

TRADE AGREEMENTS EXTENSION ACT  
OF 1955

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REPORT

OF THE

COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. R. 1

A BILL TO EXTEND THE AUTHORITY OF THE PRESIDENT  
TO ENTER INTO TRADE AGREEMENTS UNDER SECTION  
350 OF THE TARIFF ACT OF 1930, AS AMENDED, AND FOR  
OTHER PURPOSES



FEBRUARY 14, 1955.—Committed to the Committee of the Whole House  
on the State of the Union and ordered to be printed

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## CONTENTS

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	Page
I. General statement.....	2
A. Principal features of H. R. 1.....	2
B. Explanation of provisions of the bill.....	2
C. History of the legislation.....	6
II. Need for H. R. 1.....	6
A. In general.....	6
B. Agriculture.....	8
C. Labor.....	9
D. Commerce and industry.....	10
E. Appendixes.....	12
III. Technical analysis of H. R. 1 as reported.....	13
IV. Changes in existing law.....	18
Minority views.....	23
Appendix A: Criticisms of trade-agreements program.....	36
Charge: United States tariffs are already too low.....	36
Charge: The trade-agreements program is not reciprocal.....	36
Charge: Passage of H. R. 1 should wait for GATT negotiation.....	44
Charge: Passage of H. R. 1 should await the outcome of Japanese tariff negotiations.....	44
Charge: Defense industries and skills are not adequately protected.....	44
Appendix B:	
The executive department's testimony and support of H. R. 1.....	45
The testimony of business and industry in support of H. R. 1.....	50
The testimony of agricultural groups in support of H. R. 1.....	54
The testimony of labor in support of H. R. 1.....	55
The testimony of public-interest groups.....	58
Overwhelming press support of H. R. 1.....	59
Appendix C:	
Accomplishments of the trade-agreements program.....	62
United States exports of products subject to trade-agreement conces- sions.....	64
Appendix D: How a trade agreement is made.....	81
First step—Obtaining information on trade with country X.....	81
Trade-agreements committee makes recommendations.....	82
Interested persons present views.....	82
How recommendations are arrived at.....	83
Recommendations go to the President.....	84
Actual bargaining begins.....	84
Bargaining with several countries at once.....	85

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Mr. COOPER, from the Committee on Ways and Means, submitted the following

R E P O R T

[To accompany H. R. 1]

The Committee on Ways and Means, to whom was referred the bill (H. R. 1) to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass:

The amendments are as follows:

Page 3, beginning in line 4, strike out “, except as authorized by subparagraph (B) of this paragraph,”

Page 3, line 8, strike out the period and insert in lieu thereof a colon and the following:

*Provided further*, That the enactment of the Trade Agreements Extension Act of 1955 shall not be construed to determine or indicate the approval or disapproval by the Congress of organizational provisions of any foreign trade agreement entered into under this section.

Page 4, line 12, strike out “not being” and insert in lieu thereof “normally not”.

Page 4, line 13, strike out “being” and insert in lieu thereof “normally”.

Page 4, line 16, insert after the period the following:

This clause shall not apply with respect to any article unless it is designated in the list required by section 3 (a) of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1360 (a)), for possible consideration as an article which is normally not imported into the United States or is normally imported into the United States in negligible quantities.

Page 8, line 6, strike out “may” and insert in lieu thereof “shall, as soon as practicable,”.

Page 10, line 12, after "notice of intention" insert "to negotiate".  
Page 11, strike out line 9 and all that follows down through line 16 on page 12.

### I. GENERAL STATEMENT

#### A. Principal features of H. R. 1

The purpose of H. R. 1 is to continue to June 30, 1958, the authority of the President to enter into trade agreements. The present authority (extended by Public Law 464, 83d Cong.) terminates on June 12, 1955. In addition to the extension of the trade-agreements authority, the principal features of H. R. 1 are as follows:

1. The President would be authorized to negotiate tariff reductions by any 1 of 3 alternative methods, which may not be used cumulatively.

(a) The first method authorizes the President to reduce by a total of 15 percent tariff rates existing on July 1, 1955, in stages of not more than 5 percent in each of the 3 years of the authority;

(b) An alternative authority to that provided in (a) above is the authorization to reduce tariffs by 50 percent of the rate prevailing on January 1, 1945, but only in the case of those products normally not imported or normally imported in negligible quantities;

(c) As a third alternative the President is authorized to negotiate reductions in those rates which are higher than 50 percent of the value of an import to a rate equivalent to 50 percent.

2. In the case of the announced trade agreement involving Japan, the bill authorizes the same decreases in rates of duty (i.e., 50 percent of the rate existing on January 1, 1945) as are authorized under existing law, even though the agreement is entered into after June 12, 1955.

3. The reduction authority referred to in paragraphs 1 and 2 above is subject to the peril-point and escape-clause procedures as contained in present law.

4. The President is required to avoid to the maximum extent he deems practicable the subdivision of existing tariff classification categories to prevent undue complication of the present tariff structure.

5. The President would be required to submit to Congress an annual report on the trade-agreements program. This report is to contain, among other things, information on modification of trade agreements, including a report on the incorporation of escape clauses in existing agreements and information relating to agreements entered into.

#### B. Explanation of provisions of the bill

##### EXTENSION OF PRESIDENT'S AUTHORITY

Under present law, the President's authority to enter into foreign trade agreements expires June 12, 1955. The bill extends the period during which the President will be authorized to enter into trade agreements from June 12, 1955, through June 30, 1958.

EXTENT OF PRESIDENT'S AUTHORITY

Under present law the President is authorized to decrease rates of duty by 50 percent of the levels existing on January 1, 1945. The bill would continue this authority after June 12, 1955, only (1) in the case of products which are normally not imported or are normally imported in negligible quantities into the United States, and (2) in the case of products included in the trade agreement as a result of the negotiations which have already been announced in which Japan will be a party (in case these negotiations are not concluded by June 12, 1955). The bill would continue unchanged the authorization in present law where-by the President can increase rates of duty by up to 50 percent of the levels existing on January 1, 1945.

As under present law, the President would be authorized to enter into foreign trade agreements with foreign governments or instrumentalities thereof. The language continuing this authority has been expressed so as to spell out in the section the fact that the President can in entering into foreign trade agreements include general provisions of the kind which have heretofore been included in such trade agreements since the inception of the trade-agreements program in 1934. In the past it has been necessary to make various changes in such general provisions in order to keep pace with the changes of devices and practices in foreign countries. The provisions specified in this subparagraph are illustrative of types of provisions which are necessary in order that the President may be able to meet effectively new methods of discrimination and other barriers against American exports. An important purpose of these provisions is to protect against impairment of the tariff concessions which the United States obtains in trade agreements.

The bill, H. R. 1, as reported, clearly provides that no such general provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States. The purpose of the committee amendment to this proviso is to make it clear that provisions of existing law such as section 22 of the Agricultural Adjustment Act (7 U. S. C., sec. 624), safeguarding domestic agricultural programs from material interference from imports, hoof-and-mouth disease quarantine laws (19 U. S. C., sec. 1306), and section 8e of the Agricultural Marketing Agreement Act (7 U. S. C., sec. 608e), providing for the regulation of the grade, size, quality, and maturity of certain fruits and vegetables imported into the United States and other like provisions of existing law, will prevail despite any provision in a trade agreement.

The bill also provides that its enactment shall not be construed to determine or indicate the approval or disapproval by the Congress of organizational provisions of any foreign trade agreement entered into under the authority which it grants, such as the organizational provisions of the General Agreement on Tariffs and Trade.

That part of the bill which authorizes the President to carry out a trade agreement by proclamation is a continuation of existing law.

In addition to the President's authority as to the reduction of duties described above, he would also be authorized to reduce duties by 15 percent from the rates existing on July 1, 1955. Also, the President would be authorized to reduce any rate of duty above 50 percent of the value of an imported product to 50 percent of such value.

Except for the reductions which might be made in the trade agreement involving Japan, reductions under the three alternative methods must be made gradually. None of these three alternatives for reducing duties which would be given to the President by the bill may be used cumulatively. If the total amount of reduction is 15 percent or less, the reduction during any 12 months cannot exceed 5 percent. If the total amount of reduction is more than 15 percent, then no more than one-third of this reduction can be given effect during any 12-month period.

## CONTINUATION OF EXISTING SAFEGUARDS

The requirements of existing law for full public notice (including a list of products on which concessions might be made by the United States), public hearings, and peril-point determinations by the Tariff Commission are not changed by H. R. 1. Neither is the present requirement that the President must report to the House Committee on Ways and Means and the Senate Committee on Finance whenever a reduction exceeds that which the Tariff Commission believes could be made without causing or threatening serious injury to the domestic industry (peril point). Likewise, the escape-clause provision of existing law continues unchanged. Moreover, H. R. 1 would not affect the present provision that no reduction shall be made on any article if the President finds that such reduction would threaten domestic production needed for projected national-defense requirements.

The committee gave extensive consideration to amendments to the escape-clause provisions of existing law, but decided that it was neither necessary nor desirable to change the law.

Under existing law, the findings of the Tariff Commission that a product on which a concession has been granted is, as a result in whole or in part of the customs treatment reflecting such concession, being imported in such increased quantities as to cause or threaten serious injury to the domestic industry producing like or directly competitive products, together with its recommendation regarding withdrawal or modification of the concession, go to the President.

In making his determination whether to withdraw or modify a concession, the President must take into account all relevant factors, including our national-defense requirements, requirements for carrying on successfully the foreign relations of the United States, and the necessity for maintaining and strengthening the domestic economy of the United States. Consequently, he secures the individual views of the Departments of Agriculture, Commerce, Defense, Interior, Labor, Treasury, and State and the Foreign Operations Administration, in order that his decision whether to withdraw or modify the concession may be based upon all the information available in the Government. The Departments of Agriculture, Commerce, Interior, and Labor have primary responsibility for providing economic information and views relating to domestic activity, while the other agencies submit data and views concerning the other factors.

The committee believes that the President should give full consideration to the Tariff Commission's findings regarding injury. If he believes that these findings should be further developed, or if new information relevant to such findings are disclosed, in the committee's opinion he should continue his practice of submitting such data to

the Tariff Commission for supplemental investigation and findings where appropriate. The other factors, relating to the overall national interest, are, of course, outside the jurisdiction of the Tariff Commission, and must be weighed by the President after receiving the views of the various departments. The committee is of the opinion that a President, who has the authority to determine where and when American Armed Forces may be employed in the Formosa Straits in the interest of our national security, can be trusted to weigh factors relating to the national interest in terms of withdrawing a tariff concession.

Even on the question of injury, the President must by law make the determination in the event of a 3-3 split among the Tariff Commissioners.

Findings on the question whether injury is caused or threatened by imports resulting from tariff concessions are based on factual material. However, proper weight must be given to such facts, reasonable inferences drawn therefrom, and, finally, there must be an exercise of judgment. Different weight can be given to the same facts, different inferences can be drawn from the same facts, and differing judgments can result. Otherwise all administrative or judicial judgments would be unanimous and be affirmed on appeal. In practically every field where administrative or judicial findings are involved, the Congress has provided for some review of those findings, either by courts or by the President. In the committee's opinion it would be undesirable to depart from this practice in the case of the escape clause. Your committee believes that the President should not be compelled as a matter of law to accept findings of the Tariff Commission where it is his opinion that they are not soundly based, although in the committee's opinion he should give full consideration and proper weight to such findings.

Due to the expressed concern from many quarters over the administration of the escape clause, it is your committee's intent to keep this matter under continuing study.

#### ANNUAL REPORT TO CONGRESS

Under H. R. 1, the President would submit to the Congress an annual report on the operation of the trade-agreements program. In addition to reporting on the progress made in inserting the escape clause in existing agreements<sup>1</sup> (on which he now reports semiannually) the report would include information on new negotiations, modifications made in duties and import restrictions of the United States, reciprocal concessions obtained and other information on the trade-agreements program.

#### SUBDIVISION OF CLASSIFICATION CATEGORIES

The President, under H. R. 1, is to avoid, to the maximum extent practicable and consistent with the purpose of the legislation, the subdivision of classification categories. In previous years, particularly during the period when only straight bilateral agreements were

<sup>1</sup> A message from the President to the Congress on January 10, 1955 (H. Doc. No. 64, 84th Cong.) indicates that all except four agreements, those with Ecuador, Honduras, El Salvador, and Guatemala, now have a satisfactory escape clause. The agreement with Ecuador is now scheduled to terminate on July 18, 1955.

concluded, our tariff structure has been complicated by breaking up existing classifications into various parts.

*C. History of the legislation*

In 1934 Congress empowered the President to enter into trade agreements with other countries for a period of 3 years. The President's tariff-reducing authority was limited to 50 percent of the rates then in effect. This authority was extended by Congress in 1937, 1940, and 1943. Between 1934 and 1945 trade agreements were negotiated with 29 countries.

In 1945 Congress extended the President's authority and increased it. He was authorized to reduce tariffs to 50 percent of the rates prevailing on January 1, 1945.

At the present time the United States has trade agreements with 42 countries of which 32 are parties to the General Agreement on Tariffs and Trade. These countries and the United States carry on at least 80 percent of world trade. The agreements negotiated cover approximately 58,000 items with a trade probably surpassing \$40 billion in 1953.

In 1953 President Eisenhower asked Congress for a 1-year renewal of the trade-agreements authority, pending a comprehensive reexamination of the economic foreign policy of the United States to be undertaken by a bipartisan commission. The Commission on Foreign Economic Policy, under the chairmanship of Mr. Clarence B. Randall, was established, with members drawn from both Houses of Congress and from the public. After extensive investigations it presented its recommendations to the President on January 23, 1954.

Based on these recommendations, the President outlined his foreign economic policy to Congress in his message of March 30, 1954. One of the recommendations was the extension of the trade-agreements legislation as outlined in H. R. 1. The present act was extended for 1 year. The President has again, on January 10, asked the Congress to provide the authority contained in H. R. 1.

Full and complete hearings were held on H. R. 1 by the committee beginning on January 17, 1955, and concluding on February 7, 1955. Testimony was received from Cabinet officials and witnesses representing all segments of our economy.

In the executive sessions that followed the hearings careful consideration was given to the testimony and views presented to the committee.

