) shall be appraised or classified, or both, and the entries liquidated, in accordance with the decision of the Secretary and, except as otherwise provided in this chapter, the final liquidations of these entries shall be conclusive upon all parties.

"(e) The consignee or his agent shall have the right to appear and to be heard as a party in interest before the United States Customs Court.

"(f) If the cause of action is sustained in whole or in part by a decision of the United States Customs Court or of the United States Court of Customs and Patent Appeals, merchandise of the character covered by the published decision of the Secretary, which is entered for consumption or withdrawn from warehouse for consumption after the date of publication of the court decision, or, in the case of countervailing duties, after the date of publication of the Secretary's decision, shall be subject to appraisement classification, and assessment of duty in accordance with the final judicial decision in the action, and the liquidation of entries covering the merchandise so entered or withdrawn shall be suspended until final disposition is made of the action, whereupon the entries shall be liquidated, or if necessary, reliquidated in accordance with the final decision.

"(g) Regulations shall be prescribed by the Secretary to implement the procedures required under this section."

TITLE VII

Amendment.—At the end of Section 705, add the following new subsection:

(10) The term "domestic industry" or "industry in the United States" means any portion or subdivision of the commercial organizations in any section of the United States, manufacturing, assembling, processing, extracting, growing, selling, or otherwise producing, marketing, or handling articles or merchandise like or directly competitive with the articles or merchandise of the class or kind imported. In applying the preceding sentence, there shall be distinguished or separated the operations of such organizations involving the like or directly competitive articles or merchandise from the operations of such organizations involving other articles or merchandise.

TITLE V

Proposed Amendment.—Delete Section 505 and substitute the following new section:

Sec. 505. Import Relief.

(a) A Tariff Commission inevstigation may be initiated under section 201 of this Act with respect to imports of an article manufacturered or produced in a country, the products of which are receiving most-favored-nation treatment pursuant to this title.

(b) In any investigation initiated under subsection (a) the Tariff Commission shall follow the procedures set forth in sections 201 and 203 except that, in lieu of the determination required by section 201(b) (1), the Tariff Commission shall determine whether the article produced in the country in question is being imported into the United States in such quantities as to contribute toward causing or threatening to cause (whether or not such imports are a primary factor or a major factor) material injury to the domestic industry producing an article which is like or directly competitive with the imported article.

(c) For purposes of section 202 of this Act, affirmative determination by the Tariff Commission pursuant to subsection (b) of this section shall be treated as affirmative determinations of the Tariff Commission pursuant to section 201 of this Act.

(d) Petitions for renewal of import relief provided pursuant to this section shall be governed by the procedures set forth in sections 202(e) and (f) and 203 of this Act except that, in lieu of the determination required by section 202(e)(2)(i), the Tariff Commission shall determine whether renewal in whole or in part, of import relief provided pursuant to this section is necessary to prevent actual or threatened material injury to the domestic industry concerned.

TITLE VI

Proposed Amendment.—Clarify the "legislative history" of Title VI to indicate an intention to exclude "steel mill products" from preferential treatment.

Note.—In his message to Congress accompanying the proposed Trade Reform Act of 1973, the President announced his intention "to exclude certain import-sensitive products such as textile products, footwear, watches and *certain steel products* from preferential treatment [under Title VI]." *Message of the President*, Committee Print, p. 13 (emphasis added). Since all steel mill products must be regarded as "import-sensitive," this Committee shall make clear its intention to exclude all such products from preferential treatment under Title VI.

Mr. BURKE. Our next witness is Lawrence O. Selhorst.

You are recognized, Mr. Selhorst. You may identify yourself and your associate and proceed with your testimony.

STATEMENT OF LAWRENCE O. SELHORST, ON BEHALF OF THE EMERGENCY COMMITTEE OF THE STEEL WIRE INDUSTRIES OF THE UNITED STATES, ACCOMPANIED BY STANLEY SCHROEDER, COUNSEL

Mr. SELHORST. Thank you, Mr. Chairman.

Mr. BURKE. Mr. Selhorst, that is a quorum bell.

Why don't we recess now and you can return at 2 o'clock.

Mr. SELHORST. Fine, Mr. Chairman.

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

[Whereupon, at 12 noon, the committee was recessed, to reconvene at 2 p.m.]

AFTERNOON SESSION

Mr. ULLMAN [presiding]. The committee will please be in order.

Mr. Selhorst, we will be glad for you to continue with your testimony.

Mr. SELHORST. Since I had just begun my testimony, do you mind if I start from the top?

Mr. Chairman, members of the committee, I am Lawrence Selhorst, president of American Spring Wire Corp., and representing today the Emergency Committee of the Steel Wire Industries of the United States. This group was formed on an ad hoc basis for the sole purpose of enabling the American wire producers to join together in constructive proposals for incorporation into the Trade Reform Act of 1973. It represents five trade associations and over 100 companies located throughout the Nation.

We appreciate the opportunity to appear before you. Our industry epitomizes some of the key international trade issues that have arisen from deep import penetration of the U.S. market. We are not here to urge a protectionist stance despite the import problem. We do, however, invite your attention to problems arising for our industry which

are not covered in the legislation as now drafted, but which should be provided for when your deliberations are complete.

We look at wire mills recently built or being built now in foreign countries—pointed at the American market. We are concerned about foreign wire producers plans to broaden their penetration of the American wire market by joint venture or financial arrangements in third countries for conversion of foreign raw materials. The wire producers of the United States want to know the rules under which this new marketing threat will operate in our market. And we want to suggest here that the Trade Reform Act can be revised to more definitively specify the rules of fair competition. Wire plants exist in Vancouver for our west coast market. A venture is underway in Tijuana for the California market. Ventures are also announced for Brazil and Mexico. This dramatic growth in new foreign wire facilities aimed at the American market is considered here in the shadow of the closing of wire or wire product operations at the following American facilities in the past 10 years:

	Year
Wickwire Bros., Cortland, N.Y	1971
American Chain & Cable, Monessen, Pa	1968–71
Youngstown Sheet & Tube, Campbell, Ohio	1970
Detroit Steel, Portsmouth, Ohio	1970
Republic Steel, Gadsden, Ala	1971
Republic Steel, Chicago, Ill. (estimated)	1969
Armco Steel, Houston, Tex	1971
Wire Sales, Plymouth, Mich	1971
CF&I Steel Corp., Palmer, Mass	1970
Pittsburgh Steel Corp., Monessen, Pa	1965
CJ&I, South San Francisco, Calif	1973
CF&I, Wickwire Spencer Division, Tonawanda, N.Y	1963
CF&I, Oakland, Calif	1963
J&L Steel, Aliquippa, Pa. (estimated)	1960–62
United States Steel, Donora, Pa	1966–67
United States Steel, De Kalb, Ill	1969
United States Steel, Worcester, Mass	1971

We do not suggest that imports alone caused the closing of these facilities. And we do not suggest that new American plants have not been built to offset this lost capacity to some degree. The net effect, nevertheless, is more wire imports—a greater share of the American market to foreign wire mills. We are an aggressive and competent wire industry, but our markets have been disrupted and we are uncertain about the equality of the rules of competition.

The primary raw material for wire is wire rod. Coils of wire rod are cold drawn into wire. In many cases the process involves a succession of drawings with intermediate heat treating to achieve the desired characteristics. Because of the large number of end-use applications, there are literally hundreds of different kinds of wire differentiated by size, chemistry, packaging, coatings, and manufacturing processes. Applications range from reinforcing concrete to memory boards in computers used on missiles and in aerospace. Some major outlets for wire include buildings and bridges, highways and automobiles, valve springs for engines and upholstery springs for beds, welding electrodes, bolts and nuts, nails, fence, concrete pipe, coat hangers—in fact, steel wire is a vital component of products in virtually every market in the Nation.

Like many industries, the American wire industry in recent years has experienced sharply increased market penetration by imports of certain wire products. On an overall basis net domestic industry shipments of wire and wire products between 1962 and 1972 remained relatively static. During the same period imports have more than doubled, growing from about 700,000 net tons in 1962 to almost 1.5 million net tons in 1972—up from 19 percent to 34 percent—an annual growth rate of 7.5 percent. On some products the import growth was more violent. On prestressing strands, an American innovation, imports rose from zero in 1951 to 60 percent of the market today.

Unlike many other industries, however, the American wire producers have suffered severe and continued import penetration in certain product lines for a period of almost 15 years. In 1962, for example, 45 percent of all wire nails and staples consumed in the United States were of foreign origin. Although some modest annual fluctuations have occurred over the last decade, the figure for 1972 is now 51 percent. Imports furnished 43 percent of all alloy drawn wire used in the United States in 1969. The corresponding figure for 1972 was 51 percent.

Concomitant with this severe and continued penetration was a steady closing of American facilities producing wire, wire products, and wire rod—recall the list of 17 closed installations reported previously—the number of wire machines for specialty markets which have been shut down could reach into the hundreds.

It is against this background that we are now addressing ourselves to specific titles of the Trade Reform Act of 1973.

In summary outline, this presentation will make five specific points for your consideration. These are:

(1) Authority should not be granted to reduce tariffs on import-sensitive products.

(2) Import transactions which violate existing laws governing domestic commerce should be regarded as unfair competition.

(3) The definition of "injury" in the escape clause should be clarified to include import activities which inhibit continued or future development of domestic industry.

(4) The facility of the antidumping act should be improved by requiring declaration of home market prices on each import invoice.

(5) The developing nation clause should be refined to prevent exploitation by developed nations and also to establish guidelines so that American producers are not subjected to disproportionate shares of the assistance burden.

TITLE I—AUTHORITY FOR NEW NEGOTIATIONS

We concur that the President should be granted authority to negotiate tariffs and nontariff matters. We suggest, however, that certain reasonable limitations be imposed on such authority.

Just as the administration bill provides in title VI a "competitive need" formula to limit duty-free preferential treatment for imports from developing countries, the "competitive need" principle has equal applicability in terms of generalized tariff reductions. Tariffs, even if minimal, should not be further reduced or eliminated for products where imports have been able to capture a large share of the domestic

market. In the case of wire and wire products, the U.S. rates of duty range from duty free on barbed wire to 10.5 percent ad valorem on certain graces of round wire. Admittedly, these are not high rates of duty. But, in a fiercely competitive market, they are important margins of competition. These margins may become even more significant as foreign suppliers begin to feel the mounting upward pressures in costs resulting from their nations' inflationary conditions and from currency realignments. Surely there is no competitive need to reduce tariffs on products where imports now account for as much as 50 percent of apparent consumption. Accordingly, we recommend the President's negotiating power be limited to exclude products of industries which are already severely penetrated by imports.

TITLE II—RELIEF FROM DISRUPTION CAUSED BY FAIR COMPETITION

At the outset, I would like to make an observation. Title II is headed "Relief from Disruption Caused by Fair Competition." Title III is called "Relief from Unfair Trade Practices." This dichotomy between fair and unfair competition is misleading to the detriment of American wire producers and indeed to all of American industry. Title III is divided into four chapters which deal with foreign import restrictions, dumped articles, government subsidized imports and patent infringement. The clear inference, of course, is that any trade practice not within the scope of one of these four chapters can be classified as "fair." Gentlemen, nothing could be farther from the truth. To cite but one example, it is common knowledge within the wire industry that certain foreign producers sell wire and wire products to American customers at widely varying prices in utter disregard for the dictates of the Robinson-Patman Act. This form of unfair trade practice, because it is not specifically included in title III, is deemed to constitute "fair" competition within the meaning of the bill. To correct this anomaly, therefore, we suggest serious consideration be given to redefining what is meant by fair and unfair competition in titles II and III. It is the recommendation of domestic wire manufacturers that import competition be classified as unfair if the foreign producers or importers transgress any of our domestic laws in their exportation or sale of foreign goods in the United States.

Although the ostensible purpose of title II is to liberalize the so-called escape clause provisions, the changes are ambivalent at best. Certainly, the elimination of the casual link between increased imports and a prior trade agreements concession is welcome. This has been one of the most difficult legal hurdles to overcome.

The proposed bill substitutes the standard that imports must be "the primary cause" of injury in lieu of the present standard that imports must be the "major cause." The liberalization may only be illusory. Under the new concept the imports need not be a cause greater than all others, but there is still the unsatisfactory concept of weighting the effect of imports against all other adverse factors and determining that the imports are the single most important factor in causing injury. This is a difficult standard to apply and permits the Tariff Commission to deny relief on the quite plausible premise that an industry has failed to sustain its burden of establishing imports as the single greatest cause of injury.

We are further disappointed that no effort has been made to further define the term "injury" in light of current business realities. In our case, the injury from imports has not only been reflected in the number of firms that have been forced out of the wire or wire products business, but also the injury arises more fundamentally in the frustration of industry development. This, in turn, takes on national consequences in that there is a permanent high degree of consumer dependency on foreign supplies, an adverse effect on the U.S. merchandise account with foreign suppliers, and no business incentive for domestic producers to build new capacity or engage more technologically advanced equipment to compete effectively. This is not to say the American wire industry has failed to invest large sums in modernizing its productive facilities. Indeed, the contrary is true. However, unless U.S. manufacturers can receive reasonable assurance that markets in the near term will not be disrupted by continuing import competition, they cannot justify the revenues and, threfore, thy cannot authorize the capital expenditures needed to be aggressive in their competition for new markets or expansion in existing markets.

Let me illustrate. We are all aware of the dramatic introduction of steel cord belts for automobile tires. The American tire companies cannot satisfy their requirements from domestic wire producers. A wire tire cord plant requires an enormous investment subjected to great risk because of unrestrained marketing license of foreign suppliers. A few American companies have ventured forth but domestic supply of wire tire cord will not satisfy the American tire companies needs unless the risk of investment is more secure.

Thus, we are talking about more than "injury" in the traditional sense of idling of productive facilities or the mere ability to operate at a reasonable level of profit. To better illustrate our point, the Antidumping Act of 1921, as amended, refers to importations for sale at less than fair value in terms of whether by reason of such importations a domestic industry is being or is likely to be injured, or is prevented from being established.

We urge that the factor of "prevention from establishment" be added to the injury criteria of the escape clause and read: " * * * or is prevented from being established or being developed." It is the impairment to further development of a U.S. industrial base that should concern the U.S. Government. Imports should be evaluated in terms of their effect on the future development of a U.S. industry.

In terms of the market disruption formulation in the Trade Reform Act of 1973, we see no potential benefit to our industry, especially to product lines facing import penetration ratios as high as 50 percent of apparent consumption. While we might be able to show that (1) imports are substantial and (2) they are offered at prices substantially below those of comparable domestic articles, we foresee the impossibility of meeting the third criteria: imports are increasing both absolutely and as a proportion of total domestic consumption. Thus, title II of the Trade Reform Act is prospective and would do nothing to alleviate the plight of industries such as ours which are already severely impacted.

TITLE III—RELIEF FROM UNFAIR TRADE PRACTICES

The American wire industry is composed primarily of small non-integrated wire producers. The resources of this group are obviously limited. Yet both the Antidumping Act and the proposed amendment set forth in title III impose the difficult and costly, if not impossible, burden of establishing foreign home market prices on the complainant in a dumping proceeding. The effect of this evidentiary rule is to render the antidumping law virtually valueless to small and moderate-sized firms. Indeed, there are indications even large multinational corporations have difficulty satisfying this burden of proof. To make the antidumping law a viable statute insofar as the wire industry and other industries composed primarily of smaller firms are con-concerned, we suggest the following:

1. Commercial invoices showing both the foreign home market price and the price to the United States should be applied to all imports whether or not subject to ad valorem or specific rates of duties or even if the goods are duty free.

2. In the case of wire and wire products and other significant articles where imports have obtained a substantial share of the domestic market (above perhaps 50 penetration), a special form of reporting should be required which would necessitate a uniform method of reporting the home market price on a f.o.b. mill net return basis and the sales price in the United States computed on a comparable basis. If the importer does not know the home market price computed on that basis, he should be required to make inquiry of the manufacturer and provide data based upon such information and belief.

3. In order to make this information available to Customs and Treasury, it is suggested that such specal reporting requirements for steel, wire, and wire products and other major products subject to import penetration be computerized. Thus, a computer program could be devised to provide a print-out of information where home market and U.S. price comparisons indicate at least a prima facie case of dumping. This information would be useful to Treasury in evaluating whether sales information was being accurately provided in all instances since it would provide a useful cross-check. Furthermore, it would permit Treasury and Customs to be altered to potential dumping practices.

4. Since domestic industry is not afforded access to such price information furnished to Customs by the importer, it is suggested that the computerized price information be made available to the Department of Commerce on a quarterly or semiannual basis for publication of general product categories where there appears to be prima facie evidence of dumping. This could be published on broad enough TSUSA item numbers to provide comparability between the product classification of foreign goods and TSUSA product classification. The affected industries, especially those composed of smaller firms, would then at least have information on possible dumping which they could pursue if they chose to do so.

Gentlemen, the general practice of dumping has been condemned by GATT. If the signatories are sincere with respect to this condemnation, then our Government must insist that the exporters of these countries submit accurate and complete information so that such prac-

tice can be detected and acted upon. The exporter should be made to adhere to the proposed certification requirements which are necessary for determining sales at less than fair value.

TITLE VI—GENERALIZED PREFERENCE TREATMENT

As you may have gathered from my earlier description of the manufacturing process, wire production does not require as high a level of technological sophistication or investment capital as needed for, say, production of sheet. For example, it is possible to enter the wire and wire product business at a 10,000 ton-per-year level for the modest investment of about $1 million or less including buildings, land, and equipment. And 10,000 tons is an important quantity of wire. In contrast, investment in a facility to convert purchased hot-rolled sheet coils into cold-rolled sheet coils would entail $55 million or more. For this reason, foreign producers can more easily and quickly establish new wire facilities in third countries in response to various governmental incentives. Not unexpectedly, the domestic wire industry tends to be adversely impacted for such incentives sooner and to a greater degree than other segments of the steel industry.

Allow me to illustrate. The October 18, 1971, issue of Commerce Today reports details of South Korea's third 5-year development plan covering the period 1972–76. The article enumerates an impressive array of tax exemptions and other incentives designed to encourage foreign investment in South Korea. In addition, it describes the government's establishment of a free export zone in the port city of Masan. Among the myriad of incentives offered to foreign enterprises operating within the free trade zone are: Exemption from most Korean taxes; simplified administration procedures; prime industrial sites with plentiful water and power supplies; and the option of leasing government-established buildings with rent payable on an installment basis.

How effective have these measures been in inducing foreign companies to locate facilities for producing articles for export in South Korea? The answer can be found in an article captioned "Osaka Wiremakers Heeding Korea's Lure" appearing in the January 9, 1973, issue of the American Meat Market. According to the report, eight wire and wire products manufacturing companies have decided to abandon their mills at Hirakata, a suburb of Osaka, Japan, and migrate to Masan to establish new mills. Their rationale was simple and clear: to produce wire and wire products, like ropes, bolts and nuts, nails, and wire nettings for export primarily to America.

This story is amplified in the January 19, 1973, issue of Nihon Kogyo Shimbun which cites the following "special favors" granted by the South Korean Government to Japanese firms to construct wire-producing facilities in Masan:

1. Exemption of income tax, corporate tax, and property tax for 5 years.
2. Permanent exemption of sales tax on export commodities.
3. Exemption of import tax on the capital goods, materials, and parts used by the Japanese wire producers.

It is not our intent to excoriate the policy of the South Korean Government. Indeed, many other nations such as Taiwan, Brazil, and

Mexico have adopted similar policies. Rather, it is our purpose to focus upon the potential impact the Trade Reform Act, if passed in its present form, will have upon imports of wire and wire products from developing nations such as South Korea which freely offer broad incentives.

Title VI of the bill authorized the President to grant duty-free treatment for any eligible article from any developing country * * *. American wire producers certainly endorse and support the laudatory concept of providing preferential tariff treatment to developing nations where such nations actually receive the full measure of benefit and a domestic industry is not crippled in the process. Where the ultimate recipient is a company or industry of a developed nation, however, the basic purpose of preferential tariff treatment is to a large extent thwarted. The Tariff Commission advisory report mandated by section 111 of the bill does not, we submit, preclude the occurrence of such an anomaly. We therefore urge Congress to include within the criteria for designating a beneficiary developing country a requirement that the product under consideration for preferential tariff treatment not be one substantially financed and controlled by foreign interests.

Two further comments with respect to title VI. First, section 603 (b) of the bill provides that an article, assuming it meets the other specified conditions, is eligible for preferential treatment if the value added by the developing nation equals or exceeds a certain percentage of appraisal value. The bill further directs that the applicable percentage be established by the Secretary of the Treasury. We strongly recommend a floor or minimum percentage be set forth in the bill itself. A figure of 70 percent would not be unreasonable.

Second, section 605(c) makes a developing country ineligible for preferential treatment if the President determines such nation has supplied 50 percent of the total value of an article imported into the United States, or has supplied more than $25 million on an annual basis. We urge that a more realistic limit be imposed which would allow the United States to accept a fair share of a developing country's exports rather than being the principal target of its exports.

More specifically, we suggest section 605(c) of the bill be modified to read:

> (c) Whenever the President determines that a country has supplied 50 percent by value of the total imports of an eligible article into the United States, or that more than 30 percent by value of its exports of an eligible article are to the United States, or has supplied a quantity of such article to the United States, having a value of more than $25 million on an annual basis over a representative period * * *.

The foregoing suggestions relative to title VI are particularly important in light of the policies of the EEC nations and Japan toward developing nations. The Secretariat of the United Nations Conference on Trade and Development recently reviewed the generalized preference schemes of both economic powers. As indicated in the Secretariat's report, the assistance programs of these countries appear to be significantly more restrictive than the proposal set forth in the bill.

Before summarizing, a word about voluntary restraints. Voluntary restraints do not limit the total volume of wire and wire product imports. Wire products are not even covered in the agreements. Imports of wire can, in fact, double with no violation of the agreements. There is no help here.

Now, in summary, gentlemen, we propose that: (1) Existing tariffs not be reduced on import-sensitive products; (2 violation of the U.S. commerce statutes in the sale of imported goods constitutes unfair competition; (3) a stifled, confused, or frustrated industry is an injured industry; (4) illegal dumping be stamped out by requiring home market prices on each import invoice; (5) we support preferential treatment to developing nations—but keep already developed nations out of the cookie jar.

Thank you, gentlemen.

[Supplementary statement and additional data follow:]

SUPPLEMENTAL STATEMENT OF THE EMERGENCY COMMITTEE OF THE STEEL WIRE INDUSTRIES OF THE UNITED STATES

WIRE RODS, WIRE, AND WIRE PRODUCTS

THE IMPORT SITUATION, 1962–72

The following discussion illustrates the magnitude and trend of imports of wire rods and wire and wire products over the last ten years from 1962 to 1972 compared to USA apparent consumption during the similar period. Import and export data are drawn from U.S. Department of Commerce reports as compiled by the American Iron and Steel Institute who also regularly prepares USA net industry shipment data.

Where reference is made to import market penetration, the reference applies to a masurement against estimated USA consumption which is derived from USA net shipments less exports plus imports.

Products have been identified on an all grade basis, but it must be recognized that some situations exist in the alloy steel wire areas which are of even greater magnitude than that demonstrated on an all grade basis.

The order of product presentation is first the totals for wire rods followed by the totals for wire and wire products to demonstrate the magnitude and trend of imports versus apparent consumption by USA manufacturers in these broader categories. Following this, specific wire and wire product areas are discussed within the limitations of identifiable statistical sources including: Drawn wire, wire nails and staples, woven wire fence, barbed wire, and specialty wire products.

Wire rods.—Imports of wire rods have exceeded one million tons each year, beginning in 1965, and reached a high of 1.6 million tons in 1968. As early as 1962, imports of this product from all sources had reached 39 percent of estimated USA annual consumption. In the peak year of 1968, this market penetration had grown to an estimated 55 percent. At the close of 1972, although some improvement in domestic shipments had taken place, import penetration is estimated to be 44 percent.

Annual growth of domestic consumption in the USA is calculated at a rate of 6.5 percent per year during the ten year period 1962–1972. Imports, meanwhile, grew at an accelerated rate of 8.1 percent per year during the same period of time.

WIRE RODS—ALL GRADES

[In thousands of tons]

Year	U.S.A. apparent consumption [1]	Imports	Imports as percent of consumption
1962	1,645	645	39
1963	1,877	801	44
1964	2,114	953	45
1965	2,603	1,284	49
1966	2,505	1,150	46
1967	2,335	1,076	46
1968	2,927	1,600	55
1969	2,789	1,261	45
1970	2,574	1,056	41
1971	3,047	1,544	51
1972	3,185	1,403	44

[1] Apparent consumption equals net industry shipments less exports plus imports.

Source: American Iron and Steel Institute.

Wire and wire products.—This group of products includes drawn wire and specialty wire products for many applications. Apparent consumption of wire and wire products in the USA has grown from 3.8 million tons to 4.4 million tons in the last ten years. This growth is quite modest and estimated to be at an annual average rate of 1.4 percent per year. On the other hand, imports of these products have doubled from a level of 700,000 tons in 1962 to almost 1.5 million tons in 1972, an estimated average annual growth of 7.5 percent per year more than five times the growth of the USA domestic market. As a result, import penetration, which had already achieved the high level of 19 percent of USA consumption in 1962, is estimated to have accounted for 34 percent of domestic consumption in 1972.

It is recognized that there are some limitations with these data because the net industry shipments reported by the American Iron and Steel Institute do not include data from some independent producers of wire and wire products who are not members of AISI. Because of this, the market penetration mentioned above could be moderately overstated.

WIRE AND WIRE PRODUCTS—ALL GRADES

[In thousands of tons]

Year	U.S.A. apparent consumption [1]	Imports	Imports as percent of consumption
1962	3,773	772	19
1963	3,902	851	22
1964	4,008	969	24
1965	4,507	1,088	24
1966	4,553	1,099	24
1967	4,132	1,055	26
1968	4,629	1,304	28
1969	4,505	1,339	30
1970	4,166	1,245	30
1971	4,062	1,336	33
1972	4,375	1,494	34

[1] Apparent consumption equals net industry shipments less exports plus imports.

Source: American Iron and Steel Institute.

Drawn wire—all grades.—Apparent consumption of this product has fluctuated widely reaching a peak of 3.2 in the mid-sixties; however, over the last ten year period 1962–1972, there has been virtually no growth in consumption. Imports, on the other hand, have soared from 224,000 tons in 1962 to 563,000 tons in 1972 and have exceeded a half million tons in each of the last five years.

As a result of this rapid rise, imports penetration in the USA market has grown from an estimated 8 percent of consumption in 1962 to 20 percent in 1972.

DRAWN WIRE—ALL GRADES

[In thousands of tons]

Year	U.S.A. apparent consumption [1]	Imports	Imports as percent of consumption
1962	2,707	224	8
1963	2,747	272	10
1964	2,866	397	14
1965	3,238	437	13
1966	3,217	458	14
1967	2,930	456	16
1968	3,240	595	18
1969	3,185	595	19
1970	2,833	526	19
1971	2,654	564	21
1972	2,784	563	20

[1] Apparent consumption equals net industry shipments less exports plus imports.

Source: American Iron and Steel Institute.

Wire nails and staples.—Foreign producers shipped large quantities of wire nails and staples to USA in the last half of the fifties, and by 1962, had achieved a market penetration of about 46 percent of the total annual USA consumption. No relief has occurred in this situation during the last decade, and, as a matter of fact, import penetration versus USA consumption stands at 51 percent in 1972. In tonnage terms, imports reached an all-time high of 359,000 tons in 1972 versus USA apparent consumption of 706,000 tons.

WIRE NAILS AND STAPLES

[In thousands of net tons]

Year	U.S. apparent consumption [1]	Imports	Imports as percent of consumption
1962	589	271	46
1963	617	305	49
1964	608	297	49
1965	628	314	50
1966	599	275	46
1967	543	216	40
1968	643	289	45
1969	604	302	50
1970	538	245	46
1971	627	294	47
1972	706	359	51

[1] Apparent consumption equals net industry shipments less exports plus imports.

Source: American Iron and Steel Institute.

Barbed wire.—Imports of this product peaked at 90,000 tons as early as 1963 and have been running consistently between 60,000 and 75,000 tons through 1972. During the last decade, USA consumption has risen from 140,000 tons in 1962 to 165,000 tons in 1972 with intervening highs of 244,000 in 1966 and 224,000 tons in 1968. With the exception of three of the last ten years, imports have consistently maintained a penetration level of 40 percent or more. Actually, the 1972 penetration level is estimated at exactly 40 percent of USA consumption.

BARBED WIRE

[In thousands of net tons]

Year	U.S.A. apparent consumption [1]	Imports	Imports as percent of consumption
1962	140	67	48
1963	178	90	51
1964	150	72	48
1965	181	75	41
1966	244	77	32
1967	170	69	41
1968	224	78	35
1969	139	63	45
1970	154	58	38
1971	154	58	38
1972	165	66	40

[1] Apparent consumption equals net industry shipments less exports plus imports.

Source: American Iron and Steel Institute.

Woven wire fence.—Imports of woven wire fence have been at high levels since 1962 at which time foreign suppliers had achieved a level of 27 percent of estimated USA consumption. By 1972, this level had increased to 31 percent. During the last decade, imports were increasing at an average annual rate of 2.5 percent. The average annual growth of apparent consumption in the USA was only 0.7 percent. Thus, imports rose at a rate of better than three times that of USA consumption.

WOVEN WIRE FENCE

[In thousands of net tons]

Year	U.S.A. apparent consumption [1]	Imports	Imports as percent of consumption
1962	156	42	27
1963	168	51	30
1964	153	43	28
1965	150	41	27
1966	178	53	30
1967	170	56	33
1968	169	59	35
1969	158	55	35
1970	175	57	33
1971	162	47	29
1972	177	54	31

[1] Apparent consumption equals net industry shipments less exports plus imports.

Source: American Iron and Steel Institute.

Specialty wire products.—Within the large drawn wire category, imports of specialty products are of great concern to manufacturers, but import penetration cannot be calculated because both domestic and import statistics are not sufficiently detailed to permit reliable data retrieval. Examples of such products are cold heading wire, upholstery spring wire, and baling wire. There are no official domestic industry statistics. The import classifications (TSUSA classifications) under which fall are not "clear"—that is to say imports under a particular TSUSA classification are likely to cover more than one end use product. Assigning tonnage in a particular TSUSA to various end use products must be based on individual company estimates.

Recognizing their limitations, an effort has been made to put together an import story for the following products from private sources. It shows that in recent years:

Upholstery spring wire imports have accounted for 20–25 percent of the market.

Cold heading wire imports have doubled in volume since 1968 and are approaching one-third of the market.

Baling wire imports have fluctuated widely over the last five years between 30 to 50 percent of USA consumption and are estimated to have reached almost 50 percent of the market in 1971.

The prestressed and precast concrete industry has grown rapidly from a sales volume of less than $50 million in 1950 to $950 million in 1972. Since 1965, sales volume has more than doubled from $400 million. This has resulted in the development of a market for prestressing wire strand of approximately 220,000 to 225,000 tons annually. Only 80–90 thousand tons are produced domestically, the balance being supplied by imports.

Imports of wire strand for prestressed concrete have grown more than fourfold since 1965 as follows:

1965 (N.T.)	37, 800	1969	82, 200
1966	46, 600	1970	100, 400
1967	56, 400	1971	118, 400
1968	69, 100	1972	137, 100

Domestic producers of prestressing wire strand who were instrumental in the early growth of the industry have been prevented from participation in the market's growth by the even more rapid rise in the imports of prestressing strand primarily from Japan. In 1965—37,824 tons of prestressing strand were imported. In 1972, imports had risen to 137,149 tons. Primary reason for this growth has been Japanese price quotation of 20–25 percent under domestic published prices.

As a direct result, not only are remaining domestic producers unable to increase capacity but eight facilities have been forced to discontinue production in recent years. These are Laclede Steel, USS (two locations), Pennsylvania Wire Rope, Leschen Wire Rope (Division of Wire Rope Corporation of America), J&L, Page Division of American Chain and Cable and CF&I Corporation (Buffalo, N.Y.).

Remaining domestic products are: CF&I—Pueblo, Colo. and Roebling. N.J., Armco Steel, Florida Wire and Cable and Bethlehem Steel.

Bolts, nuts, and rivets.—These products are not exclusively a processed wire product, but growth in imports of this "other steel product" category is significant. Public statistical information on USA consumption does not exist, but private industry estimates indicate that imports have grown from about 6 percent of USA consumption in 1962 to 15 percent of USA consumption. In terms to volume this is identified as an import level of 68,000 tons in 1962 increasing almost fourfold to 206,000 tons in 1972.

REGIONAL DATA—WEST COAST

Between 1968 and 1972, it is estimated that total product shipments of wire and wire products to West Coast consumers rose from 643,000 tons to 740,000 tons, an increase of 15 percent. During the same period, imports of these products from all sources rose from 206,000 to 276,000 an increase of 34 percent more than double the growth in shipments. As a result, penetration by imports has risen from an estimated 32 percent in 1968 to 37 percent in 1972. (See Table I attached.)

Japan has the dominant position among the import sources and in 1971 accounted for a total of 60 percent of U.S. total imports of wire and wire products.

On the West Coast, USA, Japan's 1971 share of total imports has been even larger in many wire products as follows:

	Percent		*Percent*
Wire nails	87	Flat wire	67
Other nails and staples	61	Barbed wire	71
Bolts, nuts and rivets	88	Wire strand	99
Round and shaped wire	82	Wire rope	78

Japan's total share of the imports mentioned above is 83 percent on the West Coast which is heavily concentrated in the Los Angeles, San Francisco, and Portland areas (see Table II).

TABLE I.—WIRE AND WIRE PRODUCTS, U.S. WEST COAST, INCLUDING ALASKA AND HAWAII

[In tons]

Year	Estimated total receipts [1]	Imports [2]	Imports as a percent of receipts
1968	642,985	206,285	32.0
1969	648,365	242,086	37.3
1970	663,884	218,684	33.0
1971	676,249	230,258	34.1
1972	739,650	275,676	37.3

[1] Industry estimates.
[2] American Iron and Steel Institute.

TABLE II.—JAPAN VERSUS TOTAL 1971 WEST COAST IMPORTS (EXCLUDING HAWAII AND ALASKA)

	San Diego	Los Angeles	San Francisco	Portland	Seattle	Pacific coast
Round and shaped wire:						
Total	65	36,809	19,571	11,609	12,169	80,223
Japan	65	30,953	17,816	11,021	5,579	65,434
Percent Japan	100	84	91	95	46	82
Flat wire:						
Total		980	628	205	249	2,062
Japan		509	513	149	206	1,377
Percent Japan		52	82	73	83	67
Barbed wire:						
Total	20	792	1,727	2,326	718	5,583
Japan	20	643	1,463	1,375	484	3,985
Percent Japan	100	81	85	59	67	71
Wire strand:						
Total	367	12,420	10,111	1,691	4,848	29,437
Japan	367	12,370	10,063	1,691	4,760	29,251
Percent Japan	100	99	99	100	98	99
Wire rope:						
Total	2	721	1,374	1,998	1,796	5,891
Japan	2	652	1,036	1,763	1,159	4,612
Percent Japan	100	90	75	88	65	78

TABLE II.—JAPAN VERSUS TOTAL 1971 WEST COAST IMPORTS (EXCLUDING HAWAII AND ALASKA)—Continued

	San Diego	Los Angeles	San Francisco	Portland	Seattle	Pacific coast
Galvanized wire fencing:						
Total		1,319	1,056	1,621	1,110	5,106
Japan			738	493	92	1,323
Percent Japan			70	30	8	26
Welded wire fabric:						
Total	4	400	83	32	552	1,071
Japan					1	1
Percent Japan						
Other nails and staples:						
Total	2	3,582	936	240	944	5,704
Japan		2,324	789	176	220	3,509
Percent Japan		65	84	73	23	61
Bolts, nuts, and rivets:						
Total	462	15,836	3,675	1,342	1,557	22,872
Japan	53	14,033	3,325	1,213	1,454	20,078
Percent Japan	11	89	90	90	93	88
Wire nuts:						
Total	90	26,390	21,969	4,291	9,498	62,238
Japan	48	25,897	21,089	4,279	2,919	54,232
Percent Japan		98	96	99	31	87
Total:						
Total	1,012	99,249	61,130	25,355	33,441	220,187
Japan	555	87,381	56,832	22,160	16,874	183,802
Percent Japan	55	88	93	87	50	83

U.S. NET INDUSTRY SHIPMENTS OF WIRE AND WIRE PRODUCTS

[In thousands of tons]

Year	Drawn wire	Nails and staples	Barbed and twisted	Woven wire fence	Bale ties and baling wire	Total	Wire rods
1962	2,513	322	86	116	72	3,019	645
1963	2,253	316	111	119	70	3,138	801
1964	2,518	316	79	112	80	3,105	953
1965	2,842	321	107	112	103	3,484	1,284
1966	2,798	332	168	127	71	3,495	1,150
1967	2,507	334	102	116	74	3,133	1,076
1968	2,691	361	147	112	82	3,393	1,600
1969	2,654	311	77	105	109	3,256	1,261
1970	2,362	300	97	120	119	2,998	1,056
1971	2,132	340	98	117	104	2,791	1,544
1972	2,270	355	100	125	102	2,952	1,403

Sources: American Iron and Steel Institute, AIS-10.

U.S. WIRE AND WIRE PRODUCTS—IMPORTS 1962–73

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Round and shaped wire	222, 892	266, 566	380, 816	419, 137	441, 054	437, 454	572, 180	572, 731	504, 184	539, 380	533, 840
Flat wire	(1)	4, 447	14, 240	15, 907	15, 798	16, 582	21, 263	21, 040	21, 276	24, 020	28, 421
Bale ties	1, 038	1, 193	1, 981	1, 632	1, 370	1, 545	1, 216	1, 158	485	600	358
Galvanized wire fence	42, 151	50, 761	42, 785	41, 129	52, 990	56, 373	58, 794	54, 765	57, 461	47, 319	53, 575
Wire nails	271, 439	304, 605	296, 893	313, 607	274, 674	216, 084	287, 933	301, 851	245, 018	293, 586	359, 135
Barbed wire	66, 601	90, 043	72, 428	74, 856	76, 506	69, 407	77, 661	62, 749	57, 726	58, 142	65, 674
Subtotal	604, 121	717, 615	809, 143	866, 268	862, 482	797, 445	1, 019, 047	1, 014, 294	886, 150	963, 047	1, 041, 003
Wire rope	18, 638	17, 571	20, 909	22, 784	25, 911	26, 821	22, 966	26, 813	29, 059	28, 548	41, 922
Wire strand	20, 687	29, 496	30, 056	40, 211	52, 049	64, 457	78, 795	91, 618	112, 264	136, 479	161, 711
Welded wire fabric	(1)	4, 874	12, 477	20, 515	21, 223	13, 803	16, 681	12, 028	14, 357	15, 348	12, 511
Other nails and staples	10, 321	10, 856	12, 678	15, 473	14, 313	13, 401	18, 979	21, 606	21, 657	21, 966	30, 676
Bolts, nuts, and rivets	67, 927	70, 093	83, 372	123, 054	122, 599	139, 506	147, 897	172, 846	181, 476	170, 882	206, 314
Subtotal	117, 573	132, 890	159, 492	222, 037	236, 095	257, 988	285, 318	324, 911	358, 813	373, 223	453, 134
Total	721, 694	850, 505	968, 635	1, 088, 305	1, 098, 577	1, 055, 433	1, 304, 365	1, 339, 205	1, 244, 963	1, 336, 270	1, 494, 137
Wire rods	644, 611	800, 795	952, 771	1, 283, 627	1, 150, 303	1, 076, 467	1, 600, 369	1, 260, 900	1, 055, 557	1, 544, 359	1, 402, 894

Source: AISI—Imports 1—From Department of Commerce.