## II. NEED FOR H. R. 1

*A. In general*

Since 1934 the Reciprocal Trade Agreements program has been an essential part of our foreign economic policy. Our foreign economic policy and our overall foreign policy cannot be disassociated. As President Eisenhower has stated:

If we fail in our trade policy, we may fail in all. Our domestic employment, our standard of living, our security, and the solidarity of the free world—all are involved.

For our own economic growth we must have continuously expanding world markets; for our security we require that our allies become economically strong. Expanding trade is the only adequate solution for these two pressing problems confronting our country.



An expanded foreign trade is in our own enlightened self-interest just as much as it is in the interest of the peace and security of the other nations of the free world.

As the Secretary of State declared :

The failure, at this stage of world affairs, to rededicate our Nation to liberalize trade policies, and to do so for a 3-year term would have grave consequences.

The Secretary of Defense in his testimony before the committee stated that passage of H. R. 1 is an important measure in strengthening our common defense against Communist aggression. He stated :

The stronger our allies are economically and militarily the better for both them and ourselves \* \* \*.

International trade must be a two-way street. Such trade provides the most effective way to improve our relations with our allies on a long-range basis. It is just as important as any military agreements which we might work out.

Today perhaps there is no other country in the world that has as much at stake in an expanding world trade as has the United States. We export about 20 percent of the goods in world trade and import about 15 percent of such goods. If we act with wisdom, courage, and forbearance in the formulation of our foreign economic policy, we will find that we have promoted the security and welfare of the United States.

Our position in the world today is one that we did not seek but which has nevertheless been thrust upon us. With it has come the responsibility to pursue policies that are most conducive to the cause of peace and the advancement of human welfare. The most short-sighted thing we could do from the standpoint of our national defense is to cast our allies between a curtain of high tariff protection on the one hand and an iron curtain of engulfment on the other.

The United States as the greatest creditor nation in the world, should and must take the leadership in enlarging world trade.

The main economic impediment to an expanded foreign market for our own production is the shortage of dollars on the part of friendly foreign nations and their inability to make their currencies convertible. The most practical way of helping to reduce and eventually eliminating these problems is the lowering of trade barriers on a collective basis by the free nations of the world. The trade and tariff restriction policies of each country in the free world have an effect on free world trade. However, those of the United States are especially significant because of our outstanding position of leadership and economic importance.

Contrary to expressed opinions that we are totally self-sufficient in the United States, the truth is that we are not. Our emergence as a world power has been accompanied by an increasing engagement in world trade. The natural resource requirements of our American economy, our population growth, and our ever-increasing per capita consumption have caused us to look to our neighbors for part of what we consume. They in turn look to us for the products of our farms, factories, and commerce.

One of the major restraints on an expanding foreign market for American goods in the past has been an unfavorable balance of payments resulting from the dollar gap between imports and exports. This gap must eventually be closed. It can be closed (1) by increasing the sale of foreign goods in this country, (2) by decreasing the sale of

our goods in foreign countries, or (3) by outright gifts of dollars to foreign countries. Decreasing our exports would injure our economy and reduce our standard of living and that of our allies by decreasing American production and employment. As a result, production and employment overseas would be similarly affected.

We are properly diminishing, not increasing, outright gifts of dollars. This means we must accept foreign goods if we are to continue to increase exports and avoid continuation of outright dollar grants. The creation of a dependable international balance of payments is a problem that offers no simple solution. The problem must be attacked at each of its many aspects.

The committee, through its study of the problem and from the testimony of witnesses, is impressed with the crucial importance of removing the atmosphere of instability from our foreign trade policies. This instability is a factor in slowing down the development of an improved system of world trade. Other countries, uncertain of what economic policies the United States will follow hesitate to expand their production of those products destined for the United States market. Unsure of their continuing capacity to earn dollars in the event the United States should turn away from a policy of promoting trade in the free world, other countries are also hesitant to relax their exchange restrictions. The early enactment of the bill, renewing the authority of the President to enter into trade agreements, will have a stabilizing effect upon our international relations and increase confidence throughout the free world.

H. R. 1 is considerably more than a manifestation of America's expression of good faith to our allies. It is considerably more than a demonstration to international communism of the free world's economic unity. H. R. 1 is a gradual but forthright step in the direction of assuring the products of American agriculture, labor, and industry an expanding market which is essential to increasing American productivity.

The authority granted to the President under H. R. 1 is for the purpose of securing a higher level of two-way trade. Thus, we will be able to sell and receive payment for our exports and have an increasing volume of investment abroad to assist economic development overseas and to yield returns to us of greater freedom from restrictions and controls in international trade.

In seeking to develop increasing domestic prosperity, free-world strength and international peace, H. R. 1 is part of the answer to each of these objectives. Every segment of our American economy has a vital interest in the attainment of these purposes.

#### *B. Agriculture*

There is probably no segment of our economy that has a greater stake in foreign trade than agriculture. It has been estimated that annual exports of agricultural commodities represent the production of from 50 to 60 million cultivated acres. This is an area equivalent to the combined cultivated land of Mississippi, Tennessee, Louisiana, Kentucky, Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia. Putting it another way, our agricultural exports provide a market for the produce of one out of each 10 acres of cropland. In 1951, when our agricultural exports ran to \$4 billion, this was the equivalent of \$1 out of each \$8 in cash farm receipts in the United States.

The importance of agricultural exports to agriculture is further stressed in the excerpts from the testimony of major farm organizations which is contained in appendix B. It will be noted in this appendix that in 1953, of our total production we exported 45 percent of our rice, 26 percent of our tobacco, 24 percent of our cotton, 21 percent of our soybeans and products, 19 percent of our wheat and flour, 18 percent of our lard, 17 percent of our barley, 6 percent of our raisins, and about 5 percent of our pears and apples. It can be seen from these statistics that we export about one-fourth of our total production of some major agricultural commodities.

Since 1951, our agricultural exports have been falling off. Any time there is a falling off in our exports of agricultural commodities, there follows lower prices, increased surplus problems, and there may follow acreage restrictions and marketing controls. In many cases, cropland is diverted from production for export to production of other commodities for domestic consumption. This means that even those agricultural commodities that are not exported can be directly affected as a result of a reduction in exports.

One of the most important answers to the problem of our agricultural surpluses is an expanded foreign market. Under the trade-agreements program, concessions have been obtained for almost every agricultural product customarily exported from the United States in any significant amounts. It is the committee's belief that enactment of this bill will further expand the foreign markets for agricultural products, which expansion is urgently needed by American farmers, and it is our hope that the authority granted the President under this bill will be utilized insofar as practicable to accomplish this result.

#### *C. Labor*

It was stated by Secretary of Labor Mitchell that some 4½ million jobs are attributable to work generated by our foreign trade—both export and import.

On the other hand, it has been estimated that not over 100,000 workers might be threatened, directly or indirectly, with the loss of their jobs by increased imports resulting from a hypothetical reduction across the board of 50 percent in present tariff rates. Although your committee does not necessarily accept this figure, it does give some approximate indication of what we believe to be the relative stake that American workers have in our total world trade as compared to possible adverse effects from the maximum of imports that could conceivably be expected within the next few years.

Moreover, H. R. 1 contains safeguards designed to guard against any sharp increase in imports by requiring that the reductions authorized can only be put into effect gradually.

The results of the program, therefore, will be to avoid a sudden influx of imports that would cause unemployment. The result, we believe, will be a gradually expanding level of trade and employment in the United States.

It has been contended that since foreign industries have lower wage and other standards it is difficult or impossible for American industry to compete with imports in the American market. It is well established that many of the United States industries that compete most successfully, both domestically and in foreign markets, are industries in which wages paid are among the highest in the United States.

American industry can pay high wages because of its high productivity. Increased American productivity makes it possible for United States industry to pay higher wages.

The important factor is not the wage per hour but the wage per unit of production. American workers with our mechanized means of production and highly developed technology, are able to produce a greater number of products per hour, thus resulting in lower cost per unit even though their wages per hour are higher.

The administration has taken steps to adopt the policy recommended by the Commission on Foreign Economic Policy that no tariff concessions should be granted on products made by workers receiving wages that are substandard in the exporting country.

During the period that the trade-agreements program has been in effect the people of the United States have achieved the greatest prosperity this country has ever known. Wages and working conditions of our workers have steadily improved during this period despite increased imports.

In the light of this practical test the committee believes that, as a general principle, the contention that lower tariff barriers would depress labor standards and wages in the United States has not been proved.

Testimony of the major labor organizations in support of the bill is highlighted in appendix B.

#### *D. Commerce and industry*

The economic strength and vitality of our American commerce and industry depend in large measure on our success in fostering expanded trade with the countries of the free world. For that reason these important segments of our domestic economy have a vital interest in the development of United States foreign economic policy as set forth in H. R. 1.

In 1953, our gross national product was at an alltime high of \$365 billion. Our exports of goods and services including military aid amounted to approximately \$21 billion and represented almost 6 percent of our total production of goods and services. This export relationship to gross national product compares favorably with: (1) Gross receipts from farming in 1953 which were equal to about 8.5 percent of gross national product; (2) business expenditures for capital equipment which represented a little over 6.5 percent of gross national product; and (3) consumer purchases of durable goods which were a little over 8 percent of that product. The share of commerce and industry in our total export business in 1953 (exclusive of military aid) was \$14.25 billion in services and merchandise manufactures. Agricultural exports were \$2.75 billion and military aid was \$4.5 billion.

In dollar terms our foreign trade amounted to \$37 billion in 1953—\$16 billion in imports and \$21 billion in exports. Imports and exports taken together sustained approximately 4½ million American jobs.

Our reliance on foreign markets has grown with the increase in American productivity. Each year the average factory worker in the United States produces an average of 3 to 5 percent more than he did the previous year. Our industry sells 10 percent or more of its trucks, locomotives, machine tools, tractors, and penicillin abroad.

An American tractor manufacturer testifying in support of H. R. 1 before your committee said that without its export business his com-

pany would not need one-third of the people he employed in the United States. He also testified that the domestic consumer is able to buy his tractor at a lower price because export business had permitted greater mass economies than would have been possible in the absence of the export volume.

In the 20 years since the reciprocal trade program was initiated, our trade has increased substantially. In 1934 our exports constituted 12 percent of total world trade. At that time as supplier of world markets we were closely matched by the United Kingdom and Germany. In 1954 our exports constituted 20 percent of total world trade and our exports were nearly twice as large as those of the second largest trading country, the United Kingdom.

H. R. 1 will continue the trade-agreements legislation for the same reason it was started in the first place—as an important export-promotion measure. Merchandise exports in the mid-thirties stood at 3.1 percent of a gross national product of \$65 billion as compared with merchandise imports of 2.6 percent. Comparable figures for 1953 indicate a gross national product of \$365 billion with merchandise exports of 4.3 percent and merchandise imports of 3 percent.

There can be little question that our increase in exports has contributed substantially to our domestic high employment and prosperity. The relationship of exports of movable goods to United States production and of United States exports and imports to gross national product are shown in the following tables for selected years.

TABLE 1.—United States production of movable goods and the proportion exported: 1929, 1933, 1937, 1939, and 1947-53

[Value in millions of dollars]

Year	Agricultural products <sup>1</sup>	Manufactures <sup>2</sup>	Mining <sup>3</sup>	Freight receipts <sup>4</sup>	Total <sup>5</sup>	Exports, United States merchandise <sup>6</sup>	Exports as percent of total
1929.....	13,003	30,591	4,908	5,100	53,602	5,157	9.6
1933.....	6,332	14,008	2,050	3,100	25,490	1,647	6.5
1937.....	10,213	25,174	4,265	4,300	43,952	3,299	7.5
1939.....	9,043	24,487	3,808	4,200	41,538	3,123	7.5
1947.....	32,372	74,426	9,610	9,200	125,608	15,160	12.1
1948.....	32,842	82,000	12,273	10,800	137,915	12,532	9.1
1949.....	30,133	75,367	10,580	10,000	126,080	11,936	9.5
1950.....	30,335	89,750	11,855	11,600	143,540	10,142	7.1
1951.....	35,042	102,086	13,524	12,900	163,552	14,879	9.1
1952.....	34,517	108,477	13,430	13,300	169,724	15,039	8.9
1953.....	33,056	117,500	14,346	14,200	179,102	15,626	8.7

<sup>1</sup> Cash receipts from crops and livestock and products, and value of home consumption as reported by Department of Agriculture.

<sup>2</sup> Value added by manufacture; data as reported in the Census of Manufactures through 1947; estimates for later years.

<sup>3</sup> Value of crude or prepared minerals at the mine, well, or plant; Bureau of Mines data.

<sup>4</sup> Estimate of cost of moving goods from place of production to points of distribution or exportation; based on freight revenue of steam railroads, of intercity motor carriers of property, and of pipelines as reported by the Interstate Commerce Commission.

<sup>5</sup> Total of items shown representing a rough estimate of the value of production of movable goods at point of distribution or export. Figures are not adjusted for price changes.

<sup>6</sup> Shipments to foreign countries as recorded by the Bureau of the Census. In recent years the data include, besides commercial goods, foodstuffs, and other supplies sent to civilian populations through the U. S. Armed Forces stationed abroad, shipments under the ECA (Economic Cooperation Administration) and Mutual Security Program, and other aid and relief shipments whether financed by Government or by private agencies. Shipments to U. S. Armed Forces abroad for their own use are excluded from export statistics.

Source: Foreign Commerce Weekly, June 28, 1954.

TABLE 2.—United States merchandise exports and imports and export surplus in relation to gross national product: 1929, 1933, 1937, 1939, and 1947-53

[Value in millions of dollars]

Year	Gross national product <sup>1</sup>	Exports <sup>2</sup>	Exports as percent of GNP	Imports <sup>2</sup>	Imports as percent of GNP	Excess of exports over imports	Export surplus as percent of GNP
1929.....	103,823	5,347	5.1	4,463	4.3	884	0.9
1933.....	55,760	1,736	3.1	1,510	2.7	226	.4
1937.....	90,213	3,451	3.8	3,181	3.5	270	.3
1939.....	91,339	3,347	3.7	2,409	2.6	938	1.0
1947.....	233,264	16,977	6.8	6,129	2.6	9,848	4.2
1948.....	259,045	13,346	5.2	7,822	3.0	5,524	2.1
1949.....	258,229	12,337	4.8	7,066	2.7	5,271	2.0
1950.....	286,826	10,658	3.7	9,315	3.2	1,343	.5
1951.....	329,822	15,485	4.7	11,698	3.5	3,817	1.2
1952.....	347,956	15,806	4.5	11,503	3.3	4,303	1.2
1953.....	367,247	16,437	4.5	11,904	3.2	4,533	1.2

<sup>1</sup> Department of Commerce estimates.<sup>2</sup> Merchandise trade as recorded in balance-of-payments statistics, representing all transfers of ownership of movable goods between the United States and foreign countries.