[1]Not available.

U.S. WIRE AND WIRE PRODUCTS—EXPORTS

[In thousands of tons]

Year	Wire rope	Drawn wire	Nails and staples	Barbed and twisted	Woven wire fence	Bale ties and bailing wire	Total exports
1962	9.5	29.8	4.0	12.9	2.0	0.1	58.3
1963	9.2	48.0	4.3	23.2	1.5	.4	86.6
1964	10.5	48.6	4.5	.6	1.7	(1)	65.9
1965	12.8	41.3	7.1	1.3	2.8	(1)	65.3
1966	12.2	38.5	7.5	1.1	2.1	(1)	61.4
1967	12.9	32.9	7.3	.8	1.9	(1)	55.8
1968	11.4	46.4	7.0	.8	1.9	(1)	67.5
1969	14.9	63.7	8.7	.8	2.0	(1)	90.1
1970	12.0	54.6	7.0	1.2	1.7	(1)	76.5
1971	11.2	42.3	7.4	1.9	1.7	(1)	64.5
1972	11.9	48.6	8.3	.9	1.7	(1)	71.4

[1] Not available.

Source: AISI exports 1—Department of Commerce.

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Korea Investor Climate Attracting U.S. Partners

NEW FIVE-YEAR DEVELOPMENT BLUEPRINT CALLS FOR PRIVATE, PUBLIC OUTLAYS OF $12 BILLION

The Republic of Korea's long-run investment climate continues to be favorable. Factors contribuitng to this outlook include political stability, rapid economic growth, an abundant labor force, a positive attitude toward foreign investors, and liberal investment incentives.

Spurred by its success with the first (1962–66) and second (1967–71) Five-Year Development Plans, Korea will soon initiate its third development program. The 1972–76 blueprint calls for private and public investment expenditures of about $12 billion.

Industries expected to experience the most rapid expansion include metals, machinery, chemicals, and textiles. To ameliorate its trade imbalance, Korea intends, moreover, to modernize its export industries, diversify exports, and to accelerate, where practical, the substitution of imports with home products.

Meanwhile, the cadence of public and private sector development projects has been stepped up; public and private sector tenders are increasing in number. Work is underway on a major petrochemical complex and an integrated steel plant. Power generation capacity reached 2 million kilowatts last year. It will be expanded to 6 million kilowatts by 1976 when Korea's first nuclear power plant plus other additional conventional plants become operational.

Construction of a network of expressways, highways, and flyovers in certain cities, as well as improvement of secondary backcountry roads, continue. Ground breaking for a subway system for the capital city of Seoul took place recently. Korean Air Lines is adding new domestic and international routes, including one to Honolulu and Los Angeles.

The World Bank has sanctioned a survey of the feasibility of proposed improvements for several Korean ports, including Pusan. The expected completion of the mammoth second tidal basin at Inchon by mid-1972 will upgrade that harbor's capacity significantly and may well spur the growth of a nearby industrial zone.

The Republic of Korea's economic prosperity in recent years has created an unusually favorable environment for foreign investors. Korea's growing economic strength and diversity, however, have also led the Government to be more selective in its choice of investments. All investment applications are reviewed by the Economic Planning Board's Office of Investment Promotion and are evaluated in light of their contribution to Korea's development goals. Export-oriented joint ventures and investments which introduce new technology are particularly sought (see accompanying list).

After a slow beginning in early 1970, American investor interest in Korea again picked up in late 1970; by the end of the year the Korean Government approved new U.S.-involved projects totaling $50.2 million in equity, compared

to $11.8 million for 1969. The cumulative U.S. share of total foreign equity investment approved since 1962 rose from 55 percent in 1969 to 60 percent in 1970, for a total value of $128 million. Total Japanese investment for the same period was $57 million with $21 million approved in 1970. Over 80 percent of Korea's total foreign investment has been attributed to the manufacturing sector, with major investments in electronics, oil refining, and the chemical industry.

Various investment incentives and guarantees are provided under the Foreign Capital Inducement Law promulgated in 1966 and other related government decrees and regulations. Some of the more important provisions are:

(1) Corporate income tax, property tax, and property acquisition tax are exempted for five years in proportion to the ratio of shares owned by foreign investors, and a 50 percent reduction of these taxes is allowed for the ensuing three years. In addition, customs duties and commodity taxes on capital goods to be imported for investment purposes are also exempted.

(2) Unlimited remittance of profits is guaranteed, with no waiting period. The principal may be repatriated up to 20 percent per annum after two years from the date when the foreign capital invested enterprise begins its business operation.

(3) Reinvestment of profits is permitted up to the amount of the original investment. Authorization must be obtained if the reinvestment amount exceeds the original outlay.

(4) Foreign investors may own up to 100 percent of the shares of an enterprise.

(5) All the property of foreign-invested enterprises is guaranteed and protected from requisition or expropriation.

The Korean Government intends to amend the Foreign Capital Inducement Law to reflect the country's more sophisticated approach toward foreign investment.

In addition, the Korean Government is endeavoring to reduce so-called red tape to a minimum. Streamlined administrative procedures for the inducement of foreign investments were recently launched and centralized in a "one-stop service" operation in the Office of Investment Promotion. There is evidence, too, of better interagency coordination for a more even-handed, pragmatic implementation of Korea's commerce and investment laws. Until recently, official emphasis was centered largely on the inducement of foreign capital. The Government has now moved to improve its organization to deal more effectively with problems encountered by foreign firms after production facilities are completed and the plants are in operation.

As for technical assistance and licensing agreements, the Korean Government has issued new internal guidelines removing the rather stringent controls on such activity instituted in early 1969. With the Government taking a more realistic view of the contribution that foreign technology can make to continued industrialization, interest on the part of U.S. firms is now increasing.

In order to further induce foreign investment and promote export industries, the Korean Government is establishing a free export zone in Masan, a port city on the southern coast, and plans to construct two additional zones. Of the 166 acres in the Masan zone, 147 acres remain to be allocated.

Among incentives offered to foreign enterprises, operating within the free trade zones are: exemption from most Korean taxes; simplified administration precedures; a large, relatively inexpensive and comparatively well educated labor force; prime industrial sites with plentiful water and power supplies; and the option of leasing government-established factory buildings with rent payable on an installment basis. Low-cost plant sites and other privileges are also available in a number of other export and industrial estates.

The cost and productivity of Korea's labor represent a significant attraction for foreign investors. The supply of labor continues to exceed demand. Furthermore, labor is highly literate, industrious and eager to learn skills, and foreign investors in labor-intensive industries have found unit production capability to be generaly high. A Special Law on Trade Union and Mediation of Labor Disputes in Enterprises Invested by Foreigners was promulgated in 1970 to provide better labor conditions for the foreign investor.

The Korean Government has continuously reaffirmed its policy to encourage foreign, and particularly American, investment. And numerous investment op-

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NOTE.—The Korea Exchange Bank has recently issued a revised edition of "The Businessman's Guide to Korea" which is of particular assistance to U.S. firms interested in investment in Korea. Reference copies are available at any U.S. Department of Commerce field office. Individual copies may be obtained from the Far East Division, DIC-S92, U.S. Department of Commerce, Washington, D.C. 20230.

portunities are evident within the framework of Korea's Third Five-Year Development Plan (1972–76). While the Plan projects an average annual increase of 8.6 percent in real GNP, Korea's actual growth rate may be higher; the increase during the first half of this year was 14 percent. Personal income will continue to rise. Domestic consumption will very rapidly catch up with the supply and further expansion will be necessary. Exports are expected to continue to grow at 30 to 40 percent per year and manufacturing will stay in the lead.

Korea is dependent on foreign exchange to nourish its development. To earn foreign exchange, Korea's industry must be export oriented—it needs, and desires, foreign capital to enable it to grow and expand.

—BUREAU OF INTERNATIONAL COMMERCE.

U.S.-KOREAN TALKS EMPHASIZE EXPANSION OF COMMERCIAL TIES

During the Fourth United States-Korean Commerce Ministers Meeting recently held in Washington, Secretary of Commerce Maurice H. Stans and Korean Minister of Commerce and Industry Nak Sun Lee reviewed a broad range of commercial subjects.

The two Cabinet officers emphasized their mutual interest in expanding trade between the United States and the Republic of Korea, as well as the stimulation of further U.S. investment in Korea.

In a joint communique issued at the conclusion of their discussions, Secretary Stans and Minister Lee agreed that "their frank and cordial exchange of views had reaffirmed the strong ties of friendship between their two countries, and would effectively help to broaden the commercial relations between the Republic of Korea and the United States." Secretary Stans accepted Minister Lee's invitation to hold the next meeting in Seoul.

Major excerpts from the communique of the Sept. 27–28 meeting follow:

The topics discussed at the meeting included the economic situation in the United States and Korea; expansion of Korean exports to the United States; expansion of U.S. exports to Korea; Korea's foreign investment climate: and the sister relationship between the U.S. National Bureau of Standards and the Korean National Industrial Research Institute.

Secretary Stans emphasized the objectives of the New Economic Policy in stimulating the U.S. economy, controlling inflation, and restoring a healthy balance of trade and international payments.

Minister Lee reviewed the impressive achievements under Korea's Second Five-Year Plan and outlined the goals envisaged in the Third Plan to begin in 1972.

Both Ministers expressed satisfaction with the continued growth in trade between their two countries. In reviewing this trade, however, Minister Lee noted that the U.S. 10 percent surcharge on imports might adversely affect Korea's exports to the United States. He urged that thte U.S. Government remove the surcharge as soon as possible to enable Korea to achieve its export targets which represent the most important element of Korea's economic development plan.

Secretary Stans reaffirmed that the surcharge is a temporary and non-discriminatory measure. The U.S. side also reviewed the status of the Administration's legislative proposal for generalized tariff preferences for developing countries, and took note of Korea's concern that the United States had not yet implemented its preferences scheme.

The U.S. side gave assurances that if Korea's shellfish sanitation program is acceptable, the United States is most willing to make the necessary preparations for an agreement which would permit the export of shellfish products to the United States. Questions relating to cotton under a new Public Law 480 agreement and the U.S. tariff quota on stainless steel flatware were also discussed. The Korean side requested that the tariff quota on Korea's stainless steel flatware exports to the United States be increased to the level of Korea's previous export performance, and the U.S. side explained the situation facing the American flatware industry.

In reviewing the expansion of U.S. exports to Korea, the U.S. side expressed its appreciation for the Korean Government's outstanding cooperation in connection with the Second U.S. Industrial Machinery Exhibition, scheduled to be held in Seoul next month, and for the continued receptivity of the Korean market to American products. The U.S. side indicated the hope that an improvement in Korea's international payments position would permit some further relaxation of import controls.

The Korean side requested increased support for U.S. exports to Korea by the Export-Import Bank of the United States, and invited the U.S. Government to consider the establishment in Korea of a U.S. Trade and Investment Center. The U.S. side took particular note of both requests.

The Korean side reported on the contribution made by U.S. private investment in Korea and expressed the desire to encourage more U.S. equity investment, particularly in joint ventures with Korean partners. The U.S. side agreed that U.S. firms will continue to be interested in investment possibilities in Korea, so long as the investment climate remains favorable and competitive with other developing countries. In this connection, it emphasized the benefits that could be derived from granting U.S. insurance companies the opportunity to offer their services to foreign subsidiaries and joint ventures incorporated in Korea, and to Korean enterprises as well. The U.S. side also urged that the Republic of Korea join the "Paris Union" International Industrial Property Convention as well as the Universal Copyright Convention.

The U.S. side referred to the steps taken thus far to effect the sister relationship between the United States National Bureau of Standards and the Korean National Industrial Research Institute, and indicated various ways in which a more meaningful collaboration could be undertaken. Minister Lee accepted from Secretary Stans an index of engineering standards, the first in a series of publications by the National Bureau of Standards, and noted his interest in a greater exchange of personnel and technical services.

The Korean Government particularly desires foreign investment in the following industrial fields:

Import substitution industries: Textile processing, pulp making and printing machinery, industrial chemicals, iron and steel, metal products, prime movers, machine tools, pumps and compressors, textile machinery, construction and mining equipment, statistical machines, electrical machinery, communications equipment, shipbuilding, and transportation equipment.

Export industries: Leather goods, tires and industrial rubber products, chemical fertilizers, industrial chemicals and plastic materials, glass, ceramics, textile machinery, electrical machinery, electronic components, communications equipment, toys, sporting goods, musical instruments, and furniture.

Export industries in Masan Free Export Zone: Leather products, food processing and packaging equipment, handicraft articles, furniture, selected garments, electronic products, printing equipment, sporting goods, toys, musical instruments, machine tools, metal manufactures, cosmetics, certain rubber products, plastic manufactures, and optical, medical, scientific and precision instruments.

Osaka Wiremakers Heeding Korea's Lure

(By Fred Saito)

Osaka, Japan.—Eight wire and wire products manufacturing companies have decided to abandon their mills at Hirakata, a northeastern suburb, and migrate to Masan South Korea, to establish new mills.

It's not exactly a workers' exodus, for the Japanese operators' new mills, matching the present combined capacity of Hirakata's mills at 40,000 metric tons, will have Korean employes. Probably only a limited number of technicians and foremen will accompany the operators in the first industrial migration from Japan to Korea.

Details of the plan are being worked out under the guidance of Mitsui & Co. The new mills at Masan probably will function like a "capitalistic commune," with profits shared in proportion to capital investments. Construction of the commune will probably begin in a few months.

The Osaka operators wish to tap Korea's low-wage labor resources, but not so much its market which will remain too small for their combined production. The mainstay of Masan's wires and wire products, like ropes, bolts and nuts, nails, wire nettings and so on will be exported to Japan and America. South Korea gives top priority to exports.

As far as South Korea's wage scales are concerned, here is how they shape up against Japanese wages in this industry.

The eight producers at Osaka's Hirakata area reported that pay scales rose 14.2 percent in 1967, 16.9 percent in 1968, 20.6 percent in 1969, 30.4 percent in 1970, 21.1 percent in 1971, and about 13 percent last year.

With fringe benefits added, an average Hirakata worker receives monthly an equivalent of $500, compared with the South Korean average of $100.

The Hirakata operators have continued to modernize and automate machinery wherever possible, and upgrade their products for exports, about 60 percent going to the United States. But automation has been "completed," with no more possibility of reducing labor and labor costs.

Japanses exports of wire products rose from 471,555 metric tons of 1970 to 549,861 tons of 1971. But they hardly gained at all last year.

The Osaka departure was encouraged by Mitsui, which has long distributed Osaka products. The decision also received blessings from the nation's leading wire rod producers.

Declared Ryo Sogano of Kobe Steel, Japan's wire rod leader, in an interview:

"They made a brave and correct decision for their survival. Sooner or later developing nations will go self-sustaining in wire products, and beat and replace the Japanese in the trade."

One outfit that decided to migrate from Hirakata to Masan is Sugimoto Shinsen, one of Kobe Steel's affiliates.

In Japan the wire rod trade has been controlled by a few large, integrated steelmaking concerns. With new wire rod mill going into a 60-meters-a-second, 40,000-tons-a-month operation at Kakogawa in Korea this month. Korea will account for about 35 percent of this year's Japanese wire rod output, estimated at 4.5-million metric tons. Nippon Steel's 30 percent and Sumitomo Metals' 10 percent. will be next. The remaining 25 percent will be divided by Kawasaki Steel, Osaka Steel and Nakayama Steel.

MANY MORE USERS

However, Japanese wire and wire products, which totaled an estimated 3-million tons last year, have been shared by about 15 medium and small companies. About one half of them are concentrated in the Osaka area. Smaller mills scattered all over the nation adequately fill regional demands.

The Seoul government has designated Masan as a "free port," where tools and materials will be imported "in bond" for processing into export products. South Korea does not own any modern highspeed wire rod mills capable of meeting the demand of the new, fast wire product mills to be built by the Japanese at Masan.

The Korean Government has declared that it would give an allout welcome to the Osaka wiredrawers because the Japanese migration sets an important milestone in the Korean industralization program.

In the past year Japanese investors and industrialists joined local interests to build wire and wire product mills in various Southeast Asian countries. But none so far has migrated to foreign lands.

[Translation from Nihon Kogyo Shimbun, Jan. 1, 1973]

"It is not a time for us to expand the production capacity within Japan. Among the expansion programs that we have been investigating, the Masan Industrial Area where we have decided to establish a plant, is the best place we can think of. I have made 5 trips to Korea for the preparation and gambled our enterprise life for such small organization like ours" said T. Tadano, President of Hinomoto, (Head Office: Osaka, Paid-in Capital: Yen 5 million) a manufacturers of the construction hardwares and screws. Tadano, President started his investigation quite a few years ago because of the increasing labor cost will reach the point where he will not be able to continue his business. He had visited the South Asian countries for 5 years and decided to proceed to go to Seoul, Korea. He, however, changed his decision because of the political unstability in relation with the North Korea, but he continued to search a better location. At that time, Mitsui & Co. brought him a project of Masan free zone. Last spring, he applied a permission to the Korean government through Mitsui and obtained the "Pass-Port" in October for the first time in the wire processors industries.

Hinomoto immediately established a corporation, Kankoku Hinomoto (Korean Hinomoto) with a capital stock of US$200,000.—(Representative Director, T. Tadano) and started construction of a plant. By summer 1973, he plans to employ

200 workers with a monthly turnover of Yen 20 million to grow to Yen 50 million in 5 years.

Masan Free Zone is located about one hour distance by car from Pusan. Total area is 1.75 million square meters. The Korean Government started reclamation of the shore in three sectors of No. 1, No. 2 and No. 3 Projects. The government announced to establish around the Zone, apprentice schools, hotels, residence, apartments, foreigners schools, medical centers and even golf courses and entertainment establishments to invite actively the foreign enterprises of the advanced countries to foster the Korean economy and foreign trade.

The Korean Government has announced the various special favors to the enterprises such as (1) Income Tax, Corporate Tax, Property Tax will be exempted for 5 years (2) Sales Tax on export commodities will permanently exempted (3) Import Tax on the capital goods, materials, parts to the foreign enterprises will be exempted (4). The investment can be remitted abroad, after elapse of two years from the date of operation up to 20% per year.

The government has requested Mitsui to give their assistance enumerating the good labor at a small cost. Cost of labor is about one third of that of Japan. More than 10 enterprises has applied for the project including Hinomoto who will go to the No. 1 Project zone.

The wire and wire products manufacturers will go to No. 2 zone collectively.

The following enterprise has applied a permission to the Korean government:

	Area (square meters)	Capital	Capacity	Product
Murata Sangyo	10,000	$1,500,000	2,500	Nail.
Murakami Kogyo			(?)	Do.
Nippon Seitei			2,000	Do.
Nitto Seibyo			(?)	Do.
Towa Kogyo			2,000	Do.
Sugimoto Shinsen Kogyosho			(?)	(?)
Nihon Seisen			(?)	(?).
Nakaya Seitei Kogyo			(?)	Nail.
Matsuba Seitetsu			(?)	(?).
Taiho Sangyo			(?)	(?).
Itaya Tekkosho	(1)	(1)		
Akamatsu Gokin	(2)	(2)		
Unknown	(3)	(3)		

[1] Machine supplies and repair.
[2] Drawing dies suppliers.
[3] Cardboard box manufacturers.

It is reported that the other manufacturers who has not disclosed the capacity yet will be more or less the same capacity and will start by the end of 1973 or early 1974.

The organizer of this kind of collective group, Mr. Fukuchi of Mitsui & Co., Osaka said that the wire product; are mostly in the category of labor consuming industries, and the less expensive labor is a big lure to the manufacturers. There must be some kind of handicap like the difference of sentiment in the nations but this can be overcome by the collective exodus of one industry."

SUPPORTING TRADE ORGANIZATIONS

Specialty Wire Association, 1625 I Street NW., Washington, D.C. 20006.
Wire Reinforcement Institute, 7900 West Park Drive. McLean, Va. 22101.
Independent Wire Drawers Association, 1108 16th Street NW., Washington, D.C. 20036.
Committee of Rod and Drawn Wire Producers, American Iron and Steel Institute, 150 East 42d Street, New York, N.Y. 10017.
Committee of Wire Rope Producers, American Iron and Steel Institute, 150 East 42d Street, New York, N.Y. 10017.

Mr. ULLMAN. Thank you very much, Mr. Selhorst. Does that conclude your testimony?

Mr. SELHORST. Yes, sir.

Mr. ULLMAN. Your full statement and accompanying materials will be included in the record.

Mr. SELHORST. Thank you, Mr. Chairman.

Mr. ULLMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Selhorst, you have documented your statement very well and this will be helpful to us in analyzing the problems of your industry. Thank you very much for your specific suggestions.

Mr. ULLMAN. Mr. Collier.

Mr. COLLIER. I have just one question. On page 13 you speak of the special incentives or favors which were granted by the South Korean Government to Japanese firms. Now, these three tax-exempt incentives that they provided, are they provided just to Japanese firms, or do you, as a multinational, enjoy the same treatment?

Mr. SELHORST. I cannot answer that.

Mr. COLLIER. I am talking about Korea.

Mr. SELHORST. Yes. I can't answer that directly. I assume they would be available to anybody, to any country that came into South Korea to make wire.

Our purpose here, Mr. Collier, is not necessarily to eliminate ourselves from moving to Korea to make wire, our purpose here, as citizens of the United States, is to see to it, hopefully, that we will get fair and equal opportunity to make sure and continue operating in the United States.

Mr. COLLIER. You anticipated my next question, which was going to be whether or not you would or the American domestic industry would be accorded the same special favors should they choose to locate in that area, although I am not recommending it. Do you happen to know offhand, in addition to these special favors which are granted by the South Koreans to Japanese firms, what Japan itself does in terms of tax treatment of these foreign corporate entities?

In other words, where they are exempt from corporate tax, property tax and so on, is there a tax however levied by the Japanese Government to your knowledge on these operations in Masan which would tend to reduce the advantage?

Mr. SELHORST. Mr. Collier, I do not think we have any way of knowing that. I think that is something that would have to be investigated. It is kind of far out of reach for us to get into that part of it.

Mr. COLLIER. I understand, although I think it could be significant, because it remains an advantage only to the point that there is not some countervailing capital cost that would be involved.

I think you have made a good statement. Thank you very much, sir.

Mr. SELHORST. Thank you.

Mr. ULLMAN. Mr. Conable.

Mr. CONABLE. Mr. Selhorst, I was interested in your statement that the production being established in other countries was aimed at the American market, or pointed at the American market. Is there anything in your statement that indicates that?

For instance, are there peculiarities of the products used in America that would indicate that this production was exclusively of interest to American purchasers or are you referring only to the location of so much of it in Canada and Mexico?

Mr. SELHORST. I think we were referring more from the standpoint of some of the joint ventures that are now beginning to hop up in the

third country type strategy, wherein the developing nations policy is being carried on.

Mr. CONABLE. You mean the assumption that we are going to have generalized preferences and, therefore, these countries will have better entry to the American market than might someone else?

Mr. SELHORST. Right. We have existed in the market for a number of years, as you can see, with heavy penetration of foreign imports, and we are still alive. We are still here. We are just concerned about the next 10 years.

Mr. CONABLE. Then it is as much a visceral feeling that you have at this point rather than any tangible evidence that it is aimed at the American market. You see them positioned in such a way they could compete in the American market.

Mr. SELHORST. As to the wire mill in Mexico. the amount of wire that you can make for the Mexican market with the size of the plant being planned, obviously, they have to be planning on sending a heck of a lot of it to the United States.

Mr. CONABLE. Thank you.

Mr. ULLMAN. Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

I think from your statement that you advocate international free trade but you think the trade should be fair.

Mr. SELHORST. Right.

Mr. DUNCAN. Do you think we really have free trade today?

Mr. SELHORST. No, I don't think we have free trade today. I would like to see free trade developed. I think that is the only way we can have free trade.

Mr. DUNCAN. What are the ways that you must compete against in these foreign nations who erect trade barriers against our products?

Mr. SELHORST. We have heard of things like $2 a day in Korea, $3 and $4 a day in Taiwan, to steadily increasing wages in Japan and a steadily increasing wage in the EEC countries. So, I would say that the wages are moving up throughout Europe, throughout Japan. But the third countries, developing nations, have the lower wage rates and these are the ones that bother us for the future.

Mr. DUNCAN. What is the average wage rate in Germany?

Mr. SHROEDER. In those countries where pursuit of exports seem to be a national policy, the actual wage rates that their workers receive are really unimportant in their overall export effort. They seem to be more concerned that they can cover their raw materials cost and basic materials cost. The fact that the wage rate is one rate or another does not seem to be the determinant as to whether they go ahead and try to export.

Mr. DUNCAN. At one time we had an advantage in technology. Do we still retain that advantage?

Mr. SELHORST. I would say in some areas we are much advanced. It might come as as hock to some of them. But in other areas we haven't progressed as fast as we would like to, I think more because of the high import in the particular area. It is difficult to discuss the wire industry in this type of question because some items are up against heavy penetration in our traditionally low yield, low-profit items and in those items I would say our advancement in technology has been held back for that very reason.

In other areas, in our specialty wire industry and in some other industries, we are advancing as fast as anybody else. I think a great deal of money has been spent in the wire industry on technological advancement.

Mr. DUNCAN. What percent of the domestic market do you have today?

Mr. SELHORST. I think the American wire industry operates on probably an average of all products something in the neighborhood of about 70 percent of the market. Some items run from 50 down to 10.

Mr. DUNCAN. Is that increasing or decreasing?

Mr. SELHORST. As the statement said, it has been increasing about 7½ percent a year.

Mr. DUNCAN. Has consumption been increasing about the same rate?

Mr. SELHORST. Are they increasing at the same rate right now?

Mr. DUNCAN. Yes, sir.

Mr. SELHORST. We think so at the moment. The devaluation of the dollar may or may not make some difference. We are fearful that the devaluation of the dollar situation may be eroded by the third-country strategy.

Mr. DUNCAN. It has been of some help to you at the present time?

Mr. SELHORST. We haven't really seen it yet but we are hoping to.

Mr. DUNCAN. Thank you very much.

Thank you, Mr. Chairman.

Mr. ULLMAN. Mr. Karth.

Mr. KARTH. Mr. Chairman, I have just one question.

On page 14, again speaking to this third-country situation that you have been talking about, you urge Congress to include within the criteria for designating a beneficiary developing country a requirement that the product under consideration for preference tariff treatment not be one substantially financed and controlled by foreign interests.

What do you mean by substantially financed? Majority financed?

Mr. SELHORST. We have had a lot of discussion about that. What we want to eliminate is the situation——

Mr. KARTH. I know what you want to eliminate. I would like to know precisely what you are proposing.

Mr. SELHORST. Seventy percent.

Mr. KARTH. That is quite substantial. In many instances I suppose no matter what you do, even if you make it majority controlled a country such as Korea could put up 51 percent and a third country put up 49 percent, they could export the whole thing to the United States.

Mr. SELHORST. Right.

Mr. KARTH. Obviously, the language you suggest wouldn't cover it. It would kill you just as quickly but it would not cover you.

Mr. SELHORST. I understand what you say. We agree with you. It is a very difficult situation.

Mr. SCHROEDER. There are many problems with this concept and we wrestled with the proposal that is in the trade bill that is before you.

We are not sure that it solves the problem because of the loopholes that we see. The possibility of just moving costs around in ways to get around any percentage that anybody would come up with. We have an additional proposal on page 15 which would try to assure that a plant would not be for major export to the United States, that the other countries of the world would also have to take their share of the output of that facility. We suggest that, knowing full well that that is only one other way of getting at the problem.

Mr. SELHORST. Mr. Karth, we would like an opportunity to work a little longer on this and we would like to submit to you as soon as possible a definite statement in this area. This ad hoc group has only been together for about a month. There are five associations represented here. We are kind of happy to say it is the first time that any of us can ever remember that the whole wire industry got together because we have one common problem.

Mr. KARTH. I for one would appreciate it if you would work on it. I might suggest that you work on it in the vein of 100-percent reciprocity. If you can work out some language where we can have fair trade on 100-percent reciprocity basis, I think that probably fits the situation more than attempting to write language to cover every conceivable situation that you can imagine, all of which obviously provide loopholes in them, and around which any number of countries can move.

Thank you very much, Mr. Selhorst.

Mr. SELHORST. Thank you, Mr. Karth.

Mr. ULLMAN. Without objection, the record will be held open for a reasonable period of time for this information.

[The information requested follows:]

WILLIAM H. GUTERL,
Pittsburgh, Pa., June 22, 1973.

Hon. JOSEPH E. KARTH,
House of Representatives,
Washington, D.C.

DEAR MR. KARTH: In his testimony on behalf of the Emergency Committee of the Steel Wire Industries of the United States on June 7, 1973, Mr. Lawrence Selhorst urged Congress, in its consideration of the Trade Reform Act of 1973, to include within the criteria for designating a beneficiary developing country a requirement that the product under consideration for preferential tariff treatment not be one "substantialy financed and controlled by foreign interests." You indicated in your subsequent questioning that the Emergency Committee had indeed focused upon a troublesome problem and requested our group to submit within ten days its specific suggestions for a practical solution. At my request, the ten-day deadline was extended until June 22, 1973.

In the limited time available, we have devoted considerable thought to the formulation of an appropriate remedy. As a result of these efforts, we respectfully submit the following propsal.

1. Substitute the following provision for existing subsection 605(c):

"Any article determined to be eligible for duty-free treatment shall only be entitled to such treatment in any year to the extent imports of the article from the beneficiary developing country do not exceed the greater of:

(1) the average annual quantity of such article exported to the United States by the beneficiary developing country during the three-year period ending December 31, 1972;

(2) 15% by quantity of the total imports of such article into the United States."

2. Amend existing subsection 605(c) as follows and renumber it as subsection 605(d):

"*Notwithstanding the provisions of subsection 605(c) of this Act,* whenever the President determines *that total imports of such article from all countries account for more than 50% by value of apparent consumption, or* that a country has supplied 50% by value of the total imports of an article into the United States, *or that more than 30% by value of its exports of an eligible article are to the United States* or has supplied a quantity of such article to the United States having a value of more than *$10,000,000,* on an annual basis over a representative period, that country shall not be considered a beneficiary developing country in respect to such article."

3. Renumber existing subsection 605(d) as 605(e).

It is our opinion that the foregoing suggestion offers several advantages. Briefly, these include:

1. Our new subsection 605(c) is not tied directly to foreign ownership or control of the beneficiary developing country's industry. As we all recognize, it is most difficult to set meaningful standards regarding foreign ownership or control and even more difficult to monitor the observance of such standards. Instead, we propose that a beneficiary developing country exporting an eligible product to the United States be granted duty-free treatment for such product to the extent of the average quantity exported to his country, during the past three years. This would eliminate the need to develop and administer costly and ineffective standards and would also prevent criticism by developing nations who would naturally resent United States involvement in their internal affairs as a condition to preferential tariff treatment.

2. Where a recipient nation has already penetrated the American market without benefit of preferential tariff treatment, the net effect would be to double, at a minimum, the quantity of such imports since the benefited country could ship an amount equal to its current volume duty free. Moreover, this would give an incentive to the developing government itself to limit foreign participation since it would be readily apparent that the preferential treatment, although generous, is not open-ended. Finally, with the development of new modern facilities to double its exports to the United States, the beneficiary nation may well experience lower unit costs and thus be able to compete still further even with respect to those articles subject to a duty.

3. Subsection 605(c) (ii) is designed to cover the situation in which a developing nation has not exported significant quantities of the eligible product to the United States during the prior three-year period. The impact of this provision would be to encourage developing countries to enter new markets. As with subsection 605(c) (i), a quantity limit is included to provide the recipient with an incentive to limit participation in its domestic industry by foreign interests.

4. The Emergency Committee recommends that subsection 605(c) of the existing Bill, which we have renumbered as subsection 605(d), be amended as previously indicated to more clearly and fairly define the rules of eligibility for preferential tariff treatment. The changes we are suggesting are essentially three in number. First, we have added a requirement that if total imports of a product from all countries exceed 50 percent of apparent United States consumption, the product shall not be eligible for duty-free treatment. It is our feeling that if total imports constitute more than half of domestic consumption, a developing country planning to build an export industry keyed to the United States market should choose a product line less saturated by imports. Second, we have included a provision that no beneficiary developing country shall receive preferential treatment with respect to any product 30 percent or more of which it exports to the United States. We firmly believe that if more than 30 percent of a line of exports from a developing nation go to the United States, the other developed countries are not bearing their fair share of the burden of giving tariff preferences to developing nations. Finally, we have eliminated the option given to the President by the Bill to ignore the various limitations if he "determines that it is in the national interest." No guidelines are included in the Bill to define national interest. More important, no suspension of the already generous limitations should be permitted.

We hope our suggestions will be of some value to you and ask that it be included in the record.

If you have any further questions, please do not hesitate to contact us.

Sincerely,

W. H. GUTERAL,
Temporary Chairman,
Emergency Committee of the Steel Wire Industries of the United States.

Mr. ULLMAN. Are there further questions?

If not, thank you very much, Mr. Selhorst.

Mr. KARTH. Mr. Chairman, can I make one request. I am sorry that I had to leave this morning before it was my opportunity to question the witnesses representing the steel industry. I did notice, however, that their tables in the back of their testimony really did not give comparable figures. I would like for the staff to request of the steel industry that in addition to the tables they provided that they provide a table giving us the man-hour cost-per-ton of finished product on a comparable basis with the United States, Germany, and Japan.

Could the staff be instructed to do that, please?

Mr. ULLMAN. Is there objection to that request?

Mr. COLLIER. I believe that request was made by Mr. Archer.

Mr. ULLMAN. If it was not, without objection it will be made and the record will be held open for that purpose.[1]

Our next witness is Mr. J. P. Wellman and Jack G. Wasserman.

We welcome you gentlemen before the committee. If you will further identify yourself and your colleague for the record, we will be glad to hear you.

STATEMENT OF J. P. WELLMAN, ON BEHALF OF INDEPENDENT WIRE DRAWERS ASSOCIATION, ACCOMPANIED BY JACK G. WASSERMAN, COUNSEL

Mr. WELLMAN. Chairman Mills, distinguished members of the Ways and Means Committee, my name is James P. Wellman. I am vice-president of Ivy Steel & Wire Co., located in Jacksonville, Fla., and I am appearing on behalf of the Independent Wire Drawers Association. With me is our association's legal counsel, Jack Gumpert Wasserman.

The Independent Wire Drawers Association believes that our industry occupies a totally unique position with respect to the foreign trade laws of the United States. As I will shortly explain, our vital raw material is not produced in sufficient quantity in the United States, while the importation of our raw material is subject to "voluntary" quotas. On the other hand, imports of many finished products which directly compete with the products manufactured by our members enter the United States without quantitative restrictions and are subject to only minimal custom duties. The manifest inequities of this situation are creating extraordinarily difficult problems for our membership.

The proposed Trade Reform Act does not resolve the problems facing our association. In the course of my statement, we will recommend that the proposed act be amended to provide that Presidential action in reducing tariffs on industrial raw materials in short supply in the United States may be combined with simultaneous congressional action to stimulate increased American production of raw materials, and we will also recommend further amendments to the countervailing duty law.

The Independent Wire Drawers Association is a national trade association with member companies located throughout the United States.

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[1] See table at p. 4011.

These companies manufacture hundreds of different types of steel wire and wire products. The members of our association employ thousands of American workers, and annual sales of all independent wire drawers are estimated to exceed $600 million. Our member companies are aggressive and innovative and we believe we consistently make the finest wire and wire products in the world. Our companies are led, in the main, by young men, and we have great faith in the future of our industry.

Our association has always advocated expanded free trade among all nations of the world. Given access to our vital raw material, we can produce better products at a better price than any other nation in the world, and we can easily meet most fair foreign competition in our marketplace. We have and will fight our own battles against unfair import competition by resorting to the remedies provided by existing Federal law. We have never sought special benefits from the Federal Government.

However, in the light of the shortage of our raw material and the enormous growth of imports of competitive products, we are now forced to reevaluate our traditional policy of expanded free trade. We appear before this committee to describe an intolerable situation which threatens the total destruction of a dynamic American industry.

INTEGRATED AND INDEPENDENT WIRE DRAWERS

The economic basis of our industry is exceptionally complex, and difficult to verbalize. Our story begins with a description of the worldwide wire and wire products industry. The wire and wire products industry divides into two recognized and accepted segments: The "integrated" wire drawers and the "independent" wire drawers.

This division in the wire and wire products industry into independent and integrated producers revolves around the critical raw material, wire rod. Wire rod is a steel mill product which is hot rolled from molten slabs of steel which are made in giant blast or electric furnaces. Only great steel companies with enormous capital assets have the ability to produce wire rod.

Thus, the word "integrated" describes large steel companies which do not have basic steelmaking capacity but which must purchase the critical raw material—wire rod—from the integrated companies which are also their competitors in the sale of wire and wire products.

Economists describe an industry where suppliers are also competitors of their customers as a "dual distribution" industry, and this concept is an important characteristic of our industry.

To summarize the nature of the industry, the independent American wire drawers must purchase their raw material—wire rod—from their competitors, the great steel companies located throughout the world. These same steel industry giants also manufacture wire and wire products, and thereby compete directly with the independents which are dependent upon them for their raw material.

THE EXISTING CRISIS

In the United States, the giant American steel mills are not producing sufficient quantities of wire rod. Imports of this vital raw material are limited by the Voluntary Restraint Agreements. Imports of wire

and wire products made from foreign wire rod are entering the United States at record levels.

We simply do not have sufficient quantities of our raw material from any source. This is not mere speculation. Statistics published by the Tariff Commission establish that the total open market consumption of wire rods in the United States (including imports) increased by only 8.1 percent since 1968—an average growth of only 1.6 percent in each of the last 5 years.

On the other hand, competitive foreign wire and wire products are pouring into the United States in enormous quantities. For example, since 1968 imports of wire products not subject to the Voluntary Restraint Agreements have increased almost 60 percent. In 1972, over 160,000 tons of wire strand entered the United States, an increase of over 100 percent since 1968. In 1972 over 40,000 tons of wire rope entered the United States, an increase of over 80 percent since 1968. The problem of foreign competition has been described to the committee in detail by the "Emergency Committee of the Steel Wire Industries of the United States," a committee composed of both integrated and independent American wire drawers, and an organization in which our association has played an active part. We completely, and without reservation, support the analysis and recommendations made by that committee.

The members of our association believe that we can effectively confront fair foreign competition in our marketplace provided we have access to our vital raw material, wire rod. Unfortunately, we do not have an adequate supply of our raw material from either domestic or foreign sources and, until we do, foreign wire and wire products will continue to penetrate the American market and further erode the American wire and wire products industry.

We desperately need our raw material, but we are not getting it. The solution to our increasingly critical problem is two-fold: First, the American steel industry must increase its basic steel production capacity. Second, fairly priced imports of our raw material—wire rod—must be permitted free, unrestricted access to the American market.

We turn first to the need for increased American production. The problem faced by the American steel industry with respect to new investments in wire rod productive facilities stems from a vicious cycle: First, the existing capacity of the U.S. steel industry is grossly inadequate to satisfy the growing wire and wire products markets; second, this scarcity of American wire rod has increased the price of domestic wire rod to America's independent wire drawers who, to meet the rising cost, must increase prices on their wire and wire products; third, as prices on American wire and wire products increases, it further discourages the great American steel companies from investing new capital in wire rod production facilities, and the cycle begins anew.

In the past, the members of our association have bitterly and fiercely competed with the integrated American steel mills in the sale of wire and wire products; in the future we will continue to compete with them in quality, in service, and in price. Competition is healthy and we welcome the challenge.

Although we compete directly with the integrated American steel companies, their welfare is of major importance to our industry. Com-

petition among all American wire drawers in the American wire and wire products market will be possible only if basic steel production in the United States is increased. We strongly urge this committee to consider the needs of the American basic steel industry in the light of its enormous capital requirements and the impact which that industry has on the economic base of the Republic.