Source: Foreign Commerce Weekly, June 28, 1954.

Your committee has given careful consideration to the fact that some domestic industries stated that they have serious problems relating to their continued survival. Many of these industries appeared before the committee and attributed their troubles to inadequate tariff protection. However, careful examination of the facts has demonstrated that, in many cases, their ills appear to be attributable to causes other than tariff policy, such as technological progress and changes in consumer preferences.

H. R. 1 does not affect the many safeguards contained in existing law to protect American agriculture, industry, commerce, and labor such as the peril point, escape clause, and other legislation such as antidumping laws and countervailing duties.

It is the opinion of your committee that the expectations of agriculture, industry, and commerce for productive growth and expanding markets will be furthered under H. R. 1 with resulting benefits to labor.

#### E. Appendixes

At the end of the report there is contained appendixes as noted below:

*Appendix A.*—An analysis of some of the major criticisms trade-agreements program opponents have raised, as follows:

United States tariffs are already the lowest in the world.

The trade-agreements program is not reciprocal.

Defense industries and skills are not adequately protected.

Passage of H. R. 1 should await the outcome of the Japanese negotiations.

Passage of H. R. 1 should await the outcome of the renegotiation of GATT.

*Appendix B.*—Testimony and comments of persons supporting H. R. 1, as follows: Executive departments, business and industry, agriculture, labor, public interest groups, and press support.

*Appendix C.*—Accomplishments of the trade-agreements program.

*Appendix D.*—A description of how a trade agreement is made, describing the procedures which are followed.

## III. TECHNICAL ANALYSIS OF H. R. 1 AS REPORTED

The first section of the bill provides that the bill when enacted may be cited as the Trade Agreements Extension Act of 1955.

*Section 2:* This section extends the period during which the President is authorized to enter into foreign trade agreements for an additional period, from June 12, 1955, through June 30, 1958.

*Section 3:* This section amends section 350 of the Tariff Act of 1930, as amended, which contains the basic authority to enter into and carry out trade agreements.

*Subsection (a) of section 350*, containing six numbered paragraphs, is set forth in the bill in its proposed amended form.

*Paragraph (1) of subsection (a)* sets forth the purpose for which the President may enter into trade agreements. The text preceding subparagraph (A) repeats existing law.

*Subparagraph (A) of paragraph (1)* authorizes the President to enter into foreign trade agreements with foreign governments or instrumentalities thereof containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nation standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of section 350 similar to any of the foregoing.

Subparagraph (A) of paragraph (1), as amended by the committee, contains two provisos. The first proviso states that no provision of any foreign trade agreement shall be given effect in the United States in a manner inconsistent with existing legislation of the United States. The second proviso states that the enactment of this bill shall not be construed to determine or indicate the approval or disapproval by the Congress of organizational provisions of any foreign trade agreement entered into under section 350 of the Tariff Act of 1930.

*Subparagraph (B) of paragraph (1)*, authorizing the carrying out of trade agreements by proclamation, makes no change in existing law. The authority to carry out trade agreements by proclamation is no broader (and no narrower) than under existing law (the terms of which are identical with the terms of subparagraph (B)).

*Paragraph (2) of subsection (a)* is divided into subparagraphs (A), (B), (C), (D), and (E):

*Subparagraph (A)* continues unchanged the present prohibition against increasing any rate of duty to a rate more than 50 percent above the rate existing on January 1, 1945.

*Subparagraph (B)* continues unchanged the present prohibition against imposing a duty on a duty-free article or exempting from duty a dutiable article.

*Subparagraph (C)* continues unchanged (with respect to trade agreements entered into before June 12, 1955) the present prohibition against decreasing any rate of duty to a rate lower than 50 percent below the rate existing on January 1, 1945.

*Subparagraph (D)* fixes maximum limits on decreases in rates which may be made to carry out trade agreements entered into on or after June 12, 1955. A rate of duty may be reduced under three alternative methods which are set out in clauses (i), (ii), and (iii). These alternatives are not cumulative but the President may decrease a

rate to the lowest of the rates resulting from application of any of the alternative methods.

*Clause (i)* authorizes decreases in any rate to 15 percent below the rate existing on July 1, 1955 (that is, to a rate which is 85 percent of the rate existing on July 1, 1955).

*Clause (ii)* authorizes decreases in any rate to 50 percent of the rate existing on January 1, 1945, on products which are normally not imported into the United States or which are normally imported in negligible quantities.

Under the first sentence of this clause, as amended by the committee, the President, in applying the negligible quantities test, will take into account the competitive impact on the domestic market of the amount of the article normally imported into the United States.

The second sentence of this clause (ii), as amended by the committee, requires identification of articles included in any list furnished to the Tariff Commission for "peril point" determination pursuant to section 3 (a) of the Trade Agreements Extension Act of 1951, as to which reduction is authorized by this clause. The committee intends that, insofar as practicable, articles for which a reduction in duties is authorized by clause (iii) will be similarly identified.

*Clause (iii)* authorizes decreases in rates of duty which are higher than 50 percent ad valorem (or equivalent) to 50 percent ad valorem (or equivalent). In the case of articles subject in whole or in part to a specific rate of duty (i. e., 5 cents per pound, or 5 cents per pound plus 20 percent ad valorem), the determination of whether a rate of duty is higher than 50 percent ad valorem, and the determination of a rate equivalent to the 50 percent ad valorem rate to which it may be reduced, will be made by the President on the basis of the value of imports of such products during a period which he finds is representative.

In making such determination, the President is to be guided, to the maximum extent practicable, by the standards of valuation for customs purposes contained in section 402 of the Tariff Act of 1930, as the provisions of that section exist during the representative period. The reference to the standards of valuation contained in section 402 of the Tariff Act of 1930 is to make it clear that no action may be taken under the second sentence of this clause which would result in any change in existing rules for determining the basis on which any ad valorem rate of duty is to be assessed. For example, if a rate of 50 percent ad valorem is established pursuant to such second sentence with respect to an article subject to a rate of duty any part of which may be based on American selling price (as defined in sec. 402 (g) of the Tariff Act of 1930), the new rate would be subject to application on the basis of American selling price in the same manner as the ad valorem rate is applied under existing law.

*Subparagraph (E)* deals with the special situation involving Japan. This subparagraph provides that in connection with a trade agreement involving Japan, which is entered into on or after June 12, 1955, duties may be decreased to as low as 50 percent below the rate existing on January 1, 1945, if the President determines such decreases are necessary to provide expanding export markets for Japanese products. Under existing law the President is authorized to make such reductions only to carry out trade agreements entered into prior to June 12, 1955. The authority under this subparagraph may be used only in



connection with negotiations involving Japan, a notice of which was published in the Federal Register on November 16, 1954.

When read together with the definition of "existing" contained in section 350 (c) (2) (C) (as added by the bill), the results under subparagraph (D) (i) and subparagraph (E) of paragraph (2) are as follows: If the trade agreement involving Japan is entered into before July 1, 1955 (whether or not before June 12, 1955), the President will have authority (1) in carrying out that agreement, to reduce the rates on products included therein to 50 percent of the rates existing on January 1, 1945, and (2) in connection with other trade agreements entered into on or after June 12, 1955, to reduce by an additional 15 percent (in accordance with the alternative specified in clause (i) above) the rates for such products agreed to in such agreement involving Japan. If the trade agreement involving Japan is entered into on or after July 1, 1955, the authority to decrease a rate to 50 percent below the rate existing on January 1, 1945, will continue; but to the extent that this authority is exercised with respect to any rate, the authority under the clause (i) alternative (to decrease that rate by 15 percent of the rate existing on July 1, 1955) will be correspondingly reduced or eliminated. For example, assume that in the case of article "X" (on which the January 1, 1945, rate of duty was 50 percent ad valorem and the July 1, 1955, rate of duty is 40 percent ad valorem) the negotiated rate under the Japan agreement is 35 percent. Since the reduction under the Japan agreement would be equal to 12½ percent of the rate existing on July 1, 1955, subsequent agreements could provide for an additional 2½ percent decrease of the July 1, 1955, rate (that is, a decrease to 34 percent ad valorem).

*Paragraph (3) of subsection (a)*, divided into subparagraphs (A), (B), (C), and (D), establishes, among other things, procedures for giving effect gradually (at intervals of at least a year) to decreases (under the three alternatives in paragraph (2) (D)) in rates made pursuant to agreements entered into on or after June 12, 1955.

In connection with the Tariff Commission's determination of "peril points" where the gradual reductions required by the bill are involved, the bill contemplates that the Commission will determine the peril point for an article on the basis of the total permissible reduction rather than on the basis of the application of the total permissible reduction on a gradual basis.

*Subparagraph (A)*, except as limited by subparagraphs (B) and (C) of paragraph (3), continues in substance the provision of existing law that the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation.

*Subparagraph (B)* fixes the time limits within which the decreases in rates authorized by subparagraph (D) of paragraph (2) described above may be made effective. These time limits are as follows: A decrease of no more than 5 percent of the rate existing on July 1, 1955, may become initially effective at one time if the total amount of the decrease is 15 percent or less. If the total amount of the decrease is greater than 15 percent, no more than one-third of the decrease may become initially effective at one time. In the case of any of the three alternatives, no part of the decrease after the first part can become initially effective until the immediately previous part has been in effect for at least 1 year.

*Subparagraph (C)* provides that (subject to an exception stated in the second sentence of the subparagraph as explained below) no decreases under the first alternative method (the 15-percent decrease authority) may be made effective after the expiration of the 3-year period which begins on July 1, 1955 (that is, after June 30, 1958). The result of this limitation, when applied with the 1-year requirement for each decrease, is that the full 15-percent decrease under the first alternative cannot be made unless the first 5-percent decrease takes effect before July 1, 1956. Subparagraph (C) does not apply to the second alternative (the authority to reduce by 50 percent of the January 1, 1945, rate in case of negligible quantities or no imports), or to the third alternative (the authority to reduce a rate to 50 percent ad valorem). The exception to the June 30, 1958, deadline in the case of the first alternative method (the 15-percent decrease authority) relates to the situation where, by reason of legislation of the United States or action thereunder, a decrease which had been made by virtue of the exercise of that authority and given effect, and which was thereafter nullified, could be reapplied (and its successive stages, if any, applied), even though the 3-year period extended beyond June 30, 1958. The following illustrates the application of subparagraph (C) in a case where the first decrease takes effect before July 1, 1956:

(1) Assume the following:

(A) The first 5 percent decrease takes effect on April 15, 1956, and remains in effect until the close of November 30, 1956 (a total of 230 days).

(B) On December 1, 1956, the reduced duty is increased as a consequence of an escape-clause action.

(C) The duty resulting as a consequence of the escape-clause action remains in effect through May 31, 1957 (a total of 182 days).

(D) On June 1, 1957, the decreased rate is restored.

(2) Under the facts stated in paragraph (1) above, the 5-percent decrease will not have been in effect for a total period of 1 year until the close of October 13, 1957. Thus, if the second decrease is to become effective it must become effective no earlier than October 14, 1957, and no later than December 29, 1958 (182 days after June 30, 1958). In order to permit the third decrease to become effective, the second decrease must become effective on or before December 29, 1957.

(3) If the second decrease takes effect on October 14, 1957, and remains in effect for 1 year through October 13, 1958, then the third decrease could take effect at any time on or after October 14, 1958, and before December 30, 1958.

*Subparagraph (D)* of this paragraph permits the rounding out of rates in order to simplify the computation of the amount of duty under any of the alternative methods of decreases. Under the precise application of the limitations specified in the alternative methods (and particularly under the 3-step application thereof) unusual and cumbersome fractions might be present in some rates. To avoid complication of tariff schedules by including such fractions, provision is made for a narrow tolerance, not to exceed one-half of 1 percent ad valorem, for rounding out such fractions to whole numbers or to fractions such as are customarily used in our tariff schedules. The purpose of this provision is to contribute to tariff simplification by

avoiding burden on trade represented by rates stated in complicated fractions which make computations of duties difficult.

*Paragraph (4) of subsection (a)* adds to section 350 a requirement that the President, in exercising his authority under that section, is to avoid the subdivision of classification categories to the maximum extent he deems practicable and consistent with the purpose of section 350. This provision was inserted in order that further complication of the existing tariff structure might be avoided. It does not authorize reclassification of any article, but refers to the breaking up of an existing classification into additional subdivisions.

*Paragraph (5) of subsection (a)*, as amended by the committee, provides that trade-agreement concessions shall apply to imports of the goods of all countries, except that the President shall, as soon as practicable, suspend the application of these rates to the products of countries which discriminate against American commerce or engage in other conduct tending to defeat the purpose of section 350. As under existing law, this provision is subject to section 5 of the Trade Agreements Extension Act of 1951, which requires the President to withdraw benefits of trade-agreement concessions to imports from U. S. S. R. and from any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement. By making its amendment, the committee intends that the President withdraw most-favored-nation treatment from a country after he has had reasonable time to make efforts to get that country to cease its discriminatory treatment against American commerce or to rectify the other acts or policies which in his opinion tend to defeat the purpose of section 350.

*Paragraph (6) of subsection (a)* authorizes the President to terminate at any time, in whole or in part, any proclamation made pursuant to section 350. This continues a provision of existing law; it has been moved to this separate paragraph solely for reasons of clarity.

*Subsection (b) of section 3 of the bill* amends existing law to make clear the limits of authority to reduce tariffs with respect to products of Cuba.

*Paragraph (1) of this subsection (b)* deals with foreign trade agreements, whether with Cuba or any other country, which may be entered into before June 12, 1955, and continues unchanged the present authority to decrease duties on Cuban products to 50 percent of the rates existing on January 1, 1945, for such products.