We emphasize that the survival of the independent wire drawers depends, in large measure, in the strength of our principal competitors, the integrated American steel companies. Unless basic steel production in the United States is increased, and increased rapidly, imports will totally dominate the American wire and wire product market.

With respect to foreign sources of wire rod, American's independent wire drawers urgently need greater access to imports of our vital raw material. Importations of wire rod serve three functions.

First, they are an important source of supply of our raw material.

Second, since the giant steel mills in Japan and Europe—the principal exporting countries of wire rod—are limited to the amount of wire rod which they can export to the United States because of the Voluntary Restraint Agreements, their excess rod capacity is channeled into increased foreign production of wire and wire products, especially those wire products not subject to the Voluntary Restraint Agreements. Again, this is not mere speculation. Imports of competitive wire products not covered by the Voluntary Restraint Agreements approached 500,000 tons in 1972, an increase of almost 60 percent over the 1968 figure. These 1972 importations represent well over $100 million in sales to foreign exporters.

Third, imported wire rod has a price competition function as well as a supply function. Price squeezes are inherent in dual distribution industries. Price squeezes occur when integrated steel companies increase the price of wire rod to their independent competitors without commensurate increases in the price of their finished products. In the past, imported wire rod has been somewhat cheaper than domestic wire rod. Accordingly, imported wire rod has enabled the American independent wire drawers to avoid price squeeze by integrated wire drawers. Imported wire and rod has also enabled the American independents to effectively fight low-priced foreign competition.

Mr. ULLMAN. Excuse me, Mr. Wellman. The committee must recess now for a few minutes. If you will hold on, the committee will return.

[A recess was taken.]

Mr. CORMAN [presiding]. The committee will resume.

You may proceed, sir.

Mr. WELLMAN. The proposed Trade Reform Act of 1973 contributes nothing to alleviating the critical raw material problem faced by America's independent wire drawers.

THE TRADE REFORM ACT OF 1973: NEEDED CHANGES

The proposed act makes no distinction between ordinary competitive imports and importations of necessary industrial raw materials. Carbon steel wire rod is a raw material in short supply in the United States; fairly priced wire rod must be permitted free and unrestricted

access into the United States, but American production must also be rapidly increased.

Accordingly, the Independent Wire Drawers Association recommends that section III(c) of the proposed act be amended as follows, to require the Tariff Commission to: (5) Indicate whether an article in question is an industrial or other raw material.

In this connection, our association urges this committee to include in any report which it might draft to accompany the administration's proposed act, appropriate language which would make it clear to the President that it is the intention of Congress to provide, where consistent with the purposes of the act, for the duty-free treatment of any article which the Tariff Commission has determined to be an industrial raw material.

However, merely reducing the existing customs duty on raw materials in short supply in the United States does nothing to stimulate further American production of raw materials in short supply, such as wire rod. Accordingly, since our association recognizes and supports the country's vital need for increased steel production, we urge that section 102 of the proposed act be amended to include language similar to that found in section 103(d). Specifically, we recommend that section 102 be amended to include the following language:

(f) Nothing contained herein shall prevent the President from providing, in the case of certain industrial or other raw materials in short supply in the United States, that reductions pursuant to a trade agreement under this title shall become effective only after additional action by Congress which the President may recommend when he deems it appropriate.

This provision would enable the independent wire drawers to seek duty-free treatment on importations of our raw material from abroad, but would also provide a means for our association to support congressional legislation designed to stimulate increased U.S. production of our raw material.

The presentation before this committee by the Emergency Committee of the Steel Wire Industries of the United States with respect to the foreign competition provisions of the proposed act has our complete support and endorsement. However, there is a growing trend in the foreign production of wire and wire products which threatens to create a serious problem for the independent wire drawers, and which is outside the scope of any existing Federal law. We refer to the establishment of wire-drawing facilities by consortia of foreign steel companies in so-called free trade zones in third countries.

Increasingly, combinations of foreign steel producers, wire drawers, and trading companies based in one country and subsidized by their government are combining to establish wire and wire product facilities in third countries for the express purpose of producing wire and wire products for export to the United States.

In virtually every instance, the vital raw material, wire rod, is produced by the foreign steel mills and exported, on a duty-free basis, to their partners located in a free trade zone where the rods are converted into wire and wire products and then exported to the United States.

Since the governments of the countries in which these zones exist provide substantial tax and financial benefits to attract export industries, the wire and wire products produced in these free trade zones

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are generally required to be exported and cannot be introduced into the commerc of the country in which the zone is located. As a general rule, these combinations do not fall within the jurisdiction of the United States antitrust laws, and antidumping proceedings are exceptionally difficult to prosecute since there is no home market or other price on which to base a complaint.

The Independent Wire Drawers Association has called the attention of the Federal Government to the establishment of these combines in certain foreign trade zones. We would be pleased to make that information available to this committee. However, in the light of this increasing development, our association requests that the counterveiling duty provisions reflected in section 330 of the proposed Trade Act be further amended to make it abundantly clear that such activities fall within the scope of that law. We recommend the following change:

(1) Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation, shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, or in a zone or area of a third country—except the United States—which has been segregated for the principal purpose of attracting industry for the manufacture or production of merchandise for export, then upon the importation of any such article or merchandise into the United States * * *.

In conclusion, Mr. Chairman, members of the committee, we very greatly appreciate this opportunity to appear before you. We believe that the problems faced by our association arise, in major part, from defects in the foreign trade laws of the United States.

We are prepared to submit statistics and other documents supporting this statement to the committee's staff, and we are, of course, prepared to answer any questions which you might now have.

Thank you.

Mr. CORMAN. Thank you very much.

Mr. Karth.

Mr. KARTH. No questions.

Mr. CORMAN. Mr. Collier.

Mr. COLLIER. In summary it appears to me that you are somewhat in a frustrating position, if I understand your testimony correctly.

Number one, you rely primarily upon the domestic steel producers to provide you with the raw material that you need to compete with them, in the field in which you call for such assistance as we can provide to make the domestic steel industry healthier on the one hand, and yet remove the voluntary quotas.

I can certainly understand that, to make certain that you don't find yourself without the raw materials you need to pursue your production.

The steel people who testified, as you know, said there is not any way that these two very desirable things can be reached and that in order to remain healthly they need some voluntary restraints, if you heard the testimony this morning.

How do we arrive at accommodating your desires here if, in fact, the two things you want apparently seem to be in conflict in terms of making our domestic industry healthier, by at least temporarily retaining the voluntary quotas?

Mr. WELLMAN. Mr. Collier, we would envision such things as accelerated depreciation for writeoff of pollution equipment, maintenance and possible increase in the investment tax credit, similar inducements of that type to promote U.S. production of raw material.

Mr. COLLIER. I see. In other words, your statement is not directed singularly at what can be done in these areas through the trade bill but in combination with what the committee is likely to do in terms of tax reform?

Mr. WELLMAN. Yes, sir.

Mr. COLLIER. That makes sense. Thank you.

Mr. CORMAN. Mr. Pettis.

Mr. PETTIS. No questions.

Mr. CORMAN. I am sympathetic to your problem, but it seems to me when you have to rely on a competitor for your raw material, that your life must be hazardous.

I have often wondered, if we ever tried the free-enterprise system, and broke up some of the virtual monopolies, if you didn't have to compete with your supplier, that maybe some of your problems might not go away.

There doesn't seem to be much promise of doing that, but it is fun to think about how a free-enterprise system might work if we had one.

Thank you very much.

Our next witness is Jack Carlson, president, Kaiser Steel Corp.

Congressman Brown, we are pleased to welcome you to the Committee.

STATEMENT OF HON. GEORGE E. BROWN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BROWN. I would like the privilege of introducing Mr. Jack Carlson, who is the president of Kaiser Steel, and indicate the great importance which we on the west coast feel is represented by the western steelmaking capability that basically is the Kaiser Steel Corp.

In my own district they have an investment of about three-quarters of a billion dollars. Their annual economic impact is about $100 million. But the health of that steel industry is of great significance to the entire Western States, and the problems faced, because of the imports in the western region are, as he will point out, of very great significance to us.

Thank you for allowing me to be here.

Mr. CORMAN. Thank you very much, Congressman.

Mr. Pettis.

Mr. PETTIS. I, too, would like to welcome my colleague from California, Congressman Brown. He has a part of what used to be my district which is the area in which Kaiser has its steel plant.

We welcome you, Mr. Brown, and you, Mr. Carlson.

STATEMENT OF JACK J. CARLSON, PRESIDENT, KAISER STEEL CORP., ACCOMPANIED BY MYER RASHISH

Mr. CARLSON. Thank you very much, Mr. Pettis.

I think I will stand up. It may be a little more comfortable and change the pace.

You certainly had very extensive testimony this morning from my colleagues in the iron and steel industry. I would like to make it very clear from the start that we fully support what those fellows have said.

I was also pleased to hear Mr. Verity say that he supported our testimony.

As most of you already know, imported steel has taken twice the share of the market in the seven Western States as it has in the national market, and we believe the impending trade legislation can be strengthened further to help solve severe regional dislocations and thus add to the nation's overall economic strength.

In making this presentation, I have been authorized by the chief executive officers of five other independent western steel producers to state that they associate themselves with these remarks.

Kaiser Steel operates the largest steelmaking facilities west of the Mississippi. Together with these five other western producers we employ 17,000 steelworkers and represent more than $1,200 million in accumulated capital. Thousands of western manufacturers consider us absolutely fundamental to the continued growth and health of the business community of the Western United States.

During 1972, the last full year for which we have statistics, imported steel took 17 percent of the U.S. market; it took 37 percent of the Western market. In the first quarter of this year the discouraging ratio continues.

The market penetration by imported steel into the West is even more severe in those products having larger labor inputs, and therefore employing more American workers to produce. More than 54 percent of the market for galvanized sheet steel in 1972 went to foreign producers, for example. Forty-nine percent of the market for hot-rolled sheet has gone. More than 52 percent of the market for cold rolled sheet has been pre-empted by foreign steel.

When market shares of this magnitude disappear from the domestic scene, job opportunities disappear also. Tax payments disappear, payroll dollars are gone, expansion opportunities are lost. For example, Kaiser Steel has not added major facilities for producing steel ingots for more than 13 years. Market growth was completely absorbed by low priced imports and it has been impossible to justify the mammoth expenditures required to add new steelmaking production facilities. Other Western steelmakers also have abandoned expansion plans and cutback on operations.

If the import burden were equitable nationwide, the Western steel industry would be much larger than it is today, and 8 to 10,000 more jobs would be in place.

The Trade Reform Act, in title II, contains certain provisions designed to provide protection for domestic industry from injurious imports. Title II is incomplete, however, in that it does not deal adequately with the problems than can confront the domestic industry when the important problem is confined to a major geographic segment of the economy, as it has been for the Far Western steel industry.

To provide explicity for dealing with the problems of an industry in a major geographic region in the United States would not do any violence to the basic principles and underlying philosophy of the Trade Reform Act or of Title II of that Act. When people are unemployed

or underemployed, when production facilities are underutilized, and when returns from economic activity are depressed, the injury is just as real to people and resources involved when it is confined to a geographic region as when it is general throughout the huge continental economy of the United States.

The notion, sir, that the impact of imports on a geographic region should be taken account of is already contained in title II, but no provision is made to implement that idea. Thus, in section 202(c) (6), the President is instructed, in determining whether to provide import relief, to take into account "the geographic concentration of imported products marketed in the United States."

In his testimony for the record on May 10 before the Ways and Means Committee, Ambassador Eberle offered the following interpretation of this language on pages 29–30 of that testimony:

> Failure to provide such (import) relief might cause severe economic and social hardship to workers and communities in a particular geographic area of the country in which the industry is concentrated.

In order to give effect to this principle, we would recommend the following amendments to the bill:

1. Section 201 should be amended to provide that the term "industry" as used in title II shall mean the industry in a major geographic area of the United States.

2. Section 203(a) (1) should be amended to provide that the President may, in applying higher import duties or other import restriction, do so on a non-MFN basis. This is a proposal which Chairman Mills, in fact, made in his address to the House on March 21 in which he set out his own proposals for trade legislation. This amendment should recommend itself to the committee, on the grounds that the President should be free to take limited action confined only to the exports that are causing the injury. It is of particular interest in the case of geographic segmentation because patterns of international trade are such that very often imports into a particular region originate in particular foreign countries and the remedy can, therefore, be applied most efficiently on a selective basis.

3. Section 203(c), which deals with orderly marketing agreements, should be amended to provide that an orderly marketing agreement can be negotiated with one or more foreign countries which account for a significant part of U.S. imports by a geographic region of the United States. The present language refers to the United States as a whole. Section 203(c) should further be amended to provide that the President can take action against countries not party to such agreement even when an orderly market agreement has been entered into with only one country. H.R. 6767 now provides authority to the President to regulate imports from nonparticipating countries only if the orderly marketing agreement is entered into with more than one country. This amendment is designed to deal with the situation where only one country is the principal source of imports into a region and where, therefore, an orderly marketing agreement would be able to exploit the situation and increase their shipments into the region without the President being able to restrict such shipments under the present language. This would make it very difficult, in the first instance, to negotiate an orderly marketing agreement with the principal supplying

country, and, secondly, if such an agreement is negotiated, it would create loopholes which would undermnie the purpose of such an agreement.

4. Finally, we question whether the authority to suspend, terminate, or reduce an orderly marketing agreement provided for in section 203 (d) (3), would apply to orderly marketing agreements as distinct from the application of higher rates of duties or other import restrictions. The adjustment requirements and capabilities of a highly capitalized basic industry such as steel may be quite different from those of other industries. Moreover, an orderly marketing agreement which is voluntarily entered into by two sovereign states should provide for a period of duration and for its renewal on terms and conditions that are mutually agreed upon.

We believe that these proposals are sound and justifiable and helpful to the overall intent and objectives of the bill. We are submitting for the record a more definitive presentation of the western steel import problem itself, as contained in Kaiser Steel's publication titled "A Call for Action" which was published early this year. We would naturally be very pleased to furnish any additional information the committee may require.

We believe that Trade Reform Act, suitably amended to strengthen the geographic adjustment provisions, can be a real aid toward giving the President the latitude to deal with regional problems as experienced by western steelmakers.

I appreciate very much the opportunity to appear before you.

Thank you for your time and interest.

I think, Mr. Chairman, what I am really trying to say is that we have a problem as a regional steel producer, and we think there can be certain amendments made to this bill which can help strengthen it not only for us, but there may well be industries in other regions where this can be helpful.

Thank you very much.

Mr. CORMAN. Thank you very much.

I will have to confess to you that thanks to George Brown and Jerry Pettis I was not unaware of the problems that face Kaiser.

You have been even more explicit in the potential remedy, and we appreciate your helping the committee.

Mr. Karth.

Mr. KARTH. Mr. Carlson, I find your statistics of great interest. I would like to know why Kaiser Corp. cannot compete with foreign imports. I mean, other than the fact that the statistics are interesting, I would like to know why it is a fact. Why can't you compete with Japan in the manufacture of steel products?

Mr. CARLSON. That is a very good question. I can respond to that in several ways. I think the testimony this morning on the part of AISI was rather explicit. I can be more definitive in terms of our own situation.

I think it begins with a rather enormous difference in the cost of labor in the United States versus Japan. Our average wage levels in our steel business is about $7.50 with fringe benefits. I would judge the Japanese are paying about one-third.

Mr. KARTH. May I interrupt? I was led to believe that, with everything taken into consideration, that is, all of the cost of doing business

per employee, and the ton of product produced per employee was fairly well balanced out.

Mr. CARLSON. Well, I think we may be looking at a different set of statistics, sir.

Mr. KARTH. Let me ask you this: How much more does it cost Kaiser Co. to produce a ton of steel than it does the Japanese manufacturer?

Mr. CARLSON. It is pretty tough for me to know.

Mr. KARTH. All costs included.

Mr. CARLSON. It would be pretty tough for me to know what the cost of producing steel in Japan is. I can only say that now the revaluation has been an important new factor in our judgment——

Mr. KARTH. Except you say the trend established in 1972 continues.

Mr. CARLSON. Yes. So far through the first 4 months of this calendar year the imports have been up more than 10 percent over the same period in 1972. I should hasten to add, however, that I believe much of that steel was probably booked prior to the revaluation. I would expect to see some change in that for the balance of this year. But you asked a question about how we are, or why we are not competitive.

We are certainly competitive with respect to the use of our raw materials. We are certainly competitive with respect to our facilities.

I agree with my colleagues this morning, I don't think there is any great difference in facilities. Some have newer plants and some are less new. I think the basic difference is in the labor rate. I am sorry I cannot tell you precisely what it costs to produce a ton of steel in Japan.

I can volunteer that particularly the Japanese industry has been able to undersell domestic prices by some $15 to $30 per ton on an article that would probably average price at about $180.

Now, that is a very significant amount of money. You have a freight bill on that, you have the present duty, the landing charges. So their cost must be quite low. I must relate to the cost of labor.

Mr. KARTH. Is it your judgment that a good part of this cost is absorbed by the Government of Japan as opposed to it being manufactured more cheaply?

Mr. CARLSON. I would not say that necessarily.

Mr. KARTH. It is difficult for us to know. We expect you industry people to know as much about your industry and your competitors as it is possible to know. I am trying to elicit from you what these circumstances are. Until we know what they are, it seems to me it is very difficult to write legislation to ameliorate the situation.

Mr. CARLSON. In my judgment Japan, of course, is Japan, Inc. There are certain helps or certain assistances that I am sure Japanese industry gets which would be more elaborate than what we may get in this country.

I think that wherever you are dealing with somebody on a government basis such as Japan—not that the Japanese steel industry is government-owned—it is bound to show up in competitiveness.

Mr. KARTH. You are not suggesting we nationalize the industry, are you?

Mr. CARLSON. No, I certainly am not, sir, particularly so when I look at the record of the United Kingdom nationalized steel industry.

Mr. KARTH. There is one that didn't do so good under the nationalized system. Obviously the others are doing well.

I want to know the reason why. Is it government subsidy? Is it because the cost of producing a ton is so much less? I have difficulty in believing that, because most people who appear before the committee tell us that, all things being equal, they are very competitive, wage rates notwithstanding, labor rates notwithstanding, the cost of producing product for product notwithstanding, that there are other variables.

I would like to know what there are, if there are any.

Mr. CARLSON. The costs of production are the cost of raw materials together with labor and purchase of materials.

Mr. KARTH. And whatever assistance you might get from the Government?

Mr. CARLSON. Right. That assistance, as you know better than I, can come in many different forms. I am saying that in the case of the raw materials and in the case of plant facilities, I don't see that foreign producers have any enormous advantage. In the area of Government cooperation, in the area of the hourly cost of labor, I see quite a difference.

Mr. KARTH. Thank you very much.

Thank you, Mr. Chairman.

Mr. CORMAN. Mr. Collier.

Mr. COLLIER. Thank you.

Mr. Carlson, in looking over the steel mill products table that has been given us as background material, it indicates that virtually all, in fact roughly 95½ percent, of everything that we imported in steel mill products were from 11 countries.

Looking at this list and bearing in mind the testimony we had this morning, I see that the United Kingdom, where the industry is nationalized, represents more than 7 percent of that total import figure.

What of these other countries are nationalized steel-producing countries? Japan I know is not. Is Sweden?

Mr. CARLSON. I would say that probably yes.

Mr. COLLIER. Is Norway?

Mr. CARLSON. Norway is semi-private. But it is a very small steel industry. I think the capacity is something like 600,000 tons.

Mr. COLLIER. Canada is not?

Mr. CARLSON. Canada is private.

Mr. COLLIER. Netherlands is private?

Mr. CARLSON. Private.

Mr. COLLIER. West Germany?

Mr. CARLSON. Private.

Mr. COLLIER. Well, it would appear then that at least as of now, the competitive threat comes from those countries that have nationalized industries, which I understand can be a real problem—Mr. Archer pursued it this morning—yet imports from Communist and socialistic countries represents only about 15 percent of the total volume of steel products that we imported in 1972.

Do you see the possibility of a growth of this from the so-called nationalized steel companies?

Mr. CARLSON. Well, Mr. Collier, I think there is always that possibility of growth from nationalized steel companies.

Mr. COLLIER. I mean as a practical matter, do you?

Mr. CARLSON. Yes. I say that from experience. We have had several experiences within the last year where we have competed with nationalized steel industries and it is very difficult.

Mr. COLLIER. I would think it would be. But in order to make the proper evaluations and judgments of what we are doing, particularly in the area of voluntary, continuing voluntary quotas and so on, that, as you can well understand, has to be a consideration.

I think you look at the situation today, and you also have to look down the road to know where you are going because we don't pass a trade bill every year. In fact, the last one was in 1962. We have been operating in a virtual vacuum for the last 4 years.

My last question is in this area: Do you share the sentiment that was expressed this morning that the voluntary quotas leave something to be desired or, let me say, they are anything but a panacea to the problem, but that they are important enough, or effective enough to be retained?

Mr. CARLSON. Are they important enough to be retained, sir?

Mr. COLLIER. Yes.

Mr. CARLSON. Well, I think you have to go back to the voluntary quota idea which was originally initiated in 1968. Certainly for several years it has been helpful. I think that the new agreement terminates at the end of 1974. I believe that the present problem that the Consumers Union has raised with respect to the legality of the voluntary restraint arrangements has cast a very big shadow on the whole program.

I believe that there are those countries who have signed who now may say to themselves, "I am very concerned about having signed until this gets resolved in your courts." I think that on that basis it is much less effective. That is the first point.

Secondly, the signators to the agreement said that they would do their best to stay within the base period on geography and on product mix. This really has not happened.

I think that for the country as a whole, those who signed the voluntary restraints for 1972 probably stayed reasonably close to their limits. That was not true on the west coast where the EEC countries plus the United Kingdom were some 200 percent over their base period for imports. And they have not stayed with the base on product mix.

As I mentioned in my testimony, sir, the constant upgrading in the more sophisticated, higher labor-intensive is a difficult situation. So I think the voluntary restraint program has been useful. I think it has been clouded by the present court issue. I think it has a very dismal future. I think it was bad that we were not able to get more signators.

Mr. COLLIER. You are saying it is not good but it is better than nothing, is that about right?

Mr. CARLSON. That is right. That is about it. I would much prefer the trade bill, sir.

Mr. COLLIER. Thank you, Mr. Chairman.

Mr. CORMAN. Mr. Pettis.

Mr. PETTIS. To pick up where Mr. Collier left off, I would like to ask this question because there may be those members of the committee who would feel that the proposals that you made today which are very specific might be considered as special interest proposals.

How would you justify these proposals in terms of that accusation?

Mr. CARLSON. Well, Mr. Pettis, quite honestly I believe that these proposals strengthen the trade bill. I do not feel in any way that these are designed just to help a regional steel producer. As we pointed out in our testimony, underemployment, underutilization of facilities on a regional basis can certainly be just as demoralizing to our economy as they can on a national basis.

So I am hopeful that what we are suggesting will be interpreted by your committee as adding strength to the trade bill and not on any regional or any selfish basis.

Mr. PETTIS. I concur with you. I think your answer is a very good one.

You talked a little while ago about the differential in the regional problem. On the west coast the errosion of the market is to the extent of about, I think you said, 37 percent, where nationally it is about 17 percent.

Mr. CARLSON. That is right.

Mr. PETTIS. Now, if I remember correctly, when this voluntary agreement was originally written, the agreement was for something far less than 37 percent. Wasn't it in the neighborhood of 25 percent?

Mr. CARLSON. Or less. I would guess it might have been under 20 percent, sir.

Mr. PETTIS. So what we have really seen over the last 4 or 5 years has been a steady growth in the importation of steel on the west coast?

Mr. CARLSON. Very definitely. I think in somewhat more absolute terms that perhaps in 1968 there was something less than 2 million tons that came in. I would get it to be about 1.8 million tons. In 1972 that was 3.3 million tons of finished steel. Those tons are significantly more tons than we in Kaiser Steel produce today.

Mr. PETTIS. It is also interesting to me to remember, and I think my memory serves me correctly, that 5 years ago in the Eastern part of the United States the erosion of the market was in the area of about 10 or 11 percent.

I note today your testimony and those who preceded you that that has grown to about 17 percent. So this is not totally a western problem, even though in the West it has gotten to significant proportions.

Now let me ask you this question in terms of the jobs represented by, let's say, the 37 percent. If we had that 37 percent, how many more steelworkers would be working on the west coast than are working now?

Mr. CARLSON. Well, Mr. Pettis, if we had the entire 37 percent back, I would judge we would have approximately 17,000 to 20,000 more steelworkers working on the west coast today.

If we reduced the imports to just the national level—please understand, gentlemen, we are not suggesting that imports be eliminated—but I would like to see them leveled in the West to the national average. I think we would have 10,000 more steelworkers' jobs on the west coast.

Mr. PETTIS. This is a question that enters into all of our deliberations these days. In order to produce that steel, would you have any problem meeting environmental restrictions?

Mr. CARLSON. That is a very good question. I think the answer is irrevocably yes, I would expect to have some problems but I would expect to be able to meet those problems.

When I say that, I must also share the testimony of my friends this morning when we talked about the need for this industry to have a better cost-price ratio so that we can attract the enormous sums of capital that this industry requires to meet the social costs, environmental being just one, and at the same time provide the capital money that is required to do that.

But I have confidence that we could find our way, Mr. Pettis, to do that.

Mr. PETTIS. In your present plans, you have been living with this for quite some time now, what is the present situation? You are downstream quite some way in meeting these problems?

Mr. CARLSON. Well, as Congressman Brown said, we have little more than three-quarters of a billion dollars' worth of plant in one location. At that one location we have spent some $55 million on environmental facilities. That is the capital cost. It costs us approximately $3.6 million annually to operate those capital facilities.

So, as someone said this morning, on those capital facilities for environmental costs, uniform nationally we have about a minus 10 percent return.

Mr. PETTIS. I gather from this answer that if you were called upon to increase production to meet a demand, you could do this, considering all of the constraints of the need of new capital for new plants, the environmental constraints, and others?

Mr. CARLSON. Mr. Pettis, I am quite confident that we can meet the demand. I don't wish to leave the committee with the impression that we can meet it overnight.

It takes effort and it takes time to do this. But I have heard this question a number of places: If you reduced imports to a more tangible level, could the domestic steel industry take care of the problem?

I think again the answer is a positive yes, that we could do this. I think in the case of the west coast, if the imports were leveled out, there would simply be more movement into the other areas, and domestic steel would come west unless we increased our production.

Mr. PETTIS. I have one last question. It has to do with new technology. We have heard a lot about the new oxygen process. What is going to happen to employment in the steel industry as the industry replaces its existing facilities with the new facilities in terms of labor and employment? Could you touch on that?

Mr. CARLSON. The steel industry, as we replace facilities, will probably replace facilities with larger blast furnaces, with larger shops, with more computerized equipment. I would expect that we might find that the manhours per-ton might be somewhat less. But producing steel on an integrated basis such as we do in America with the ore and coal, if we can grow with our market you are going to have a lot of manhours even with tomorrow's technology.

Mr. PETTIS. Thank you.

Mr. CORMAN. Mr. Burke.

Mr. BURKE. No questions.

Mr. CORMAN. Mr. Karth.

Mr. KARTH. Mr. Chairman, thank you.

One question. Do the other domestic manufacturers give you as much competition in California as Japan?

Mr. CARLSON. I have been in the steel business for more than 25 years. We used to consider Bethlehem and United States Steel our competition. No more. Our competition is basically from overseas.

Mr. KARTH. How much of the market in the west coast States do the other domestic manufacturers have? I mean if Japan has 37 percent——

Mr. CARLSON. I would say that the other domestic producers, and I am speculating a little bit here, and I apologize, but it wouldn't be nearly as much as the Japanese are putting in.

Mr. KARTH. Of the 63 percent that is left, how much do they have, in your judgment? Ten percent?

Mr. CARLSON. Probably more like 20, I would think.

We have those numbers, sir. I would be happy to send them to you.

Mr. KARTH. Thank you. I would appreciate it.

Thank you, Mr. Chairman.

Mr. CORMAN. Without objection, they will appear at this point in the record.

[The information follows:]

From year to year the percentage of western steel market requirements filled by imports, domestic steel producers located in the West, and other steelmakers in the United States varies. An approximation for recent years is as follows:

	Percent
Domestic steel producers in the West	50
Other U.S. steel producers	15
Imported steel	35
Total	100

Mr. CORMAN. Thank you very much.

We appreciate your contribution to the committee.

Mr. CARLSON. Thank you.

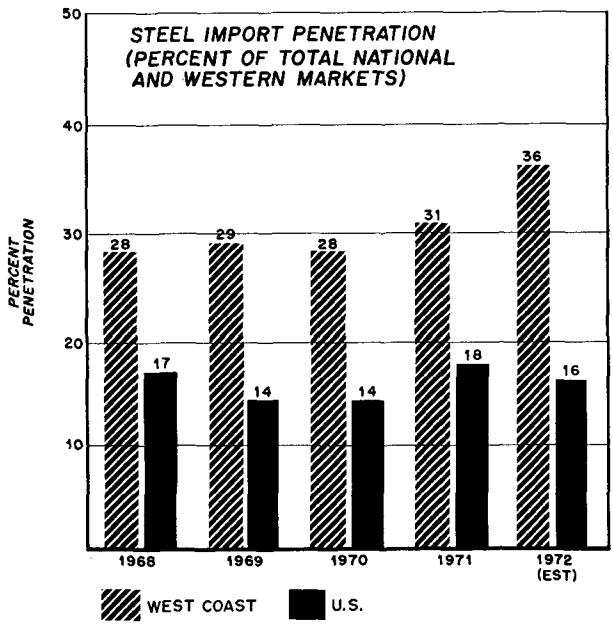
[The following was submitted for the record:]

A CALL FOR ACTION . . .

- **To remedy** the gross inequities between the import burden now borne by the Western steel industry compared with other regions of the country.
- **To stop** the erosion of employment opportunities for Western steelworkers.
- **To provide** a strong base for a vigorous Western economy.

HERE'S THE PROBLEM . . .

STEEL IMPORT PENETRATION
IN THE WEST IS MORE THAN
DOUBLE THE NATION AS A WHOLE



We need YOUR help to correct this situation!

A Sensible Solution . . .

I. MAKE THE VOLUNTARY RESTRAINT PROGRAM WORK IN THE WEST, TOO!

Right now the VRP is not providing Western steelmakers with the same protection enjoyed by other regions of the country. Why?—because VRP participants are not currently adhering to **either** geographic distribution or product mix provisions of the agreement. Based on the latest statistics, it seems clear that nations covered by the VRP will **exceed** the level they agreed to ship to the Western steel market by 300,000 tons in 1972. In addition, imports from VRP countries now account for **more than 40%** of the sales in many of the West's most profitable steel markets.

II. BRING NON-SIGNATORY NATIONS INTO THE VOLUNTARY ACT!

The story doesn't end with the startling figure reported above. Nations which are not covered by the VRP have suddenly increased shipments into the Western U. S. by a drastic amount—more than 400% in some instances. As a result, the Western market has received more than 350,000 tons of imported steel above what was anticipated. (These non-signatory countries were not included in the 1969 and 1972 voluntary agreements.) Obviously, this is a situation which now must be remedied.

III. WORK TOWARD MATCHING THE WEST'S SHARE OF IMPORTS WITH THE ACTUAL MARKET AVAILABLE!

Even if the VRP can be made to work in the West, and even if non-signatory nations agree to abide by similar guidelines, the Western steel industry will continue to suffer inordinately unless the total import burden can be reduced to a level more in line with the available market. The West represents only 9% of the nation's total steel market; therefore, it should not be burdened with more than approximately that same percentage of import volume. Presently, the West carries more than twice this logical handicap. Future restraint programs must rectify this gross inequity if they are to provide for a healthy steel industry nationwide.

". . . Over the past ten years there has been a spectacular rise in the penetration of imported steel into domestic markets. The United States only a few years ago was one of the world's biggest exporters of steel. Today, it is the world's biggest importer. Even more dramatic, and of greater concern to Kaiser Steel, has been the rise of imports into the seven Western states, Kaiser Steel's primary marketing area . . . the relative penetration is twice as serious, and the trend toward further inroads is even more pronounced. Estimates for 1967 show that almost 22 percent of the Western market has gone to imported steel, versus 12 percent of the national market. . . . Steel imports in the last ten years represent almost completely the entire normal increase in the market. This eliminates almost entirely the impetus for continued growth by domestic steel producers. A continuation of the situation . . . can lead to the stagnation of domestic steel production. . . ."

—1967 Annual Report, Kaiser Steel Corporation

A Deteriorating Picture for Western Steel

The annual report excerpt above presented a gloomy enough picture five years ago, but today the situation is a great deal worse. Imports of steel mill products through West Coast ports in 1972 are now expected to reach an estimated 3,250,000 tons—a record level in terms of absolute tonnage as well as penetration of market share. What were thought to be overly pessimistic projections of import growth only a few years ago have instead turned out to be conservative. Imports in 1972 climbed to levels previously predicted for 1975, before imposition of voluntary restraints began.

The following table shows that Western steel firms have been living with a serious import problem for more than a decade. More significantly, it also points out an ominous and growing imbalance—while the West has been losing an increasingly larger share of its market to imports in all but one of the last 12 years, the national picture has begun to stabilize under the influence of voluntary control programs. As a result, the West now receives more than twice as much imported steel, in relation to the size of its market, as the national overall.

IMPORTS AND THEIR SHARE OF STEEL MARKET
(000's tons)

	West Coast		National	
	Imports		Imports	% of U.S. Market
1960	601		3359	5
1961	576		3163	5
1962	936		4100	6
1963	1150		5446	7
1964	1324		6440	7
1965	1704		10383	10
1966	1890		10753	11
1967	1823		11455	12
1968	2637		17960	17
1969	2582		14034	14
1970	2402		13364	14
1971	2686		18322	18
1972**	3250		17500	16

*Seven Western States
**Estimated

Sources: Imports—U.S. Department of Commerce
Imports' Share of Western Market—Kaiser Steel Annual Western Steel Market Report
National Share—AISI

The Voluntary Restraint Effort--Success and Failure

Record national and Western steel imports in 1968 prompted the institution of a "voluntary restraint arrangement" under which Japanese and European Economic Community countries agreed to restrict shipments to the U.S. While national imports remained about the same as, or lower than, these voluntary levels in 1969 and 1970, they shot upward again in 1971. Western producers were not able to enjoy even this two-year respite. West Coast imports declined hardly at all from 1969-1971 and in fact have not been in compliance with voluntary restraints since their inception.

In 1972, a new three-year Voluntary Restraint Program (VRP) was undertaken and broadened to include the United Kingdom, bringing countries responsible for 84% of national imports and 92% of Pacific Coast imports in 1971 under the plan. The agreement called for restraining volume to approximately 1971 "quota" levels with a permissible growth rate of 2½% during 1972-74. It also included more specific geographic and product mix limitations. If VRP limits were adhered to, and if so-called "other" countries not party to the agreement did not increase shipments substantially, Pacific Coast imports would have been held to about 2.6 million tons or an estimated 29% of the Western market in 1972. But once again, Western steel producers were not that fortunate. Instead, total 1972 imports into the West surged past the 3.2 million ton mark, surpassing VRP levels for the fourth consecutive year. By comparison, imports into the U.S. overall have remained **below** VRP levels for all but one of those years.

An Inequitable Situation Grows Worse

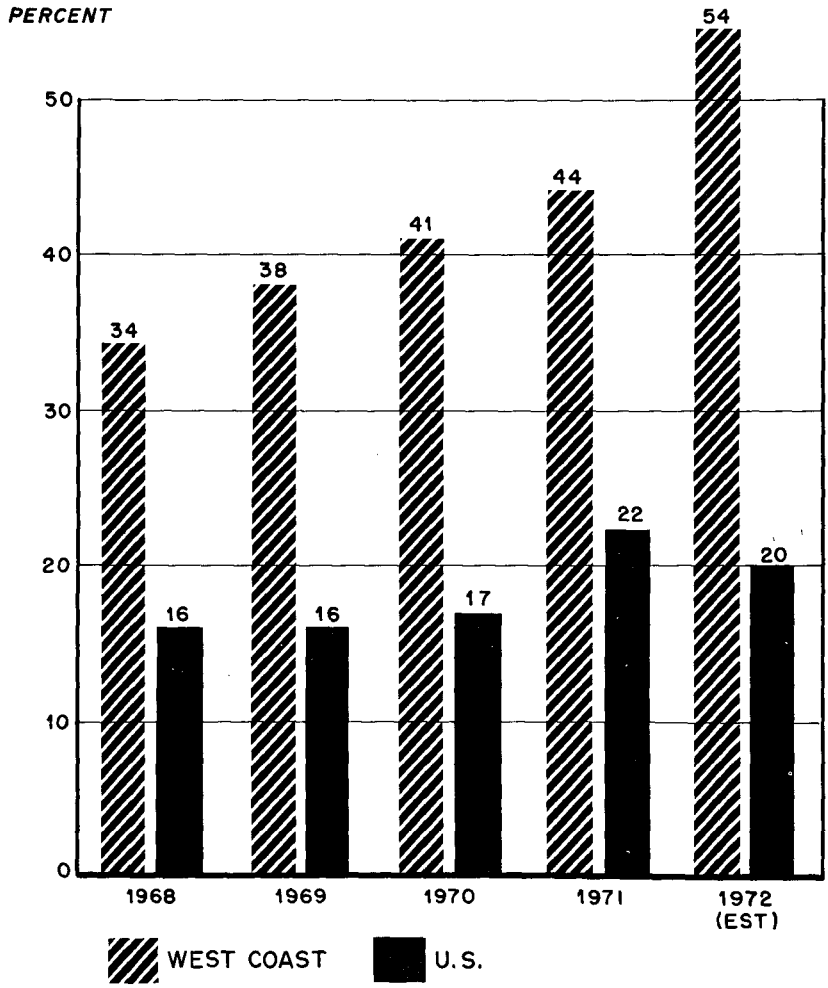
It is important to remember two facts about the Voluntary Restraint Program when considering the plight of the Western steel industry:

1. The VRP was not equitable for the West to begin with; instead of proportioning imports to market consumption, which would have seen the Western market receiving approximately 1,500,000 tons, the VRP would allow 2,450,000 tons into the region in 1972!

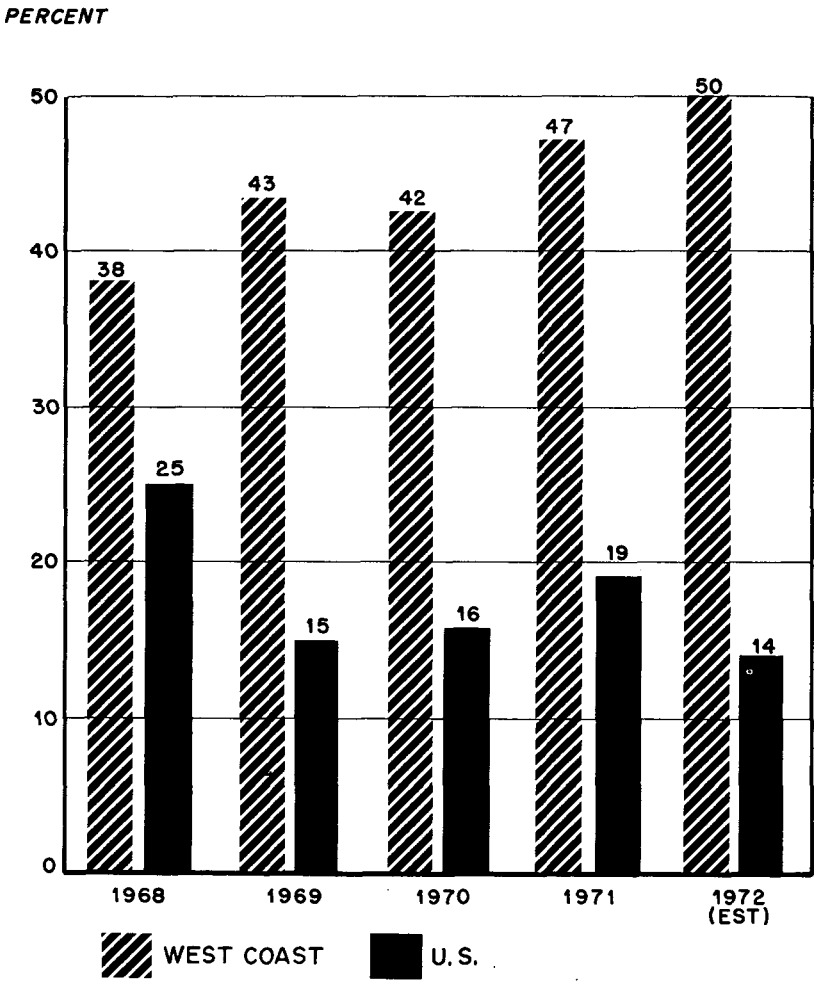
2. Even this overly generous VRP level is being violated by participating nations in terms of total tonnage as well as geographic and product mix restrictions.

Current data indicates that VRP signatory countries will send 300,000 tons of steel **over** VRP limits into the seven Western states in 1972. In addition, many of the West's most important markets—including hot rolled, cold rolled, and galvanized sheet—have seen up to half of their sales taken by imported products. A considerable portion of these lost sales were obtained with steel imported in violation of VRP product mix provisions. The charts on pages 7, 8, and 9 dramatically illustrate this penetration, as well as the disproportionate import levels in the West compared with the nation overall.

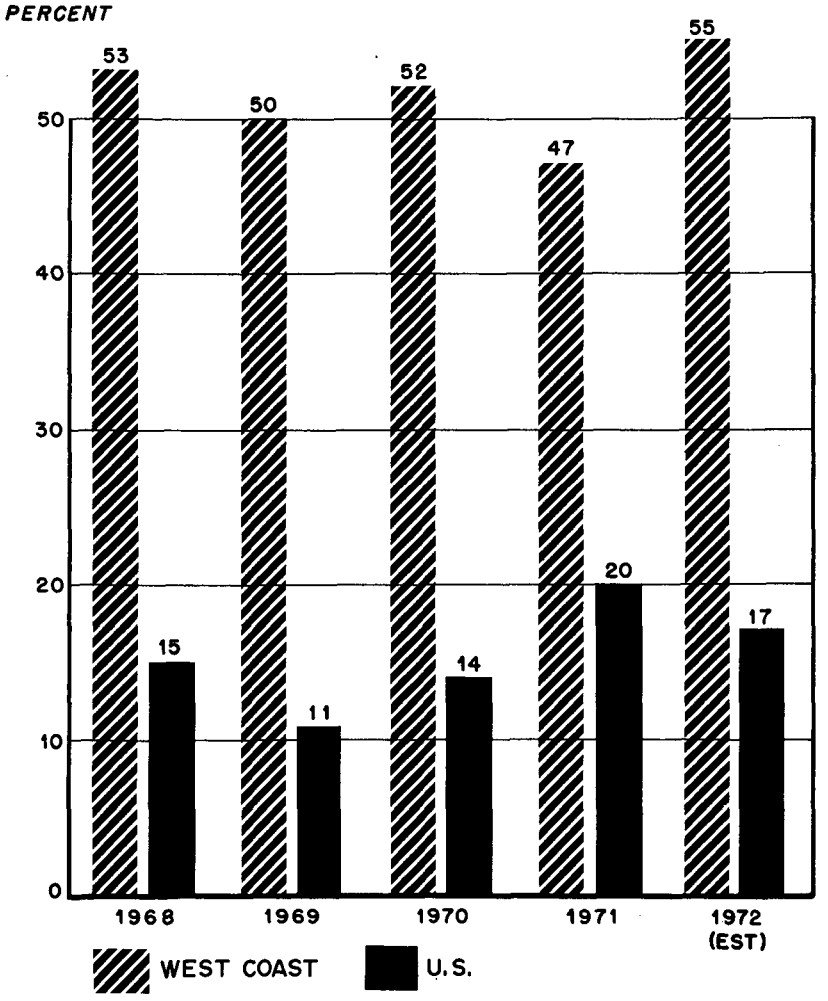
MARKET PENETRATION
GALVANIZED SHEET
WEST COAST VS. NATIONAL



MARKET PENETRATION
HOT ROLLED SHEET
WEST COAST VS. NATIONAL



MARKET PENETRATION
COLD ROLLED SHEET
WEST COAST VS. NATIONAL



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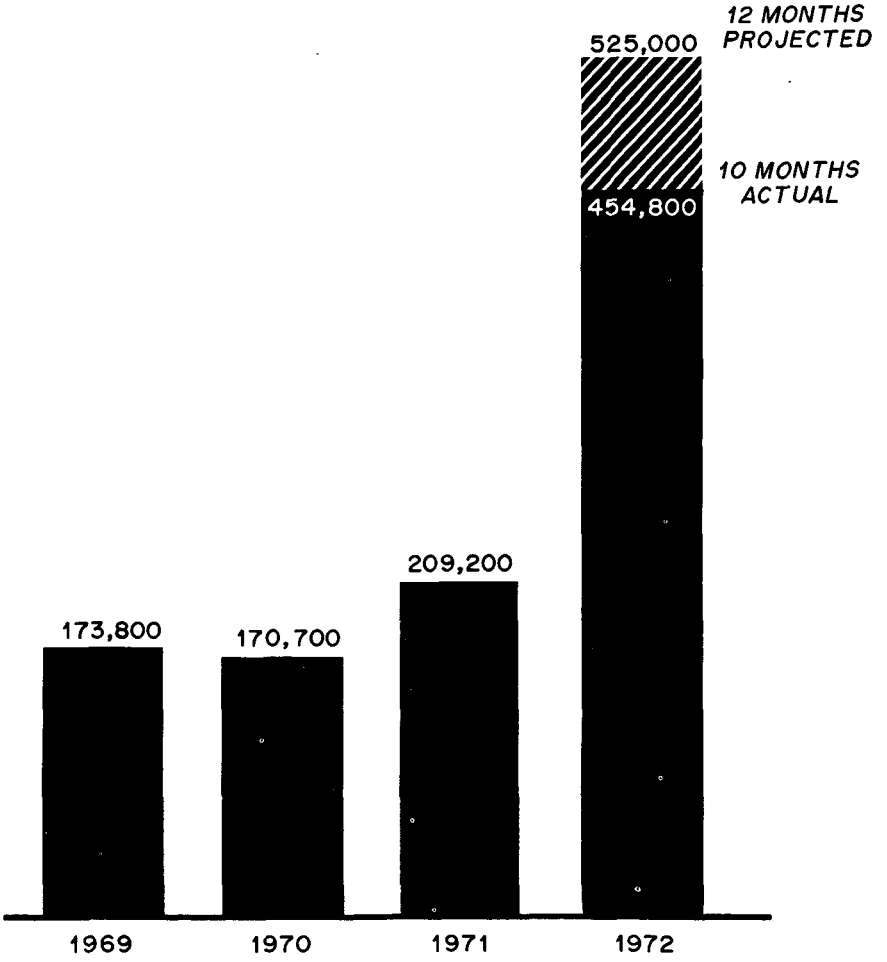
"Other" Country Producers Focus on the West

Addition of new capacity in countries such as South Korea and Taiwan, which were not covered under the VRP, has seriously compounded the problems of the Western steel industry in 1972. These so-called "other" countries are pouring steel into the Western U.S. at a pace far beyond what was expected as illustrated by the chart on page 11. In some cases the increase over the same period of last year amounts to 400% or more! As a consequence, the already over-burdened Western steel market was flooded with more than 450,000 tons of imported steel from these sources by the end of October. This was 300,000 tons **more** than during the same period in 1971.

WEST COAST STEEL IMPORTS FROM NATIONS NOT COVERED BY THE VRP HAVE SUDDENLY SKYROCKETED

(NET TONS)



Impact on Western Steel Industry

● As the chart on page 14 indicates, not only have domestic steel producers been unable to participate in the considerable growth which has taken place in their market—they have actually lost position in terms of absolute tons.

What happens in a capital intensive industry like steel when domestic producers in just one region of the country see 15 years of market growth gobbled up by imports?

● **Expansion Programs Are Cut Back or Disappear Completely**—Plant improvements to make operations more efficient, more productive, and cleaner cost millions of dollars. When imported products take away all market growth, it grows increasingly hard to justify the mammoth expenditures required to add to or replace existing production facilities. For example, it has been 13 years since Kaiser last added major facilities for producing steel ingots. In addition, some other steelmakers have decided to sell off choice plant sites which they had held for years to provide for the growth which has now gone to imports. All of this came about during a period when Western steel receipts were increasing by nearly 50%.

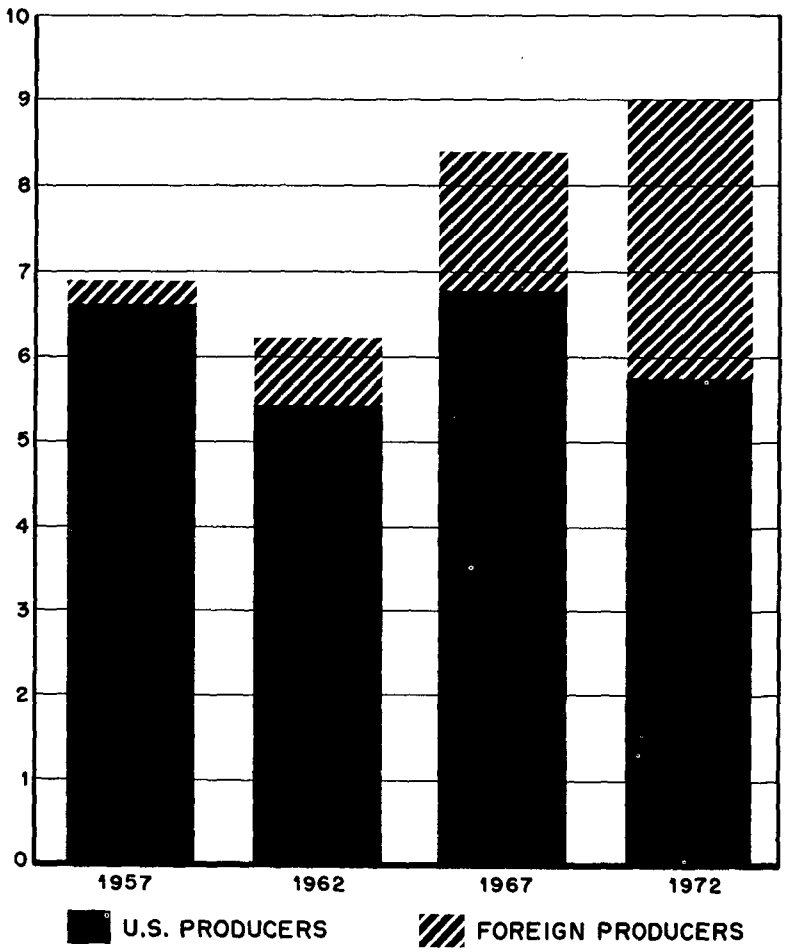
● **Threatened Closing of Some Facilities**—As imports gain larger and larger portions of key markets, domestic producers are forced to consider dropping product lines or even the complete shut-down of less profitable operations because of the resulting loss of business. Imports frequently produce a "snowballing" effect which greatly amplifies the impact of lost sales. Galvanized sheet offers a good example. California has four galvanized sheet lines with enough capacity to satisfy the entire needs of the Western market. However, excessive imports have been able to take 50% of Western galvanized sheet sales at prices which would be disastrous for domestic producers. The resulting loss of business has left the California galvanized sheet producers in an even worse position to compete because of the inefficiencies produced by low operating levels.

● **Thousands of Jobs Are Lost**—The U.S. steel industry requires about 6,000 salaried and hourly workers to produce a million tons of finished steel products. Based on that formula, Western steel imports now represent the loss of about 19,200 job opportunities. If the West had only received imports equal to its 9% share of U.S. steel consumption in 1972, almost 10,000 additional domestic workers could have been employed in the steel industry to meet the demand.

● **The Economy Suffers Irreparable Harm**—In addition to the country's overall balance of payments problem, the flood of excess imports into the Western steel market has cost the region's economy dearly. Millions of payroll dollars are diverted from local payrolls. Additional millions are lost to local contractors and suppliers who would have been called upon for expansion and modernization projects made economically unfeasible by imports. State and county governments continue to lose substantial numbers of tax dollars as imports prevent domestic producers from sharing in the market's considerable growth.

● **In Summary**—Foreign steel is continuing to experience a meteoric rise in both market penetration and total tonnage in the Western market. This not only has virtually excluded domestic producers from sharing in the area's substantial market growth—it is also robbing one of the West's most basic industries of its vitality and seriously endangering its prospects for the future. If the present import pace in the West is not brought back into line with other regions of the country, the industry and the Western economy may well suffer irreparable damage.

WESTERN STEEL MARKET
FINISHED STEEL



WHEN GROWTH IS NOT GROWTH

The chart above shows how all the growth in the past 15 years in the Western steel market has been preempted by foreign producers.

The Goal -- Equal Treatment, Not Favoritism

Western steelmakers are not asking for special treatment or protection from reasonable competition. However, their primary market area—the seven Western states—is being deluged with twice the volume of imports, in relation to its consumption, as the nation overall.

This is a situation which is grossly unfair and must be corrected. The resulting hardship placed on Western steelmakers is unjust, as well as unhealthy, for the domestic industry overall.

To date, the Western steel market has been a prime target for increasing steel imports from countries not party to the VRP. The inordinate impact of this added surge of imported steel must be alleviated.

If the future of the Western U.S. is to be assured, it must have a strong economy. A cornerstone of that requisite is a viable, progressive steel industry. To assure that the West receives an equitable portion of the nation's steel imports as well as a fair opportunity to participate in the industry's future, Kaiser Steel encourages your support of this "Call for Action" by:

- **requiring participating countries to abide by VRP provisions on geographic tonnage and product mix;**
- **insisting on agreements with "other" countries to reduce the volume of steel they send through Pacific ports to reasonable levels;**
- **bringing the West's share of total steel imports into a realistic ratio with its share of steel consumption.**

Your fellow citizens associated with the steel industry in the West are ready and willing to compete on a fair and equal basis, but they need your support to make that possible.

Mr. CORMAN. Our next witness is Dan Gerhardstein, vice chairman, Import Study Committee, and Frederick D. Hunt, consultant on foreign trade, Cast Iron Soil Pipe Institute.

STATEMENT OF DAN GERHARDSTEIN, VICE CHAIRMAN, IMPORT STUDY, CAST IRON SOIL PIPE INSTITUTE, ACCOMPANIED BY FREDERICK HUNT, CONSULTANT ON FOREIGN TRADE

Mr. GERHARDSTEIN. Mr. Chairman, my name is Dan Gerhardstein. I am sales manager of East Penn Foundry Co. at Macungie, Pa., and vice chairman of the Import Study Committee of the Cast Iron Soil Pipe Institute. Accompanying me is our foreign trade consultant, Mr. Frederick D. Hunt of Washington, D.C.

We regret that this date coincided with an important meeting of our institute in Chicago so that the president of the institute and the chairman of our Import Study Committee cannot be present.

The Cast Iron Soil Pipe Institute represents the manufacturers of over 95 percent of the cast iron soil pipe and fittings produced in the United States and represents $250 million.

Our industry has been sorely tried for the past two decades and we have undergone five dumping cases, the last two being against Poland. We have had to fight our way through the Treasury Department to require that imported cast iron soil pipe and fittings be labled as to country of origin to prevent the comingling of foreign with domestic pipe and fittings, and we have had pending since June 23, 1969, a request for countervailing duties against India. Mr. Chairman, I would like to make special note of this latter complaint. It has been a full 4 years since the institute furnished the Commissioner of Customs with all of the evidence necessary to show that the Government of India gave cash advances to their exports of cast iron pipe and fittings. It was a simple case. This gives us a special interest in title III of the proposed Trade Reform Act of 1973.

In our opinion, the Treasury Department and its subsidiary, the Bureau of Customs, have not carried out existing laws and have taken unto themselves discretionary powers not contemplated by the Congress in the passage of the Tariff Act. We feel that the Congress must regain control of this segment of our foreign affairs. We feel that title III of the bill not before you must be very specific in its requirements as to the administration of the Tariff Act, as amended.

Three years ago, Mr. Wiley Perry of the Alabama Pipe Co. also accompanied by Mr. Hunt, appeared before this committee and set forth the series of problems our industry had encountered with the Bureau of Customs and the Assistant Secretary of the Treasury. This testimony was later published in pages 1813 through 1822 of part six of the record of those hearings on tariff and trade proposals. It is followed by a very long letter from Assistant Secretary Rossides to your chief counsel, Mr. Martin, giving the Treasury's version of activities in connection with the dumping case against Poland; as well as the countervailing duty case against India; and the requirements for marking mentioned before. The section of the letter on marking was quite expurgated and in that on the case against India, the Assistant Secretary had to admit that, despite the passage of a whole

year, they just did not have time to get around to it. I regret to say, Mr. Chairman, that little has changed since that time.

Coming to specific sections of the bill now before you, we believe from our bad experience that there is a serious need for a limitation upon the Secretary of the Treasury as to the time in which he must determine whether or not the merchandise is being imported at less than fair value within the meaning of the Antidumping Act. We have felt that the notice of the complaint should be published in the Federal Register within 30 days of its presentation to the Commissioner of Customs and that the final determination by the Treasury Department should be made not more than 6 months following date of publication. This is only fair to both the importers and the domestic industries concerned. As is well known, the Tariff Commission, in considering and investigating those cases which the Treasury has found in the affirmative, already has a statutory limitation of 3 months.

In the proposed act before you, subsection (a) amends section 201 (b) to provide that the Secretary of the Treasury or his delegate must within 6 months, or in more complicated investigations, with 9 months after "a question of dumping is raised by or presented to him or any person to whom authority under this section has been delegated" reason to believe that the price is at less than fair value.

We presume that the Secretary's delegate is an Assistant Secretary and that they may be limited to 6 months. However, we do not see any limitation placed upon the person who makes the presentation to the Secretary, which person is presently the Commissioner of Customs. As in our own cases against Poland, the time between the complaint made by an industry to the Customs Bureau and the presentation by Customs to the Assistant Secretary of the Treasury could be a year or more. It is for this reason that we feel that any new legislation should be more specific and measure the time from the date of the original complaint.

We are aware of the fact that there are those in the Customs who dislike change and who would plead lack of manpower, et cetera. However, their Division of Appraisement and Collection has grown very much in the past 2 years and they may call upon other agencies of the Government for information outside of the United States.

Subsection (a) (1) of section 303 of the proposed act states that "The Secretary of the Treasury shall determine within 12 months after the date on which the question is presented to him, whether any bounty or grant is being paid or bestowed." It does not make clear just who makes the presentation. Subsection (a) (4) permits a formal investigation and considers the 12-month limit to commence with the date of notice of such investigation in the Federal Register. What about some limitation on the time lapse between the intial complaint by an industry and that publicaiton in the Federal Register? Surely it should not be more than 30 days. In our opinion, the wording of this amendment should be such as to limit the Secretary and all of his delegates, which would include the Bureau of Customs, to 12 months from date of original complaint. In truth, we would rather see the limitation the same as that for dumping cases—6 months—since they are very similar, and we believe that it can be done within that time.

If one takes as an example, the complaint against India by the Cast Iron Soil Pipe Institute, it was so simple that it could have been

determined within a few days. It would be no problem to verify the documentary evidence submitted by the Institute. In June 1969, we submitted a wealth of evidence that the Government of India was giving cash assistance to exporters of cast iron soil pipe and fittings sent to the United States. We were given to understand that this was standard procedure for exports of a variety of manufactured goods to countries having free exchange. We also noted that Indian exporters of our product offered it for sale at the same price c.i.f. on either the east or west coast. Since there has been a surcharge on freight between Asia and our east coast since the closing of the Suez Canal, someone had to absorb the additional freight cost for pipe and fittings entering the port of New York at such low prices.

Among the documents we submitted was a special customs invoice covering a shipment of cast iron soil pipe aboard an Indian vessel from Calcutta to New York. This is the official document on which the Customs bases the duties to be paid and verifies other data concerning the shipment in seven questions. Question No. 6 asks "Are any rebates, drawbacks, bounties, or other grants allowed upon the exportation of the goods." After that was typed in the word, "Yes." "If so, have all been separately itemized?" Here the yes or no blocks have been crossed out and there was typed "From Government of India, Cash Assistances."

Now, Mr. Chairman, that being on an official customs invoice, an official Treasury Department form, should be all the evidence necessary to cause the Bureau of Customs to call to the attention of the Secretary of the Treasury the noncompliance with our tariff laws. It might, at least, cause the Director of the New York Customs District to check other such invoices from India, and especially on previous entries of this product. Not so. It is the policy of the Bureau of Customs to act only in the event of a complaint. The current law puts the burden on the Secretary and/or his agents who, in this case are customs inspectors.

India has a legal body known as the Engineering Export Promotion Council which promotes the export of manufactured products from India and establishes price ceilings in some cases. They have offices abroad, one of which is in this country. These foreign offices operate in the manner of a trade commissioner and their principal purpose is to promote those exports which will gain free exchange for India. If the Indian manufacturers lack efficiency and cannot export with a reasonable profit at a price competitive with the lowest domestic price in the country of destination, then the Engineering Export Council determines what cash subsidy is necessary to pay for the actual production; handling from plant to ship; at least 10 percent profit to manufacturer and exporter; and still come out with an f.o.b. price as low as or lower than his competitors in the country of destination.

The Cast Iron Soil Pipe Institute told the Commissioner of Customs in its original complaint in 1969 that it estimated a subsidy of at least 25 percent on Indian pipe and fittings entering the United States. Last summer, at our request, the American Consulate General in Calcutta sent a copy of the "Minimum Export Prices for USA Shipments, Effective June 1, 1972" for cast iron soil pipe and fittings. We have furnished a copy for each member of the committee and would like especially to call your attention to Item II, Incentives.

At our insistence, the Director of the Office of Tariff and Trade Affairs, who acts as an assistant to the Assistant Secretary of the Treasury for Enforcement, Tariffs, Trade, and Operations, told us that he had finally extracted a report from the Bureau of Customs on their investigation. That was about September 1, 1972, more than 3 years after the original complaint and about 20 months after the Customs had finally started to work on it. He asked our consultant, Mr. Hunt, to give him 2 more months. Following election day, Mr. Hunt called on the Director and was told there would be some delay. More time passed with Mr. Hunt frequently telephoning and calling the Director's office. Then came winter with the resignation of Mr. Rossides as Assistant Secretary and the eventual appointment of Mr. Morgan.

The excuse then was that there was a reorganization of the office. Mr. Hunt was acutely aware of the need for such reorganization and hoped that Mr. Morgan, having previously been a member of the White House staff, might do something to improve matters. It did not take long to come to the conclusion that the new Assistant Secretary was completely dependent upon his civil servant staff for such matters as tariffs, trade, dumping cases, et cetera. Mr. Hunt kept telling the Director that the Indian case was so simple and was so plainly a contravention of our law. He told the Director that he need only draw up the necessary document for the signature of the Assistant Secretary. Then the Director insisted that there was a "matter of policy" involved. Mr. Hunt informed him that the law as written did not mention any matters of policy, it concerned itself only with subsidies which are a form of dumping.

Mr. Chairman, we cannot help but believe that if the Treasury Department is bringing policy into this simple case, then it is either acting in a very arbitrary fashion or is under pressure from some other person who is anxious to assuage the Indian Government and merchants. The Director was present when Senator Long, at hearings before the Senate Finance Committee on antidumping in the latter part of the 91st Congress in 1970, told the then General Counsel of the Treasury that it was not for them to make the decisions. This, I am happy to say, resulted in some new Treasury regulations which sent more cases to the Tariff Commission. Such arbitrariness should be taken into consideration when granting more power and freedom of action to the President in matters of tariffs and trade regulations.

Mr. Chairman, it is our sincere hope that you and your committee will, apart from consideration of this bill, investigate the office of the Assistant Secretary of the Treasury and its subordinate, the Bureau of Customs to determine why, after 4 years, our industry has not been able to obtain relief from injury—or any kind of decision—under our countervailing duty regulations.

In his message to the Congress on April 10, President Nixon spoke glowingly of the need for a more open and equitable world trading system and to strengthen our ability to meet unfair competitive practices. He speaks proudly of trade agreements with the Soviet Union and mainland China and suggests most-favored-nation treatment for those countries of Eastern Europe who do not already have it.

Mr. Chairman, the experience of our institute in two dumping cases against Poland leads us to believe that we should not offer any con-

cessions to the Socialist nations. It is impossible to know what is the real value of their currencies, their actual production and distribution costs, or how they compute their prices either domestically or for export. All import and export is conducted through state trading companies which are 100 percent government agencies.

The President said, "I am confident that our free and vigorous American economy can more than hold its own in open world competition. But we must always insist that such competition take place under equitable rules." Trading with such countries as Poland is not "open competition" nor are the rules equitable. Furthermore, if you think the United States is going to settle its balance of payments with Eastern Europe, please note our foreign trade statistics which indicate clearly that those countries buy from us only that which they badly needed cannot get elsewhere.

A final remark, Mr. Chairman. Commencing with the Hull Trade Agreements in the late thirties, our Government has been bargaining away all of our strength in trade negotiations to the point where we enter negotiations now at a disadvantage. Now is the time to amend our tariff laws to collect our duties at the c.i.f. cost rather than the f.o.b. value. Most nations do this and it would be within the rules of the GATT. We see no reason why the regular 10-percent duty should not be levied against the $37.26 per metric ton for freight on iron pipe from India which carried in foreign vessels. It would be beneficial to our balance-of-payments and would not be any cause for imagined retaliation.

Thank you very much, Mr. Chairman. We would be glad to reply to any questions your committee may have.

Mr. BURKE [presiding]. That soil pipe, you say that landed in New York?

Mr. GERHARDSTEIN. That is right.

Mr. BURKE. The reason I ask that question, I have been getting a lot of complaints from other industries about problems they are having at the port of New York. It might be necessary for this committee to start an investigation up there to find out what is going on.

Mr. GERHARDSTEIN. It could be ports other than New York, but the majority of it has come through the port of New York.

Mr. HUNT. May I say there, Mr. Burke, that I know you are interested in the Northeastern part of the United States in particular. As it was stated in our case at the Tariff Commission against Poland, it is this area where there has been considerable disruption because of these unusually low-priced imports from both Poland and India, mainly through the port of New York.

In the case that we presented to the Treasury, this particular invoice was an arrival in New York.

Mr. BURKE. Mr. Collier?

Mr. COLLIER. At the risk of displaying some ignorance, would you tell me who the principal purchasers are of cast iron soil pipe?

Mr. GERHARDSTEIN. The ultimate user would be the plumbing contractor in installing soil pipe which is drain pipe underground. The normal chain of distribution is from the manufacturer to the wholesaler to the plumbing contractor.

Mr. COLLIER. I assumed it was that, but I wasn't sure. In other words, you sell primarily then to the wholesaler?

Mr. GERHARDSTEIN. We sell to the plumbing wholesaler and he in turn distributes to the plumbing contractor.

Mr. COLLIER. I am a little shocked about the information you have given us on both the Polish dumping and the Indian cases which you mentioned here.

Having been a Congressman for a few years, I am constrained to ask whether or not as this thing dragged out you were getting no results, did you go to your Congressmen and your Senators?

Mr. GERHARDSTEIN. I will let Mr. Hunt answer that.

Mr. HUNT. I will speak to that as I am the one who has been carrying this ball over several years. Yes, we have spoken to Members of the Congress. I am sorry Mr. Gibbons is not here because 3 years ago when we mentioned this at the hearings I referred to, Mr. Gibbons said: "This is pretty strong language. Is there anybody here from the Treasury today?" When there wasn't anybody, he said, "Let the record show we would like to have the Treasury respond."

The letter spoken of in our testimony already was the response but it was pretty weak. I will say this, that in the case where we were trying to remove the exemption——

Mr. BURKE. Will the gentleman yield at that point?

Mr. COLLIER. Certainly.

Mr. BURKE. I am making a request to the chief counsel to the committee that the chief counsel inquire from the Treasury Department and get a complete explanation on these cases cited, the two cases against Poland and the one from India, to give us a complete explanation on the who, what, when, why, and the story of the entire explanation.

The record will be kept open at this point to be sure we insert their reply.

[The information follows:]

COMMITTEE ON WAYS AND MEANS,
Washington, D.C., June 14, 1973.

Hon. GEORGE P. SHULTZ,
Secretary of the Treasury.

DEAR MR. SECRETARY: During the course of our public hearings on trade legislation, Mr. Dan Gerhardstein testified in behalf of the Import Study Committee of the Cast Iron Soil Pipe Institute, referring particularly to a number of anti-dumping cases which the members of that industry and the association had instituted during the past several years. Mr. Gerhardstein was interrogated by a number of the Members of the Committee on Ways and Means on this subject, including Mr. Burke of Massachusetts.

At page 3537 of the transcript of the record for June 7, 1973, Mr. Burke requested and obtained unanimous consent that I write to you to inquire for a complete explanation of the Treasury Department action with reference to the cases cited by Mr. Gerhardstein, including specifically two cases against Poland and one case involving India.

For your further information with regard to this, I enclose a copy of pages 3525 through 3537 of the transcript on this subject. It would be appreciated if your staff could provide a response to Mr. Burke's request which, as indicated, appears on page 3537 of the enclosed transcript, in a form appropriate to be included in the record of the printed hearings immediately following his request.

Sincerely yours,

JOHN M. MARTIN, Jr.,
Chief Counsel.

OFFICE OF THE SECRETARY OF THE TREASURY,
Washington, D.C., June 18, 1973.

JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR JOHN: On behalf of the Secretary I am acknowledging receipt of your letter of June 14 in which you request information with regard to some antidumping cases brought out during hearings before your committee on trade legislation.

You will have a further response in this regard as promptly as possible.

Sincerely yours,

WILLIAM L. GIFFORD,
Assistant to the Secretary for Legislative Affairs.

THE SECRETARY OF THE TREASURY,
Washington, July 12, 1973.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. MARTIN: This is in reply to your letter of June 14, 1973, requesting a statement regarding the Treasury Department's handling of two antidumping investigations involving Poland and one countervailing duty inquiry involving India. References to these cases was made by Mr. Dan Gerhardstein in his testimony before the Committee on Ways and Means on June 7 in behalf of the Import Study Committee of the Cast Iron Soil Pipe Institute.

In November 1965 the Cast Iron Soil Pipe Institute filed a complaint with the Commissioner of Customs that cast iron soil pipe and cast iron soil pipe fittings from Poland were being sold to the United States at less than fair value. For some time it has been, and continues to be, the policy of the Treasury Department to base its fair value determination in dumping investigations involving controlled-economy countries on the price of such or similar merchandise being sold in the home market of a free-economy country. The economic conditions and degree of control existing in controlled-economy countries are such as to preclude a determination of fair value of the merchandise under the normal antidumping investigation procedures.

In the case of the cast iron soil pipe, it was determined that pipe being exported to the United States from France was similar to that expored from Poland. This was used as the basis for fair value comparison. With respect to the fittings, sales to the United States of such or similar fittings were being made only from Mexico; accordingly, these formed the basis for the fair value comparison for fittings. After appropriate adjustments as provided in the Customs Regulations, the price comparisons revealed that both the pipe and the pipe fittings were being sold to the United States at dumping margins.

In February 1967 Treasury published a tentative determination that both products were being sold at less than fair value. Subsequent to the tentative determination the exporter revised its price to the United States on cast iron soil pipe fittings to eliminate the margins of dumping that previously existed. The exporters did not take similar action with respect to the pipe itself. A final determination was made, in June 1967, that cast iron soil pipe from Poland was being sold at less than fair value within the meaning of the Antidumping Act and the case was then referred to the Tariff Commission for an injury investigation. In September 1967, the Tariff Commission determined that an industry in the United States was being injured by the less than fair value sales of the cast iron soil pipe from Poland and a dumping finding was issued, which still remains in effect.

Present information indicates only one shipment of cast iron soil pipe from Poland since 1967 against which dumping duties were assessable. These totalled $600. Imports of cast iron soil pipe from Poland amounted to $30,000 in 1971 and $57,000 in 1972.

With respect to the cast iron soil pipe fittings, a final determination of no sales at less than fair value was made under the then existing price assurance policy, and the case was closed. As the Committee is aware, two important policy changes

have been made by the Treasury Department since the above decisions were handed down. One of these concerned price assurances. In a letter dated May 22, 1970, the Treasury Department advised the Chairman and each of the members of the Committee on Ways and Means that thereafter cases would be closed out on a price assurance basis only if the margins of dumping involved were minimal in relation to the volume of sales. If the present price assurance policy had been in effect in 1967, the offer of price assurance with respect to fittings would not have been accepted, and a determination of sales at less than fair value would have resulted.

In 1965, when the original complaint was filed, antidumping investigations took a considerable time to process. You will recall that the Committee on Ways and Means studied this problem at considerable length in the course of its hearings on the Trade Bill of 1970 and it was agreed that the Treasury Department should seek funds to augment its staff with a view to processing investigations more rapidly. As of January 1973, most antidumping investigations are being processed on the basis of a 9-month completion schedule.

As the Committee is aware, section 310 of the Trade Reform Bill provides, for the first time, statutory time limits within which Treasury Department must conclude antidumping investigations: 6 months in the normal case, and 9 months in more complicated investigations (see amendment of 201(b) of Antidumping Act on page 48, line 1 *et seq* of H.R. 6767). The bill also contains a safety valve provision under which three additional months are allowed if the Secretary publishes a Federal Register notice stating that the investigation cannot reasonably be completed within the above described time limits (*id* at p. 49, line 20 *et seq*).

For some time, Treasury has had under inquiry an allegation of the Cast Iron Soil Pipe Institute that cast iron soil pipe from India is benefitting from the payment or bestowal of a bounty or grant within the meaning of the Countervailing Duty Law. The Treasury Department follows a policy of not discussing publicly antidumping and countervailing duty complaints under current inquiry. The Administration is prepared to explain the handling of the countervailing duty complaint in question in Executive Session of the Committee on Ways and Means.

Sincerely yours,

GEORGE P. SHULTZ.

Mr. HUNT. Just to assure Congressman Collier, we had the Alabama delegation, both Senate and House, twice write letters to the Secretary of the Treasury. They did not even get a response. This was brought out 3 years ago. The case of trying to remove the exemption from marking as to country of origin on pipe and fittings, took so very long in the Treasury and kicked around the general counsel's office and finally ended in Assistant Secretary Rossides' office.

I went to see Mr. Rossides. When he told me that it was at the bottom of his box and that was that, I was rather angry. I went to see Mr. Buchanan from Birmingham, whom I knew, and I told him. I am happy to say that that is how we finally got action. He took it upon himself to telephone the Secretary of the Treasury and asked him to do something about it.

Mr. COLLIER. You don't have to answer the next question, but do you suspect that probably the people in the State Department might have been involved in this delay? For so often they have handled these matters in terms of diplomatic relations.

Mr. HUNT. I did suspect it, sir. I served years in the Foreign Service, myself. I have been out of it for quite a while, though. I did suspect it because I have known of some of their actions in other cases, such as the Rhodesian chrome ore case spoken of this morning.

But when I asked Mr. Marks in the Treasury not long ago if there was some policy question, because I couldn't understand why there should be a policy, I said, "Is the State Department telling you that

you should be nice to the Indians now?" He said "Oh, no. The State Department has nothing to do with this." Well, legally, they don't.

Mr. COLLIER. And did you believe that? You don't have to answer that.

Mr. HUNT. I can only tell you the answer I got.

Mr. COLLIER. I commend Mr. Burke for the action that he is going to institute here. I think it is very essential. I suspect that it might have something to do with getting this thing resolved. I think it is inexcusable to have a matter like this pending this long.

Mr. HUNT. I handed the clerk a letter which I received from the American Consulate General in Calcutta. I think you have it there. Mr. Chairman, I would appreciate it if that would be entered as part of the record, if you so desire, because it shows so plainly in the attachment that there is 25 percent cash advance given to the exporters.

Mr. BURKE. Without objection, the letter and the information attached to it will be included in the record.

[The information referred to follows:]

CONSULATE GENERAL OF THE
UNITED STATES OF AMERICA,
Calcutta, August 8, 1972.

Mr. FREDERICK DRUM HUNT,
Foreign Trade Consultant,
Washington, D.C.

DEAR MR. HUNT: Please refer to your letter of July 23 to Miss Jones. The enclosed sheet summarizes information obtained from the Engineering Export Promotion Council, Calcutta on export subsidies for cast iron soil pipes. As you will see, there is indeed a very handsome subsidy and related export incentives on such goods.

Sincerely yours,

DENNIS P. MURPHY,
American Counsul,
Economic/Commercial Officer.

CAST IRON SOIL PIPES AND FITTINGS

I. Minimum export prices for USA shipments, effective June 1, 1972:

(1) Extra heavy:
4" x 5'—$132.70 per m/t less 10% commission to the agent in U.S.A.
3" x 5'—$138.40 per m/t less 10% commission to the agent in U.S.A.
2" x 5'—$155.40 per m/t less 10% commission to the agent in U.S.A.

(2) Service weight:
4" x 5'—$139.40 per m/t less 10% commission to the agent in U.S.A.
3" x 5'—$144.05 per m/t less 10% commission to the agent in U.S.A.
2" x 5'—$159.15 per m/t less 10% commission to the agent in U.S.A.

Above prices are C & F Atlantic Ports.

II. Incentives:
25% Cash subsidy based on FOB value.
Rs. 40.00 per metric ton—Excise duty rebate.
25% of the railroad freight from the plant site to the port of shipment, when applicable.
5% Import replenishment license based on the FOB value.

NOTE.—FOB Value to be calculated after deducting Ocean Freight, Bunkering Charge; and Suez Surcharge:
Ocean freight rate to Atlantic ports, $30.50 per m/t.
Bunkering charge, $2.95 per m/t.
Suez surcharge at 12½%, $3.81 per m/t.

(Source: Engineering Export Promotion Council, Calcutta (8/7/72).)

Mr. HUNT. I gave a copy of this letter to Mr. Marks in the Treasury Department. He made the remark that sometimes they don't get good information from the Foreign Service. However, since the Treas-

ury Department does not have enough people abroad, I do feel they should use other agencies of the Government if it will speed up their investigations.

Mr. COLLIER. Thank you again, Mr. Chairman.

Mr. BURKE. Of course, the response by the Treasury will indicate the interest of the administration getting a trade bill passed this year.

Mr. HUNT. I hope so, sir. I did raise this question in a letter.

Mr. BURKE. I hope they don't try to ignore the committee like they ignored the Alabama delegation.

Mr. COLLIER. It also might result in an amendment to proposed title 3.

Mr. HUNT. I do feel very strongly that the law must be very specific so that those who administer the act are sufficiently restricted from taking such discretionary action which was not contemplated by the Congress.

Mr. BURKE. Well, they do not get arbitrary once in a while. We have a way of dealing with them. Thank you very much for your contribution here today.

Our next witness is Victor V. Shick, accompanied by Mr. Graubard and Mr. McCauley.

Before you testify, we have a letter here explaining your appearance here. Without objection we will have the letter in the record at this point. It is a letter from Mr. Moskovitz and Mr. McCauley.

[The letter referred to follows:]

GRAUBARD, MOSKOVITZ & MCCAULEY,
Washington, D.C., June 6, 1973.