*Paragraph (2) of this subsection* deals with trade agreements which may be concluded on or after June 12, 1955. Just as the proposed subsection (a) (2) (D) of section 350 confers authority to reduce general rates of duty (applicable to products other than Cuban products) by the use of 3 alternative methods, this paragraph gives parallel authority (the same 3 alternatives) with respect to the rates applicable to Cuban products, which in most cases are preferential. Under the third alternative method, the President could reduce all general rates which exceed 50 percent ad valorem to 50 percent ad valorem; in giving parallel authority with respect to products of Cuba, the last sentence of this paragraph authorizes the President to establish a rate for Cuban products lower than 50 percent ad valorem if necessary to maintain the absolute margin of preference to which the products of Cuba are entitled. Any decreases in the Cuban rates under the three alternatives must also be spread over a period of at least 3 years.

The reference to subsection (a) (2) (E) in this paragraph would permit decreasing duties on Cuban products to 50 percent of the rates existing on January 1, 1945, for such products if the trade agreement involving Japan is not entered into until on or after June 12, 1955.

*Subsection (c) of section 3* makes necessary technical amendments to subsection (c) of section 350 to conform with substantive changes in other parts of the bill. It is made clear that the limitations on increases or decreases in duty relate to rates of duty other than rates of duty which apply to products only by reason of action taken under section 5 of Trade Agreements Extension Act of 1951. For a discussion of the new paragraph (2) (C), see the explanation contained in the paragraph explaining subsection (a) (2) (E).

It was considered unnecessary to include among the definitions contained in subsection (c) of section 350 a definition of the term "customs formalities," since that term has a well-established meaning when used in connection with reciprocal trade agreements and in connection with the administration of the customs laws of the United States. When so used, such term relates only to the character, form, and number of the papers required and procedural steps to be taken for clearing articles, carriers, and persons through customs. It does not include matters entering into the amounts of duties required to be paid on particular articles, such as the terms of statutes or proclamations under which imports are classified to determine their tariff status and statutory provisions under which values for duty are fixed.

*Subsection (d) of section 3* adds a new subsection (e) to section 350, requiring the President to submit to Congress annually a report on the trade-agreements program as recommended by the Commission on Foreign Economic Policy. The report is to contain, among other things, information on modifications of trade agreements, including a report on the incorporation of escape clauses in existing agreements, and information relating to agreements entered into.

*Section 4:* This section deletes the requirements now in section 6 (b) of the Trade Agreements Extension Act of 1951 that the President report semiannually regarding action taken to incorporate escape clauses into existing agreements. New developments on this score would be covered by the comprehensive annual report of the President provided for in the new section 350 (e) described above.

*Section 5:* The bill as introduced contained a section 5 which would have authorized the President, without entering into any foreign trade agreement, to reduce by 50 percent the rate of duty existing on January 1, 1945, in the case of any product which was not being imported into the United States or was being imported into the United States only in negligible quantities. Under the committee amendment, this section is deleted from the bill.

#### IV. CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 350 OF THE TARIFF ACT OF 1930

SEC. 350. (a) (1) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce), by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified, is authorized from time to time—

[(1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; and

[(2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder. No proclamation shall be made increasing or decreasing by more than 50 per centum any rate of duty, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress), or transferring any article between the dutiable and free lists. The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly, or indirectly: *Provided*, That the President may suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts (including the operations of international cartels) or policies which in his opinion tend to defeat the purposes set forth in this section; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation. The President may at any time terminate any such proclamation in whole or in part.]

(A) *To enter into foreign trade agreements with foreign governments or instrumentalities thereof containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nation standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing: Provided, That, except as authorized by subparagraph (B) of this paragraph, no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States.*

(B) *To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder.*

(2) *No proclamation pursuant to paragraph (1) (B) of this subsection shall be made—*

(A) *Increasing by more than 50 per centum any rate of duty existing on January 1, 1945.*

(B) *Transferring any article between the dutiable and free lists.*

(C) *In order to carry out a foreign trade agreement entered into by the President before June 12, 1955, decreasing by more than 50 per centum any rate of duty existing on January 1, 1945.*

(D) *In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, decreasing (except as provided in subparagraph (E) of this paragraph) any rate of duty below the lowest of the following rates:*

(i) *The rate 15 per centum below the rate existing on July 1, 1955.*

(ii) *In the case of any article which the President determines, at the time the foreign trade agreement is entered into, is not being imported into the United States or is being imported into the United States in negligible quantities, the rate 50 per centum below the rate existing on January 1, 1945.*

(iii) In the case of any article subject to an ad valorem rate of duty above 50 per centum (or a combination of ad valorem rates aggregating more than 50 per centum), the rate 50 per centum ad valorem (or a combination of ad valorem rates aggregating 50 per centum). In the case of any article subject to a specific rate of duty (or a combination of rates including a specific rate) the ad valorem equivalent of which has been determined by the President to have been above 50 per centum during a period determined by the President to be a representative period, the rate 50 per centum ad valorem or the rate (or a combination of rates), however stated, the ad valorem equivalent of which the President determines would have been 50 per centum during such period. The standards of valuation contained in section 402 of this Act (as in effect during the representative period) shall be utilized by the President, to the maximum extent he finds such utilization practicable, in making the determinations under the preceding sentence.

(E) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, to which the Government of Japan is a party and with respect to which notice of intention to negotiate was published on November 16, 1954 (19 F. R. 7379), if the President determines that such decrease is necessary in order to provide expanding export markets for products of Japan (including such markets in third countries), decreasing by more than 50 per centum any rate of duty existing on January 1, 1945.

(3) (A) Subject to the provisions of subparagraphs (B) and (C) of this paragraph, the provisions of any proclamation made under paragraph (1) (B) of this subsection, and the provisions of any proclamation of suspension under paragraph (5) of this subsection, shall be in effect from and after such time as is specified in the proclamation.

(B) In the case of any decrease in duty to which paragraph (2) (D) of this subsection applies—

(i) if the total amount of the decrease under the foreign trade agreement does not exceed 15 per centum of the rate existing on July 1, 1955, the amount of decrease becoming initially effective at one time shall not exceed 5 per centum of the rate existing on July 1, 1955;

(ii) except as provided in clause (i), not more than one-third of the total amount of the decrease under the foreign trade agreement shall become initially effective at one time; and

(iii) no part of the decrease after the first part shall become initially effective until the immediately previous part shall have been in effect for a period or periods aggregating not less than one year.

(C) No part of any decrease in duty to which the alternative specified in paragraph (2) (D) (i) of this subsection applies shall become initially effective after the expiration of the three-year period which begins on July 1, 1955. If any part of such decrease has become effective, then for purposes of this subparagraph any time thereafter during which such part of the decrease is not in effect by reason of legislation of the United States or action thereunder shall be excluded in determining when the three-year period expires.

(D) If the President determines that such action will simplify the computation of the amount of duty imposed with respect to an article, he may exceed any limitation specified in paragraph (2) (D) or (E) of this subsection or subparagraph (B) of this paragraph by not more than whichever of the following is lesser:

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

(ii) One-half of 1 per centum ad valorem.

In the case of a specific rate (or of a combination of rates which includes a specific rate), the one-half of 1 per centum specified in clause (ii) of the preceding sentence shall be determined in the same manner as the ad valorem effect of rates not stated wholly in ad valorem terms is determined for the purposes of paragraph (2) (D) (ii) of this subsection.

(4) In exercising his authority under this section, the President shall avoid, to the maximum extent he deems practicable and consistent with the purpose of this section, the subdivision of classification categories.

(5) Subject to the provisions of section 5 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1362), duties and other import restrictions proclaimed pursuant to this section shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly or indirectly: Provided, That the President may suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts (including the operations of international cartels) or policies which in his opinion tend to defeat the purpose of this section.

(6) The President may at any time terminate, in whole or in part, any proclamation made pursuant to this section.

(b) Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an exclusive agreement with Cuba concluded under this section, modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba. Nothing in this Act shall be construed to preclude the application to any product of Cuba (including products preferentially free of duty) of a rate of duty not higher than the rate applicable to the like products of other foreign countries (except the Philippines), whether or not the application of such rate involves any preferential customs treatment. No rate of duty on products of Cuba shall in any case be decreased by more than 50 per centum of the rate of duty, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress) shall be decreased—

(1) In order to carry out a foreign trade agreement entered into by the President before June 12, 1955, by more than 50 per centum of the rate of duty existing on January 1, 1945, with respect to products of Cuba.

(2) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, below the applicable alternative specified in subsection (a) (2) (D) or (E) (subject to the provisions of subsection (a) (3) (B), (C), and (D)), each such alternative to be read for the purposes of this paragraph as relating to the rate of duty applicable to products of Cuba. With respect to products of Cuba, the limitation of subsection (a) (2) (D) (iii) may be exceeded to such extent as may be required to maintain an absolute margin of preference to which such products are entitled.

(c) (1) As used in this section, the term "duties and other import restrictions" includes [(1)] (A) rate and form of import duties and classification of articles, and [(2)] (B) limitations, prohibitions, charges, and exactions other than duties, imposed on importation or imposed for the regulation of imports.

(2) For purposes of this section—

(A) Except as provided in subsection (d) and subparagraph (C) of this paragraph, the terms "existing on January 1, 1945" and "existing on July 1, 1955" refer to rates of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on the date specified, except rates in effect by reason of action taken pursuant to section 5 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1362).

(B) The term "existing" without the specification of any date, when used with respect to any matter relating to the conclusion of, or proclamation to carry out, a foreign trade agreement, means existing on the day on which that trade agreement is entered into.

(C) In applying paragraphs (2) (D) (i) and (3) (B) (i) of subsection (a), the rate of duty on an article included in a foreign trade agreement with respect to which notice of intention was published on November 16, 1954 (19 F. R. 7379), if such agreement is entered into before July 1, 1955, shall be considered to be the rate "existing on July 1, 1955".

(d) (1) When any rate of duty has been increased or decreased for the duration of war or an emergency, by agreement or otherwise, any further increase or decrease shall be computed upon the basis of the post-war or post-emergency rate carried in such agreement or otherwise.

(2) Where under a foreign trade agreement the United States has reserved the unqualified right to withdraw or modify, after the termination of war or an emergency, a rate on a specific commodity, the rate on such commodity to be considered as "existing on January 1, 1945" for the purpose of this section shall be the rate which would have existed if the agreement had not been entered into.

(3) No proclamation shall be made pursuant to this section for the purpose of carrying out any foreign trade agreement the proclamation with respect to which has been terminated in whole by the President prior to the date this subsection is enacted.

(e) The President shall submit to the Congress an annual report on the operation of the trade agreements program, including information regarding new negotiations, modifications made in duties and import restrictions of the United States, reciprocal concessions obtained, modifications of existing trade agreements in order to effectuate more fully the purposes of the trade agreements legislation (including the incorporation therein of escape clauses), and other information relating to that program and to the agreements entered into thereunder.

SECTION 6 OF THE TRADE AGREEMENTS EXTENSION ACT OF 1951

SEC. 6. (a) No reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession hereafter proclaimed under section 350 of the Tariff Act of 1930, as amended, shall be permitted to continue in effect when the product on which the concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

(b) The President, as soon as practicable, shall take such action as may be necessary to bring trade agreements heretofore entered into under section 350 of the Tariff Act of 1930, as amended, into conformity with the policy established in subsection (a) of this section.

【On or before January 10, 1952, and every six months thereafter, the President shall report to the Congress on the action taken by him under this subsection.】



## MINORITY VIEWS

We are opposed to H. R. 1.

There are those who seek to identify the opposition to this legislation as simply "high tariff." This approach obscures the real issues presented by the bill, and it ignores the fact that the United States is already among the very lowest tariff nations of the world.

We do not base our opposition to H. R. 1 on the ground that there should be a general increase in tariffs. In fact, we recognize that in selective areas actual reductions in existing tariffs might be appropriate.<sup>1</sup>

On the contrary, we base our opposition on this basic premise: that any tariff policy of the United States should at least place foreign producers, having lower costs, in a comparable competitive position in the United States market with efficient, domestic producers. Such a policy should not discriminate in favor of foreign producers and against United States labor and producers. In addition, it should give full weight to considerations of national defense and to domestic health and welfare, and should provide adequate and effective procedures to accomplish these objectives.

We agree with the statement of President Eisenhower contained in his first state of the Union message February 2, 1953, when he declared in connection with his request for extension of the trade-agreements authority:

This objective must not ignore legitimate safeguarding of domestic industries agriculture, and labor standards.

We agree with the report of the Commission on Foreign Economic Policy when it declares that--

American labor should not be subjected to unfair competition as a part of any program to expand our foreign trade.

We cannot agree that H. R. 1 contains such provisions and safeguards.

### ANALYSIS OF H. R. 1

1. *Summary of rate reductions authorized.*—As reported by the committee, H. R. 1 authorizes the following decreases in rates of duty:

(a) Fifteen percent below the July 1, 1955, rate with respect to all rates of duty;

(b) Fifty percent below the January 1, 1945, rate on articles normally imported in negligible quantities;

(c) Down to 50 percent ad valorem where rates are above that percentage; and

(d) As for Japan, 50 percent below the January 1, 1945, rate if the trade agreement is entered into between June 12, 1955, and July 1, 1955, to be followed by the additional 15-percent reduction below the new July 1, 1955, rate.

<sup>1</sup> In this connection, two of the undersigned, Mr. Reed and Mr. Mason, have introduced bills, H. R. 3609 and H. R. 3604, respectively, to suspend the tariff on imports of aluminum, and Mr. Reed has introduced a bill, H. R. 3202, to extend the present suspension of duty on imports of copper.

The authority to make such rate reductions expires on July 1, 1958, and there is no provision that these reductions shall be noncumulative.

In all its hearings, the committee obtained no facts as to the likely effect of the proposed tariff reductions upon our imports or exports. There was no evidence as to the articles which will be affected by the proposed reductions nor as to the reason why "5 percent per year" is of singular validity as distinguished from other percentages. Likewise, there was no information available to the committee as to why "50 percent," as distinguished from some other percentage, is the proper amount to which rates in excess of that figure should be reduced. Nor were we told what items are imported in "negligible" quantities or the justification for an arbitrary reduction in the rates of duty on such commodities by 50 percent.

While the report of the Commission on Foreign Economic Policy as well as the President's message to the Congress emphasizes that tariff reductions must be applied selectively, H. R. 1 is significantly silent on this point.

2. *Broader powers conferred by H. R. 1.*—The present basic authority granted the President is "to enter into foreign trade agreements with foreign governments or instrumentalities thereof;". The bilateral agreements from 1934 to 1943 and the multilateral agreements from 1947 to date were entered into under this authority. H. R. 1 provides a broader statement of this authority.