JOHN M. MARTIN, Jr., Esq.,
Chief Counsel, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. MARTIN: The *American Institute for Imported Steel, Inc.*, 420 Lexington Avenue, New York, New York ("AIIS") is appearing before the Committee in the pending hearings on H.R. 6767 and other trade proposals. In accordance with 22 U.S.C. 611(q)(ii), we inform you that the following foreign trade associations contribute to the budget of the AIIS:

Comptoir Francaise des Produits Siderurgiques (C.P.S.)
Groupement des Haut Fourneux & Aciers Belges
Wirtschaftsvereinigung Eisen-Und Stahlindustrie
Groupement des Industries Siderurgiques Luxembourgeoise
Koninklighe Nederlandshe Hoogovens
Asider
Omnium des Trefiles et ses Derives
Syndicat National de Trefilage et des la Denaturation de Fil d'Aciers
Fachvereinigung Draht E. V.
Associazione Trafilieri Italiani

Very truly yours,

ALFRED R. MCCAULEY,
Counsel to the AIIS.

Mr. BURKE. You may identify yourselves.

STATEMENTS OF VICTOR V. SHICK, DIRECTOR, AND SEYMOUR GRAUBARD, COUNSEL, AMERICAN INSTITUTE FOR IMPORTED STEEL, INC., ACCOMPANIED BY ALFRED R. McCAULEY, COUNSEL

SUMMARY

1. The Institute supports the general approach of H.R. 6767 to grant the executive the authority to negotiate a further liberalization of international trade by a reduction and eventual elimination of tariffs and nontariff trade barriers.

It opposes the quota legislation pending before the Committee as regressive proposals which if enacted would seriously harm the American economy, U.S. industry and labor. However, the Institute favors more clearly defined guidelines on the negotiating authority requested by the Administration and believes that Congress, as the constitutional partner of the President in the foreign trade policy making process should be given an expanded role at such stage of the forthcoming negotiations.

2. The Institute opposes the proposed revisions of the escape clause in Title II as counterproductive of a forward looking international trade policy. It believes that the present statutory provision is more than adequate to protect domestic industries seriously injured from increased imports due to tariff concessions. It particularly opposes the proposed "market disruption" test for *prima facie* evidence of import caused injury. Instead, the Tariff Commission should be left free to examine all economic aspects in making its injury determination. In this regard, the present six month period is barely sufficient to enable the Tariff Commission to complete a meaningful investigation.

The amended adjustment assistant provisions in Title II are inadequate. Rather than reducing adjustment assistance to the status of supplementary unemployment benefits, as proposed by the Administration, it should be liberalized and made a more efficient instrument to assist U.S. industries (not individual firms) to modernize and become more competitive domestically and in export markets. Such assistance could be in the form of research and development, loans and grants, and studies of markets and means of more efficient allocation of economic resources including labor. The latter could include government planned and assisted training programs.

3. The Tariff Commission should be given the added function in escape clause proceedings of inquiring into the effect on consumers and U.S. industries heavily dependent on export sales of any contemplated import restrictions and into the degree of competition or lack thereof in the complaining industry.

4. If quotas, including *de facto* quantitative limitations on imports arising from voluntary restraints arrangements, are imposed, the imports subject to such quotas should be permitted duty-free entry so long as such quotas are in effect. In addition, an industry which secures quota or tariff relief should be required to freeze its prices at the levels obtaining at the time such relief is granted for the period during which such relief is afforded. These provisions should apply to presently existing quotas as well as to any which may be imposed in the future.

5. The steel Voluntary Restraint Program and other existing quotas should be subject to the provisions of the bill requiring that the Tariff Commission examine into the necessity for the maintenance of quotas for a period beyond five years. Since the Voluntary Restraint Program has been in effect for 4½ years, the President should be required immediately on enactment of the bill to determine whether there is any justification for a further extension of this Program.

6. Instead of dealing by piecemeal amendment with domestic legislation against unfair international trade practices, such as is done in Title III, the subjects of antidumping regulation, countervailing of governmental export subsidies, etc., should be pursued in international negotiations with a view toward building upon the present rudimentary international code contained in the GATT, as was done in the International Antidumping Code. Amendment of domestic legislation should be left to the stage of implementing such international agreements to the extent necessary by Congress.

7. Similarly, instead of giving the President virtually unlimited and undefined tariff and trade restrictive powers to deal with international monetary crises in advance of agreement on an international monetary reform agreement, as is proposed in Title IV, legislation should await and be tailored to standards for such actions worked out in multilateral negotiations. The Congress should not be asked to totally abdicate its function by a grant of advance, unlimited executive discretion in this area. The same is true of the President's request for apparently unlimited power to raise tariffs and impose other trade restrictions on termination of or withdrawal from a trade agreement.

Mr. SHICK. Mr. Chairman, members of the committee, I am Victor Shick, a director and past president of the American Institute for Imported Steel, Inc., 420 Lexington Avenue, New York, an association of more than 40 U.S. companies engaged in importing and exporting

steel. With me is Alfred R. McCauley and Seymour Graubard of the firm of Graubard, Moskovitz & McCauley, 1629 K Street NW., Washington, D.C., who serves as counsel to the Institute.

I shall speak of the significant role steel imports play in the U.S. economy, and of the importance that our nation maintain policies which encourage, rather than hinder, the flow of vital imports such as steel into this country. Mr. Graubard will speak to the specific provisions of H.R. 6767.

As the members of this committee know, based upon testimony presented to it over the past 20 years, our organization has consistently advocated the liberalization of trade. H.R. 6767 points generally in this direction. Mr. Graubard will point up a number of ways in which the administration bill must be improved to fully meet this objective.

Steel imports have been and continue to be a necessity for many U.S. steel users—such as independent steel fabricators—some of whom are in competition with integrated domestic steel producers. Their need for an alternative source of steel needs no elaboration.

At various times, going back to the Korean War, steel imports have been needed by many American fabricating and manufacturing industries—such as the auto, agricultural implement and appliance industries—to keep our economy rolling.

What has been true in the past is true today, and will be true tomorrow. So far this year, a substantial and increasing portion of the domestic steel industry is not meeting the demands of all of its customers, and traditional customers see the situation getting worse. Our organization's members cannot dispute what all others plainly see—there is an ever-increasing demand for steel and supplies are not adequate to meet this demand. Stewart S. Cort, chairman of Bethlehem Steel and new chairman of the American Iron and Steel Institute, predicted in the April issue of Steel Facts:

> Between 1972 and 1980 domestic steel consumption is expected to grow 25 million tons * * *. The next few years are going to be very critical * * *.

In 1972, the domestic steel industry persuaded our Government that steel exports from Europe and Japan needed to be restrained for an additional 3 years under the so-called "voluntary restraint program," which was initiated in 1969, because of an alleged world surplus of steel. In the face of what has happened in the past 12 months, now they seek to justify continued and additional import restrictions on the assertion that the domestic industry requires large profits to attract the financing for its future expansion. In other words, in the face of a current shortage of supply which the industry projects will continue for the rest of this decade, the domestic steel industry continues to urge limitations on competitive steel imports.

Because of the increasing necessity of having imported steel as an available source of supply for the U.S. economy, I wish, in closing, to reiterate a proposal I made almost 2 years ago. I urged at that time that tariffs on steel were unnecessary in view of the quota limitations on steel imports. This reasoning is valid now. Moreover, the current and projected tight steel supply situation provides an even more compelling economic reason to remove tariff on steel imports. Such a step would make the U.S. market more attractive to foreign producers. The likelihood of increased supplies of steel will benefit the American consumer.

Mr. Graubard will continue now.

STATEMENT OF SEYMOUR GRAUBARD

Mr. GRAUBARD. Mr. Chairman, members of the committee, as Mr. Shick has said, the American Institute for Imported Steel agrees with the basic philosophy which underlies H.R. 6767, to work toward further trade liberalization by mutual reduction and eventual elimination of tariff and nontariff trade barriers. We oppose the steel and other quota bills pending before this committee. They directly conflict with our country's avowed policy to fight inflation.

Congress should oversee and retain ultimate power over international trade negotations.

Concern has quite rightly been expressed during these hearings at the extent of the negotiating powers requested in the bill by the administration. For example, the administration is requesting unlimited authority to raise as well as eliminate tariffs, and advance authority to implement agreements on the complex subjects of customs valuation and marking of country of origin. On the other hand, the administration witnesses have properly pointed out that the U.S. negotiators must have a degree of flexibility to reach meaningful agreements.

We favor the proposal made by the chairman of this committee to resolve this dilemma. A joint congressional committee should be created with powers to oversee, and to maintain continuous liaison for Congress with U.S. negotiators during the forthcoming Geneva negotiations. The tariff rates enacted by Congress in the Tariff Act of 1930 should be the upper limit on any tariff increases. And it should be clear that Congress retains the ultimate power to implement all agreements reached, by amendment of domestic legislation where such action is necessary.

Mr. BURKE. If I can interrupt you at that point, there is an automatic rollcall on the floor of the House. The committee will stand in recess for 15 minutes. We will come back at 20 minutes before 5.

[A recess was taken.]

Mr. BURKE. The committee will be in order.

You are recognized.

Mr. GRAUBARD. U.S. industry and labor should be assisted to meet, rather than to escape from, fair import competition.

The core issue which we face in establishing a trade policy for the 1970's is whether the traditional U.S. confidence that it can compete with anyone in the world under fair rules is to be maintained or displaced by the second class power mentality expressed by some that American industry and labor must be protected.

We like the administration's answer contained in its message proposing the Trade Reform Act of 1973:

> As other countries agree to reduce their trading barriers, we expect to reduce ours. * * * It is important to note * * * that most severe problems caused by surging imports have not been related to the reduction of import barriers. Steps toward a more open trading order generally have a favorable rather than an unfavorable impact on domestic jobs.

Unfortunately, H.R. 6767 is not consistent with this approach.

Title II of the Trade Reform Act places the emphasis on import-restrictive safeguards from "fair" competition rather than assistance to U.S. industry and labor to meet such competition. Thus, the pres-

ent escape clause would be changed to make tariff and quota relief a virtual certainty as a remedy for increased imports in many cases. The statutory requirements that imports be the "major" cause of injury and that there be a causal link between increased import and tariff concessions would be eliminated. A mechanical "market disruption" test for prima facie import related injury would be introduced. We submit that these amendments are counterproductive of a forward-looking trade policy. The present escape clause more than adequately serves the legitimate function of remedying injury resulting from improvidently granted tariff concessions.

As the administration correctly states, however, most severe problems caused by imports have not been related to the reduction of import barriers. Therefore, it is apparent that raising new barriers will not contribute to a solution. Instead, we should attack the root causes—inefficiencies in U.S. industries and misapplication of resources.

What is needed is an expansion—not the administration's proposed phasing out—of adjustment assistance along with a basic change in its concept. Where U.S. industries have fallen behind in technological and marketing developments, the Government should, offer a comprehensive program of assistance on an industry-wide basis, just as other nations do. We are not recommending a handout. Rather, the Government should seek to support industrial improvements and technological training for workers in a way which will advance free enterprise in a competitive economic system and restore U.S. industry to its rightful place of leadership in world markets. An efficient program should increase tax revenues by creating more jobs and profits. It would not be a drain on the Treasury as is the present insufficient program—aptly described as providing burial expenses for already failing companies.

The Tariff Commission in an escape clause proceeding should be required to consider the interests of consumers and U.S. export industries and competition—or lack of it—in the complaining industry.

A Tariff Commission investigation under Section 201 of the Trade Reform Act should not be limited to viewing the alleged impact of imports on the complaining industry in a vacuum as in the administration proposal. The Tariff Commission should be required to take into account the factors affecting the welfare of the U.S. economy and the consumer in determining whether injury warranting relief is present.

Thus, the Tariff Commission should consider each of the following:

1. What would be the effects of a curtailment of imports in creating possible supply shortages?

As both Mr. Shick and domestic industry spokesmen have noted, there presently is a critically short supply of steel in the United States. This situation is expected to continue for the foreseeable future. The domestic steelmills, the industry that would be deemed affected under the bill, undoubtedly are content with a short supply situation. However, Congress must be concerned with the effect of such short supply on the many thousands of industries who are purchasers of steel and the millions of persons they employ.

2. What would be the effects of increased tariff or quota protection for a domestic industry on prices to the American consumer?

The committee need only look at the record of steel prices since the advent of "voluntary" quotas to see why this ought to be a prime consideration of the Tariff Commission in determining actionable injury. As previous witnesses before this committee have demonstrated, since 1969—the first year of the steel quotas—steel prices have climbed almost 27 percent, an average annual increase 14 times that for the years 1960–1968, when steel imports were free of restraints.

3. What would be the effect of protecting a domestic industry against fair import competition on U.S. export-oriented industries?

Under GATT, our trading partners are entitled to compensate for import restrictions mandated in an escape clause proceeding, which may be in the form of a co-relative restraints on U.S. exports.

It may be asked why the steel industry should be protected to the detriment, for example, of the computer industry, and why the employees of the computer industry should suffer in order to protect the employees of the steel industry. The interests of affected export industries clearly should be considered by the Tariff Commission in deciding whether the type of injury is present which should be redressed.

4. What would be the effect of protection from imports on price competition and innovation in the complaining industry?

Again the domestic steel industry is a prime example. It is notorious for its administered price system, and for its slowness to adopt new technology. Only imports were able to spur the domestic industry to move out of last place among major U.S. industries in R. & D. and to go to the L–D and BOP processes, long after they had been adopted abroad. And as previously observed, only imports in the past have served as a brake on the industry's oligopolistic, inflationary pricing policies.

Finally, in view of the importance of the Tariff Commission escape clause investigations to the well-being, not only of complaining industries, but to the entire U.S. economy, the Commission must have sufficient time to make the required thorough economic study. It is common knowledge that the Tariff Commission often finds the present 6-months period to be a tight time schedule for a complete investigation. If anything, the Commission should be given more time flexibility rather than be limited to 3 months as proposed in the administration bill.

The bill's provision for phasing out relief from imports should apply to present restraints, including the present "voluntary" restraints on steel imports.

Section 203(d)(3) provides that any relief from import competition granted pursuant to the escape clause provisions shall be in effect for no more than 5 years, subject to a possible extension of up to 2 additional years should the President determine such extraordinary action is in the national interest. Moreover, during the 5-year period such relief must be phased out. These provisions would apply to all import relief including any orderly marketing arrangements which result from an escape clause proceeding.

The institute agrees with this approach of putting statutory time limits on and requiring a gradual phasing-out of tariff or quota relief. But this process should apply equally to existing import restraints—particularly the presently effective "voluntary" restraint program on steel imports. These restrictions have been in existence

for over 4 years. There is no reason why they should not be reviewed by the President immediately upon passage of this legislation. We are confident that no national interest will be found for continuing them in effect.

All duties should be suspended on imports—including steel—which are subject to quantitative restraints.

The several provisions of the bill which give the President the power to impose restrictions on imports include authority to impose quotas on imports. The institute subscribes to the widely accepted view that quotas are the most objectionable form of protection. However, should temporary quantitative restrictions be deemed a necessity, they should suffice to cure the problem which gives rise to them.

We submit that, in any case where quotas are imposed, including de facto quotas resulting from export restraint arrangements, the articles covered by the quotas should be made free of duty for the duration of the quota period. The maintenance of tariffs on articles subject to a quota is not only redundant protectionism but aggravates the inflationary impact of the artificial curtailment of market supplies caused by the quota. The elimination of the unnecessary tariffs would serve to partially check price rises which follow restriction on available supplies of an article.

In the case of articles presently subject to quantitative restraints, the Congress should require immediate Presidential action to suspend duties for the duration of the restraint period. As Mr. Schick has observed, in the case of steel imports, such a move now—in the face of the shortages of steel—might well free up some supplies of steel which would not otherwise be shipped to the U.S. market.

Any industry which is granted escape clause relief should be required to freeze its prices during the period for which import competition is curtailed.

Whenever the President imposes any increased import restrictions to assist a U.S. industry to adjust to import competition, it is only appropriate that the assisted industry contribute to its own revitalization. One of the vital signs of an injured industry almost always is a decline in sales. There is no better way for the governmentally-protected industry to turn around its sales pattern than by limiting price increases to those required by cost increases. With import competition curtailed, price control should stimulate increased demand for the product involved. Should the injured industry demonstrate a need for additional funds beyond those generated by increased sales to modernize its plant or otherwise increase its efficiency, the Government should provide low-cost loans in appropriate cases. If the protected industry is left to its own devices, we can expect price increases, which will leave the industry in no more competitive a stance vis-a-vis foreign competition at the end of the import restraint period than it was at the outset. Any industry genuinely concerned with its survival and the continued employment of its workers should readily accept price controls during the adjustment process.

The legislation before this committee and the entire subject of international trade are complex. We very much appreciate the opportunity granted by the committee to hear us on this subject which is so vital not only to our membership but to the American public. Time has not permitted us to go into detail on our proposals or, indeed, to

discuss a number of provisions of the bill which, while they do not directly affect the steel trade, nevertheless are important to the overall trade policy of the United States for the 1970's. We have taken the opportunity to submit herewith for the record a summary of the institute's comments on the bill for your consideration.

Thank you, Mr. Chairman and members of the committee, on behalf of the American Institute for Imported Steel, Mr. Schick, Mr. McCauley, and myself for allowing us to be here today.

Mr. BURKE. Does that complete your testimony?

Mr. GRAUBARD. Yes, sir.

Mr. BURKE. Any questions?

Mr. COLLIER. Mr. Graubard, you suggest as many have before this committee for different reasons, that Congress exercise more stringent control over the Executive in terms of the authority granted under the proposed trade bill; is that correct?

Mr. GRUBARD. That is right, sir.

Mr. COLLIER. It is interesting to me to know that there is an implication in what you say that we should do this because you have a fear that the executive branch of Government would be too protectionist.

Mr. GRUBARD. That is not necessarily true, sir. Congress has traditionally under the Constitution exercised the powers to regulate international commerce. We think that neither now, nor at any time in the future, is it appropriate for Congress to relinquish this authority on the scale that has been suggested by the administration bill.

Mr. COLLIER. Congress has already relinquished this power going back to 1962, Congress as you know virtually abdicated its constitutional responsibility in the field of trade and gave in fact the GATT negotiators what amounted to a blank check in negotiating trade. So what was historically true or traditional sure went out the window in 1962, as I think you will agree.

Mr. GRAUBARD. Mr. Collier, comparing this bill and its grant of powers to the Executive with the Kennedy round legislation makes it clear to me, at least, that the powers suggested to be granted to the President in this bill are far greater than those given some 10 years ago.

Mr. COLLIER. I don't disagree. I am merely suggesting that if this did happen it would not be a new event in terms of what has been traditional.

Mr. GRAUBARD. As most of these things are, it is a matter of degree.

Mr. COLLIER. Interestingly enough, others who have expressed the need for Congress regaining to some degree its constitutional authority in the field do so on the fear that the Executive will be too liberal. So you have somewhat of a paradox. But let me assure you from my position as a Member of Congress that the more authority—and this is my own judgment, recognizing all the provincial interests that necessarily Members of Congress must live with—the more authority that Congress has in writing regulations and control, the more protectionist a trade bill you will get.

I am not suggesting it is right or wrong, but I think it would be safe to say that this is a very fair assumption when you look over the history of bills that have been introduced by Members of Congress dealing with quotas on those particular products and goods, emanating from their respective districts, which merely faces the

political facts of life. So if this comes about I am suggesting that you will get a far more protectionist bill, which may or may not be good depending on your point of view, if Congress regains more control over the negotiating process than it presently has.

Just one other thing. I think this is important, although I know the hour is getting late. You gave some figures with regard to the increase in steel prices suggesting that imports have and will serve as a deterent to inflationary prices, did you not? I wonder if you can just repeat what those were during recent years. You referred to the price increase. I don't have the figure.

Mr. GRAUBARD. I stated that since the voluntary steel quotas went into effect in 1969, steel prices have climber almost 27 percent. Taken on a year-by-year basis, in comparison with the prequota years 1960 through 1968, the rate of increase was 14 times higher than when there was no voluntary quota.

Mr. COLLIER. And yet steel prices have increased by 19 percent in the last 15 years, starting from a point at which the United States had a favorable balance of 4.2 million tons. These are the figures: In the last 15 years the rate of imports has increased by 19 percent and prices have gone up. So it doesn't really substantiate the fact that as imports have increased——

Mr. GRAUBARD. I beg your pardon. I didn't understand. Did you say the rate of imports has increased and still prices have gone up?

Mr. COLLIER. Imports rose at a rate of 19 percent in the last 15 years, during which time prices have increased, and at a time when prices were lower when we had a positive balance of 4.2 million tons during this 15-year period. So I am merely suggesting that the figures refute the contention that increasing imports has had a deterrent effect upon domestic prices.

Mr. GRAUBARD. I am afraid not, sir. If you will roll your memory back to those years.

Mr. COLLIER. I would not rely on my memory. I am relying on a statement that was made this morning before this committee.

Mr. GRAUBARD. I have not seen the statement, but may I suggest, sir, that it was not until the 1950's that the foreign steel mills began to produce sufficiently to allow even a trickle of imports to come to the United States. Your figures that go back to 1950 are not true figures compared to what the productive capacity of the steel mills today is, nor in regard to the amount of steel shipments today.

There really is no relevance between what took place post-World War II and what is taking place today when you have built up steel industries around the world. Furthermore, there is no relevance, if I may suggest this, to a comparison of the situation in those days with prices today. If you take prices of all manufactures in the United States, going back 15 years, and compare those prices to steel prices in the United States during the same period, you will find that the steel prices have increased far more than prices of general manufactures.

Mr. COLLIER. But you certainly are not suggesting that the voluntary quotas imposed 4 years ago, or made effective 4 years ago, singularly have contributed to the inflationary prices in steel, certainly?

Mr. GRAUBARD. I am afraid, sir, I am suggesting that. If we did not have these quotas, if the American market became more attractive to foreign exporters, you would have had more steel coming in and com-

peting with the domestic steel, which would have kept domestic prices lower.

Mr. COLLIER. And also employment lower in the steel industry.

Mr. GRAUBARD. That, sir; has never been true. That is a bold assertion that has been made. The figures indicate, and they are available from the Department of Labor, that employment in steel mills drops not because of import competition but because American steel mills have been made more efficient and the number of people employed to produce a ton of steel is far smaller than previously.

Mr. COLLIER. Isn't it true, however, that in the last major steel strike, when in fact many users had to resort to foreign supply, and it was a real contributing factor in many places who had been buying domestic steel, having to find another source as a result of the strike some years ago, and in many instances these sources were retained by the supplier who otherwise would have been buying domestically.

Mr. GRAUBARD. That is true, sir; but how fortunate it was for the American economy that during this steel strike there was at least some supply of steel available to keep employment going in industries which otherwise would have had to close down because there was no steel. In the presentation we have made today, sir; all we are asking for really is that the committee, in drafting its bill, keep in mind the entire American economy, rather than concentrating so pointedly on the complaining industries. We urge the committee to see to it that all the grease will not go to that particular wheel and deprive the rest of the American economy of its need for more grease.

Mr. COLLIER. I understand what you are saying. I think you are very persuasive. It might be well if you could exercise some of this persuasion on the economists of the AFL-CIO.

Mr. GRAUBARD. I agree, sir. I am afraid my persuasive abilities are not that great.

Mr. COLLIER. Thank you.

Mr. BURKE. Mr. Gibbons.

Mr. GIBBONS. I am sorry I have had to miss some of the others testifying today, but certainly your testimony has been interesting. Let me ask you a few questions.

I understand that someone has brought a lawsuit against the United States Government, contending that these blackmail, voluntary quotas that we are talking about—and they are blackmail, proposed by the American steel industry and foisted off on the American public—were a violation of the antitrust laws. Has there been a court ruling on that?

Mr. GRAUBARD. As I understand it, the district court in Washington, D.C., has made a finding that that agreement is in violation of the antitrust laws. This matter was heard recently by the court of appeals in the District, and the matter is now sub judice. There should be a decision maybe in a month, maybe 4 months. We don't know.

Mr. GIBBONS. I sure hope that the courts will do what this Congress has failed to do, and that is recognize that we are not operating the country for the benefit of the steel mills, but for the benefit of everybody in the country.

Would you give me again, so I can have the figures in my mind, how much have steel prices gone up in the years that you have had the so-called voluntary agreement?

Mr. GRAUBARD. Steel prices, since 1969 when the voluntary steel quota first went into effect, have gone up 27 percent.

Mr. MCCAULEY. I would like to interject. I believe that figure was corrected this morning, Mr. Gibbons, to 29 percent by domestic industries' witnesses.

Mr. GIBBONS. I have a lot of steel fabricators in my area, small businesses by and large. I know they had some witnesses here earlier this morning. Unfortunately, my schedule was such that I could not arrange to be here at that time. Let me ask you this question: Have you run into the complaint in your industry that the integrated steel people will not, except in times of great excess of capacity in this country, sell at competitive prices their products to these independent fabricators; that they prefer to sell the products to their own fabricators their own in-house fabricators? Is there a problem of trying to keep down the independent fabricators? Are they favoring their own fabricators?

Mr. GRAUBARD. We had a case before the Tariff Commission some 9 years ago. It involved wire rods. Testimony in that case showed that at least one of the major steel mills was offering wire products at a price that was less than the price that it was offering to sell wire rods, the raw material for wire products, to the independent fabricators.

Now, I am not current on that, Mr. Gibbons, I don't know what present practices are. But I assume that where there is competition between an integrated steel mill and an independent fabricator, and there is a shortage of steel, it would only be normal for the integrated steel mill to favor its own fabricating plant. I repeat, however, I have no evidence of this. This has not come to my attention.

Mr. GIBBONS. Thank you very much.

Mr. BURKE. I notice here on the chart that I have on consumer prices with the economic indicators put out by the Joint Economic Committees of the Council of Economic Advisors that the cost of all items have gone up 29.8 percent since 1967. So that almost runs parallel with the cost of steel. From 1968, from 100 percent to 129.8 percent. This indicates to me that the rising cost of all items runs parallel to steel.

Mr. GRAUBARD. Does that include all manufactured items?

Mr. BURKE. It says all items. On food it went up from 100 percent to 134 percent. Commodities less foods went up from 100 percent to 121 percent. Durable goods from 100 percent up to 120 percent, nondurable from 100 to 122 percent. All services, from 100 percent up to 136 percent. Services less rent from 100 percent up to 139 percent. In that group they are running even higher than you people.

Mr. GRAUBARD. May I suggest, sir, that the figures you are citing go back to 1967. We limited our figures to 1969, a shorter period of time.

Mr. BURKE. On all items from 1969 they rise 20 percent. So there is a difference of 9 percent there.

Mr. GRAUBARD. All commodities went up 20 percent.

Mr. BURKE. All items.

Mr. GRAUBARD. I would suggest, sir, that there are available figures which show the comparison between the rate of increase of steel prices and the rate of increase for all manufactured items on a wholesale

basis which might be a more precise means of ascertaining whether or not steel is simply keeping pace with inflation or exceeding it.

Mr. BURKE. All different items fluctuate. Food, for instance, is running higher, and rents are running higher than the increase in steel. What I am merely pointing out is that your figures are not shocking. They are almost running true to form on the rising cost of living. I am justifying it.

I would like to see it go lower. The thing that bothers me is that I have been watching these imports, particularly in some of the items I am interested in up in my area. I notice that the firms that have moved overseas and are shipping their goods back here now and producing the same type of goods that they produced in America, that they are selling at the American selling price, and the consumers are getting gouged by these people because of the high markups.

I don't want to get into an argument because I like Mr. McCauley; he is a good friend of mine, but as I point out, when the foreign market takes over the product, then it has a tendency for the prices to rise and they control the prices then. So the opposite can be true, I don't think it ever would happen, but if the foreign producers of steel took over the steel market here they would be no different than anyone else. They would seek their high prices too. I think there is a need for a little competition.

Mr. MCCAULEY. I think, Mr. Burke, the hallmark of imported steel has been competition. I think that the hallmark of the domestic steel industry has been an oligopoly and a price maintenance program.

On your other observation, I too have been quite concerned about the pricing of foreign-produced U.S.-type products in the U.S. market. I have not come to any conclusion in my own mind about what the problem is or what the solution should be, but I certainly think that someone should take a look at it. When a product is made to U.S. specifications and under U.S. corporate ownership in a low-cost foreign area, and somehow gets fed into the U.S. pricing system as if it were a U.S.-made product, and fits nicely into a U.S. product line or a price niche. I think somebody should take a look at that and ask why.

Mr. BURKE. Once somebody gets a whole market they usually control the price. We don't want our foreign trading partners to take over the whole market here either.

Are there further questions?

Mr. Clancy.

Mr. CLANCY. No questions.

Mr. GIBBONS. I have one followup question.

In response to a question that you brought up, Mr. Chariman, you pointed out that steel prices had sort of followed the cost-of-living increase, as I recall. I noticed that aluminum prices stayed steady and even perhaps went down during the same period of time. I don't know why we couldn't do that in the steel industry during this period we are talking about. It was modernizing. It was going from open hearth to oxygen process. Truthfully, couldn't we have expected a reduction in domestic steel prices rather than an increase during this time?

Mr. GRAUBARD. That depends on whether or not you accept the premise of the domestic steel industry which is this: They acknowledge the fact that there is a shortage of capacity for steel. They need more mills. In order to build more mills they need more capital. They say, therefore, that to enable them to perform a vital function in

U.S. steel production, they want the assistance of the U.S. Government in excluding imports so that they may raise their prices and make more profits with which they will build these new steel facilities.

Now if that premise is accepted, you go all the way with the domestic steel mills. I find it quite fallacious, however.

Mr. GIBBONS. Couldn't you expect that—if you were a U.S. Steel manufacturer, and you were modernizing, and you were cutting your labor cost, as I understand it, the labor differential between oxygen and open-hearth processing is about 50 percent. I don't know that much about the steel industry. Is that about right?

Mr. GRAUBARD. We think it is a little high.

Mr. GIBBONS. Well, about 40 percent, the difference, somewhere in that area. Maybe there is a steel lobbyist present and he can give me the answer, but it is a substantial amount of labor saving when you go from one process to another. I realize it takes capital to do that, and you cannot do it overnight.

But I think during that time we would expect that where you were eliminating a lot of high labor cost you would have at least stability in the price of steel, and perhaps even a reduction. I don't know how aluminum did it, but they stayed at about 25 cents an ingot pound for a long time. They tried to jump the price up and the market wouldn't stand it. It slid right back down. I don't know why the same thing didn't happen to steel. Maybe somebody can explain that to me.

Mr. GRAUBARD. One of the problems is that back in the late 1950's and early 1960's some 40 million tons capacity of open hearth steel production was built. This cost billions of dollars. The Federal Reserve Board of Cleveland pointed out that all that capacity, when built, was obsolete because it did not take into account the new methods.

The steel mills are still paying for the cost of construction of that capacity. It has to be paid for. We are paying for the burden of that in the form of increased steel prices today.

Whether there are any other reasons that meet the need for higher prices cannot really be determined by us without having an analysis made of what goes into a ton of steel and why the cost should be so high. There was one effort made to obtain that information many years ago in the Senate, when Senator Kefauver requested it. But the Senate voted it down. Thus we do not have that kind of information available to us.

Mr. GIBBONS. I was just reading the Wall Street Journal this morning. I noticed that the two gentlemen who testified here—their companies are not doing bad. Despite the fact that we have had the 17 months lowest period in the stockmarket, their companies seem to be holding up quite well. They have a pretty decent price-earnings ratio that looks like they ought to be able to attract capital. I don't know what the problem is.

Mr. GRAUBARD. In all fairness to them, Mr. Gibbons, the fact is that today is a sellers market in steel. The world market price actually exceeds the domestic market price for many types of steel. I think that they have a point when they say that you cannot rely on today's market as an indication of what will continue for years to come. Unfortunately, Congress is asked to give relief to the steel industry as well as many other industries. It is asked to give this relief blindly.

Nobody comes forward and questions the industry as to whether or not it has kept up to date on innovation, whether it is mossbound, whether it is really doing its best, whether it is competing hard, and whether the injuries that it suffers are self-inflicted. All we hear are the complaints of these ailing industries, and a knight errant to protect the consumer generally is lacking.

That is why we ask in our testimony for evidence to be taken by the Tariff Commission to look into these other elements, to find out whether or not the relief requested is justified. If the Tariff Commission is too burdened to do it, let the information be obtained, in a public hearing, by another agency of the Government. Otherwise, only one voice will be heard, that of the complainant, and we will continue to hear sympathy for the complainant to the detriment of the rest of the people in the Nation.

Mr. GIBBONS. Thank you.

Mr. BURKE. The committee appreciates your appearance in giving your side of the story. I thank you.

Our next witness is Mr. Rhodes.

Welcome to the committee, Mr. Rhodes.

STATEMENT OF EDWARD M. RHODES, PRESIDENT, AMERICAN CHAIN ASSOCIATION, ACCOMPANIED BY WYATT DAWSON, CHAIRMAN, AND JOHN S. KOCH, COUNSEL

Mr. RHODES. My name is Edward M. Rhodes. I am president of the American Chain Association. I am accompanied by our chairman, Mr. Wyatt Dawson, and our counsel, Mr. John Koch.

The American Chain Association in general supports the administration's trade bill.

ACA urges fair trade, not protectionism. It opposes quotas, legislative tariff increases or restrictions on Presidential authority to negotiate new and reciprocal tariff concessions.

ACA supports in general the administration's proposals to strengthen the Antidumping Act of 1921 and the countervailing duty law, to expand the President's authority unilaterally to retaliate against imports from countries that discriminate against U.S. exports and to liberalize the escape clause.

ACA also urges that consideration be given to certain additional provisions of H.R. 328 that would make still further improvements in both the Antidumping Act and in the countervailing duty law.

ACA also supports title IV of H.R. 328, which would amend the Revenue Act of 1916 to make it a more realistic vehicle for recovery of antitrust treble damages for injury resulting from international price discrimination or dumping.

Just 3 years ago I appeared before this committee at the trade hearings, representing the American Sprocket Chain Manufacturers Association, our predecessor association.

The American Chain Association is a voluntary, nonprofit trade association, comprised of U.S. companies engaged in the design, manufacture, and sale of sprocket chains for the mechanical transmission of power and for conveying and elevating. The 11 member companies, listed in appendix A, account for substantially all of the do-

mestic production of sprocket chain. The ACA speaks on behalf of its members on matters of general concern to the sprocket chain industry.

Our association is not concerned with anchor chain or tire chains. Our chains run over sprockets, and they transmit power from one shaft to other shafts or they convey or elevate material of one kind or another.

I think you could classify us as a medium-sized industry. Our total shipments last year were $200 million. Our problems, we believe, are typical of those of scores of other medium-sized industries; so when you hear our story, you are hearing the situation confronting many other vital and essential industries that you may not have heard from.

It is certainly no secret that many industries of our size are encountering serious troubles and disruptions caused by imports. We are not, however, urging a return to protectionist legislation—for example, legislation that would impose import quotas or increase tariffs or prevent the further reduction of tariffs in accordance with international agreements.

What we are asking for is legislation that will help insure fair international trade.

In general our association supports the administration's trade proposal, but we urge that certain portions of the bill be strengthened along the lines of Congressman Boland's H.R. 328.

Three years ago we reported to you that of the total pounds of roller chain used in the United States, imported chain accounted for 25 percent, and that we were concerned about further growth of imports. They grew. Last year, 1972, imported roller chain amounted to 35 percent of the pounds of roller chain used in the United States.

Also 3 years ago we had just begun an intensive study of the impact of imports on our business. A year later, in March 1971, we began a thorough investigation of Japanese pricing of roller chain in the United States and in Japan. Just this spring, in March, the Tariff Commission by 5-to-0 vote found injury under the Antidumping Act of 1921 as a result of unfair pricing on the part of Japanese roller chain manufacturers. Because of this firsthand experience with the Antidumping Act we would like to make some suggestions on how this 50-year-old legislation can be improved.

We are particularly concerned about the length of time required for a dumping case. In February 1970 we began our studies. The formal findings of both Treasury and the Tariff Commission were just published this spring. Where did all this time go? As indicated in appendix B, it took us a year, from February 1970 to March 1971, to gather the pricing information necessary to confirm our suspicions of dumping and to satisfy ourselves that we would be able to demonstrate the necessary causal connection between that dumping and the injury our industry was experiencing.

Some years previously when we had been convinced that there was dumping on a particular product line, we concluded that, as the law was then being administered, the chances of obtaining a timely determination of sales at less than fair value, or of ultimately establishing injury to the satisfaction of the Tariff Commission, were too remote to justify filing a complaint. Fortunately, the current administration and the Congress had taken steps to provide prompter action

on antidumping complaints, and the Tariff Commission has applied more realistic standards in making its injury determinations. Therefore, in March of 1971, we initiated the necessary search for the actual price levels of Japanese chain in Japan and the United States. This project was finished in October. We assembled the data and filed a formal complaint with Treasury on December 20, 1971.

Treasury completed its summary investigation within 60 days. Its formal investigation then began on February 19, 1972. Six months later Treasury withheld appraisement on roller chain from Japan. In September a confrontation hearing took place, and on November 30 Treasury issued a determination of dumping and notified the Tariff Commission. The actual elapsed time between filing the complaint and the issue of determination of dumping was a little over 11 months. As you know, the Tariff Commission has 90 days to determine whether or not the complaining domestic industry has been injured. On March 1 of this year the Tariff Commission made that determination by finding injury in our case. That was more than 14 months after the complaint had been filed. On April 12, the month before last, Treasury published the formal findings of both Treasury and the Tariff Commission—more than 3 years after we began our study.

In retrospect, we of course wish we had moved sooner and more quickly to make our study and conduct the necessary pre-complaint investigation. But there are inherent difficulties, both practical and legal, in any group of U.S. competitors quickly and efficiently organizing themselves to collect the information necessary to file an antidumping complaint. Viewed realistically, I do not think we could have moved much more quickly.

But what about Treasury? We do not suggest that Treasury dragged its feet. The antidumping staff has been significantly increased but so has its workload, because more antidumping cases are being filed. We do suggest that, while it might require further budget and staff increases, it would be perfectly feasible for Treasury to make a tentative dumping determination within 6 months of a complaint's being filed if directed by Congress to do so.

The administration bill provides that a withholding of appraisement order would normally be issued by Treasury within 6 months from the date on which a notice is published in the Federal Register that a complaint has been received. However, it would permit Treasury to extend the period to 9 months or 1 year. More important, there is no limitation on the time that Treasury may take to publish such a notice after receiving a complaint. We urge you to consider the language of H.R. 328 which calls for a maximum of 6 months from the filing of a complaint to a notice of withholding of appraisement.

Further, in connection with the Antidumping Act of 1921, we believe it would be highly desirable to codify some of the Tariff Commission's more recent and realistic interpretations of the statute's injury requirements. Specifically, we feel the law should provide that the Commission make an affirmative determination of injury when less than fair value sales of foreign merchandise have caused or are likely to cause more than immaterial injury in any line of commerce in any section of the country. H.R. 328 would so provide.

Finally, we believe that judicial review should be provided on petition of domestic as well as foreign industries of determinations both

by the Treasury and the Tariff Commission as provided in H.R. 328. Under current law only an aggrieved importer can appeal.

We support the changes in the law proposed by the administration's bill including the establishment of mandatory timetables and extension of the law to cover duty-free merchandise. Here also we believe that judicial review should be provided upon petition of any interested party, as provided in H.R. 328.

We also support the administration bill's provisions authorizing the President to take unilateral action against imports from those countries maintaining discriminatory and unjustifiable barriers to U.S. exports.

We support in general the administration's proposal to liberalize the escape clause. However, we question the desirability of conferring upon the President unreviewable discretion to decline to act upon a recommendation for relief by the Tariff Commission. Under H.R. 328 a procedure is provided by which the Congress can override a Presidential determination not to follow a Tariff Commission recommendation for relief.

We have one final suggestion. If a domestic manufacturer unjustifiably sells his product at one price in New York and at another in Chicago and thereby causes injury to competition, he can be held liable for treble damages, but if a foreign manufacturer illegally dumps merchandise in the United States, takes away business by unfair pricing, successfully drives American men and women out of work and damages the prosperity of an industry, even if all this is proved, he is not required to make compensation. He doesn't even have his wrist slapped. Meanwhile, he has prospered while our people were on short hours or out of work.

We think such a foreign manufacturer should be subject to the same kind of obligation to redress the injury he has caused that domestic manufacturers face. Specifically, we think that the Revenue Act of 1916 should be amended to make it a more realistic vehicle for the recovery of antitrust treble damages for injurious international price discrimination. The act currently makes it possible for an injured U.S. businessman to secure damages only where he can show that dumping was committed

> with the intent of destroying or injuring an industry in the United States, or of preventing the establishment of an industry in the United States, or of restraining or monopolizing any part of trade and commerce in such articles in the United States.

Apparently no U.S. company has ever succeeded in shouldering this strict burden and making this proof.

H.R. 328 would eliminate this onerous intent requirement and permit recovery where the effect of the price discrimination was to injure competition, the same standard that exists in domestic price discrimination cases.

In conclusion let me say that the members of our association believe, as do most American manufacturers, that we can compete with overseas manufacturers in a fair ball game. But today there is little incentive for foreign manufacturers to avoid dumping in the United States. On the contrary, it is frequently very much to their advantage to dump. Dumping gives them an opportunity to invade our domestic market.

One of the responses of the Japanese manufacturers to our antidumping case, we are told, was to form a cartel in Japan. This cartel includes all Japanese roller chain manufacturers and is headed up by the largest chain manufacturer in Japan. The purpose of this new cartel is to establish minimum price levels for their product in the United States which, in their opinion, will avoid dumping. It seems rather obvious that previously they were knowingly and deliberately dumping here in the United States. Why not? They are not held accountable for the damage they have caused.

So we especially urge you to consider title IV of H.R. 328 which will provide at least the possibility of treble damage suits for dumping.

Thank you very much for this opportunity to give you our views on international trade legislation.

[Supplemental material submitted for the record follows:]

APPENDIX A

MEMBERS OF AMERICAN CHAIN ASSOCIATION

Acme Chain Division, Rockwell International, Holyoke, Massachusetts.
Atlas Chain & Precision Products Co., Inc., West Pittston, Pennsylvania.
Diamond Chain Company, Indianapolis, Indiana.
FMC Corporation, Chain Division, Indianapolis, Indiana.
Jeffrey Manufacturing Co., Columbus, Ohio.
Moline Corporation, St. Charles, Illinois.
Morse Chain, Division of Borg-Warner Corp., Ithaca, New York.
Ramsey Products Corporation, Charlotte, North Carolina.
Rexnord, Inc., Milwaukee, Wisconsin.
Union Chain Co., Sandusky, Ohio.
Webster Industries, Inc., Tiffin, Ohio.

APPENDIX B

Date	ACA	Treasury Department	Tariff Commission
3 years, 1½ months:			
February 1970	Began study of available Japanese pricing information.		
March 1971	Initiated search for actual price levels in United States and Japan.	22 months	
October 1971	Received final price reports		
Dec. 20, 1971	Filed formal complaint with Treasury		
Feb. 19, 1972		Completed summary investigation. Published notice. Instituted inquiry.	
Aug. 31, 1972		Withheld appraisement	
Sept. 29, 1972	15½ months	Held hearing	
Nov. 30, 1972		Issued Determination of Dumping, and notified Tariff Commission.	
Jan. 23, 1973			Held hearing.
Mar. 1, 1973			Found injury.
Apr. 12, 1973		Published findings	

Mr. GIBBONS [presiding]. Thank you.

Mr. Collier.

Mr. COLLIER. I have just one question.

I can't disagree that the domestic manufacturer who sells at one price one place and another price at another should be treated any differently than a foreign entity that does the same thing.

Let me ask you: Who would levy the demand upon the foreign industry? What would be the mechanism?

Mr. RHODES. I would think that the aggrieved party would have to bring this to court. If there were damages awarded, I imagine he would have to pay them or else his imports could be stopped.

Mr. COLLIER. I think you have answered the question.

What I am sugegsting is that if you did go through the court procedure, as would be the case with a domestic manufacturer, and you would have what would be equivalent to a judgment, then you have a new problem of how do you collect, by what procedure do you collect from a foreign manufacturer.

It would probably be through the Court of International Claims, but none of us would ever live long enough to see the Court of International Claims ever adjudicate a case.

Mr. KOCH. I think there are two things you can say to that. One it is not clear, if you obtain a judgment in a private damage action, that would not be enforceable abroad, although I am not aware of any cases in which an antitrust treble damage award has been enforced aboard.

More than that, however, increasingly there are handles in the United States on foreign companies. More and more foreign companies are investing in the United States and have subsidiaries and assets here. I think that the problem of executing a judgment in the United States will become increasingly less complicated.

Mr. COLLIER. But you are not suggesting if company A is guilty of a violation which, if we could agree on the procedure would result in treble damages. How would a company collect those damages from another foreign entity that had nothing to do with such a violation?

Mr. KOCH. I think increasingly foreign companies are obtaining assets directly in the United States. That is certainly one possibility. There are certainly cases where it would not be possible to obtain an effective judgment.

But I think there are cases where it would be possible. The possibility of treble damages exposure could be a very powerful deterrent to dumping.

Mr. COLLIER. I think it could be a deterrent, but I still can't buy the concept that you could levy against a company that was not a party to the case merely because it was, let's say, a Japanese enterprise.

Mr. KOCH. A wholly-owned subsidiary?

Mr. COLLIER. Oh, if it were a subsidiary. I am talking about the offender from whom you could not collect because they did not have an established operation in the United States, which would be, I think in most instance. And how would you levy on that company in Japan if you went to a court in the United States and did secure a judgment?

Mr. KOCH. If you obtained a judgment against that company in a United States court, one possibility is going to a Japanese court to try to get enforcement of that civil judgment.

Mr. COLLIER. That is a possibility, but it sure is not a probability, if you attempted to do this through the Japanese judicial system.

Mr. KOCH. I am not sure about that, sir.

Mr. COLLIER. I wouldn't want to. You are certainly not optimistic that you could do this?

Mr. KOCH. I am far more optimistic about putting fear in the hearts of Japanese who have assets in the United States, or Germans, or

French, or anyone else, because those assets could be seized, attached, and judgments could be enforced against them.

Mr. COLLIER. But in the final analysis, what you are saying is that if we do adopt this same concept, that, if nothing else, you would shut off his water?

Mr. RHODES. That I would hope you could do for sure. It so happens that in our case most of the major Japanese roller chain manufacturers are a part of big corporations who do business in the United States. I don't know how general that would be, but it is in our case.

Mr. COLLIER. In your industry it would probably be more effective. Thank you, sir.

Mr. RHODES. Yes.

Mr. GIBBONS. Mr. Rhodes, you made some good suggestions. Mr. Boland talked with Mr. Burke and communicated with us about your testimony. As I understand it you are sort of what we would call a medium-sized industry or business. You feel that there are a lot of other people in the United States who have the same problem you have but just haven't come here to complain.

As I listened to your testimony and read your statement. I concluded that you just feel that our antidumping laws have no teeth in them, is that correct?

Mr. RHODES. There is not any reason not to dump.

Mr. GIBBONS. Because when you get caught nothing really serious happens, is that right?

Mr. RHODES. When you get caught, after you are found guilty of doing these things, if you reform, you are all right, there is no punishment. There are no fines. In our case, here foreign imports from Japan have taken about one-fourth of the U.S. market. It is going to be hard to recover that market. We have had layoffs. We have had loss of employment and gone through several bad years.

Mr. GIBBONS. Do you have any trouble getting American domestic steel manufacturers to supply you with steel?

Mr. RHODES. So far that has not happened, but it may before the year is over.

Mr. DAWSON. There has not been a problem to date.

Mr. RHODES. I am not active in the industry any longer.

Mr. GIBBONS. I understand you are a neighbor of mine.

Mr. RHODES. I live across the bay.

Mr. GIBBONS. I welcome you here. Your testimony has been very helpful. I would hope that we can find some way to do this. As you may have determined from some of my prior statements here, I am for freeing up trade, but I don't want to make it unfair.

Mr. RHODES. Fine. That is really what we hope can be done.

Mr. GIBBONS. I think that we ought to have a good international code of conduct by which we all can live, and it ought to be an enforceable code. It ought to be one that can be enforced within a time limit which will do some good. I realize a businessman cannot go on losing money year after year after year. I couldn't lose it for a couple of months when I was in business and do much surviving. A time limit for the taking of enforcement actions is needed.

I commend you for your statement and thank you for coming here.

Mr. RHODES. Thank you very much.

Mr. GIBBONS. Thank you, gentlemen.

The next witness is Mr. J. F. Farrington on behalf of the National Association of Scissors & Shears Manufacturers.

Come on up and sharpen us up a little.

STATEMENT OF J. F. FARRINGTON ON BEHALF OF THE NATIONAL ASSOCIATION OF SCISSORS & SHEARS MANUFACTURERS, ACCOMPANIED BY ROBERT V. MAUDLIN

SUMMARY

Mr. Farrington in his statement before the Ways and Means Committee describes the serious impact that imports of scissors and shears have had on the domestic industry. He notes that the continuing increase in imports is due primarily to low foreign wage rates that are not compensated for by an adequate duty structure.

Mr. Farrington expresses concern over the open-ended authority that would be granted to the President by enactment of H.R. 6767. He urges modification of the bill to restrict the President's authority to negotiate further reductions, particularly on items as important as scissors and shears.

Mr. FARRINGTON. I am J. F. Farrington, vice president of Acme United Corp., Bridgeport, Conn., and president of the National Association of Scissors & Shears Manufacturers on whose behalf I am appearing today. With me is Robert V. Maudlin, our consultant.

The National Association of Scissors & Shears Manufacturers is the only trade association of domestic manufacturers of scissors and shears. The association's membership is composed of five U.S. firms producing approximately 85 percent of the scissors and shears manufactured in the United States.

I appreciate this opportunity to present our views on H.R. 6767, the Trade Reform Act of 1973. The final action taken by the Congress on this legislation will determine the destiny of our small industry.

The proposed Trade Reform Act of 1973 appears to contain something for everyone. We have read the bill and found provisions that we could fully support, and I am sure our competitors, the importers, can do the same thing. The bill would provide the President with wide and sweeping authority in foreign trade. We can understand that the President does not want to be restrained or restricted in the negotiation of new trade agreements. However, we urge the Congress to set specific guidelines for trade agreement negotiations and to retain control and oversight in this important area.

Our industry is a small industry in value of output, number of workers, or by any other yardstick that may be used to measure it. But our product, scissors and shears, is a basic, valuable tool used in every school, retail establishment, office, factory, hospital, and home. They are essential to our health, education, and general welfare.

I, and other representatives of our industry, have appeared before this committee and other congressional committees, the Tariff Commission, and interagency committees during the past 40 years in an effort to keep a healthy, viable scissors and shears industry in the United States. I last appeared before this committee on June 5, 1970, and since that time we have seen our industry continue to shrink as imports have grown.

Today there are only seven manufacturers of scissors and shears in the United States, whereas before the import duty on scissors and

shears was reduced in 1950 and 1951, there were approximately 50 firms. The majority of those 50 firms manufactured scissors and shears exclusively. Since the duty reductions in 1950 and 1951 there has been a steady deterioration of the domestic industry. The most recent casualty was the A. Lincoln Co. of Bridgeport, Conn., which closed in February 1972.

Since 1950 no new firm has been established to produce scissors and shears in the United States. Also, since 1950 imports of scissors and shears have rocketed from 825,616 pairs to 25,626,893 pairs in 1972.

Since the end of World War II there has been very little real growth in the domestic market. Therefore, imports have displaced domestic production. Using 1958 prices, the wholesale value of scissors and shears sold in the United States was $25 million in 1948 and $27 million in 1971. The 1948 sales of $25 million was almost all scissors and shears produced in the United States whereas in 1971 only $15 million was produced in the United States and $12 million imported. Therefore, during the period the wholesale value of imports increased $12 million while shipments of domestic manufacturers decreased $10 million.

The wholesale value of scissors and shears imports in 1971 was equal to approximately 77 percent of domestic producers' shipments and this does not take into account imports of scissors and shears in sewing and manicure sets or electric scissors.

RECENT INCREASES IN IMPORTS

During the past 5 years, 1967–1972, imports of higher priced scissors and shears have increased 43 percent, medium priced imports have increased 108 percent and lower priced imports have increased 220 percent. During this same period imports of sewing and manicure sets have increased 19 percent and electric scissors increased 226 percent.

The reason that imports have been able to dominate the domestic market can be given in four words: "low foreign wage rates." The wages paid in Italy, West Germany, and Japan—the major import sources—are much less than the wages paid in the United States. The current import duty on scissors and shears falls short of closing the gap between the United States and foreign wage levels.

In view of this situation, I believe you can understand why we are seriously concerned with the President's request in title I of H.R. 6767 for open ended authority to further reduce tariff levels. We saw what happened when duties on scissors and shears were slashed in 1950 and 1951. As shown in table I, imports increased from 150,372 pairs in 1949 to 3,121,741 pairs in 1952. We again saw what happened when the import duties were again cut as a result of the Kennedy Round. Imports of scissors and shears, on which the duty was cut, increased 130 percent in the 5-year period, 1967–1972.

Title II of H.R. 6767 provides for "relief from disruption caused by fair competition." We question the term "fair competition" when we are required to play the game under one set of rules with minimum wages, OSHA, EPA, et cetera, and our foreign competitors have an entirely different set of rules. Strengthening of the escape clause is long overdue. We have tried to go the escape clause route. We have

had two cases before the Tariff Commission without any resulting benefit to our industry. These cases are discussed in detail in an appendix attached to this statement. We question if any industry has received any real help through an escape clause action.

We are skeptical that there will be any improvement if H.R. 6767 is enacted. Our skepticism is based on the use of terms such as "substantial," "increasing rapidly" and "substantially below" that are in section 201(f)(2). These terms which are at the heart of the section are subject to various interpretations by different people. Section 202 (a) provides for what the President "may" do if he receives an affirmative finding from the Tariff Commission.

What we need is an escape clause that spells out in clear, definite terms what is to be done to retain a domestic industry in the United States on a fair, competitive basis.

We do not believe that relief for serious injury should be limited to any specific period of time as it is in section 203. We do not concur in the use of adjustment assistance as an answer to import competition. Granted it may be needed for workers who have lost their jobs. But we believe that the jobs should be retained in the United States by the use of tariffs, quotas, or other means necessary to keep fair competition between domestic and foreign producers. The workers in our industry do not want adjustment assistance; they want jobs where they can use their skills.

The skills used in the manufacture of our products are unique. The craftsmen who make up a large part of our workers have a talent limited in the world. It is neither right nor just to eliminate these skills and surrender a total industry to other countries.

Our companies have also spent considerable time and money to train the unskilled worker. These people have every right to share in the economy in their own country. I don't believe that we should export any more of their jobs.

Section 406 of H.R. 6767 provides that the duty on an item is not to be reduced if it would "threaten to impair the national security." We are not certain as to the meaning of "national security" in this section of the bill, but we do believe that the loss of an industry producing essential products, such as ours, would impair the national security. We recommend this section of the bill be expanded to include guidelines to define the type of loss that would impair the national security.

By any criteria used by the Tariff Commission our industry has been badly damaged by imports. If we consider volume, market share, disruption of trade, loss of employment, balance of trade, economic injury to industry, we have paid a heavy price.

We have watched imports increasing at an alarming rate until:

We have lost 44 percent of our only market.

We have lost 40 firms.

We have lost 1,500 jobs.

We have a 99 to 1 deficit in the scissors and shears balance of trade.

How much more must we pay?

We also recommend that section 406 be expanded to include more than national security as a basis to exclude articles from any action under the bill. We suggest that no article be considered for duty reduction if imports have increased more than 25 percent during the past

5 years or in any case where the ratio of imports to domestic shipments is increasing.

In conclusion, I want to point out that we have never asked that an embargo be placed on the import of scissors and shears. All we have requested, and all we want, is a fair, competitive opportunity in the U.S. market. We have not had a fair competitive opportunity since 1950 and, as a result, there are just a few of us "still hanging in there." Anything you do now is too late for the 40 firms that have closed since 1948, and their former employees. It is for more than selfish reasons we want to retain a viable domestic scissors and shears industry. We believe that where there is a capability of domestic production of an article as important as scissors and shears we should retain a domestic industry. Today, we are importing 1,500 full-time jobs in our imports of scissors and shears. Let's not make it 1,501 if it means putting one more person out of work in the United States.

Thank you.

Mr. BURKE [presiding]. Without objection, all the charts and everything appended to your record will be included in your statement.

[The material referred to follows:]

U.S. IMPORTS FOR CONSUMPTION, AS REPORTED BY THE BUREAU OF THE CENSUS

TABLE I.—SCISSORS AND SHEARS

Year	Quantity (pairs)	Foreign value in U.S. dollars	Year	Quantity (pairs)	Foreign value in U.S. dollars
1946	11,131	9,756	1960	11,470,885	3,289,464
1947	20,776	16,162	1961	10,112,482	3,299,798
1948	76,178	59,632	1962	12,777,082	3,812,436
1949	150,372	117,608	1963	9,986,907	3,708,054
1950	825,616	377,843	1964	10,319,828	3,846,582
1951	2,213,031	892,255	1965	11,420,141	4,220,236
1952	3,121,741	1,174,758	1966	12,857,003	4,775,651
1953	4,540,006	1,503,542	1967	15,097,759	5,653,493
1954	4,396,123	1,593,668	1968	18,615,175	6,822,320
1955	5,671,816	1,984,722	1969	20,025,091	7,625,660
1956	5,981,033	2,265,258	1970	20,119,385	8,369,624
1957	6,578,527	2,321,373	1971	19,201,395	8,619,749
1958	7,297,269	2,745,469	1972	25,626,893	11,371,810
1959	11,956,375	3,193,557			

TABLE II.—*Sewing and manicure sets*

[Foreign value in U.S. dollars]

Year:	
1964	2,845,527
1965	3,094,484
1966	3,631,557
1967	3,157,892
1968	3,330,778
1969	3,751,339
1970	4,023,643
1971	3,338,507
1972	3,755,174

TABLE III.—*Scissors with self-contained electric motors and parts*

[Foreign value in U.S. dollars]

Year:	
1964	92,997
1965	314,080
1966	626,778
1967	814,068
1968	2,165,352
1969	2,697,521
1970	3,799,441
1971	3,363,679
1972	2,737,560

APPENDIX.—TARIFF COMMISSION INVESTIGATIONS OF THE SCISSORS AND SHEARS INDUSTRY

The Tariff Commission in 1954 found that imports of scissors and shears valued at more than $1.75 per dozen "threaten serious injury" to our domestic industry. The Commission recommended to the President that the duty on imports of these scissors and shears be increased.

The President declined to accept the recommendation of the Tariff Commission. Representatives of the Association presented testimony to the Commission in 1958 pointing out errors in the President's letter of May 11, 1954 declining to accept the Tariff Commission's recommendation. The President in his letter to the Chairman of the Tariff Commission said: "The volume of imports has leveled off since the high point in 1952, with the rate of importations during 1953 and early 1954 somewhat below that of 1952." The statistics published by the United States Bureau of the Census do not bear out this statement. The quantity of scissors and shears valued over $1.75 per dozen imported increased from 2,139,781 pairs in 1952 to 2,874,490 pairs in 1953 and 3,236,634 in 1954. The value of these imports increased from $1,106,482 in 1952 to $1,403,439 in 1953 and $1,504,523 in 1954.

The Association on August 29, 1958, filed with the Tariff Commission an application for a second investigation under Section 7 of the Trade Agreement Extension Act of 1951. The Tariff Commission instituted the investigation on September 3, 1958 and on February 25, 1959 made a report finding "that scissors and shears are not being imported in such increased quantities, either actual or relative to domestic production, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products." The domestic industry in making application followed the determination made by the Tariff Commission in 1953–54 that the minimum importers' selling price of imports entered in the over-$1.75-per-dozen classification is about $4.80 per dozen. The effect of imports of scissors and shears valued over $1.75 per dozen was applied to domestic shipments valued over $4.80 per dozen. The Tariff Commission in the second investigation did not follow their earlier determination. However, in the 1959 report it was stated that "The Commission's finding and conclusion would not have been different had it considered the domestic industry to be coextensive with the domestic production of scissors and shears valued at more than $4.80 per dozen."

The members of the Association challenge this statement. An important table in the Tariff Commission report was designated as Number 9. In this table shipments of the domestic industry of scissors and shears of *all* values were added to imports *only* scissors and shears valued over $1.75 per dozen to obtain apparent consumption and the ratio of imports to consumption and to shipments.

The ratio of imports to consumption and shipments were shown as follows:

[In percent]

Year or period	Ratio of imports to—	
	Consumption	Shipments
1953	14.0	16.2
1954	14.8	17.3
1955	15.0	17.6
1956	15.3	18.0
1957	16.9	20.1
January-September:		
1957	15.6	18.3
1958	16.3	19.4

To be consistent, either shipments of the domestic industry valued over $4.80 per dozen should be compared with imports valued over $1.75 per dozen, *or* all imports should have been compared with all shipments of the domestic industry. Either of these proper comparisons would have given a true picture and one entirely different from that shown in Table 9.

Had only scissors and shears valued over $4.80 per dozen been compared with imports valued over $1.75 per dozen the table would have been as follows:

[In percent]

Year or period	Ratio of imports to—	
	Consumption	Shipments
1953	38.2	61.0
1954	42.6	73.2
1955	38.2	60.9
1956	40.9	67.7
1957	45.0	79.3
January-September:		
1957	44.7	78.2
1958	47.7	89.2

The Tariff Commission report of 1959 noted that there had been an increase in shipments by domestic producers during the period under study: 1953 to 1957. However, the report did not note that even with the increase the shipments in 1957 were still far below the level prior to the duty reductions in 1950 and 1951. Also, as shown in the previous table, imports increased at a much more rapid rate, as imports went from 61% of shipments in 1953 to 79% in 1957, and 89% during the first nine months of 1958.

The Tariff Commission in the 1959 report stated, "The increase in consumption was much greater than the increase in imports that also took place after the Commission's previous report of March 1954 . . ." This is not borne out by the statistics included in the report. The data developed by the Tariff Commission and included in the report shows that imports increased 72% from 1953 to 1957, while apparent consumption increased only 46%.

The Tariff Commission went on in the report to state that, "The significant general broadening of the total domestic market for scissors and shears was a development that could not be foreseen in 1954 when the Commission previously investigated the articles herein under consideration." The data developed by the Tariff Commission shows an increase of 54% from 1954 to 1955 in domestic shipments of scissors and shears valued over $4.80 per dozen. However, the U.S. Department of Commerce in a report prepared by the Bureau of the Census and released July 19, 1958 shows an increase of only 14% from 1954 to 1955 in the domestic shipments of scissors and shears valued over $4.80 per dozen. The statistics in the Bureau of the Census report were prepared from data obtained from 25 establishments, which was substantially complete coverage of the industry.

Also, it is important to note that the Tariff Commission investigation shows a *decrease* of 8% in the shipment of scissors and shears from 1955 to 1957, while during the same period there was an *increase* of 20% in imports and 3% in apparent consumption.

MEMBERS OF THE NATIONAL ASSOCIATION OF SCISSORS AND SHEARS MANUFACTURERS

The Acme United Corp., Bridgeport, Conn.
John Ahlbin & Sons, Inc., Bridgeport, Conn.
Clauss Cutlery Co., Fremont, Ohio.
W. H. Compton Shear Co., New Bedford, Mass.
J. Wiss & Sons Co., Newark, N.J.

Mr. BURKE. It is quite apparent that there is somebody in our Government who feels that you people are expendable.

Mr. FARRINGTON. That is the problem.

Mr. BURKE. That may be the understatement of the year.

Mr. FARRINGTON. The frustration has been expressed here many times today of trying to work through the channels that are open to us now. Even though we have seen before the Tariff Commission and had favorable opinions, nothing has happened with them.

Mr. BURKE. What about your exports? Do you do any exports at all?

Mr. FARRINGTON. It is probably 1 percent. Speaking of my own company, our exports are to Canada where we have a facility. Specialty type items are shipped by the other manufacturers to some other countries.

Mr. BURKE. Have they tried to get into any foreign markets?

Mr. FARRINGTON. No; we are having trouble competing here. It used to be the cry that imports were welcome into the United States because the domestic manufacture couldn't make enough of the supply. At this point, if the importers could make more we wouldn't be in business today. We cannot compete in this market. We couldn't compete over there in their market at all.

Mr. BURKE. Mr. Collier.

Mr. COLLIER. Yes.

I agree with Mr. Burke that there probably is someone who feels that your industry is expendable. I do not. But it is obvious from the figures you gave us this is not someone who has appeared on the scene rather recently. It would appear that this feeling of expendability has extended through at least five administrations, if I am looking at the figures correctly.

Mr. FARRINGTON. That is correct. It has been nonpartisan.

Mr. COLLIER. That is the point I was trying to make. At any rate if we don't get some legislation, then obviously your demise is inevitable if the past is prologue. That being the case, I think you will agree that we have to have a trade bill.

Mr. FARRINGTON. That is right.

Mr. COLLIER. You agree to that, but you also agree that there should be safeguards to prevent any further erosion or disruption to your already injured business.

Mr. FARRINGTON. Absolutely; we are a very small industry, $27 million doesn't excite anybody except us.

Mr. COLLIER. You are not against trade legislation. You can accept a bill similar to what the administration has if there are adequate safeguards to prevent the things that have happened in the past, and adequte safeguards beyond what are actually in the bill that is proposed by the administration?

Mr. FARRINGTON. Absolutely; we could endorse that fully.

Mr. COLLIER. Thank you, sir.

Mr. BURKE. Mr. Duncan.

Mr. DUNCAN. I have no questions, thank you.

Mr. BURKE. I notice you have one firm, the Compton Shears Co. in New Bedford, Mass. How are they doing?

Mr. FARRINGTON. They are hanging in there. Some of us have existed but it is very precarious.

Mr. BURKE. The reason I asked, that is the city that has some real difficult problems. Their unemployment is very high, as are their welfare costs. I don't think they can stand losing anybody else down there. They hit the saturation point 3 or 4 years ago.

Mr. FARRINGTON. They relocated out of Newark, N.J., in the hope that the labor surplus in New Bedford could help them. I know they have some difficulties up there.

Mr. BURKE. Thank you very much.

We appreciate your bringing your story before the committee.

Mr. FARRINGTON. Thank you.

Mr. BURKE. Our next witness is John Shaw. We welcome you to the committee, Mr. Shaw. You may identify yourself and your associates.

STATEMENT OF JOHN H. SHAW, PRESIDENT, SLIDE FASTENER ASSOCIATION, ACCOMPANIED BY RICHARD KELLERS, EXECUTIVE SECRETARY, AND MYRON SOLTER, COUNSEL

Mr. SHAW. Mr. Chairman, members of the committee, my name is John H. Shaw. I am zipper merchandising manager of Coats & Clark, and it is my pleasure to appear before the committee today as president of the Slide Fastener Association, Inc.

With me are Richard Kellers, executive secretary of our association, and Myron Solter, counsel.

The 16 members of the Slide Fastener Association, embracing approximately 37 manufacturing establishments dispersed over some 14 States, account for an estimated 80 percent of the total production of slide fasteners in the United States. A list of member firms is appended to my statement.

The Slide Fastener Association wishes to indicate generally its support for the proposed Trade Reform Act of 1973, but wishes to call to the committee's attention specific undesirable impacts which several of the proposed provisions could have on our industry.

The most significant common problem of the slide fastener industry in recent years has been a rapid and quantitatively significant increase in imports of competing slide fasteners, primarily from Japan. Our presentation includes two tables that illustrates the trend of imports.

It will be noted that imports increased steadily from 26.6 million units in 1968 to 100.4 million units in 1972, which represents an average annual increase of 40 percent sustained over a 4-year period.

Table 1 covers only direct imports of complete slide fasteners. More than double that number enters the United States indirectly in finished garments of foreign origin. These indirect imports are shown on table 2. From table 2 we further see that the impact of imports on the domestic industry has nearly doubled over the past 5 years, reaching 16.4 percent of domestic sales and 14.1 percent of U.S. consumption in 1972.

The committee will therefore understand our vital concern with any trade legislation.

NEGOTIATING AUTHORITY

Chapter 1 would give the President unlimited authority to modify duties to carry out trade agreements entered into within 5 years from the date of enactment of this legislation.

In general, and certainly in a theoretic sense, the potential economic stimulus inherent in the mutual reduction of tariff barriers would appear to be desirable. However, we believe that the application of the tariff-reducing authority to slide fasteners would be counterproductive to the underlying purposes of this legislation.

With regard to that quantity of slide fasteners which enters the United States incorporated into finished garments, we suggest that the worldwide textile and apparel trade problem is much too complex to be regulated for the mutual benefit of all by simply reducing or modifying individual tariff rates in any one country, or through bilateral actions. We suggest that it would not be appropriate to apply the negotiating authority to textiles in order to reduce tariff rates. The world capacity to produce and consume apparel and other textiles must be developed in a balanced way, which development can, we suggest, be accomplished with optimum benefit to all countries only by a multilateral agreement, similar to the long-term agreement on cottons, to cover all apparel and textile trade in all three major fibers.

With regard to the application of the tariff-reducing authority to direct imports of slide fasteners, we suggest that no useful purpose would be accomplished, and in fact a great deal of harm would be done to the domestic industry, by further reducing the present tariff rates on slide fasteners and parts. The quantities and rates of increase of these imports in recent years make it clear that the stimulation of imports does not require any further reduction in tariffs. The only effect of further reducing the tariff on these products would be to lower even more the price of competing imports, to the greater detriment of the domestic industry. The foreign producers of slide fasteners do not need lower duties to capture the U.S. market—they are doing an aggressive job under existing duty rates, as is evidenced from the rapid increase in imports.

PRENEGOTIATION REQUIREMENTS

It is reassuring to see that the proposed legislation contains a number of procedures designed to place before the President the maximum of facts concerning the probable impact of tariff reductions on individual industries. The slide fastener industry feels particularly exposed to further tariff reductions, and the ability to present our case for reservation of slide fasteners to the ultimate decisionmaker is quite important to us. It is disappointing, however, to note that no clear criteria are provided for reservation of articles from the negotiating lists. The criteria for reservation appear under section 406, and aside from articles already subject to restraint under the National Security Amendment or the escape clause, the only express criterion is any reason the President deems appropriate. I would suggest that considerably more certainty would result from making reservation mandatory when the quantity of imports has reached a given percentage of domestic consumption, has displayed a rapid increase in recent years, and has caused or threatens economic distress to the domestic industry.

IMPORT RELIEF

The proposed provisions for import relief represent a considerable improvement over the existing escape clause. We hope that the committee will see fit to recommend the enactment of the import-relief provision as it presently exists in proposed form. The need for an effective escape clause is all the more emphasized by the fact that this legislation, in subsequent sections, would make possible the extension of most-favored-nation duty treatment to various Communist countries, some of which are substantial producers of slide fasteners, and would provide for the elimination of tariffs on slide fasteners from a large number of less developed countries.

To conclude, we hope that the committee will first take into account the special nature of the textile problem, insofar as it should relate to various provisions of the proposed legislation; second, provide a more precise criterion for the reservation of articles from negotiation of further tariff reductions based on quantity, rate of increase of imports, and effect upon domestic industry; and third, that the committee will recommend the escape clause as proposed in the committee print.

In summary, rapidly increasing imports of slide fasteners from Japan pose a substantial threat to the slide fastener industry.

Textiles generally, and apparel specifically, should be reserved from any further reciprocal tariff reductions, and trade in these products should be regulated for the benefit of all countries through a multilateral long-term arrangement covering all fibers.

Slide fasteners as such should not be subjected to any further duty reductions, and to that end reservation of articles from negotiation should be based on the express criteria of whether imports are equal to a given percentage of domestic consumption, have increased rapidly, and are threatening economic distress to the domestic industry.

The slide fastener industry envisages the need in the near future to escape from the effects of further increased imports resulting from various provisions of this and similar past legislation, and for that reason strongly supports the import relief provisions.

[Tables referred to and supplementary information follow:]

TABLE 1.—IMPORTS OF SLIDE FASTENERS, 1968–72

Year	Slide fasteners valued not over $0.04 each (TSUS 7457000)		Slide fasteners valued over $0.04 each (TSUS 7457200)		Total units (millions)
	Quantity (millions of units)	Value	Quantity (millions of units)	Value	
1968	24.9	$600,749	26.6	$1,851,295	51.5
1969	24.1	613,104	42.1	2,933,198	66.2
1970	24.5	636,445	55.0	4,162,455	79.5
1971	21.8	632,080	65.3	5,454,271	87.1
1972	21.6	652,661	100.4	9,288,061	121.6

Source: Bureau of Census, Department of Commerce.

TABLE 2.—DOMESTIC SALES, IMPORTS, AND U.S. CONSUMPTION OF SLIDE FASTENERS, 1968-72

[In millions of units]

Year	Domestic sales [1]	Imports of slide fasteners [2]	Imports of slide fasteners in finished garments [3]	Total imports	Apparent U.S. consumption	Percent total imports of domestic sales	Percent total imports of consumption
1968	2,277.7	51.5	157.5	209.0	2,486.7	9.2	8.4
1969	2,156.3	66.2	172.9	239.1	2,395.4	11.1	9.9
1970	2,042.6	79.5	247.4	326.9	2,369.5	16.0	13.8
1971	2,109.3	87.1	254.9	342.0	2,451.3	16.2	14.0
1972	2,337.0	121.6	261.5	383.1	2,720.1	16.4	14.1

[1] Slide Fastener Association, Inc.
[2] Bureau of Census, Department of Commerce.
[3] Estimated on basis of slide fastener utilization factors applicable to American-made garments.

SLIDE FASTENER ASSOCIATION, INC.

Acme Associates, Inc., Long Island City, New York.
Adams Industries, Inc., Long Island City, New York.
American Robin, Inc., Division of Richford Industries, Inc., Miami, Florida.
Coats & Clark, Inc., New York, New York.
Flair Zipper Corp., New York, New York.
General Zipper Corp., Long Island, New York.
Ideal Fastener Corp., Oxford, North Carolina.
Murlen Fastener Corporation, New York, New York.
National Fastener Co., New York, New York.
Pilling Chain Co., West Barrington, Rhode Island.
Scovill Manufacturing Co., Waterbury, Connecticut.
Serval Slide Fasteners, Inc., Flushing, New York.
Slide-Rite Manufacturing Co., Long Island City, New York.
Talon Division of Textron, Meadville, Pennsylvania.
Texas Fastener Corporation, Dallas, Texas.
Zipper Products Corp., Brooklyn, New York.

Mr. BURKE. Thank you, Mr. Shaw. Does that complete your entire statement?

Mr. SHAW. Yes.

Mr. BURKE. Mr. Collier?

Mr. COLLIER. Do you find a substantial number of U.S. textile firms using the foreign-made slide fasteners?

Mr. SHAW. Yes. The numbers are indicated in table 1. Those, as we say, represent slide fasteners that were entirely produced in the foreign country. The numbers that I quoted as being approximately 45 percent equal to that in value represent components such as chain and sliders brought into this country and used here.

Roughly, $9 million worth is brought in completely assembled and used.

Mr. COLLIER. That is difficult for me to understand because these are the same people who come in here and want protection to some degree from the import of foreign textiles and yet on the other hand, while buying for the manufacture of their own goods foreign slide fasteners.

Mr. SHAW. Yes, it is difficult to understand. I agree with you. But it is a matter of pricing.

Mr. COLLIER. It is not only difficult, I can't understand it.

Mr. SHAW. It is a matter of economic incenitive.

Mr. COLLIER. I do think you are right. I think this committee in writing the final bill, recognizing the pitfalls that you point out here will offer such amendments as will provide some of the safeguards that I think we all are beginning to see as we go through these hearings. Thank you, sir. Thank you, Mr. Chairman.

Mr. BURKE. Mr. Duncan, do you wish to inquire?

Mr. DUNCAN. Yes. Do you have some American manufacturers who manufacture slide fasteners abroad?

Mr. SHAW. Yes. Some of the American manufacturers in recent years have bought the interest in countries in Europe. I am not familiar, I don't know all the activities of all of our members so that I can't say now how many of them have these facilities.

Mr. DUNCAN. Is that due to competition?

Mr. SHAW. I would say yes, in part. Put it this way, sir, the largest producers in our association would naturally tend to find overseas markets for their products and would try to take advantage of trading opportunities in other countries.

The smaller ones, of course, would not engage in this sort of activity.

Mr. DUNCAN. Thank you very much.

Mr. BURKE. The committee appreciates your appearance and your testimony.

Mr. SHAW. Thank you, sir.

Mr. BURKE. We only have one witness left. Mr. Potischman. Is he here?

Mr. POTISCHMAN. Yes.

Mr. BURKE. I am sorry. They just called for an automatic rollcall. If you can wait, I will be back in 15 minutes to hear your statement.

[A recess was taken.]

Mr. BURKE. The committee will be in order.

Our next witness is Mr. Richard J. Potischman. You may identify yourself for the record and proceed with your testimony.

STATEMENT OF RICHARD J. POTISCHMAN, PRESIDENT, UNA CORP., BOSTON, MASS.

Mr. POTISCHMAN. Mr. Chairman and members of the committee:

My name is Richard Potischman, president of UNA Corp., of Boston, Mass.

We welcome the opportunity to testify in regard to H.R. 6767, the Trade Reform Act of 1973 and request that our views be accepted for the record.

We are a small, publicly owned American company. We employ approximately 110 people and our annual sales volume is slightly under $20 million. We are importers and distributors of specialty steel products and we operate six warehouses in major cities in the United States. We have been in business for almost 15 years and we offer our customers a combination of warehouse services, product variety and customer oriented technological know-how. We maintain several million dollars worth of inventory of specialty steel products, and our warehouses provide the off-the-shelf service at competitive pricing which

helps metal products manufacturers to produce at the lowest possible cost. Our customers number from the smallest to the largest of American manufacturing companies.

As importers, we are vitally interested in the expansion of trade throughout the world and we, therefore, favor the adoption of H.R. 6767, since there are several provisions in the bill which will help solve the many trade problems which face our country.

There are, however, basic concepts in the bill with which we are in complete disagreement. We fundamentally oppose the market disruption concept of this bill as outlined in sections 201(b)(2), 201(b)(5), and 201(f)(2) and we propose that this market disruption concept be stricken from the bill.

Section 201(b)(2) provides for "the inability of a significant number of firms to operate at a reasonable level of profit" as justifying import relief. We believe that in practice, the term "significant" will all too easily be construed to cover "any firm not operating at a reasonable level of profit." Even the most diehard protectionist will agree that there are multitude of reasons why companies do not operate at reasonable levels of profit and that there are an equal number of evaluations of what is, or should be, a reasonable level of profit.

Section 201(f)(2) has no provision for proof that imports are responsible for injury to domestic industry, while section 201(b)(5), unbelievably, provides that, in the absence of any proven connection between imports and harm to domestic industry, imports be deemed prima facie evidence of market disruption and thus, of injury to domestic industry.

To ascribe market disruption and injury to domestic industry as a prima facie result of imports without any burden of proof on the part of the presumed injured party, is manifestly illogical and, to put it simply, is unfair to the importer.