The language which H. R. 1 adds to the basic grant of powers to the President is descriptive of the subjects covered in the commercial policy section (as contrasted with the organizational provisions) of GATT, an international agreement described below. Under H. R. 1, the President would be authorized (*italicized words are new language*)—

*To enter into foreign trade agreements with foreign governments or instrumentalities thereof containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nation standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing: Provided, That no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States.*

We have been unable to determine the intended purpose of this new language. We have been told that it is merely descriptive of the authority which the State Department already assumes it has and which it has already exercised. If this is, in fact, the case, we see no necessity for its inclusion in this legislation. The specific grants of authority which are now mentioned for the first time, such as "quantitative import and export restrictions" and "customs formalities" are themselves so vague as to furnish no clear guide as to what is meant. However, the grant also extends to "such other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing." No one knows to what this refers. Is it intended to constitute authorization or approval for the substantive provisions of GATT? Absolutely no need for this new language has been demonstrated. It should be eliminated as unnecessary.

In addition, for the first time H. R. 1 would explicitly authorize the President to commit the United States in a trade agreement with one country to grant concessions to unnamed third countries. This unique provision is designed to implement the declared purpose of the negotiations with Japan (sec. 3 (a) (2) (E) of the bill)—namely, to

provide expanding export markets for that country's products, including such markets in third countries. This is in contrast to the Trade Agreements Act's stated purpose of "expanding foreign markets for products of the United States." It, thus, eliminates the concept of reciprocity which underlies all previous delegations of tariff authority.

3. *Relation to GATT.*—GATT is an abbreviation for the General Agreement on Tariffs and Trade, an international agreement to which the United States is a party.

The contracting parties to GATT bind themselves with respect to tariff rates, quotas, countervailing duties, etc. Presumably, the United States does not, as a member of GATT, bind itself in contravention of existing legislation by the Congress. But in areas in which Congress has not acted, an agreement within GATT (for example as to agricultural import quotas) would in practice preclude future congressional action in the same area if such action would be in violation of the GATT agreement.

GATT has never been submitted to the Congress for approval. We are concerned that the sweeping grant of authority discussed above can be interpreted as constituting such approval. It has been denied that this is the intention but the new language contained in the bill would seem to speak for itself, perhaps with especial clarity to the other members of GATT.

Recent extensions of the trade-agreements authority have contained this provision:

The enactment of this Act shall not be construed to determine or indicate the approval or disapproval by the Congress of the Executive agreement known as the General Agreement on Tariffs and Trade.

An identical amendment to H. R. 1 was offered in the committee and rejected by the majority. We are at a loss to understand that rejection. An amendment was adopted to H. R. 1 to provide that its enactment will not constitute approval or disapproval of the organizational provisions of any trade agreement. We raise the question of whether this amendment does not by inference clearly imply approval of the substantive provisions of GATT.

4. *Ultimate uncertainty of rate reductions.*—Both the report of the Commission on Foreign Economic Policy and the message of the President to the Congress on January 10, 1955, recommended the grant of authority to reduce "existing" tariffs by 15 percent. It might be supposed that this recommendation referred to a reduction in tariff rates now in effect. If that were so, the Congress would have a clear guide at least to how much of a reduction authority it was delegating in H. R. 1. However, that is not the case.

H. R. 1 provides that the 15-percent reduction shall be made with respect to the rates "existing on July 1, 1955." Why is this significant? It is significant and vitally important because negotiations are about to commence with Japan and subsequent negotiations with many GATT parties in Geneva. Any tariff concessions granted to Japan will be extended automatically under the most-favored-nation principle to all countries of the world (outside the Communist bloc). If these concessions are granted prior to July 1, 1955, the new rates will form the basis for the additional 15-percent reduction. As a result, neither Government witnesses before the committee nor the

Tariff Commission have been able to give any estimate of what the ultimate level under the reductions authorized by H. R. 1 will be.

5. *Uncertainties in authority to reduce tariffs on articles imported in negligible quantities.*—Under H. R. 1, a rate on an article which the President determines is not “normally” imported, or is “normally” imported in “negligible quantities,” may be cut 50 percent below the January 1, 1945 rate. The bill contains no definition of the term “negligible.” There is no specification as to the group, class or industry, nor any reference as to what commodities or articles might be affected by this authority. Nor is there any definition as to the measure of time or circumstances bearing upon the imports which should be used. Certainly the use of the word “normally” is no real aid to definition. Not only does H. R. 1 contain no definition of what is meant by this provision but no satisfactory explanation was furnished the committee of how it is intended to administer the provision. This type of delegation without ascertainable standards represents an abdication of constitutional responsibility.

#### BASIC CONSIDERATIONS

We recognize that the economic well-being of the non-Communist countries is of vital importance to the security of the free world. Economic strength is inseparable from military strength. We recognize, moreover, that foreign trade is of far greater significance in the economies of most foreign nations than it is to our own.

However, in achieving the goal of economic strength for our friends abroad, we do not believe it necessary to sacrifice either particular industries or particular skills in the United States. To do so, would only serve to defeat the very objective we seek. A sound, stable, and prosperous economy in the United States is the most vital single factor for a sound world economy. This is because of the tremendous rate of consumption of world products arising from the high standards of living prevailing in the United States. Moreover, a solid United States defense structure, founded upon a strong industrial base, is a prime requisite for peace and security in the world.

No evidence has been produced which would demonstrate the need for economic sacrifice by selected segments of the American people at this time. Even proponents of H. R. 1 will agree that injury to individual domestic industries including their workers, their workers' families, and the communities in which they live, either will or may occur from a further lowering of our tariffs. The facts simply do not justify such a risk.

The Commission on Foreign Economic Policy said that “by any test that can be devised the United States is no longer among the higher tariff countries of the world.” Since passage of the original reciprocal trade agreements legislation in 1934, average tariff rates of the United States have been reduced by 70 percent. Already, the United States stands seventh from the bottom of a list of 45 nations with respect to the average level of their tariff structure. Certainly, it cannot be said that the United States has not done its fair share already in reducing trade barriers. Imports into the United States from abroad are at the rate of almost \$11 billion annually, the highest in history. The economies of our friends abroad are booming. Official reports in Great Britain show that, in 1954, it had its best year in history and anticipates a better year in 1955. In fact, there is

some concern, expressed by official British agencies, that power and other facilities in Great Britain may not be adequate to meet the requirements of its expanding economy. Western Germany's economic recovery has far exceeded anticipations and, in fact, in some areas, is surpassing prewar production of both East and West Germany combined. Other European countries show similar improvement. In almost all Western European countries, gold and dollar reserves are at an alltime high.

Even employment is reaching high levels abroad. Despite an influx of refugees and an increase of 13 percent in Germany's labor force, unemployment in that country averaged only 6.2 percent in 1954.

A recent report of the Organization for European Economic Cooperation states that unemployment in Germany was down to 3.5 percent at the 1954 summer low point. England has no unemployment. Recent advices state that 340,000 jobs are available and unfilled in that country—90,000 more jobs available than the number of unemployed. In contrast, there are 3,730,000 unemployed in the United States—5 percent of our work force and double the percentage of a year ago, despite a multi-billion-dollar defense program.

We have not had sufficient experience with normal operation of our recent tariff policy either to evaluate that policy as it is today or to determine what our tariff should be in the future. We simply do not have the facts. As was stated by the report of the Commission on Foreign Economic Policy:

The world, including the United States, has had no experience for any considerable period of time with our present tariffs under conditions which might be termed relatively normal. The Trade Agreements Act was enacted while we were in the middle of a depression. Many bilateral trade agreements, involving many reductions in our duties, were made during the first 5 years the act was in effect, but there had been limited opportunity to observe their effect before our trade, already distorted, was further disrupted by the outbreak of war.

Since the termination of World War II the patterns of both our exports and our imports have been abnormal. There was an unusually large demand for our exports, both for consumption and for rebuilding a war-torn world, and an interruption in the growth of our imports, arising out of the same causes. The Korean war resulted in a further distortion. Resulting imbalances were financed largely through our foreign loan and grant programs. During this period, we continued to make further agreements involving still greater reductions in our tariffs.

Now, we find ourselves facing demands for further opening of our markets at a time when our commercial exports are in approximate balance with the highest level of imports ever reached, while the world as a whole has considerably rebuilt its holdings of gold and dollar reserves.

Today, imports have begun to flow into the United States in sufficient quantities to cause injury in specific areas of the domestic economy. However, the extent of those imports constitutes no measure whatsoever of the competitive potential which we face in the future. The industrial machines of England, Germany, Belgium, France, Italy, and Japan have only recently been reconstructed and expanded. Other parts of the world, such as India, are becoming rapidly industrialized for the first time. None of these countries has as yet reached nearly full capacity. The United States, with its high wages and mass purchasing power, is the greatest market in the world. Sharing in this market is the logical goal of every expanding producer in the world.

We have seriously questioned in the past the efficacy of existing procedures for safeguarding domestic industry and workers from injury. The significance of this inadequacy becomes far greater today in view of the resurgence of foreign industry.

THE INADEQUACY OF EXISTING SAFEGUARDS

The peril-point and the escape-clause provisions of the present law were intended by the Congress to provide the mechanism whereby domestic industries and workers would be protected from serious injury resulting from imports. Neither provision has achieved this objective in the past and nothing in H. R. 1 corrects this deficiency.

The "peril point" provides that before any reduction in a tariff rate on a specific product can be made, the President must obtain the advice of the Tariff Commission as to the rate below which it believes a reduction could not be made without causing or threatening serious injury to "domestic industry" producing the product. No relief has, as yet, been provided under this provision.

In the event that tariff concessions result in such increased imports as to cause or threaten serious injury to the domestic industry, the concession may be withdrawn or modified in accordance with a provision, known as the "escape clause," which must be incorporated in every agreement. Upon petition any interested party may request the United States Tariff Commission to make an investigation and report to the President whether or not a concession has been the cause of serious injury or the threat thereof.

Since institution of the escape-clause procedure in 1948, there have been 59 applications for relief to the Tariff Commission. In 15 of these cases, the Commission found injury or the threat of injury and so reported to the President. In only five of these cases has the President taken action in response to the report of the Commission. These were:

- Women's fur felt hats and hat bodies (October 30, 1950)
- Hatters' fur (January 5, 1952)
- Dried figs (August 16, 1952)
- Alsike cloverseed (June 30, 1954)
- Watches, movements, and parts (second investigation) (July 27, 1954)

Among serious criticisms of the present escape-clause procedure is that the Tariff Commission ignores the fact of injury to a significant segment of the affected industry and looks, instead, to the question of whether or not the industry as a whole is injured. Moreover, the law does not provide that the Commission consider impairment of the national defense in its consideration of the effect of imports on domestic producers.

Escape-clause proceedings before the Tariff Commission are lengthy and involve exhaustive public hearings. Every available fact is laid before the Commission. However, in his rejection of escape-clause recommendations, the President has frequently expressed his disagreement with the finding of the Commission as to the *fact of injury*. This disagreement over the facts has been based upon several grounds.

For example, the President may decide that injury has occurred, not because of imports as found by the Tariff Commission, but as the result of a nontrade factor such as a shift in consumer demand. Or the President may base his decision on evidence supplied to him by other agencies, including foreign governments. Or the President may decide that some overriding consideration of the national interest may require disregarding of the fact of injury. It is obvious, therefore, that there is considerable uncertainty in the outcome of escape-clause procedures.

We believe this to be particularly unfortunate when a domestic industry, typically a small industry, goes to great expense of both time and money to pursue its claim before the Tariff Commission, secures a determination by this bipartisan agency that serious injury as a result of imports does in fact exist, and then discovers that the recommendation of the Commission has been disregarded on the basis of other evidence not presented in the proceedings to which it was a party and with respect to which it has had no opportunity to rebut or otherwise explain.

The domestic industry has no appeal from the findings of fact of the Tariff Commission. It has no further forum in which to pursue its case. We believe, therefore, that our legal traditions as well as elementary principles of justice require that the findings of fact by the Tariff Commission be conclusive on the President as well as on all other interested parties. We cannot believe it desirable that these findings of fact be set aside on the basis of evidence produced, for example, by a foreign government or a foreign industry and channeled through the State Department outside of the public proceedings and beyond the public forum contemplated by the law.

Therefore, while we also recognize many other inadequacies of the escape-clause procedure, it would seem that, as the very minimum, the findings of fact by the Tariff Commission as to the existence of injury be conclusive.

#### DEFENSE CONSIDERATIONS

We were deeply disturbed during the public hearings by testimony from many segments of industry concerning the defense implications of our tariff policy. As we stated earlier in this report, "a solid United States defense structure, founded upon a strong industrial base, is a prime requisite for peace and security in the world." Certainly, the impact of tariff policy upon the Nation's security must be scrutinized with the greatest care.

Essential industries, essential plant capacities, essential skills, and sources of essential raw materials must be preserved, developed and expanded so that the Nation can quickly call upon them in time of emergency.

While many advocates of a further general reduction in tariffs profess not to be seeking complete free trade as their ultimate objective, their underlying philosophy is that the United States should import those things which can be produced more cheaply abroad and that our own economy should in turn emphasize production of those things which we ourselves can produce more cheaply. This theory presupposes economic specialization among the countries of the world.

We reject both the theory and its practice as perilous to the safety of the United States. If this were truly "one world," perhaps one might overlook some of the fallacies we believe to be implicit in such a philosophy, but it is not. The world is divided into two armed camps. Both our survival as a nation and the principles of freedom upon which our way of life is founded are at stake. Elimination of certain industries because of their inability to match foreign competition appeals to the theorist on the ground that it is "economically efficient." It does not appeal to us because it leaves the Nation vulnerable to economic and military attack. Our economic strength must have the broadest base possible.

Those of us who are familiar with tariff history will recall that prior to World War I this country had no substantial chemical industry. We paid a heavy price at the time for that gap in our economic security. A domestic chemical industry was built up during the war period. Immediately following the close of World War I, cheap German chemicals flooded our market. There was no tariff protection, and our infant industry was almost destroyed.

At that time, Dr. Frank William Taussig, noted free-trade economist, advised the United States to let Germany monopolize organic chemicals. He said:

\* \* \* As a matter of the international division of labor, the people of the United States would do well to turn to other things on which they work to better advantage, and get their dyestuffs (organic chemicals) from Germany \* \* \*

The country ignored this advice and enacted the Emergency Tariff Act of 1921 which gave the industry essential protection. That we did not accept such advice was an important factor in our World War II victory. Without synthetic organic chemicals, the United States would have had no synthetic rubber, no sulfa drugs, and no plastics.

The industry today is facing a similar threat from reactivated and expanded German chemical production. Already, we have been told, domestic production of certain chemicals has ceased, and development and expansion of new products has been hampered because of growing competition from increasing imports. This fact becomes all the more significant because only now is world trade beginning to recover from the effects of war and postwar reconstruction.

The electrical machinery and electrical apparatus industry is another case in point. No one would question the essentiality to our security of critical power installations. However, plants which have been built since the Korean crisis on the basis of certificates of necessity to defense mobilization are now partially idle because of purchases of foreign electrical equipment produced with low labor costs. In addition, such equipment installed by foreign firms, with foreign plans, could neither be repaired nor replaced quickly. This aspect of our foreign-trade policy gives us grave concern.

Another example is the machine-tool industry. That industry is another bulwark of our economic and military strength. Yet machine tools which are identical in every way to the American models—even built to the same blueprints—can be and are being produced abroad at a fraction of the American cost and then shipped back to the American market. It is no answer in our minds to say that our machines are better and, thus, can survive this type of competition. The fact is that many foreign machine tools are of the highest grade.

France and Great Britain depended upon German machine tools before World War II. This was an important contributing factor to the downfall of France, and, except for the United States machine-tool industry, it could have meant the downfall of Great Britain. We must not depend on foreign factories for our industrial mobilization base.

Preservation and expansion of domestic sources of essential raw materials are also vital to our Nation's security. Yet, our capacity to produce coal, oil, lead, zinc, tungsten, manganese, and a variety of other raw materials, has been damaged by imports.

The above are some examples of our concern. Many other indus-



tries, such as precision and optical instruments, have presented equally grave cases.

H. R. 1 is devoid of any provision relating to the essential factor of national security. Section 2 of the Trade Agreements Extension Act of 1954 prohibits the reduction of duty on any article under a trade agreement if the President finds that such reduction would threaten domestic production needed for projected national-defense requirements. The committee has received no evidence concerning the implementation of this provision with respect to products included in the forthcoming Japanese negotiations and the Geneva multinational negotiations. H. R. 1 does not contain any standards or procedures to guide the President in implementing this important provision. Several amendments directed to a solution of this problem were rejected by the majority—as a result, we believe, of inadequate consideration.

#### THE WAGE DIFFERENTIAL PROBLEM

There is no disagreement that the level of wages abroad is substantially below that in the United States. Foreign wages average between one-tenth and one-third those paid domestically.

We recognize, of course, that wage levels and unit labor costs are not the sole factors in the cost of production, either at home or abroad. The cost of new capital, the cost of raw materials, the cost of plant and equipment, the rate of productivity, the level of taxes, Government-financed long-term credit and other Government subsidies on exports, and many other items must be taken into consideration. However, we have been impressed with the fact that the level of these other items of cost to the foreign producer is not necessarily greater and is often lower than that of similar cost to the American producer. For example, interest rates on new capital in Great Britain, Switzerland, Belgium, the Netherlands and several other countries of Western Europe are either the same or are approximately equivalent to prevailing rates in the United States. Corporation taxes are frequently lower. In Germany, for example, the effective corporate tax rate is 39.85 percent as compared with 52 percent in the United States, and depreciation allowances are considerably more liberal. Moreover, plant construction costs in Germany are approximately 50 percent of those in the United States.

Be that as it may, the cost of labor is the largest single factor resulting in the lower prices of foreign-made goods. Some suggest that this differential can more than be compensated for by greater efficiency, better machines, and better techniques on the part of the American producer. In the case of certain mass-produced items, this may be true. However, even this advantage may be only temporary as American know-how increasingly is being exported abroad under the various technical assistance programs.

On the other hand, the wage differential is frequently so great, particularly with respect to articles in which labor is necessarily a preponderant factor, that the domestic producer has an almost insuperable handicap.

The argument is often made that the American consumer not only should have the opportunity to take advantage of these lower foreign labor costs but should be encouraged to do so through legislation, such as H. R. 1. We agree that lower prices to consumers are an important

objective. However, in achieving that goal, we must not overlook the fact that American consumers are wage earners paid by American standards.

The United States has fostered high wages and high labor standards generally by a complex body of Federal and State legislation. We prohibit child labor and sweatshops. We prohibit the interstate shipment of prison-made goods. We encourage unionization and require collective bargaining. We insist upon active competition through antitrust prohibitions. We impose social security and unemployment compensation taxes. We establish minimum wages. We require workmen's compensation. We impose a variety of other regulations designed to insure the health and safety of our workers. All of these are enforced uniformly throughout the United States despite geographic disparities. The Federal Government enforces these legitimate improvements in our standard of living by prohibiting, under the commerce power, the interstate shipment of goods made under conditions violating the various standards established by law.

We, too, in the United States could have lower consumer prices if we permitted child labor and sweatshops to exist. We, too, could make goods cheaper if the interests of our workers were ignored. However, we decided long ago that the standards of labor for American workers were a more important consideration.

There is a basic and obvious inconsistency in continuing to pursue that goal in the United States and, at the same time, in disregarding the impact upon our own labor standards by encouraging the importation of competitive foreign goods manufactured under conditions which would not be tolerated in our own country.

This is no theoretical matter but a practical situation which must be faced. Our committee was told of an American machine-tool manufacturer who is now having his tools built in Holland. The tool which the domestic producer could make for \$10,500 is made in Holland, from the American plans, for \$5,000. It is the identical product, and it is brought back to the United States for sale.

We cannot believe that this is healthy foreign trade. In our mind, it is no different, no better and no worse, than if the American manufacturer imported the Dutch workers and employed them in his United States plant at the wage rates prevailing in Holland. One can imagine the indignation that such a move would cause, and rightly so. Yet, this is the practical effect of the transaction.

As previously stated, the report by the Commission on Foreign Economic Policy, declares that "American labor should not be subjected to unfair competition as part of any program to expand our foreign trade." To this statement, the President has subscribed. We too are in accord. However, the only recommendation contained in the report of the Commission in this regard is that "our negotiators should simply make clear that no tariff concession will be granted on products made by workers receiving wages which are substandard in the exporting country." In our opinion this is completely inadequate. It is "unfair" to American workers in the United States to say that labor in Japan, at 10 or 11 cents an hour, is "fair" competition simply because it is not substandard in Japan. By United States law, such standards are "unfair" in the United States, just as are other "standards" in foreign countries relating to child labor, health, and basic principles of active and aggressive competition as we know

them. The word "unfair" as applied to United States workers and producers must be interpreted by United States standards only.

This is not to say that we should prohibit the entry of any goods made at lower labor costs or under different standards than in the United States. We do say that the time has come to stop ignoring these factors of international competition. The strongest bulwark against communism abroad would be a steadily rising standard of living based upon a steady increase in wages in foreign countries. We have seen no evidence that the wage differential between the United States and foreign countries has narrowed in recent years. In fact, the gap has widened—this at a time when foreign exports to the United States are at an alltime high. It may well be that greatly expanded imports into the United States will increase wealth abroad. We do not doubt it, but we have seen little evidence that much of the benefit of such increased trade will inure to the average workingman.

We believe that our trade negotiations should recognize the importance of work standards abroad. This does not mean that we should seek to police foreign economies. This would be both impractical and improper. On the other hand, the grant of a concession to our great American market is a privilege. It is not a right, as so many seem to think.

H. R. 1 contains nothing which pertains to labor standards. We should explore the possibility of denying further tariff concessions to goods made under conditions which would be substantially substandard in the United States. This could be done gradually and would furnish an encouragement to an upward adjustment of standards abroad.

An amendment along this line was offered in our committee but was rejected summarily.

#### EFFECT ON SMALL BUSINESS

There is widespread agreement, even among the proponents of H. R. 1, that tariff reduction will result in injury to selected segments of the domestic economy. Difference of opinion in this area goes only to the degree of that injury. We are concerned over the fact that the major impact of that injury will fall primarily upon small business in the United States.

A small business typically depends upon one product or upon a small group of closely related products. As a result, the adverse effect upon such a company of foreign imports often results in the closing down or drastic curtailment of the business operation. For this reason, the unavoidable injury to domestic industry resulting from further reduction in tariffs, will be borne most heavily by small businesses and their employees.

A leading proponent of tariff reduction, in testifying before our committee, described the plight of the wool-textile industry and commented that "the recent rash of mergers has helped." We are deeply disturbed over the implications of that remark. The current trend toward merger and consolidation among business enterprises is too well-known to require further emphasis. This trend, if it should continue unabated, will bring about a radical change in the American economic picture.

Small, vigorous, independent businesses are a vital part of our free-enterprise system. Any national tariff policy must give due weight

to this fact. However, despite its recognized importance, the Commission on Foreign Economic Policy, charged by the Congress with an exhaustive analysis of all aspects of the Nation's foreign trade policy, gave no attention to this problem. Nor does H. R. 1.

#### EFFECT ON AGRICULTURE

The relation between domestic agriculture and tariff policy are left in complete uncertainty by H. R. 1.

The United States today imposes quotas on the importation of specified agricultural commodities in order to maintain the integrity of domestic farm price support programs. The use of such quotas by the United States is today under violent attack by most of the other parties to GATT. The United States has already bound itself in GATT against the use of additional quotas in the future. As a result, Congress is in effect precluded from putting new agricultural commodities under the quota system should the need arise. Such an action would be deemed a violation of the spirit of our commitment to GATT.

While section 22 of the Agricultural Adjustment Act, as amended, authorizes the imposition of quotas on the importation of commodities which are subject to price support, all other domestic agricultural commodities are without this protection. As a result, the same authority to reduce rates and other import restrictions is extended to the President with respect to these other agricultural commodities as is applicable to imports generally.

#### WHY THE NEED FOR HASTE?

We have already pointed out that the organizational features of GATT are to be submitted to the Congress this session. It has been stated that H. R. 1 itself has no implications insofar as GATT is concerned. However, we believe that this is a judgment which the Congress is entitled to make for itself. This is especially true when it is dealing with a function which is vested specifically in the Congress by the Constitution. Therefore, we recommend that H. R. 1 not be acted upon until at least the organizational features of GATT have been laid before the Congress.

In this same connection, the last Congress directed the Tariff Commission to make a complete study of all provisions of the customs laws under which imported articles may be classified for tariff purposes. The Commission was directed to compile a revision and consolidation of the classification provisions, and to make its preliminary report to the Committee on Ways and Means by March 15, 1955 (Public Law 768, 83d Cong.). The report in question has not been received. It should be considered before further modifications of our tariff policy are acted upon.

We have also pointed out that trade negotiations are about to commence with Japan. Upon the list for possible concessions to Japan are such items as textiles, organic chemicals, cameras, chinaware, pottery, glassware, porcelain, optical instruments, fish products, and a great variety of other items. Any concessions to Japan will, of course, be extended automatically to other countries under most-favored-nation principles. And, as previously stated, H. R. 1 also contains a unique

provision specifically authorizing the United States to grant concessions to third countries in return for their granting concessions to Japan.

The forthcoming Japanese negotiations will have tremendous implications for the American economy. No less significant will be the subsequent negotiations with many GATT parties in Geneva. As already pointed out, Congress cannot possibly measure the additional grant of tariff reduction power contained in H. R. 1 until all these negotiations are completed. As we all know, in the past without obtaining reciprocal benefits our international negotiators have given away the bulk of our bargaining position in the field of world trade. Today, there remains little with which to obtain concessions from other countries. How can one justify a feeling of confidence in these negotiations for the future?

We therefore recommend that the additional power contained in H. R. 1 should not be delegated until the Congress has more information than it has today concerning the effect of forthcoming negotiations and until the report of the Tariff Commission has been received and studied.

DANIEL A. REED.  
THOMAS A. JENKINS.  
RICHARD M. SIMPSON.  
NOAH M. MASON.

## APPENDIXES

### APPENDIX A

#### CRITICISMS OF TRADE AGREEMENTS PROGRAM

*Charge: United States tariffs are already too low*

Some opponents of the bill have testified that the United States tariffs are lower than those of most other countries. Starting from this premise they argue that the United States should not reduce its tariffs further. Several arguments can be set forth to rebut this contention. First, any discussion of levels of tariffs is misleading. Average levels found by computing the arithmetical rates between duties collected and the value of total dutiable imports does not give a meaningful picture. Indulgence in such a "numbers racket," as stated by Secretary of State Dulles, is not very fruitful. Secondly, the restrictiveness of a duty bears little relationship to the height of the tariff. A mathematically low duty on one product may be more restrictive than a high duty on another product. As tariff rates become more restrictive, therefore, they decrease the customs revenues collected and result in a lower rather than a higher ad valorem equivalent. Thus, to carry the reasoning to its logical conclusion, if the rates were made high enough to keep out all dutiable imports, the average ad valorem equivalent would be reduced to zero.

The Secretary of State in his testimony before the committee stated succinctly the other and more important reasons why it would not be in the national interest to cease tariff reductions. He pointed out that because the United States is the world's principal economic unit that it has the heaviest responsibility in the economic field. Other nations fear that the United States may shift the direction of our trade policy and turn to raising rather than lowering trade barriers. "Such fears, unless allayed," he said, "could set up a chain reaction which would gravely damage and disrupt the free world. It would bring to pass what Soviet forecasters have predicted and would provide hostile rulers with another opportunity greatly to expand their power."

The Secretary also pointed out that unless the United States remains in a position to exert a continuing influence upon the trade policies of the free world, the possibilities for expansion of foreign trade elsewhere probably will not be realized. New negotiating powers for the President will "enable the United States to make a new start in promoting freer trade policies on the part of other nations."

*Charge: The trade-agreements program is not reciprocal*

Another charge against the trade-agreements program is that other countries have nullified concessions to United States export trade by various restrictions against dollar imports. While it is true

that restrictions have been imposed on imports from the dollar area, these barriers have their roots in the need to conserve foreign exchange. As the balance-of-payments situation of those foreign countries with which we have trade agreements has improved they have relaxed their restrictions on imports from the United States.