We believe that the present statutory language in the Trade Expansion Act of 1962, which provides for import relief for "inability of an industry to operate at a reasonable level of profit" should be retained. In H.R. 6767, as well as in other bills which have been referred to this committee, there are provisions for import quotas. We are fundamentally opposed to import quotas since they are obviously measures of last resort; they are inherently unfair to parties unable to qualify for them while providing unearned profits for those upon whom they are bequeathed.

Import quotas, by restricting supplies, clearly aggravate inflationary price movements which have been only too evident in the recent rapid rise in the cost of living indices in our country.

The import quota features of H.R. 6767 must ultimately penalize the consumer since it is the housewife who ultimately must pay higher prices for wearing apparel and textiles, and for heating oil and gasoline, all of which have been subject to import quotas. It is the working man who pays a higher price for an American manufactured automobile or home appliance, because quotas on imported steel have drastically weakened the moderating effect of import competition on domestic American steel pricing.

We support those provisions of H.R. 6767 which will strengthen the export capabilities of American industry, technology, and agricul-

ture. We urge the committee and the Congress to delete those provisions in the bill which, by unjustifiably restricting imports from other countries, deny those countries the wherewithall to purchase American exports and also provide them with justification for administratively safeguarding their own industries from American export competition.

As importers, we are keenly cognizant of the interdependence of imports and exports and we were extremely gratified to note that for the first time in 18 months the United States ran a surplus in its balance of trade in April 1973, and we are heartened by what we hope and believe will be a continuing trend toward U.S. exports.

We firmly believe that international trade barriers can and should be reduced, and that the United States can and will maintain its leadership in world trade. Expansion of U.S. exports is undeniably required to improve the U.S. balance-of-trade position. Let us not hazard our export expansion by ill-considered import restrictions which become self-defeating by their very imposition.

As a final point, we wish to stress that we are an American company, with over 100 American workers and we have the right to expect the same treatment in this bill as is afforded other American companies. Our company, at any given time, has large quantities of material in the pipeline, that is, on the piers in the United States being cleared through customs, in ocean transit, on overseas piers being readied for shipment and in various stages of manufacture at foreign mills.

We have entered into contracts covering each of these aforementioned stages of delivery and our reliability as a company can be destroyed if we are not given sufficient time in which to adjust to newly imposed import quotas or to increased duties.

We firmly believe that it is unfair for our company to be faded with an overnight fait accompli imposition of import quotas or higher duties, and then be forced to solve the problem on an ex post facto basis. We urgently request that title VII of the bill be amended to include a provision that any newly imposed import quota or increased duty become effective not earlier than 90 days after such announcement is made. This period of time is the very minimum for us to adjust our business to the new condition.

Due to time limitation, this oral presentation has been condensed to deal with only a few of those features of the bill which could have a major effect on the business of our company.

I will be happy to answer any questions the committee may have. Thank you very much.

Mr. BURKE. Mr. Duncan is recognized.

Mr. DUNCAN. What countries do your products come from?

Mr. POTISCHMAN. Japan, Norway, Austria, and Brazil in the main at this time.

Mr. DUNCAN. Are some of those manufacturers state-owned?

Mr. POTISCHMAN. The only one actually is the Austrian company which is a nationalized company.

Mr. DUNCAN. Do we export into Austria?

Mr. POTISCHMAN. Yes, we do a very large export into Austria.

Mr. DUNCAN. Of steel?

Mr. POTISCHMAN. Not of steel, of many other products, machinery, heavy technological types of exports, airplanes, specifically.

Mr. DUNCAN. I applaud you on your aspirations for expanded exports by the United States, but how would you get these countries to change their minds on these trade areas that they throw up in front of us.

Mr. POTISCHMAN. Well, Mr. Duncan, we are basically involved in the international trade area, obviously. We support the trade bill because we fully believe and recognize that we have to have some mechanism by which, in the event that other countries put up these administrative safeguards, that we have to be able to do the same thing.

Actually, we, ourselves, as importers, when we talk to our business partners over there, we tell them this: We tell them that they can't really expect us to just be an importer, that we have to export to them. And that if they don't do these kinds of things, if they don't reduce these artificial barriers that they are not going to export to us.

So we make our position very clear to them. They understand this. I think it is a matter of putting this trade bill together and it is part of a whole program and put together in a manner that will be sensible, I am sure, we will succeed with them.

Mr. DUNCAN. I take it that you believe that trade to be free also must be fair.

Mr. POTISCHMAN. Unquestionably, sir, of course.

Mr. DUNCAN. And you think we actually don't have free trade today?

Mr. POTISCHMAN. No; we know that trade is not free. Of course, we are aware of that, that there are barriers to our exports, unquestionably.

Mr. DUNCAN. In other words, you think we should have reciprocal authority, if they erect barriers against our products that we can erect them against theirs.

Mr. POTISCHMAN. We certainly should be in a position where we can do it. I would say if we are in a position that they can do it and if they know that very quickly some of these administrative barriers on their part would come down, yes.

Mr. DUNCAN. For example, we had the bicycle manufacturers here last week. They testified that last year the Japanese shipped over 3 million bicycles to this country but they would not permit us to send one into Japan. That is certainly an inequitable situation.

Mr. POTISCHMAN. It is absolutely inequitable. And there is no reason for it. I would say that if we have the bill passed in such a manner that we could do something about that we would soon see that change over there.

Mr. DUNCAN. I certainly thank you for your statement and also your views on this trade bill. Thank you.

Mr. BURKE. Well, I like your statement and I think you have been very frank here. As you know, I have been accused of being a protectionist. The Burke-Hartke bill kind of shakes up a few people. I think you have explained very frankly that they have to lower their barriers over there because if we are going to lose jobs by imports, we have to pick them up on exports.

Mr. POTISCHMAN. Unquestionably.

Mr. BURKE. Of course, you know that the first 3 months of this year, in spite of the trade surplus they announced in April, that we had

an imbalance, a deficit in payments of $10 billion. We have yet to have any of the administration explain to us how this miracle was brought about just at this particular time while the trade bill is being discussed.

Maybe after the trade bill is passed, then we will have a deficit of $2½ billion in some other months to offset the surplus we had this month. I hope not.

I appreciate your testimony and I appreciate your patience sitting here all this time. Where is it you live, by the way?

Mr. POTISCHMAN. I live in Framingham. Our offices are on Dorcester Avenue.

Mr. BURKE. That is in my district.

Mr. POTISCHMAN. Yes, indeed. We are right across the street from Adams & Swett.

Mr. BURKE. So the fact that you have appeared today doesn't hurt your case at all. I am glad you are here. That is the best part of these hearings, we are bringing out the arguments on all sides.

Mr. DUNCAN. May I say the fact that you are here doesn't bring about the fact that Mr. Burke is here. He is here late every night.

Mr. POTISCHMAN. We know that.

Mr. BURKE. Thank you. Mr. Duncan works hard, too. We will make it a mutual admiration society.

That concludes our hearings for today. The committee stands adjourned until 10 a.m. tomorrow morning.

[The following was submitted for the record:]

STATEMENT OF
THE NATIONAL ASSOCIATION OF CHAIN MANUFACTURERS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I would first like to express my appreciation for the opportunity to present the views of the National Association of Chain Manufacturers with respect to the trade bill now before you. My name is Richard L. Ekstrand and I am Executive Secretary of the National Association of Chain Manufacturers. This statement is made on behalf of the members of the Association who manufacture welded and weldless chain, including tire chain, made of iron or steel and as described in paragraph 329 of the U. S. Import Duties.

The National Association of Chain Manufacturers is comprised of manufacturers of the described chain with facilities equal to 90% to 95% of the productive capacity of these types of chain in the United States. Though relatively small it is an important industry. It is an integral part of the economy of the United States. The industry is now faced with unfair and sweeping competition from abroad which is threatening its very existence. It is respectfully submitted that it is vitally important to the economy of the United States that everything possible be done to encourage and foster this domestic industry.

The Association fully supports the effort to enact a Trade Reform Bill which would take cognizance of the needs of our times and remain flexible enough to provide America with its needs and maintain proper balances of trade between the nations conducted in free and open competition. The problems in our industry which have been created by the import practices of other nations are particularly acute and merit your attention during the consideration of this legislation.

The present tariff on chain ranges from 7/16 cent per pound to a maximum of 1.7 cent per pound. The tariff is so low as to make it difficult if not impossible for domestic manufacturers to compete with foreign chain. Imported chain has a price advantage differential of between 20% and 40%. Chain, being a

homogeneous product lacking distinctive design, is extremely competitive and an exceedingly small differential can and does result in a deflection of the business to foreign chain. The price disparity between imported chain and domestic chain is so great as to economically affect the entire chain industry in the United States.

It should be pointed out that the average hourly earnings of our hourly paid employees in the chain industry is $3.814 per hour plus at least $1.20 per hour in fringes and based on an average work week including fringe benefits amounts to $200.56 per week. This greatly exceeds the wages paid to employees involved in the manufacture of chain in any other foreign country.

In Exhibit "A" attached to this statement imports of chain of the type manufactured by our members is shown for the years 1967 through 1972. This report is highly significant. You will note that total pounds imported were 26.4 million in 1967 and that in 1972 the figure was 49.6 million, an increase of 90%. This substantial increase in imported chain seriously jeopardizes the economic vitality of the domestic chain industry. The average duty rate reveals the ineffectiveness of the present tariff laws with respect to this particular industry. While imports have increased 90% in five years, the average percent of duties has declined from 7.46% to 2.85%. Imports in pounds in 1972 represent approximately 25% of the shipments of domestic chain manufacturers, which, of course, is extremely detrimental to all domestic chain manufacturers. In addition, the report also indicates that during the years in question the number of countries importing chain into the United States has increased from 20 to 27.

The figures are definitely one-sided and decidedly not in favor of the United States. According to the United States Department of Commerce, duties applied for foreign countries against United States chain imported into such foreign countries varies between 16% and 40%, and there are hidden additional costs borne by United States exporters that are not borne by foreign importers coming into the United States market. These costs are represented by the charge many foreign countries create by imposing additional paperwork not similarly imposed by the United States. This further increases the cost of United States chain in foreign countries.

The flood of imports of foreign chain is continuing. In Exhibit "B" attached to this statement the imports for the month of February are shown along with the cumulative figures to date. It is obvious that the import of chain will become even greater thus contributing to the deterioration of the domestic chain industry unless action is taken now.

In June, 1960, the National Association of Chain Manufacturers submitted an identical statement to the Committee for Reciprocity Information and the United States Tariff Commission setting forth the injury to domestic manufacturers due to extremely low tariffs and the damage to domestic chain manufacturers due to imports of chain. The situation was serious then but it is even more so today.

In August, 1961 the National Association of Chain Manufacturers participated in hearings before the Subcommittee on the Impact of Imports and Exports of American Employment of the Committee on Education and Labor of the House of Representatives and in connection therewith submitted data marked Exhibit "C" and attached to this statement. Comparison of the data contained in Exhibits "A" and "B" with Exhibit "C" shows the obvious deteriorating situation with respect to imported chain and we urge the Committee on Ways and Means to carefully consider the detrimental and unfair impact which foreign chain has had on domestic chain manufacturers.

Various trade practices in the importing countries and the very nature of our tariff structure create unfair disadvantages to the domestic chain industry. For example, welded and weldless chain of the type manufactured by our members carries a ridiculously low tariff on a per pound basis, whereas Power Transmission chain, i.e., roller chain carries an Ad Valorem rate. We strongly believe that welded and weldless chain should also be subject to an Ad Valorem rate, thus giving some relief to the domestic chain industry.

It should be pointed out that the average price per pound for foreign chain over the past twelve years has remained almost constant at $.20 per pound. This leads us to believe the foreign countries, particularly Japan and West Germany, are selling our type of chain in the United States below the selling price in their own countries, contrary to our Anti-Dumping Regulations. Dumping is difficult to establish because in their home countries they do not sell on the basis of price lists but on a negotiated basis with each individual purchaser. In their homelands they are not bound by domestic regulations relative to sales prices, terms of delivery, etc., being available to all purchasers.

Nevertheless, in spite of the difficulty of proof a recent Treasury Department decision held that Japanese steel wire rope is being sold in the United States at less than fair value. This "anti-dumping" decision covers rope used for such things as elevator cables, winch lines and cranes. In the first quarter of 1973, $13.5 million worth of steel wire rope was imported from Japan. This case now goes to the Tariff Commission to determine if United

States industry is being harmed by sales of the rope for less in the United States than in Japan's home market. It is our firm belief that serious harm to the United States chain industry has occurred because of dumping practices of foreign competitors and that legislative relief is vitally needed now as the industry cannot now afford a piecemeal approach of solution by one type of chain product at a time.

Another trade practice contrary to our laws and creating still another unfair competitive disadvantage is the failure by many importers to properly mark their chain with the country of origin. As indicated in Exhibit "D" attached, the chain itself must be marked at intervals of approximately six to ten feet and the container must also be marked.

Members of our association reported many instances where foreign chain is not marked or is improperly marked so as to be inconspicuous and does not permit the ultimate purchaser to be aware of the fact that it is foreign chain. This is a matter for Customs and a number of complaints have been directed to that office. However, this too is a piecemeal effort which because of the length of time involved and the multiplicity of action required to be taken does not afford significant relief where and when it is most needed. Action by Congress is absolutely essential if the domestic chain industry is to continue in existence.

The National Association of Chain Manufacturers strongly believes that relief from the detrimental impact of imports of chain is necessary and vital to the welfare of the domestic chain industry. Receipts in duties on imported chain of $369,000 in the year 1972 has an infinitesimal impact upon our deficit in the balance of trade, and we feel that a small but vital industry, particularly in wartime, is being jeopardized because of a lack of appropriate action.

Thank you for giving us this opportunity to present our views in this important matter.

Respectfully submitted,

NATIONAL ASSOCIATION OF CHAIN MANUFACTURERS
111 W. Washington Street, Room 1110
Chicago, Illinois 60602

EXHIBIT A

IMPORTS OF CHAIN - ALL CLASSES - 1967-1972
(Pounds and Dollars Shown in 000's)

	1967		1968		1969		1970		1971		1972	
	Pounds	Value	Pounds	Value	Pounds	Value	Pounds	Value	Pounds	Value	Pounds	Value
Canada	1,037	$ 201	1,378	$ 247	2,430	$ 502	1,912	$ 454	1,234	$ 318	1,341	$ 433
Sweden	3,610	546	2,004	298	1,091	170	73	24	453	96	9,177	1,686
Norway	107	9	53	16	184	59	737	236	998	299	1,087	462
Austria	309	76	268	69	913	248	1,434	368	1,620	406	2,133	543
United Kingdom	966	224	1,037	316	1,205	355	1,336	490	915	432	463	290
Belgium	201	38	705	105	882	139	1,221	196	452	109	237	51
West Germany	7,610	1,755	10,105	2,166	11,889	2,874	9,215	3,044	8,523	3,179	10,015	3,895
Spain	361	80	482	119	821	151	1,680	341	2,184	429	5,372	1,117
Japan	7,746	1,345	5,264	901	5,845	978	8,460	1,509	9,070	1,710	11,455	2,425
Italy	4,039	650	5,442	772	6,261	998	5,703	1,108	5,178	1,102	6,100	1,447
Korean Rep.	-	-	-	-	2	1	15	3	65	10	1,285	193
Sub-Total	25,986	$ 4,924	26,738	$ 5,007	31,522	$ 6,474	31,786	$ 7,772	30,692	$ 8,090	48,664	$12,541
All Other Countries	a) 374	154	b) 534	177	c) 430	220	d) 709	232	e) 519	187	f) 912	399
TOTAL	26,360	$ 5,078	27,272	$ 5,184	31,952	$ 6,694	32,495	$ 8,004	31,211	$ 8,277	49,576	$12,940
Calculated Duty		$ 379		$ 328		$ 338		$ 323		$ 268		$ 369
Average % Duty		7.46		6.33		5.05		6.14		3.24		2.85

PERCENTAGE OF SIZE AND TYPE OF ABOVE TOTAL

	1967	1968	1969	1970	1971	1972
Anchor Chain	21.98	19.00	16.75	9.67	15.15	31.12
3/4" or More	21.19	18.26	17.47	14.91	10.65	8.81
3/8" to 3/4"	16.81	20.28	24.50	29.19	26.97	18.84
5/16" to 3/8"	7.78	10.23	11.29	11.90	11.61	8.13
Under 5/16"	9.04	10.58	10.92	11.05	11.31	11.76
Weldless Under 5/16"	14.34	13.83	13.62	15.72	17.27	15.50
Not Elsewhere Specified	8.50	6.97	4.21	6.81	5.93	5.18
Copper Chain and Parts	.09	.16	.15	.16	.09	.05
Chain Incl. Parts of Base Metal N.E.S.	.27	.69	1.09	.59	1.02	.61
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

a) 1967-10 Countries b) 1968-11 Countries c) 1969-10 Countries d) 1970-14 Countries e) 1971-14 Countries f) 1972-17 Countries

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NATIONAL ASSOCIATION OF CHAIN MANUFACTURERS
111 West Washington Street, Room 1110
Chicago, Illinois 60602

EXHIBIT B

IMPORTS OF CHAIN - FEBRUARY, 1973

Country of Origin	February 1973 Pounds	Value	Value per Pound	Average % Duty	Cumulative January to Date Pounds	Value	Calculated Duty $
ANCHOR CHAIN (652.2100)							
Sweden	3,866,351	$ 623,462	16.13¢	3.1	3,866,351	$ 623,462	$ 19,329
U. Kingdom					11,548	5,759	58
Belgium					48,224	9,475	241
W. Germany	13,294	5,054	38.02¢	1.3	28,224	9 342	141
Spain	2,083,545	342,361	16.43¢	3.0	2,176,394	357,337	10,880
Japan					30,292	5,694	151
	5,963,190	$ 970,877	16.28¢	3.1	6,161,033	$ 1,011,069	$ 30,800
CHAIN 3/4" OR MORE IN DIAMETER (652.3300)							
Canada	89,706	$ 31,572	35.19¢	.6	243,027	$ 67,198	$ 487
Sweden	2,750	726	26.40¢	.7	2,750	726	5
U. Kingdom	6,049	1,739	28.75¢	.7	6,049	1,739	12
Belgium	100,508	12,446	12.38¢	1.6	100,508	12,446	201
W. Germany	216,460	64,019	29.58¢	.7	536,978	177,304	1,075
Austria	54,226	10,414	19.20¢	1.0	129,672	19,357	259
Italy	54,850	6,249	11.39¢	1.8	134,423	22,037	269
Japan	144,475	23,476	16.25¢	1.2	224,116	36,380	448
	669,024	$ 150,641	22.52¢	.9	1,377,523	$ 337,187	$ 2,756
CHAIN 3/8" TO 3/4" IN DIAMETER (652.3000)							
Canada	2,963	$ 1,944	65.61¢	.3	23,815	$ 8,952	$ 48
Sweden	4,500	2,068	45.96¢	.4	4,500	2,068	9
Norway					56,912	25,736	114
Finland					15,000	6,171	30
U. Kingdom	3,000	383	12.77¢	1.6	87,289	22,575	175
W. Germany	269,505	116,463	43.21	.5	563,445	226,211	1,128
Austria	72,797	18,761	25.77¢	.8	277,924	70,068	555
Spain					2,555	580	5
Italy	205,679	47,258	22.98¢	.9	407,076	94,952	816
Japan	90,523	15,640	17.28¢	1.2	240,257	45,086	481
	648,967	$ 202,517	31.21¢	.6	1,678,773	$ 502,399	$ 3,361
CHAIN 5/16" TO 3/8" IN DIAMETER (652.2700)							
Canada	5,017	$ 2,451	48.85¢	.8	39,777	$ 10,012	$ 148
France					14,541	2,472	54
W. Germany	74,527	20,795	27.90¢	1.3	185,201	50,155	686
Austria	37,009	10,497	28.36¢	1.3	142,755	38,980	528
Spain	1,559	330	21.17¢	1.8	1,559	330	6
Italy	62,996	15,114	23.99¢	1.5	146,466	34,467	541
Japan	109,798	21,805	19.86¢	1.9	228,282	44,902	846
	290,906	$ 70,992	24.40¢	1.5	758,581	$ 181,318	$ 2,809

NATIONAL ASSOCIATION OF CHAIN MANUFACTURERS

(2)

IMPORTS OF CHAIN
February, 1973

Country of Origin	February 1973 Pounds	Value	Value per Pound	Average % Duty	Cumulative January to Date Pounds	Value	Calculated Duty $
WELDED CHAIN UNDER 5/16" IN DIAMETER (652.2420)							
Canada	262	$ 464	$1.77	.4	29,942	$ 10,026	$ 239
France	7,716	2,493	32.31¢	2.5	7,716	2,493	62
W. Germany	82,079	28,153	34.30¢	2.3	197,838	60,917	1,584
Spain					1,618	370	13
Italy	90,271	20,794	23.04¢	3.5	382,381	99,516	3,056
Korean Rep.					119,089	20,726	953
Hong Kong	3,326	1,996	60.01¢	1.4	3,326	1,996	27
China T					33,483	9,017	268
Japan	129,121	25,606	19.83¢	4.0	235,624	47,862	1,884
	312,775	$ 79,506	25.42¢	3.1	1,011,017	$ 252,923	$ 8,086
WELDLESS CHAIN UNDER 5/16" IN DIAMETER (652.2440)							
Canada	80,380	$ 22,230	27.66¢	2.9	88,549	$ 25,209	$ 709
France					37,862	12,834	302
W. Germany	6,226	3,424	55.00¢	1.5	68,425	21,439	548
Austria	73,680	19,564	26.56¢	3.0	184,180	47,269	1,473
Spain	142,067	35,386	24.91¢	3.2	376,265	91,313	3,010
Italy	63,993	15,418	24.09¢	3.3	282,131	56,501	2,255
Korean Rep.					107,492	17,156	860
Hong Kong					1,336	460	11
China T	19,625	7,905	40.28¢	2.0	20,415	9,155	162
Japan	140,659	32,649	23.21¢	3.4	290,179	70,034	2,321
Australia	18,290	3,182	17.40¢	4.6	54,040	9,764	432
	544,920	$ 139,758	25.65¢	3.1	1,510,874	$ 361,134	$ 12,083
CHAIN NOT ELSEWHERE SPECIFIED (652.3500)							
Canada	41,809	$ 33,469	68.30¢	9.5	48,081	$ 38,801	$ 3,687
Norway	52,540	18,659	35.51¢	9.5	52,540	18,659	1,772
Denmark	30	285	$9.50	9.5	30	285	27
U. Kingdom	18,046	22,230	$1.23	9.5	22,214	26,358	2,504
Netherlands	7,231	2,130	29.46¢	9.5	8,120	3,770	358
France	842	3,407	$4.05	9.5	842	3,407	324
W. Germany	7,765	11,881	$1.53	9.5	21,873	42,354	4,024
Austria	1,052	1,188	$1.13	9.4	2,037	1,915	181
Spain	100,315	33,479	33.37¢	9.5	197,577	66,320	6,301
Italy					1,600	720	68
Hong Kong	413	800	$1.94	9.5	413	800	76
China T	550	480	87.27¢	9.6	550	480	46
Japan	57,846	25,739	44.50¢	9.5	83,553	37,283	3,543
	288,439	$ 153,747	53.30¢	9.5	439,430	$ 241,152	$ 22,911
COPPER CHAINS AND PARTS (652.3600)							
W. Germany					291	$ 679	$ 54
Spain					150	330	26
India	70	$ 268	$3.83	7.8	70	268	21
Hong Kong	220	1,134	5.16	8.0	2,797	8,139	651
	290	$ 1,402	$4.83	8.0	3,308	$ 9,416	$ 752

NATIONAL ASSOCIATION OF CHAIN MANUFACTURERS

(3)

IMPORTS OF CHAIN
February, 1973

Country of Origin	February 1973 Pounds	Value	Value per Pound	Average % Duty	Cumulative January to Date Pounds	Value	Calculated Duty $
CHAIN INCLUDING PARTS OF BASE METAL N.E.S. (652.3800)							
Canada					550	$ 1,540	$ 146
Mexico	750	$ 300	40.00¢	9.3	750	300	28
Sweden	600	276	46.00¢	9.4	600	276	26
U. Kingdom	19,100	15,961	83.57¢	9.5	19,100	15,961	1,516
Netherlands	1,475	889	60.27¢	9.4	1,475	889	84
France					246	251	24
W. Germany	1,698	5,291	$3.12	9.5	6,725	8,590	817
Austria	2,088	372	17.82¢	9.4	2,088	372	35
Italy	200	1,608	$8.04	9.5	200	1,608	153
Hong Kong					427	1,422	135
China T					4,332	5,877	558
Japan	2,901	6,900	$2.38	9.5	3,132	8,615	819
	28,812	$ 31,597	$1.10	9.5	39,625	$ 45,701	$ 4,341
TOTAL IMPORTS OF CHAIN - ALL CLASSES							
Canada	220,137	$ 92,130	41.85¢		473,741	$ 161,738	$ 5,464
Belgium	100,508	12,446	12.38¢		148,732	21,921	442
W. Germany	671,554	255,080	37.98¢		1,609,000	596,991	10,057
Spain	2,327,486	411,556	17.68¢		2,756,118	516,580	20,241
Japan	675,323	151,815	22.48¢		1,335,435	295,856	10,493
Austria	240,852	60,796	25.24¢		738,656	177,961	3,031
Italy	477,989	106,441	22.27¢		1,354,277	309,801	7,158
Norway	52,540	18,659	35.51¢		109,452	44,395	1,886
Finland					15,000	6,171	30
U. Kingdom	46,195	40,313	87.27¢		146,200	72,392	4,265
France	8,558	5,900	68.94¢		61,207	21,457	766
Korean Rep.					226,581	37,882	1,813
China T	20,175	8,385	41.56¢		58,780	24,529	1,034
Australia	18,290	3,182	17.40¢		54,040	9,764	432
Hong Kong	3,959	3,930	99.27¢		8,299	12,817	900
Netherlands	8,706	3,019	34.68¢		9,595	4,659	442
Sweden	3,874,201	626,532	16.17¢		3,874,201	626,532	19,369
Denmark	30	285	$9.50		30	285	27
India	70	268	$3.83		70	268	21
Mexico	750	300	40.00¢		750	300	28
TOTAL	8,747,323	$1,801,037	20.59¢	2.99	12,980,164	$ 2,942,299	$87,899

EXHIBIT "C"

	Total chain imports	Total value, chain imports	Average value per pound	Percent increase or decrease (−) compared with 1950		
				Total pounds	Total value	Average value per pound
	Pounds		*Cents*	*Percent*	*Percent*	*Percent*
1960	12,146,321	$2,319,952	19.10	1,329.663	1,064.441	−18.551
1959	8,443,592	1,769,444	20.95	893.840	788.128	−10.661
1958	4,112,383	1,087,801	26.45	484.041	445.994	12.793
1957	3,917,475	1,097,214	28.00	361.100	450.719	19.403
1956	4,497,634	1,192,475	26.51	429.387	498.532	13.049
1955	1,611,087	521,449	32.36	89.631	61.728	37.996
1954	1,133,557	339,355	29.93	33.423	70.331	27.633
1953	1,243,624	348,506	28.02	46.378	74.924	19.488
1952	1,482,952	296,418	19.98	74.548	48.780	−14.800
1951	1,355,151	337,899	24.93	59.506	69.600	6.311
1950	849,593	199,233	23.45	100.000	100.000	100.000

Imports of chain, 1960

[Preliminary totals]

Number of months reported	Quantity		Total value		Value per pound (cents)
	Pounds	Percent	Amount	Percent	
Anchor chain:					
Over 2-inch: (3)	124,721	(1.027)	$13,780	(0.594)	11.04
Under 2-inch: (7)	302,226	(2.488)	35,361	(1.524)	11.70
Other chain:					
Not less than ¾-inch in diameter: (12)	3,889,390	(32.021)	443,597	(19.121)	11.40
⅝ to ¾-inch in diameter: (12)	2,196,211	(18.081)	343,014	(14.785)	15.61
5/16 to ¾-inch in diameter: (12)	1,189,399	(9.792)	194,423	(8.381)	16.34
Under 5/16-inch in diameter: (12)	4,444,374	(36.591)	1,289,777	(55.595)	29.02
Total, all classes	12,146,321	(100.000)	2,319,952	(100.000)	19.10

EXHIBIT "D"

TO: CUSTOMS OFFICERS

RE: Section 304, Tariff Act of 1930, as amended; section 11.8 Customs Regulations.

SUBJECT: Marking name of the country of origin on chain.

EV 363.2 H
October 11, 1962

Honorable Joseph P. Kelly
Collector of Customs
New York 4, New York

Dear Mr. Kelly:

We have your memorandum of September 27, 1962, with enclosures, relative to complaints made by some members of the National Association of Chain Manufacturers to the effect that chain is being imported into the United States without being marked with the name of the country of origin as required under section 304 Tariff Act of 1930, as amended.

In C.I.E. 800/57, dated April 10, 1957, the Bureau informed the correspondent that chain imported in reels, barrels etc., in continuous lengths must be legibly and conspicuously marked to indicate the name of the country of origin at intervals of approximately 6 to 10 feet if the chain is to be cut at the time of or prior to sale to ultimate purchasers. He was also informed that no change in the marking requirements were made with respect to chain imported in lengths in which it will be sold to ultimate purchasers. This chain is required to be marked only at a location at which the marking can be seen by the ultimate purchaser.

We will again alert customs officers that subject to the exceptions from marking provided for in section 304 of the act, imported chain must be marked with the name of the country of origin as set forth in C.I.E. 800/57.

Sincerely yours,

(Signed) B. H. Flinn

Deputy Commissioner

- - - - - - -

S. S. Traiger
Director

The Cold Finished Steel Bar Institute

P.O. Box 524 **Hammond, Indiana 46325**

June 11, 1973

Chairman Wilbur D. Mills
Committee on Ways and Means
United States House of Representatives
Longworth House Office Building
Washington, D. C. 20515

Dear Chairman Mills:

I am writing as Chairman of the Cold Finished Steel Bar Institute to submit our statement on the Administration's proposed "Trade Reform Act of 1973."

The Institute is a trade association of 19 non-integrated producers of carbon and alloy cold finished steel bars (CFSB). The production of the membership accounts for approximately 90% of the total non-integrated production of carbon and alloy CFSB in the United States. In addition, eight basic steel companies are associate members of the Institute; several of these integrated companies also produce CFSB. A list of members is attached.

CFSB are used in virtually everything that has moving parts, including every type of machinery and equipment used by industry, in the home, for transportation and for national defense. The product is required to manufacture parts for all types of mechanical equipment and is a raw material in the production of bolts, nuts, rivets, screws and other machined products.

The American CFSB industry has had only recent experience with the potential impact of sudden increases of low cost imports. However, this limited experience has been a very crucial one. In 1960, imports of CFSB were only 9,000 net tons; last year (1972), we imported 153,000 net tons. During this period, imports as a percentage of apparent domestic consumption went from 0.65% to 8.43%. During the period 1969-1971, when Japanese and European producers voluntarily limited their steel exports to the United States, imports of CFSB

continued substantially to increase: in 1971, total imports were 155% of the base year 1968. In 1972 carbon CFSB were given a specific limitation in the renewed Voluntary Restraint Agreements. Nonetheless, imports continued to mount, as Japan exceeded its limitation by over 70%.

While our experience with the sudden influx of low-cost imports has thus been an unhappy one, the Cold Finished Steel Bar Institute is in favor of the basic thrust and most of the specific provisions of the Administration's proposed trade legislation. We recognize that the health of our industry depends more on our own ability to compete than on the erection of artificial barriers to fair competition from foreign producers. With this general point as background, we offer the following specific comments and suggestions:

(1) Title II of the proposed legislation would take several steps to liberalize the heretofore excessively rigid requirements for so called "escape clause" relief. The Cold Finished Steel Bar Institute supports the elimination of the need to show that injurious increased imports are due to prior tariff reductions and a modification of the causation criterion so that increased imports need be only a "primary" cause of injury.

The Institute subscribes to the addition of a "market disruption" concept in the legislation. However, we believe that market disruption should not be simply a part of the general escape clause, relegated to the status of "prima facia evidence." Instead, market disruption should stand on its own feet as an independent basis for invoking the relief provisions contemplated in Sections 202 and 203 of the proposed legislation. It has long been recognized that special provisions are necessary to deal with market disruption situations; at least since 1966, it has been suggested that the GATT be modified to take account of market disruptions, most notably by the former Executive Director of the GATT, Mr. Wyndham-White. The failure to have such legislation on the books requires that market disruption be dealt with, if at all, by ad hoc solutions often negotiated at substantial cost to American foreign policy interest. Experience in the last fifteen years shows that market disruption situations and the economic difficulties they can cause are likely to be with us for the foreseeable future. It is time the United States had adequate legislation to deal with the problem.

(2) One of the kinds of import relief provided by the proposed legislation would be the negotiation of "orderly marketing agreements" that could be enforced by the United States. However, the proposed legislation follows present

legislation by requiring an affirmative finding by the Tariff Commission on an application for escape clause relief before such an agreement can be negotiated and implemented. We believe that the imposition of these requirements, even as liberalized in the new legislation, are unduly burdensome. Especially where a market disruption situation is developing, or even where it is threatened, the President ought to be free to act, in concert with other producing countries, to alleviate the situation. Certainly, it ought not be necessary to experience foreseeable injury before relief can become available, especially where negotiation, and not unilateral action, is to be used.

(3) Title VI of the proposed legislation would authorize the President, under certain circumstances, to extend preferential, duty-free treatment to manufactured and semi-manufactured products of less developed countries. Certain products would be ineligible for such treatment, including those subject to import relief under Title II of the proposed legislation. We believe that these exceptions should be broadened, so that products covered by Voluntary Agreements, or by other international understandings not technically falling in Section 203 of the proposed legislation, should also be exempt from preferential treatment.

(4) The proposed legislation would authorize the President to enter into trade negotiations that could result in the complete elimination of tariffs on many products. While Chapter 2 of Title I establishes several procedures for providing the President with advice on particular products, no recommendations produced by this process are binding upon him. We believe that the President ought not to be able to ignore the information produced by the pre-negotiation procedures, at least where the Tariff Commission recommends that a product be exempted. In addition, the President ought not to be able to reduce duties, at least immediately, on products determined by the Tariff Commission to be eligible for import relief under Section 201 or in cases where market disruption is threatened or is occurring.

(5) While we have no express comments on the other provisions of the legislation, we wish to state that the Institute supports modification of the anti-dumping and countervailing duty regulations insofar as these changes would result in speedier and more efficient procedures. Similarly, we welcome a grant of express authority to the President to make measures to alleviate severe balance of payments difficulties we may yet experience.

We hope these comments may be useful to your Committee in considering the proposed legislation. We appreciate the opportunity to make them to you and hope that they will be included in the printed record of your hearings.

Sincerely yours,

Thomas A. Kelly

Thomas A. Kelly
Chairman

96-006 O—73—pt. 12——28

MEMBERS OF THE COLD FINISHED STEEL BAR INSTITUTE

COMPANY NAME	PLANT LOCATIONS
BARON DRAWN STEEL CORPORATION	TOLEDO, OHIO
*BETHLEHEM STEEL CORPORATION	BETHLEHEM, PENNA.
BLISS & LAUGHLIN STEEL COMPANY BLISS & LAUGHLIN INDUSTRIES, INC.	HARVEY, ILL.; DETROIT, MICH.; MANSFIELD, MASS.; MEDINA, OHIO; LOS ANGELES, CALIF.; SEATTLE, WASH.; HOUSTON, TEXAS
*CRUCIBLE ALLOY DIVISION COLT INDUSTRIES, INC.	MIDLAND, PENNA; SYRACUSE, N. Y.
COMPRESSED STEEL SHAFTING COMPANY SUBSIDIARY OF PREDCO, INC.	READVILLE, MASS.
COPPERWELD STEEL COMPANY	WARREN, OHIO
COREY STEEL COMPANY	CICERO, ILL.
CUMBERLAND STEEL COMPANY	CUMBERLAND, MD.
CUYAHOGA STEEL & WIRE DIVISION HOOVER BALL & BEARING CO.	SOLON, OHIO
FORT HOWARD STEEL & WIRE RESEARCH PARTS & ENG. CORPORATION	GREEN BAY, WIS.
HERCULES DRAWN STEEL CORPORATION	LIVONIA, MICH.
*INLAND STEEL COMPANY	CHICAGO, ILL.
INTERCONTINENTAL STEEL CORPORATION	CHICAGO, ILL.
*JONES & LAUGHLIN STEEL CORPORATION	PITTSBURGH, PENNA.; HAMMOND, IND.; WILLIMANTIC, CONN.; WARREN, MICH.
KEYSTONE DRAWN STEEL COMPANY SUBSIDIARY OF LA SALLE STEEL COMPANY	SPRING CITY, PENN.
LA SALLE STEEL COMPANY	HAMMOND, IND.
NELSEN STEEL & WIRE CO., INC.	FRANKLIN PARK, ILL.
PACIFIC TUBE COMPANY	LOS ANGELES, CALIF.
RAMCO, INC.	BUFFALO, N. Y.
*REPUBLIC STEEL CORPORATION	GARY, IND.; BEAVER FALLS, PENNA.; HARTFORD, CONN.; LOS ANGELES, CALIF.; MASSILLON, OHIO
SAUK STEEL COMPANY	CHICAGO HEIGHTS, ILL.
SUPERIOR DRAWN STEEL COMPANY	MONACA, PENNA.
TELEDYNE COLUMBIA-SUMMERILL	CARNEGIE, PENNA.
*U. S. STEEL CORPORATION	PITTSBURGH, PENNA.
WESTERN COLD DRAWN STEEL A DIVISION OF STANADYNE	ELYRIA, OHIO; GARY, IND.
*WISCONSIN STEEL	SOUTH CHICAGO, ILL.
WYCKOFF STEEL DIVISION AMPCO-PITTSBURGH CORPORATION	PLYMOUTH, MICH.; PUTNAM, CONN.; AMBRIDGE, PENNA.; CHICAGO, ILL.; NEWARK, N. J.
*YOUNGSTOWN SHEET AND TUBE CO.	YOUNGSTOWN, OHIO

(*) Asterisk indicates an Associate Member.

STATEMENT OF ARMCO STEEL CORP.

Armco would like to take this opportunity to express its position with respect to the proposed Foreign Trade and Investment Act of 1973 (Burke-Hartke Bill). While it has been advocated as a way to protect American jobs, this legislation if enacted, from our experience would force the withdrawal of U.S. business from foreign markets and result in reducing the number of American jobs.

Armco believes the Burke-Hartke type bill would immediately adversely impact Armco's world-wide operations, reduce the ability of its foreign subsidiaries to compete in local markets and would significantly worsen the U. S. balance of payments deficit.

Armco is also seriously concerned with the proposal to change the law so that the earnings of a controlled foreign corporation may be taxed by the United States when they are earned rather than when they are remitted. In our opinion, such a reversal in policy would place Armco foreign subsidiaries at a serious disadvantage with their foreign competitors and might cause foreign governments with income tax rates lower than the United States to increase their income tax rates, so that they are roughly equivalent to those in the United States.

Armo has been engaged in international commerce since early in this century and we are pleased to demonstrate herein how our experience supports the concerns expressed above. In this regard the following statement reflects (a) factors which influence decisions on Armco's part to locate plants overseas, (b) how Armco's overseas operations have improved employment in the United States, (c) how Armco's overseas operations have contributed to a favorable balance of payments position and, (d) how elimination of deferral of taxation on foreign earnings would adversely affect Armco's foreign operations.

(A) DETERMINATIVE FACTORS FOR LOCATING PLANTS OVERSEAS

Armco's overseas manufacturing plants make products that are consumed in the country of manufacture and that serve only local or regional markets which could not be served by exports from the United States. The principal overseas product consists of pipe in a wide range of types and sizes. Larger sizes are used for highway, airport and railway construction and smaller sizes in the overseas automotive and refrigeration industries.