A survey prepared by the Department of State reveals that import restrictions vis-a-vis the dollar area have been relaxed throughout the world during 1954. This survey is divided into two parts, one a listing of the overall liberalization that has taken place, and the second section dealing with specific cases of restrictions which have been alleviated through utilization of trade-agreement mechanisms.

#### RELAXATION OF RESTRICTIONS AGAINST DOLLAR IMPORTS

##### I. RESTRICTIONS ON IMPORTS FOR BALANCE-OF-PAYMENTS REASONS

During the post-World War II period many countries considered it necessary to take severe measures to help pull their economies out of the difficulties created by the war. Faced with limited supplies of dollars with which to pay for the goods they wished to buy from the United States, they have had to ration their funds through the use of import restrictions on dollar goods. The United States, recognizing the difficult economic situation created by the war, has attempted to minimize the damage to its commerce which has unavoidably resulted from these rationing measures. It has tried to insure that the restrictions would be relaxed as soon as improvement in the financial positions of the importing countries permitted. Consultations have been held with many countries in the General Agreement on Tariffs and Trade, the International Monetary Fund, the Organization for European Economic Cooperation, and in bilateral talks concerning dollar import restrictions.

These efforts by the United States have in part led to progressive elimination of restrictions against dollar goods. The 1954 Annual Report of the International Monetary Fund states: "There was a general trend toward the removal of barriers on trade and payments, and restrictive practices have been considerably reduced and modified."

A quantitative estimate of the extent of liberalization throughout the world is extremely difficult to develop. However, for Western Europe there has been a significant relaxation of restrictions on dollar imports since the beginning of 1953. In that year only three countries in Western Europe--Belgium, Switzerland, and the United Kingdom--had any degree of freedom with respect to goods imported from the dollar area without any limitation by licensing authorities. By the beginning of 1955, 7 additional countries had liberalized imports from the dollar area, with the overall percentage of liberalization for these 10 countries amounting to almost 60 percent based on statistics for imports on private account in 1953. The chart at the end of this section shows the extent of progress in freeing dollar imports from restrictions by these 10 OEEC countries. It should also be noted that the extent that restrictions against dollar imports have been relaxed would reflect even greater progress if account were taken of the more liberal treatment that is being afforded such imports by licensing authorities.

The following brief summary reflects the actions taken by the major trading countries of the free world to liberalize imports from the dollar area. Those countries which are not included have not relaxed their restrictions during the past year.

##### *I. Western Europe*<sup>1</sup>

*Belgium, Netherlands, and Luxembourg*--A common free list for imports from the dollar area generally similar to that for the OEEC countries was made effective on June 1, 1954. Licenses for the items on this free list are automatically granted. Included among the freed products are such agricultural commodities as wheat, barley, corn, flour, fats, raw tallow, tobacco, raw cotton, figs, almonds, nuts, apricots, and phosphate fertilizer; such raw materials as many chemicals, copper, and petroleum oils; and such manufactured products as iron and steel sections, engines of various types, calculating machines, generators, and electric

<sup>1</sup> As used in this section the phrase "liberalization percentage" reflects the percentage of private imports from the United States and Canada in the base period of 1953 of the commodities that can be imported without obtaining the prior approval of the licensing authorities.

motors, certain parts and components for motor vehicles and tractors, aircraft, locomotives, passenger coaches, motorcycles, dolls, and toys. The liberalization percentage totals 86 percent.

*Denmark.*—The first major step in freeing dollar imports was taken in December 1954. Import licenses will be issued automatically for such goods on the dollar free list as raw tobacco, cotton, asphalt, lumber, paper, many chemicals, medicinal articles, optical glassware, various tools and instruments, sewing machines, agricultural machinery, textiles, printing, packing and other machines, machine tools, and telephone and telegraph equipment. By this action, a liberalization percentage of 38 percent was achieved. The Danish Government has indicated that the dollar free list will be expanded as soon as conditions permit but, in the interim, a liberal policy will be followed in granting licenses for dollar goods.

*Germany.*—The issuance of a dollar free list covering 2,000 items in February 1954 was followed in November 1954 by the addition to this list of about 1,800 more items. Items on the dollar free list are automatically issued import licenses. Items included in the first list were mainly raw materials, such as cotton, wool, nonferrous ores, ferroalloys, crude oil, and a number of chemical raw materials. In addition there were such categories of semifinished and finished goods as machine tools, machinery, electrotechnical goods, precision instruments, and glass and ceramics. The second list included petroleum lubricating oil, paper, washing machines, some types of refrigerators, electrical sound equipment, certain types of leather, and vulcanized fibers. As in the original list, however, there were no food or agricultural items in this second list. The restrictive policy toward imports of United States coal was relaxed in December 1954 when it was announced that licenses would be issued for the importation of 40 million deutsche marks of United States coal provided payment was in a nonconvertible currency. The liberalization percentage amounts to about 70 percent.

*Greece.*—Except for a limited number of specified goods, there are no quantitative restrictions on imports. The liberalization percentage totals 90 percent.

*Iceland.*—Iceland has a free list for which import licenses are not required. Included among the items on the free list are cereals, flours, raw coffee, fruit juices, certain oils, raw cotton, hemp, certain metallurgy products, nonferrous metals, refined petroleum, aviation gas, certain lubricants, certain textiles, and miscellaneous manufactured goods. The liberalization percentage totals 33 percent.

*Italy.*—Extended its free list on goods from the dollar area which do not require import licenses on August 10, 1954, so as to raise the liberalization percentage from 10 to 24 percent. Included in this new list of liberalized products are such items as vegetable waxes, coal, crude petroleum oils for refining, certain minerals, rags, waste, synthetic and artificial rubber, woodpulp, cast iron, iron and nonferrous ores, iron, steel, and cast iron scrap, crude copper and copper alloys and scrap, carbon black, and certain other chemicals and pharmaceuticals.

*Norway.*—While requiring import licenses for all goods from the dollar area, the Government adopted a new policy in March 1954 of granting licenses for imports of essential goods without regard to the previous requirement that there be at least a 10-percent price advantage over nondollar goods. Essential commodities include petroleum, raw tobacco and cotton, soybeans, semifabricated iron and steel, certain chemicals, and agricultural and other machinery.

*Sweden.*—On October 1, 1954, Sweden established a dollar-free list which released a wide range of commodities of dollar area origin from import license requirements. At the same time, the Government announced that licenses for the importation of other goods from the dollar area which were on the OEEC free list would be granted in greater quantities. The dollar free list includes a great majority of the commodities on which Sweden granted tariff concessions to the United States under the GATT. The list covers such items as manufactures of iron and metal, almost all chemical products, hides and skins, rubber products, wood goods, all paper other than newsprint, textile raw materials, yarn, cord fabrics, shoes, hats, stone, clay and glass products, iron and steel products, machines, apparatus and instruments except cameras, projectors, and musical instruments, equipment for railways, streetcars, motorcycles and bicycles, dried fruits and raisins, rice, canned fish, canned fruits and juices, handbags, fishing tackle, tobacco pipes, fountain pens, and many other consumer goods. The liberalization percentage totals 40 percent.

*Switzerland.*—There is no discrimination against imports from the dollar area. Import licenses are not required except for a small list of items. The liberalization percentage amounts to 98 percent.

*United Kingdom.*—In the past 2 years the Government has taken extensive steps in returning to private trade the importation of many commodities. For



the most part this action was followed by the establishment of international commodity markets and the freeing of imports from the dollar area. Included were such commodities as nickel, copper, lead, zinc, raw cotton, and wheat. In June 1954, imports of oilseeds, oils, and fats were allowed freely from the dollar area under open individual licenses and restrictions were eased on the importation of dollar machinery. Further relaxation of restrictions occurred in December 1954 when the quota for imports of passenger automobiles from the United States was increased from approximately 240 cars annually to 500 and the quota for hardwood imports was raised. The liberalization percentage amounts to almost 50 percent.

## II. Africa

*Union of South Africa.*—Since January 1, 1954, the import control system has been nondiscriminatory in character insofar as source of imports is concerned. In October 1954 the Government announced that it was proceeding with the gradual relaxation of import controls and hoped to remove the controls entirely in the not too distant future, depending upon the rate of improvement in the balance of payments. In 1955 the Government announced that the requirements of the manufacturing industries for raw materials would be almost fully met; the importation of industrial machinery would be on an even more liberal basis than in 1954; quotas for agricultural machinery and implements would be increased; consumer goods imports would be increased and the list of totally prohibited items would be decreased. Further, import permits would no longer be required for textile piece goods, tea, coffee, raw cotton, raw wool, and certain types of stationery.

*Ethiopia.*—As of the end of 1953, imports from the dollar area were placed on the same basis as imports from other currency areas thereby abolishing the discrimination which existed against dollar imports. Further, during the past year, exchange was freely granted for the import of all goods from any source.

*Federation of Rhodesia and Nyasaland.*—On July 1, 1954, restrictions on imports from the dollar area were eased. Many items previously subject to quota limitations were added to the unrestricted list, i. e., the list of items not under currency quotas but still requiring import licenses which are issued subject only to scrutiny. Such items include animal feeding stuffs; condensed milk; dried milk; edible nuts, excluding groundnuts; hand tools; outboard motors over 20 horsepower; filter plants and filters for the purification and softening of water; lifts, hydraulic or electric and gates; air-conditioning machinery; insecticides; medicinal drugs and chemicals; disinfectants; veneers; and sensitized paper. Further, there were significant dollar allocations for such goods as wheat, agricultural, mining and industrial machinery, steel, electrical goods and spares, commercial vehicles, special tires and tubes, plywood and office equipment.

*Libya.*—In November 1954, the Government announced the relaxation of restrictions on dollar imports considered necessary to the Libyan economy. Such goods include agricultural and industrial equipment and seeds, essential foodstuffs such as wheat and barley, second-hand clothes, medicines and drugs, essential household appliances such as refrigerators and sewing machines, commercial vehicles and spare parts for automobiles, and other machines, construction equipment, newspapers, magazines, and periodicals.

## III. The Far East

*India.*—Restrictions, which had held dollar purchases to the barest minimum for the past several years, have been reduced for 1955. Liberalization has taken the form of increased quotas and the possibility of importers utilizing a portion of their soft currency licenses for dollar imports.

*Pakistan.*—A new import policy for the first half of 1955 was announced which would maintain import licensing requirements but would be for the most part nondiscriminatory with respect to imports from the dollar area. Further, the list of importable items was increased from less than 200 items to over 300 and includes essential consumer goods. In addition, there was an increase in the established quotas for dollar-area imports.

*New Zealand.*—The restrictions on dollar imports have recently been relaxed by providing for substantial increases in the list of goods which can be imported freely from all sources. In addition, exchange allocations for dollar imports have been increased.

*Thailand.*—Practically all imports now require licenses, but this action was taken to discourage speculative imports. However, there is no discrimination as to source of supply. Licenses are automatically granted for "essential" goods and imports of "semiessential" goods are permitted up to the highest value of imports during any of the 5 preceding years. While some "luxury" goods are prohibited, licenses are issued for others.

IV. *Western Hemisphere*

Canada, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Peru, and Venezuela have only nominal restrictions, if any, on dollar imports.

2. SPECIFIC CASES WHERE THE UNITED STATES HAS SUCCEEDED IN HAVING RESTRICTIONS AGAINST DOLLAR GOODS ELIMINATED

(a) *Token imports.*—The United States has been pressing foreign governments which are maintaining balance-of-payments import restrictions to permit the entry of limited quantities of American products in order to permit American traders and their products to retain a foothold in markets established before financial difficulties necessitated rationing of dollars. The United States has been able to make representations on this subject to the major trading countries of the world because of the provisions contained in the General Agreement on Tariffs and Trade which require countries imposing balance-of-payments restrictions "not to apply restrictions so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities, the exclusion of which would impair regular channels of trade, or restrictions which would prevent the importation of commercial samples or prevent compliance with patent, trade-mark, copyright, or similar procedures \* \* \*"

Token import arrangements have been in effect in the United Kingdom for some years. Other contracting parties have different arrangements which give effect to this requirement. Discussions have been held with Australia, Pakistan, Sweden, New Zealand, and Chile for the establishment of similar arrangements.

(b) *United Kingdom purchase of apples.*—The United Kingdom in 1951 was making arrangements for the purchase of apples in a manner which would have discriminated in favor of Canada and against the United States. The United States, in consultations with Canada and the United Kingdom, argued, on the basis of the general agreement, that the British could not apply import restrictions in a way which would discriminate between two hard-currency countries. The resulting arrangement provided for equal treatment of the two countries.

(c) *Discriminatory Haitian price regulations affecting United States cigarettes.*—A government tobacco monopoly in Haiti increased the retail price at which imported American cigarettes could be sold but did not increase the retail price at which domestically manufactured cigarettes could be sold, which resulted in discrimination against American cigarettes that might have decreased considerably the market for imported American cigarettes in that country. This Government through the American Embassy called attention to paragraphs 1 and 4 of article III of GATT. The discrimination has since been ended.

(d) *Cuban lumber tax.*—Cuba levied a 9-percent sales tax on imports of lumber and exempted domestic lumber from the tax. Attention was called by this Government through our Embassy to the first two paragraphs of article III, and as a result the tax was made nondiscriminatory by applying it also to domestic lumber.

(e) *Cuban import tax.*—Cuba proposed to levy an 8-percent tax on imported food products, with no tax on domestic products. Attention was called by this Government through our Embassy to the first two paragraphs of article III of GATT, and the proposal was never put into effect.

(f) *Cuban periodicals tax.*—Cuba levied a 9-percent sales tax on imported newspapers and magazines, exempting domestic newspapers and magazines from the tax. Attention was called by this Government through our Embassy to article III of GATT and as a result imported newspapers and magazines were also exempted from the tax.

(g) *Haitian import surtax.*—Haiti increased the 3-percent customs import surtax to rates varying from 3½ to 4½ percent on a relatively long list of products. This Government through its Embassy pointed out that any such increase on products listed in the Haitian schedule of GATT would be in contravention of the provision in article II. The foreign government took immediate steps to end the contravention by making sure that the increase did not apply to scheduled products.

(h) *Cuban import quotas.*—Cuba refused to allow two large shipments of potatoes from the United States to enter the country. This Government, through the American Embassy called attention to the provision of article XI of GATT, which states that no prohibitions shall be instituted or maintained by any contracting party on the importation of any products of any other contracting party, except as specified. The two shipments, which might have spoiled, with considerable loss to the exporter, were as a result of this protest later allowed to enter.