To be competitive in the world market, Armco could not fabricate these high-bulk-low-weight products in the United States and ship them to foreign markets. Therefore, Armco has located plants overseas principally to eliminate transportation costs. For example, Armco makes pipe products for highway construction in the United States, but these products cannot be shipped from the United States to France and still compete with similar products made by French producers. Nor could these products be manufactured overseas and compete in the U.S. market for the same reason. In fact, foreign subsidiaires of Armco could not compete successfully in their respective markets if they were to purchase U.S. manufactured steel products as raw material for their manufacturing operations. Other determinative factors for locating manufacturing facilities overseas include better servicing of existing markets, preventing competitors from preempting markets, tariff and trade restrictions, and assisting the export of steel products from the United States.

With respect to selecting a particular country in which to locate a manufacturing facility another critical factor is the risk attendant on the investment—such as the local tax rate, the possibility of expropriation, domestic disorder and exchange controls, the local requirements for doing business and the political stability of the host country.

Armco presently has some 32 geographically distributed plants in the United States producing pipe products for highway, airport and railway construction. Thus, through its overseas operations Armco has not displaced American jobs. The fact is that in order to service the requirements of these foreign plants, a number of additional jobs in the United States have resulted.

(B) ARMCO'S FOREIGN TRADE ACTIVITIES GENERATE U.S. JOBS

Armco's foreign marketing activities, including those of its overseas companies, generate a substantial amount of export sales of domestically made products, thus providing many U.S. jobs. Export sales of Armco during the ten-year period 1963 through 1972 were in excess of $700 million. Some $450 million of these sales were Armco domestically manufactured products and $250 million were goods purchased from other domestic U.S. manufacturers. It is estimated that

these Armco sales support per year in the United States over 1,000 production jobs and numerous management, administrative and sales related jobs.

Within Armco there are numerous jobs, both productive and administrative, that are directly dependent upon the success of Armco's foreign operations. Consequently, it would seem logical that foreign operations should be encouraged rather than penalized by U.S. tax policy.

Similarly, export sales of U.S. products manufactured by other U.S. manufacturers support an additional number of U.S. jobs. A large volume of these sales are generated through the sales efforts and business contacts of Armco's foreign subsidiaires. Armco is convinced that without such efforts and contacts, its export sales would be significantly reduced.

For the most part, export sales have been limited to products not readily available in foreign markets because of technology or capacity limitations. It is difficult for Armco products manufactured in the U.S. to compete in foreign markets with similar products manufactured in foreign countries due to numerous factors including:

(1) The difference in labor rates, the U.S. labor rate often being more than double the rate of competing foreign steel producers.

(2) The difference in transportation costs.

(3) The difference in taxing systems, foreign systems permitting the recovery of investment in productive facilities more rapidly than the U.S. tax system.

(4) Subsidization of foreign industry by their respective governments.

(5) Foreign tariff and nontariff trade barriers.

There is attached a chart presenting steel industry wage rates and employment costs per ton for the year 1971 for the major steel-producing countries. The data indicates that even the next highest cost producer (the United Kingdom) competes with U.S. producers at a $15.00 per ton labor cost advantage. Japan competes at a $43+ dollar advantage.

There is attached hereto Tax Legislative Bulletin No. 28 prepared by The Tax Council comparing cost recovery allowances permitted by the United States versus other industrialized countries. This same bulletin discusses numerous subsidies granted by foreign governments to encourage industrial growth—subsidies not available in the United States. The subsidies take many forms including cash grants, tax credits, direct investment (without equity position) and rebates.

(c) BALANCE OF PAYMENTS CONTRIBUTION

If the purpose of the Burke-Hartke type legislation is to reverse the unfavorable factors in the U.S. balance of payments deficit, Armco can affirmatively demonstrate that in its case such legislation is misdirected. Armco's contribution to the balance of payments position in the past ten years is illustrated in the following schedules:

Armco Steel Corp. and subsidiaries, balance of payments 1963–1972

	Millions
Remittances from foreign sources, dividends, royalties, interest, etc	$146
Export sales	712
Foreign borrowing, net of repayments	47
Estimated purchase by foreign subsidiaries of U.S. goods made by others than Armco	34
Subtotal, net inflows	939
Investments and loans to foreign subsidiaries	42
Imports (estimated) of foreign ores, materials and equipment	231
Overseas borrowing expense	24
Subtotal, net outflows	297
Net contribution to favorable balance of payments	642

The net favorable Armco contribution to the U.S. balance of payments provides a dramatic example of the benefits of direct foreign investment to the U.S. international accounts. Also of great significance is the contribution to increased plant modernization and expansion in the United States of capital funds derived from Armco's overseas operations.

Armco's overseas investments represent about ten percent of its investment in the United States. During the past ten years Armco's gross investment (total

assets less current liabilities) has increased $1,126 million. During this same period, its gross investment overseas increased $120 million.

Much of this expansion overseas is financed by foreign borrowing and reinvested foreign earnings as opposed to outflows of funds from the United States. The following table illustrates the approximate relationship between the sources of funds for the growth of Armco's foreign subsidiaries during the past ten-year period.

Source	Foreign investment	
	Amount (in millions)	Percent
Foreign borrowing and reinvested earnings	$78	65
Armco investment from U.S. funds	42	35
Increase in gross foreign investment	120	100

During this same ten-year period, Armco has repatriated approximately $54,000,000 in dividends from its foreign investments. Although Armco's foreign investment represents only 10% of its investment in the United States, in dividends received it has already realized more than its investment—and the excess has helped support domestic operations.

(D) COMMENTS WITH RESPECT TO ELIMINATION OF DEFERRAL*

The proposal to currently tax unremitted earnings of foreign subsidiaries would be a radical reversal of U.S. tax policy. This elimination of the so-called "deferral" would mean that U.S. income tax would be due currently on all of a controlled foreign subsidiary's earnings whether or not the earnings could be repatriated currently to pay the tax.

Local tax rates applicable to subsidiaries located in the more industrialized countries are comparable to U.S. tax rates; therefore, there would be no tax gain to the United States by currently taxing earnings in developed countries. In so-called less developed countries the tax rates are generally lower than the U.S. tax rate. But with very few exceptions the differential in tax rates between the United States and less developed countries is eliminated when the foreign country's withholding taxes (in most cases 15%) are imposed at the time earnings are distributed.

Repatriation of such earnings would reduce the capital available to foreign subsidiaries for modernizing and expanding their operations and would thereby impair their ability to compete with local competitors on an equal basis. If the earnings of foreign subsidiaries are not repatriated, Armco as the U.S. parent corporation will incur an additional U.S. income tax cost by not having available the foreign tax credit arising from payment of withholding taxes. In either event, if deferral were eliminated, the cash flow of Armco or foreign subsidiaries will be impacted with adverse effects on the ability of either to accumulate investment capital.

The foreign tax credit does not relieve Armco of income tax on its foreign operations, since its combined foreign and U.S. tax will always be at least equal to the U.S. tax on the same income from domestic sources. The only purpose for the foreign tax credit is to avoid double taxation. Other countries either provide a foreign tax credit or exempt foreign income from taxation.

In order to be competitive with foreign companies, U.S. subsidiaries must operate under equal conditions. The neutrality or equality of taxation is a fundamental condition. To the extent a foreign competitor would benefit from an overall lower tax burden and less restraint on the amount of earnings it could reinvest it would have a definite advantage over a competing U.S. subsidiary.

If Armco is forced to lose the competitive equality of a subsidiary in a foreign country because of the acceleration of U.S. taxation on foreign profits it would be discouraged from making new foreign investments and ultimately would be forced to withdraw from some countries. Withrawal from a foreign country would not only lose the market served by an overseas plant, but it would lose orders for products that can be produced in the United States and exported. There is no doubt that Armco's presence in foreign countries and reputation for

*These comments assume continuation of IRC provisions relating to foreign tax credit and adoption of provisions eliminating deferral of U.S. tax on foreign subsidiary earnings.

quality products and service has contributed to Armco's ability to sell products in export that were made in the United States.

The acceleration of taxation of income of foreign subsidiaries would impose the U.S. tax on all foreign operations and, we believe, negate tax incentives of foreign countries. If elimination of deferral were enacted by the United States, the low tax rate countries would have good reason to raise their taxes on the income of U.S. owned companies to the U.S. rate because they would create no additional tax burden on the U.S. owned company and the foreign country would collect the increased tax for its own benefit.

A basic principle of U.S. tax policy has been to tax earnings of foreign subsidiaries only when remitted so that funds are available to pay the tax. In this connection, it has been Armco's experience in certain countries that while dividends have been declared by the local subsidiary and the withholding tax (usually 15%) paid, remittance has been delayed because of lack of available dollars exchangeable for the local currency. For example: (a) in 1971 Armco's Chilean subsidiary declared a dividend from earnings in escudos having a dollar value at the prevailing rate of exchange of $468,000. The Chilean withholding tax was paid and requests for government approval of dollar exchange submitted. Approval was granted in March, 1973, for remittance in 10 quarterly installments beginning July, 1973. During the intervening period the escudo value dropped from $468,000 to $168,000 and at that no dollars have as yet been received. (b) In Argentina remittance of dividends currently is permitted only at a 10–15% reduction in dollar value. (c) In Peru approval of a request for dollar exchange to permit remittance of a dividend currently requires a minimum of 6 to 8 months. (d) In time of shortage of dollar exchange countries may from time to time for example (i) increase withholding taxes on dividend remittances, (ii) restrict amount of dividends remittable or (iii) establish limitations on bank borrowings for remittance of dividends, all in an effort to maintain their supply of dollars. (See Exhibit C for examples of requirement to reinvest retained earnings in the foreign subsidiary.)

Armco believes the solution to the U.S. balance of payments problem does not lie in restrictive tax legislation such as the elimination of deferral of taxation of earnings of foreign subsidiaries but rather in a joint effort by government and industry to make U.S. companies more competitive in the world market.

SUMMARY

Armco's extensive experience in international commerce since early in this century indicates that acceleration of payment of taxes on earnings of foreign subsidiaries would make U.S. corporations less competitive in the world market place and would have a serious adverse effect on economic growth in the United States.

Armco's foreign operations through the years:

(1) Have not displaced U.S. jobs.

(2) Have stimulated Armco's growth in the United States and have been a contributing factor to employment in the United States.

(3) Have made a favorable contribution to the U.S. balance of payments position. Efforts to correct the overall balance of payments deficit by restrictive tax legislation are misdirected and if enacted would very likely aggravate the problem.

(4) Have not sacrificed Armco investments in the United States in favor of overseas investments. Foreign investments represent only a small proportion of Armco's total dollars invested in the United States with the growth of foreign operations being largely self-sustaining through reinvested earnings and foreign borrowings.

EXHIBIT A

STEEL INDUSTRY EMPLOYMENT COST DATA—YEAR 1971, MAJOR STEEL PRODUCING COUNTRIES

Country	Wage employees, employment cost per hour	Man-hours per net ton shipped	Employment cost per net ton shipped
United States	$6.26	11.8	$73.87
Germany	3.58	15.8	56.56
France	2.41	17.2	41.45
Japan	2.39	12.7	30.35
United Kingdom	2.32	25.0	58.00

Data source: U.S. employment cost per hour from American Iron & Steel Institute, Annaul Statistical Report, 1971, table 7 (p. 16). All other data are preliminary estimates of the American Iron & Steel Institute derived from data developed by the U.S. Bureau of Labor Statistics.

EXHIBIT B

THE TAX COUNCIL, TAX LEGISLATIVE BULLETIN No. 28, MARCH 15, 1973

CAPITAL COST RECOVERY ALLOWANCES, FOREIGN VS U.S.

1. *Source of information.*—The Report of The President's Task Force on Business Taxation, dated September 1970, contained a table showing comparative capital cost recovery allowances for machinery and equipment in leading industrial countries including the United States. This table was brought up to date and included in testimony presented by Dr. Norman B. Ture, who had been a member of the Task Force, in the 1971 hearings on reinstating the investment credit and the ADR system of depreciation. The information was further updated by Arthur Andersen & Company and included in testimony presented by Mr. Roger Milliken, who also had been a member of the Task Force, in the Ways and Means hearings on March 5th. Mr. Milliken is President of Deering Milliken, Inc., of Spartanburg, South Carolina, and appeared in the hearings on behalf of the American Textile Manufacturers Institute, Inc.

2. *The new information.*—Because of its importance to contesting all moves to influence repeal or modification of the 1971 enactments, to making the case for restating the class life system to incorporate in its base the 20 percent reduction in write off time as recommended by the Tax Council, and to building recognition of the benefit to the United States economy which would come from enlarging the reduction in write off time to 40 percent as originally recommended by the Task Force, the new information is reproduced and attached to this bulletin. In presenting it, Mr. Milliken said:

"This new study shows that despite our 1971 changes, The United States, during the early years of cost recovery (which are by far the most important) still falls far behind all our major industrial competitors including countries such as Japan, France, Canada, Belgium and the United Kingdom. Over the longer seven-year period, the study indicates that the United States, even with the benefit of the investment credit and ADR, is not ahead of any of the leading nations and that it continues to lag far behind seven of them.

Repeal of the investment credit and ADR would bring the United States back to the disastrous position existing under our law in 1969, falling far behind every major industrialized nation.

It should be noted that the data for foreign countries are conservatively stated, since the table and charts do not include many of the benefits, special allowances and outright grants, etc., available in many countries to attract new industry, promote export, induce location of plants in undeveloped and other specified areas, and encourage investment in pollution control facilities and in research facilities. A summary of some of these "other incentives" for capital investment abroad is attached as Appendix B."

APPENDIX A

TABLE I.—COMPARISON OF COST RECOVERY ALLOWANCES (1) FOR INDUSTRIAL MACHINERY AND EQUIPMENT IN LEADING INDUSTRIAL COUNTRIES WITH SIMILAR ALLOWANCES IN THE UNITED STATES

	Representative cost recovery periods (years)	Aggregate cost recovery allowances (percentage of cost of assets)		
		1st taxable year	1st 3 taxable years	1st 7 taxable years
Belgium	[2] 10	[3 4] 36.0	59.0	[5] 91.2
Canada	[6] 2	50.0	100.0	100.0
France	[7] 8	31.3	90.3	[8] 100.0
Italy	[9] 6	[10] 20.0	[11] 65.0	100.0
Japan	[12] 11	[13] 37.1	63.9	88.1
Luxembourg	[2] 10	[14] 28.0	60.4	94.4
Netherlands	[9 15] 5	10.0	50.0	100.0
Sweden	[16] 5	[3] 60.0	95.7	130.0
Switzerland	[2 17] 6⅔	15.0	58.4	90.0
United Kingdom	1	100.0	100.0	100.0
Western Germany	[18] 9	[19] 16.7	49.6	[20] 88.8
United States:				
1962 Law [21]	[2] 13	[24] 21.7	47.9	80.1
1969 Law [22]	[2] 13	7.7	33.9	66.1
1971 Law [23]	[2 25] 10½	[24] 23.5	54.7	88.5

[1] The capital cost recoveries for each of the foreign countries have been computed on the assumption that the invest ment qualifies for any special allowances, investment credits, grants or deductions generally permitted. The deductions in the United States have been determined under the double declining balance method without regard to the limited 1st year allowances for small businesses.

[2] Double declining balance method.

[3] Full year allowance in 1st taxable year.

[4] Installation costs allowed as current deduction, estimated to be equivalent of a 1st year allowance of 20 percent, which reduces recoverable base cost.

[5] Method changed to straight line in 5th taxable year. Straight line rate applied to original cost for 5th, 6th, and 7th taxable years.

[6] Effective May 8, 1972, machinery and equipment acquired for manufacturing or processing of goods in Canada can be written off over 2 years (50 percent per year). New law subject to approval of Parliament which is expected shortly.

[7] 250 percent declining balance method multiplied by a factor of 2 to give effect to multiple shift operations.

[8] Method changed to straight line in 4th taxable year. Straight line rate applied to original cost in such year.

[9] Straight line method.

[10] Includes additional foreshortened allowance of 15 percent.

[11] Includes additional foreshortened allowance of 15 percent, 15 percent, and 10 percent in 1st, 2d, and 3d taxable years respectively.

[12] Modified double declining balance method; 18.9 percent per Japanese Government rate table multiplied by a factor of 1.28 to give effect to multiple shift operations.

[13] Includes special 1st year allowance of 25 percent; allowance reduces recoverable base cost in 2d and succeeding taxable years.

[14] Includes 18 percent allowance equivalent to 9 percent investment credit at effective 50 percent income tax rate; credit does not reduce recoverable base cost.

[15] Depreciation periods are fixed by agreement. With multiple shift operations, a 5-year life is normal.

[16] Modified declining balance method—30 percent rate plus additional 30 percent allowance in 1st taxable year (such additional allowance does not reduce recoverable cost); accumulated cost recovery may not be less than 20 percent of cost for each year asset is in service.

[17] Normal life of 8 years reduced to 6⅔ years to reflect multiple shift operations.

[18] The averagec ost recovery period for machinery and equipment in Western Germany is 8 to 10 years to which additional allowances are permitted for multiple shift operations: 25 percent of allowance for 2 shift operations and 50 percent of allowance for 3 shift operations. Allowances may be further increased when plant is located in certain areas such as Berlin, areas bordering on iron curtain countries, and undeveloped areas. Cost recovery allowances based on an average cost recovery period of 9 years. The double declining balance method is used. A 25 percent additional allowance for 2 shift operations is taken into account beginning with the 5th year when the method is changed to straight line. The corporate depreciation rate thus computed is slightly over the maximum 20 percent rate permitted on a declining balance method to reflect that: (a) The straight line method produces more depreciation than does the double declining balance method for certain short-lived assets; and (b) Items of machinery and equipment costing under United States $200 can be expensed. No other incentives have been taken into account.

[19] Full-year allowance in 1st taxable year for assets acquired in 1st half of such year; half-year allowance for assets acquired in 2d half.

[20] Method changed to straight line in 5th taxable year. See [18] above.

[21] With investment credit but without ADR.

[22] Without either investment credit or ADR.

[23] With both investment credit and ADR.

[24] Includes 14 percent allowance equivalent to 7 percent investment credit at effective 50 percent income tax rate. Credit does not reduce recoverable base cost.

[25] 13-year recovery period reduced by 20 percent and rounded to nearest ½ year. Double declining balance method.

APPENDIX B—OTHER INCENTIVES

BELGIUM

1. Financial assistance to qualified investors is provided on both the national and regional levels in a variety of forms: non-interest bearing investment loans, interest rate subsidies, credit guarantees, financial assistance for training costs,

low cost industrial sites, temporary equity participation, exemptions from capital registration and real property taxes and a reduced tax rate in the disposition of fixed assets and shares.

2. Industrial building, machinery and equipment situated in special development areas may use double the straight line depreciation rate for the first 3 years, subject to prior approval of tax authorities.

3. Equipment and machinery used for scientific research may be depreciated on the straight line basis over a 3-year period (33⅓ percent per year).

4. Exports are exempt from payment of the TVA.

CANADA

1. Pollution control equipment can be fully depreciated in 2 years. Sales of pollution control equipment are exempt from the 12 percent federal sales tax.

2. Incentive grants from the National Government of up to 30 percent of the cost of acquiring capital assets for expanding or modernizing plants and up to 35 percent of the cost of capital assets for new plants, plus additional grants for new jobs created or available in designated areas.

3. Reduced income tax rate for manufacturing and processing companies, which varies according to the ratio of manufacturing labor and capital to total labor and capital.

4. The National Government makes available a variety of incentive programs to exporters including support grants, credit guarantees and exemptions from sales and excise taxes.

FRANCE

1. An additional 50 percent depreciation allowance may be taken in the first year that buildings, used for the prevention of air, water and odor pollution or for scientific research, are placed in service.

2. Industrial buildings in undeveloped regions of France may be written off 25 percent the first year. Also, industrial development or adaptation grants of up to 25 percent of the value of the investment in capital assets are available. Reduced tax rates and government subsidies for personnel training and moving expenses are other incentives available. Local governments also provide assistance to industry locating in specific geographic areas.

3. Export companies receive tax and credit advantages. They may utilize credit guarantees and a special credit reserve fund. Export sales are exempt from the TVA.

4. Special additional depreciation allowances are provided for the following industries :steel, paper making, textile, aircraft, mining, hotel, shoe, prefabricated building, mechanical industries.

ITALY

1. An investment allowance (in addition to full cost recovery) is available equal to 50 percent of the excess of the amount invested in any year in new plant and equipment and structural components or modernization of existing structural components over the average amount so invested between 1963 and 1967.

2. Temporary tax reduction and 70 percent investment allowances are provided to qualified investments in Southern Italy, Sardinia, Sicily and certain other developing territories. Additionally, investment credits of 20–30 percent and preferential low interest rate loans are generally provided for investments in these areas.

3. Land may be depreciated when it is purchased together with buildings and the cost has not been allocated.

4. Service and structural components, for example, air conditioner systems, elevators and lighting fixtures will be depreciated separately from the building in which they are housed and at a faster rate (generally 10 percent).

5. Currently, a reimbursement of TVA is provided for export goods.

JAPAN

1. Pollution control facilities enjoy favorable cost allowance recovery treatment including a 50 percent first year cost write-off in addition to regular depreciation for pollution control facilities constructed by large enterprises; a 30 percent per year for three years cost write-off in addition to regular

depreciation for pollution control facilities constructed by small enterprises; current deductibility of costs incurred in joint pollution control projects; the deductibility from gross revenues of the pollution control reserve fund. Additionally, accelerated depreciation in the first year equal to 1/3 of the cost of manufacturing equipment which does not produce pollution has been proposed.

2. Special depreciation allowances which are in addition to normal depreciation have been allowed in the year in which the pertinent assets are put into use equal to:

a. One-half of the acquisition cost in the case of plants or equipment produced for the first time in Japan, which require a high degree of technology for manufacturing and have a unit cost of 50MM yen ($139M) or more per machine or set of machines.

b. One-half of the acquisition cost of machinery and equipment officially recognized as required for turning new technological ideas into commercial products necessary for the progress of the national economy.

3. Special tax deductions for exporting companies are also provided for foreign royalties and technical fees.

4. Depreciable property costing less than 50,000 yen per unit is permitted as a current deduction against ordinary business income in the year of acquisition.

5. Service and structural components, for example, air conditioner systems, elevators and lighting fixtures may be depreciated separately from the building in which they are housed and at a faster rate.

LUXEMBOURG

1. Financial assistance for investment in plant and equipment in certain industries in particular geographical areas is available in the form of cash grants and subsidized loans.

2. New industrial enterprises may be entitled to partial tax exemption for a period of 8 years.

NETHERLANDS

1. Cash grants and now interest loans are available for investments in industrial establishments located in specified areas.

2. An investment allowance of up to 10 percent over 2 years of the cost of depreciable assets other than buildings is provided for international shipping and airlines; for investments after July 15, 1972, proposed investment allowance of 25 percent over 5 years for international shipping.

3. An accelerated depreciation allowance equal to 1/3 of the cost over a period of 2 years of a building located in a specific area is permitted.

4. Items costing less than DFL.250–DFL.1,000 (depending on the size of the company) may be expensed in the year of acquisition.

SWEDEN

1. Currently, the national government subsidizes up to 50 percent of the cost of pollution control facilities of qualifying enterprises.

2. Reimbursements of moving expenses, contributions for training expenses, grants to reduce transportation expenses, low interest, no-interest, or forgiveable loans and credit guarantees may be available in the framework of regional policy for desired industry.

3. Extremely liberal tax write-down of inventories is permitted. Inventories may be written down to 38 percent of the lower of cost or market. This represents a 5% obsolescence provision and a special incentive of 60 percent of the remaining value.

In addition, raw material inventories may be written down to 70 percent of the lowest market price over the prior 10 year period.

4. Up to 40 percent of pre-tax profits may be set aside as a reserve for future investment and such amounts are deductible for national and local income tax purposes.

5. Swedish export companies may take a special tax deduction equal to the difference between the market price and the cost of unsold export goods, in the hands of the foreign subsidiary, sold by the parent to the latter.

6. Service and structural components, for example, air conditioner systems, elevators and lighting fixtures may be depreciated faster than the building shell to which they are attached. (Generally 30 percent).

SWITZERLAND

1. By special agreement, cantonal and communal income tax rates may be reduced or eliminated on foreign source income of auxiliary companies.
2. In certain depressed areas, special tax benefits are available to new companies for a limited period (e.g., 5 or 10 years).
3. Items costing less than SFR500–1,000 may be expensed in the year of acquisition.
4. The federal Government provides export credit guarantees.

UNITED KINGDOM

1. For certain specified parts of the country—so called Development Areas—the investment grant on machinery and equipment is increased from 20 percent to 22 percent. Similar grants are offered for new industrial buildings throughout the country.
2. In addition to grant aid, rent free facilities may be provided for a limited period, with facilities available for purchase at cost at low interest rates.
3. Special grants may also be made to cover operational costs in special assistance areas.
In addition, Government grants are available toward the cost of on the job training, and loan financing is made available for equipment purchases and for working capital.
4. Manufacturers in Development Areas also receive a tax subsidy which reduces their corporate wage bills by approximately 5 percent.
5. Current deductibility against ordinary income of items costing less than 100 sterling is common but varies according to company size and is subject to negotiation with the inspector of taxes.
6. Service components other than plumbing and electrical wiring may be depreciated at a faster rate (generally 25 percent declining balance) than the building shell.
7. Exports are exempt from the TVA.

WESTERN GERMANY

1. Air and water pollution control and noise abatement facilities of qualifying enterprises are allowed accelerated depreciation of 50 percent for "movable" assets and 30 percent for "non-movables", which may be claimed in the year of acquisition and 4 subsequent years in addition to normal depreciation.
2. Research and development assets are entitled to accelerated depreciation of 50 percent on "movables" and 30 percent on "non-movables" which may be spread over the year of acquisition and the following 4 years, in addition to normal depreciation.
3. Accelerated depreciation of up to 75 percent is available for assets situated in West Berlin and in areas bordering on East Germany. Tax credits and lower tax rates also appear to be available for investments in West Berlin. There are also programs for investments in foreign countries.
4. Accelerated depreciation is also allowed for vessels and aircraft (up to 30 percent) underground mining facilities and equipment (50 percent "movable", 30 percent "non-movable").
5. Items of machinery and equipment costing in U.S. dollars 200, may be expensed in the year acquired and deducted from ordinary business income in that year.
6. Cash grants, investment premiums, investment subsidies varying from 7.5 percent to 25 percent of investment costs for a new or expanded plant are available in developmental or border areas of the country.

Exhibit C

Armco Steel Corp., Illustrations of Requirements for Retained Earnings as Sources of Capital

C. A. Armco Venezolana has been engaged in business in Venezuela since 1939. In order to compete more extensively in the pipe market, Armco Venezolana acquired a plant to manufacture large pipe. Its investment in plant and equipment increased 65% during the past five-year period (1967–1972) principally because of the added large pipe faclities.

The assets increased (decreased) from 1967 through 1972 as indicated below:

Current Assets:	
Cash	($21,000)
Receivables and inventory	4,409,000
Net increase in current assets	4,388,000
Fixed assets:	
Property, plant and equipment	1,754,000
Accumulated depreciation	(794,000)
Net increase in fixed assets	960,000
Other assets	152,000
Total net increase	5,500,000

Of this total net increase $2,387,000 is represented by reinvestment of retained earnings and $3,113,000 is represented by borrowings from local sources.

Armco Mexicana, S.A. de C.V. has been engaged in business in Mexico since 1936. This company was the distributor in Mexico of welding equipment manufactured by a company in the United States; but in more recent years, Armco Mexicana has become a licensee of the U.S. company to manufacture in Mexico the welding equipment that can no longer be exported into Mexico because of its import restrictions.

In order to increase production facilities in Mexico, Armco Mexicana has increased the cost of property 25% during the past five years. The assets increased (decreased) from 1967 through 1972 as indicated below:

Current assets:	
Cash	($27,000)
Receivables and inventory	575,000
Net increase in current assets	548,000
Fixed assets:	
Property, plant and equipment	529,000
Accumulated depreciation	(477,000)
Net increase in fixed assets	52,000
Total net increase in assets	600,000

Retained earnings of $748,000 provided all of the total net increase in assets and affected a 9% reduction ($148,000) in borrowings.

EATON CORP.,
Cleveland, Ohio, June 15, 1973.

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

DEAR MR. CHAIRMAN: I recently had the occasion to discuss with a number of Members of Congress, including several on your Committee, some of the current issues affecting American trade, investment, and taxation which are of concern to businesses like ours. I am writing you in response to their suggestion that some of the factual materials about the Eaton Corporation's performance as a world company and our views on current problems should be submitted for the record of your Committee's hearings on trade reform. I hope, therefore, that this letter and its enclosure can be made a part of the record and that it will be a useful addition to the materials and testimony which the Committee will be considering in the weeks ahead.

As a Cleveland-based manufacturer of automotive and controls products, truck components, industrial drives, locks and builders' hardware, and materials handling equipment, Eaton has manufacturing facilities in 31 states and operates in 22 different countries.

Having undertaken a major expansion of its international activities over a decade ago, Eaton has recently conducted an intensive audit of all its interna-

tionally related activities over a 12-year period. The summary of this study is attached.

The highlights are that Eaton has greatly expanded the U.S. employment supported through its exports, as its exports have increased 244 percent from 1960 to 1971. It has recovered more than four times as much cash flow from foreign countries as it has transferred to those countries. Therefore Eaton's foreign investment has had favorable effects on the U.S. balance of trade, balance of payments, and employment.

Congress now has before it a number of proposals which would significantly change the tax treatment of the income from foreign investments. The elimination or restriction of the present tax credit, or subjecting the income of foreign subsidiaries to taxation before repatriation, would exert serious disinvestment pressures on Eaton. In the light of the results of Eaton's investments as summarized above, such pressures would hardly help either the U.S. economy or the American labor force. Eaton's particular financial situation and method of financing which has achieved these results would be particularly sensitive to "current taxation" of foreign-source income, and in many cases would require abandoning a market because of the effect on cash flows.

An excellent example of the problems posed by such legislation is our recently completed facility at Monfalcone, Italy. For years Eaton has manufactured engine valves for the European automotive market at its Eaton Livia operation at Torino, Italy. This facility serviced a market that could not be supplied by its plant capacity in the U.S. and utilized U.S. developed valve technology. An expansion of the Italian valve manufacturing capacity became necessary. An additional valve plant was constructed at Monfalcone, Italy, under the auspices of an Italian Government national tax incentive program. It is an eight million dollar facility in which Eaton has invested directly $800,000. The balance of the financing was provided through low or non-interest bearing Italian bank loans. The profits flowing from the Monfalcone operation are being employed to retire this indebtedness. It is projected it will be discharged within a ten-year period. At that time Eaton and the United States will benefit from income generated by a wholly-owned eight million dollar facility in which there was only a ten percent initial U.S. investment. However, if this plant's profits become immediately subject to U.S. tax the debt charges will necessarily be serviced from the U.S. with a corresponding capital outflow and materially effect its attractiveness as an investment.

It is not reasonable that the competitive opportunities which Eaton is seeking to maintain for itself and for the United States be transferred to foreign companies. I hope, therefore, that in its deliberations your Committee will keep in mind the practical effects of various proposals on businesses such as ours and the relationship of those effects to the national interest. This question is too complex and important to be acted upon without the most careful professional analysis of American international competitiveness.

Such analysis would be facilitated by an improved mechanism within Congress as well as the Executive branch for developing and administering a trade centered foreign economic policy on a centralized basis. This would also help to bring about a greater cooperation among Government, business, labor and the public to improve the functioning of our free enterprise system, and increase the productivity of American industries in international competition.

With respect to the Trade Bill itself, apart from any questions concerning the extent of delegation of authority, a consolidated authority is necessary in order to achieve solutions for the multiple imbalances that exist as a result of foreign government policies. Congress should create the necessary legal authority for our government to bargain successfully, which in some instances may require unilateral actions by the United States where discrimination cannot be corrected by negotiations.

The proposals for trade negotiating authority submitted to Congress seem to be consistent with this objective. However, we note that very little attention is paid to the important area of investments and indeed, to the service components of our trade. It would be desirable, in our view, for Congress to include these important areas in drafting new legislation.

In short, we feel that the accepted principles of international trade—national, reciprocal and most favored national treatment should be applied to the broadest possible area, and that the vital questions of taxation must be addressed on an economic rather than a political basis.

Very truly yours,

WM. MATTIE.

Enclosure.

A Summary of Eaton Corporation's Performance As a World Company

Eaton is a manufacturer of automotive and controls products, truck components, industrial drives, locks and builders hardware, and materials handling equipment. Headquartered in Cleveland, Ohio, Eaton has manufacturing facilities in 31 states and operates in 22 different countries.

Having undertaken a major expansion of its world trade and investment programs over a decade ago, Eaton considers itself a world company and has been troubled by allegations that multinational industry is exporting jobs and production from America while harming the U.S. balance of payments and trade. Eaton therefore conducted an intensive audit of all its internationally related activities over the 12 years from 1960 to 1971. This was completed late last year; and the detailed study is attached to this summary. The highlights follow:

JOB EXPORTS

Eaton Corporation has not and does not export U.S. factory jobs in connection with its foreign investment program.

In 1960 Eaton was supporting 1505 U.S. jobs through exports.

From 1960 to 1971 Eaton invested $88 million, of which only $50 million was U.S. cash outflow, in foreign operations.

In 1971 Eaton was supporting 5180 U.S. jobs through exports.

Eaton's export sales have increased as a % of total worldwide sales from 1960 to 1971: total sales increased 165%; exports increased 244%.

Eaton's net investment in plant and equipment to maintain U.S. jobs has climbed from $1,376 per employee in 1960 to $8,545 per employee in 1971.

The additions in net plant and equipment were sourced almost entirely within the U.S. economy, and thus created additional U.S. employment.

The bulk of Eaton's foreign investment has recycled as equipment purchased in the U.S., thus supporting the U.S. trade balance in one of the few areas where it has remained strong, while creating additional U.S. employment.

THE BALANCE OF TRADE

Eaton Corporation's net favorable balance of exports over imports has doubled in the past five years.

In 1971 exports stood at $73.7 million.

In 1971 imports stood at $11.6 million.

From 1960 to 1971 the balance of exports over imports per U.S. employee increased from $1,307 to $2,308.

Eaton's "intercompany" export sales are about 30% of its total export sales.

Its "intercompany" imports are just under 6% of its total imports.

A large percentage of Eaton's imports from foreign vendors is in products, like castings, which cannot be adequately sourced in the U.S.

Eaton Corporation has not invested in foreign countries to stave off competition in the U.S. market; rather, the company has made such investments in order to be able to participate in foreign markets both through local production and by export sales of critical components from U.S. divisions.

Eaton sells over $2 million annually in U.S. truck axles and parts into Mexico as a result of its 40% minority investment in a Mexican truck axle plant.

Without such investment, Eaton would have lost the market.

BALANCE OF PAYMENTS

Eaton Corporation has recovered more than four times as much cash flow from foreign countries as it has transferred to those countries:

$130 million outflow 1960–1971.

$544 million inflow 1960–1971.

In 1971 Eaton's overall tax rate on foreign source earnings exceeded its overall tax rate on U.S. earnings alone.

Elimination of foreign tax credit would place the U.S. at a disadvantage with respect to most other developed countries since other countries permit either a credit for foreign taxes paid or exclude foreign source income from their taxable income.

The combined effect of current taxation of earnings of controlled foreign corporations, plus converting tax credits to deductions, would raise Easton's effective total income tax rates now in effect from 33% to 65% in Argentina,

50% to 74% in Canada, 47% to 78% in Germany, 44% to 71% in Italy and 40% to 69% in the U.K.

The disinvestment pressure which would appear in Eaton's financial planning could be illustrated by the following example:

Of $8,326,000 invested to establish an automotive components plant in Monfalcone, Italy, $793,000, or less than 10%, involved transfer of capital from the U.S. The balance of the investment was provided by retained earnings from an existing Eaton facility in Italy and low cost loan capital borrowed from private banks and the government.

The financial incentives applicable to the project would provide sufficient cash flow to provide debt service and repay the loan capital over a ten year period, after which time the anticipated return to the U.S. will be 100% or more annually of the initial U.S. outlay.

By taxing the earnings of this facility in the U.S., Eaton would have to transfer debt service and capital loan repayment remittances from the U.S. during the ten year period in amounts annually approximating its original investment. This would require immediate disinvestment in the facility and transfer the competitive opportunity to German, U.K. or French companies.

CONCLUSIONS

Those who would address America's foreign economic problems on a broadside basis may simply kill the chickens to save them from the fox! Let us suppose that a protectionist package of legislation to effectively discourage or prohibit international expansion—such as that now proposed—had been in effect a decade ago when Eaton began its world activities. Would U.S. workers have been helped in any way? Would the U.S. balance of payments problems be any better? Would the U.S. competitive position in world trade be stronger? The evidence cited in this Summary suggests that the answer is no—and in fact, that the U.S. economy as a whole, the communities where Eaton and its employees are located are all better off because of the multinational status of the company and the resulting access to world markets.

Adopting either general or piece-meal legislation designed to cure problems in specific industries, whether the problems are due to imports or other causes, may merely transfer the problems to the healthy segments and areas of the U.S. economy which offer the best chance to improve America's declining trade competitiveness.

Instead of the negative and restrictive approach some have advocated, Eaton would like to see a trade-centered foreign economic policy administered on a centralized basis in the U.S. government. This should provide a stronger, more powerful basis for international negotiations to remove barriers to trade. It should also bring about a greater cooperation among government, business, labor, and the public to improve the functioning of our free enterprise system, to increase the productivity of American industry in international competition, and where appropriate to correct specific imbalances by sharing the burden of adjustment more equitably.

In Eaton's view, the proposals recently submitted by the Administration for broad negotiating authority, including the authority to rectify imbalances in our international payments and to assure fair competition, represent the best approach. Its overall thrust is positive rather than restrictive; and it proposes specific remedies for specific ills, rather than inappropriate panaceas.

SAM REISFELD & SON,
New Orleans, La., May 4, 1973.

MRS. HALE BOGGS,
Representative, Longworth Building, Washington, D.C.

DEAR MRS. BOGGS: I thank you for your letter of April 27th.

I believe, as you say, corrective action would be difficult to obtain to afford immediate relief.

However, I do believe the following to be advisable and in the best interest of our country.

First, I do think that either legislatively or by executive order, wire rod should be removed from the Voluntary Restraint Program. It is almost impossible to get any quantity of wire rod from Europe, and there is a shortage of wire rod in the United States.

As a result of this, many independent wire drawers, who are solely dependent on wire rod for their operations are threatened with being unable to manufacture when their existing supplies are exhausted.

Wire rod is one of the least profitable of the steel mill products and with the demand existing for the steel that presently exists, neither the foreign mills wish to include this in the steel under their quota allotment, and the American mills are more interested in more profitable products too.

Secondly, the reality of the situation is that there is a shortage of steel in the world today, and it does not seem that this situation will be really relieved for some years to come. This is especially true if the underdeveloped countries of the world, including China, enter the world market to better their own industrial situations and expand their economies.

Finally, as one who believes in freer trade to the point where eventual free trade is desirable, with the necessary safeguards to protect United States industries that may be damaged, we are convinced that is the only way for economic stability and peace in the long run.

I am not a theorist and I am not confusing theory with practice, but both are involved in this matter; and for whatever it may be worth you may use this letter in whatever way you wish in connection with the ongoing Committee hearings.

With very best wishes, I remain

Yours very truly,

ROBERT I. REISFELD.

RIR:gk

[Whereupon, at 6:50 p.m., the committee adjourned, to reconvene at 10 a.m., Friday, June 8, 1973.]