(i) *Cuban textile embargo.*—Cuba placed in effect import restrictions on textiles that amounted to a virtual embargo. Hundreds of thousands of dollars worth of shipments of textiles and related products from the United States were held on the docks or in customs warehouses in Cuba. When the Government in question failed to remove the restrictions, the United States Government brought the matter before the contracting parties to GATT, which were then in regular session at Geneva, claiming that the restrictions were in violation of article XI of GATT and invoking article XXIII of GATT to the effect that the restrictions nullified substantial concessions which Cuba had granted the United States in schedule IX and other provisions of the general agreement. The contracting parties discussed the matter, and the Cuban Government promptly took steps to relieve the situation.

(j) *Dominican import restrictions.*—The Dominican Republic banned the importation of ice-cream mix, which came principally from the United States. The American Embassy at the request of this Government discussed the matter with officials of that Government, pointing out that such a restriction was in contravention of article II of GATT. The restriction was promptly removed.

(k) *Dominican auto-import restrictions.*—The Dominican Republic published a resolution prohibiting the importation of automobiles valued at more than \$1,250, except under special permit, which was at first not being granted. The American Embassy at the request of this Government called the attention of that Government to the provisions of article XI and later reported to the Department of State that the importation of cars valued at more than the figure mentioned was being regularly permitted.

(l) *United Kingdom tobacco-mixing requirement.*—In 1950-51, the United States was successful in securing modification of a British requirement that to the amount of 5 percent of the total oriental tobacco be mixed with Virginia tobacco. On the basis of the obligation in article III of the general agreement, the British agreed to permit again the manufacture of pure Virginia cigarettes, as desired by the United States tobacco industry.

(m) *Brazilian coffee-export restrictions.*—The United States Embassy in Rio de Janeiro made representations to the Government of Brazil in 1951 concerning the applications of monthly export quotas on coffee. The United States protest held that the Brazilian action was in violation of article XI of the general agreement. The system of export quotas was subsequently altered and the basis for the complaint removed.

(n) *Discrimination against American petroleum interests.*—Denmark in late 1953 tried to pressure American petroleum companies in that country to purchase some of their petroleum requirements from Soviet bloc sources. The United States Embassy intervened to protest against this discrimination. In doing so it refuted an attempted balance-of-payments justification presented by the Danish Government. The Embassy based its arguments on the principle embodied in article XII of the general agreement, that is, that Denmark's financial position, as measured by the criteria of article XII, did not permit such onerous restrictions. Denmark dropped its request of the American oil companies.

(o) *French export quotas on raw angora wool.*—The United States protested in February 1954 to the French against the application by France of export quotas on raw angora wool. The complaint held that the quotas were inconsistent with Article XI of the general agreement. This case is presently under consideration.

(p) *Brazilian marking requirements.*—In July 1952 the United States protested to Brazil that a relaxation with respect to imports from Chile of a requirement that bags be marked in indelible ink should be extended to imports from the United States. The basis for the United States protest was article IX of the general agreement which requires most-favored-nation treatment with respect to marking requirements. The Brazilian Government then instructed its customs officers to extend to the United States on a most-favored-nation basis the treatment which applied to Chile.

(q) *Peruvian discrimination against United States cosmetics.*—The United States protested in 1951 and 1952 against the imposition by Peru of internal taxes which discriminated against imports of cosmetic goods from the United States. The United States based its protest on article III of the general agreement, which prevents internal taxes from being imposed on imports in a more burdensome manner than on like domestic products. Subsequently, Peru took steps toward removing the discrimination.

(r) *United Kingdom purchase tax.*—The United Kingdom imposed a purchase tax on imported goods which were comparable in price and quality to domestically produced goods which were generally exempt from the tax. The issue was raised

at a session of the contracting parties as a violation of article III. At the seventh session (in late 1952), the United Kingdom announced the removal of the discrimination between imported and domestic goods.

(s) *French 0.4-percent tax.*—The United States at the session held in the fall of 1953 challenged as inconsistent with the general agreement a tax imposed by France on all imports and exports amounting to four-tenths of 1 percent by value. The United States held that the tax nullified or impaired tariff concessions made by France under the agreement. France agreed that the tax did infringe the provisions of the agreement and expected that it would not be continued in the new budget. This tax has now been abolished.

(t) *Peruvian automobile import tax.*—At the time Peru was negotiating for accession to GATT, it developed that Peru contemplated imposition of a charge on imports of certain classes of automobiles, which the United States regarded would have violated the general agreement. On the basis of our explanation of the problem to Peru, it was decided to convert the import charge into an internal tax which would apply to any domestically produced automobiles as well as to imported cars.

(u) *French West African preferences.*—In 1951, France announced its intention of increasing most-favored-nation duties on some 40 items when imported into French West Africa from foreign countries, while leaving imports from France free of duty. France recognized that such action would require compensation, but on the basis of United States protests, based in part on France's obligation not to increase preference margins over the preference in a base period, France withdrew the request late in 1952. At the time, it was stated that the request might be renewed later, but to date the question has not been brought up again. A considerable amount of United States trade (amounting to \$3.5 million in 1 year) thus still enjoys lower rates when imported into French West Africa than would otherwise be the case.

(v) *Restrictions and discriminations against American motion pictures—(i) Austrian import restrictions.*—In 1953 the United States protested, on the basis of article XI (which contains a general prohibition against import restrictions), import restrictions against American motion pictures. Discussions have not been concluded in this case.

(ii) *Belgian restrictions.*—In 1951, when Belgium made known that it was imposing restrictions for balance-of-payments reasons and was giving motion-picture distributors 3 days to make counter proposals, the American Embassy in Brussels interceded on behalf of the American movie industry. It brought to the attention of the Belgians the obligation in the general agreement for consultations in regard to the imposition of balance-of-payments restrictions. The result was that these restrictions were postponed, and much milder restrictions were later imposed after consultation with the industry.

The American Embassy in Brussels in 1951 had the occasion to notify the Belgian Government that the general agreement required Belgium to give public notification of restrictions without regard to whether they were temporary, a reason the Belgians advanced for not giving publicity to the measure. Following United States representations in this case the imposition of the restrictions was postponed, and more satisfactory arrangements were worked out following discussions.

(iii) *Brazilian regulations.*—In January 1952 the United States invoked article II, paragraphs 1, 2, and 4, of the general agreement against a new decree and a draft bill which were judged to have a more burdensome effect on American motion pictures than measures in effect on the date of the general agreement (October 1947). The measures required importers to acquire domestic newsreels and shorts to the extent of 10 percent of the footage imported in a previous year. The draft bill was supplanted by another which did not contain the objectionable provision. The decree was later nullified by the Ministry of Justice on the grounds that it was a violation of the general agreement.

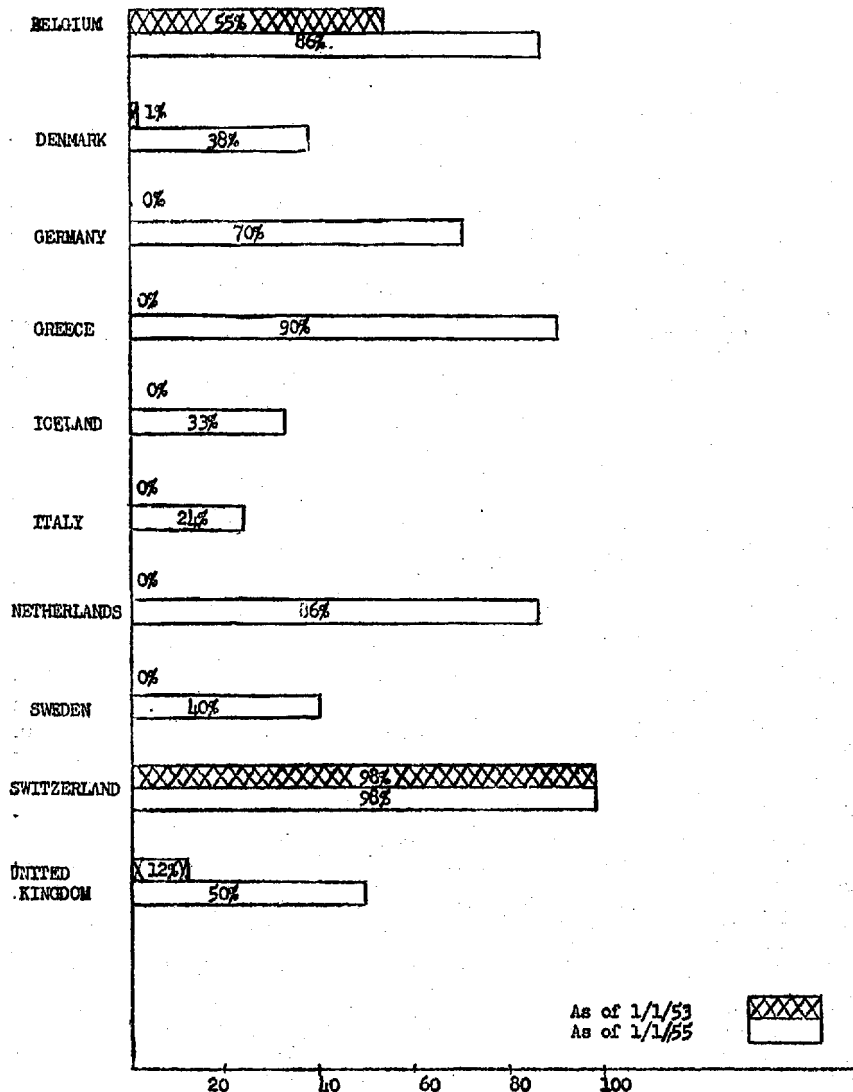
The American Embassy in Rio de Janeiro has been instructed to bring to the attention of the Brazilian Government the fact that a draft bill submitted to the Brazilian Congress would violate article III, paragraph 2 (by imposing a discriminatory internal tax), would violate article VII, paragraph 1 (by imposing a fee in excess of the cost of services rendered in connection with the importation), and would impair tariff concessions granted on motion pictures. No further progress has been reported on the draft bill.

In November 1952 the United States invoked article XI, paragraph 1, of the general agreement in protest against a Brazilian decree which called for an import

limitation of one print per film. The application of the decree was postponed, and, while the question has not been finally disposed of, restrictions provided by the decree have not been made effective.

(w) *Norwegian internal taxes.*—The United States invoked article III on April 28, 1950, against a 1949 regulation exempting from taxation the revenue derived by theaters from exhibition of Norwegian newsreels but not foreign newsreels. On August 1, 1950, foreign newsreels were also exempted from the admission tax and placed on the same footing as Norwegian newsreels in response to the Embassy's representation.

EXTENT OF PROGRESS BY OEEC COUNTRIES IN DOLLAR LIBERALIZATION



Liberalization Percentage.—The percentage of private imports from the United States and Canada in the base period of 1953 of the commodities that can be imported without obtaining the prior approval of the licensing authorities

*Charge: Passage of H. R. 1 should wait for GATT renegotiation*

Some witnesses before the committee have urged that action on H. R. 1 be delayed until after the General Agreement on Tariffs and Trade has been negotiated and presented to the Congress for approval.

There is no valid reason for delaying action on H. R. 1. The General Agreement on Tariffs and Trade is a multilateral trade agreement. The Congress has never undertaken to approve the specific terms of any trade agreement in its consideration of the trade-agreement legislation.

As far as the organizational provisions of the GATT are concerned the President in his March 30, 1954, message to Congress and his January 10 message of this year indicated that as soon as the negotiations in Geneva are completed he will submit the organizational provisions to the Congress for approval.

*Charge: Passage of H. R. 1 should await the outcome of Japanese tariff negotiations*

Those who have urged that action on H. R. 1 be delayed until after the results of the Japanese tariff negotiations are known do not appear to comprehend the purpose of H. R. 1. Authority under the present act exists for completing negotiations with Japan. However, the success of the negotiations might be jeopardized if the negotiations had to be completed before June 12, 1955. United States negotiators should not be forced to race against time. The opportunity for negotiating successfully with Japan and with the other countries that will be participating in the negotiations will be greatly increased if the United States delegation is not under pressure to complete the bargaining by a particular date. H. R. 1 provides that if the trade agreement involving Japan is entered into after July 1, 1955, the authority to decrease a rate to 50 percent below the January 1, 1945, rate would continue but the authority to reduce the rate by 15 percent would not be available for products included in the agreement when the reduction was more than 15 percent of the July 1, 1955, rate.

*Charge: Defense industries and skills are not adequately protected*

Witnesses who claimed that their particular industries were essential to the defense of the United States asserted that the Trade Agreements Act does not provide the protection which they require.

Insofar as the Trade Agreements Act, as extended by Public Law 464, 83d Congress, is concerned, provision has been included to safeguard against tariff reductions which might affect defense industries. Section 2 of this law provides that no action shall be taken—

to decrease the duty on any article if the President finds that such reduction would threaten domestic production needed for projected national defense requirements.

Therefore, under present procedures the President must give careful consideration to the defense implications of any suggested tariff reduction.

Suggestions have also been made that the Tariff Commission should decide what industries are essential to national defense. The responsibility for taking into account national security considerations properly belongs with the President who will obtain the advice of the National Security Council, the Department of Defense, and other executive agencies directly concerned with these matters.

APPENDIX B

THE EXECUTIVE DEPARTMENT'S TESTIMONY AND SUPPORT OF H. R. 1

*The President.* In 1954 and again in January of this year President Eisenhower has given firm support to the program embodied in this bill.

His foreign economic policy message of March 30, 1954, stated the issue in clear terms:

If we fail in our trade policy, we may fail in all. Our domestic employment, our standard of living, our security, and the solidarity of the free world—all are involved.

I am convinced that the gradual and selective revision of our tariffs, through the tested method of negotiation with other nations, is an essential ingredient of the continuing growth of our domestic economy. An expression of our willingness to negotiate further will offer needed leadership toward the reduction of trade and payments barriers that limit markets for our goods throughout the world.

On January 10 of this year the President reemphasized the importance of renewal and expansion of the President's authority in the trade-agreement field. As he said at that time:

It is essential for the security of the United States and the rest of the free world that the United States take the leadership in promoting the achievement of those high levels of trade that will bring to all the economic strength upon which the freedom and security of all depend. Those high levels of trade can be promoted by the specific measures with regard to trade barriers recommended in this message \* \* \*.

Six members of the Cabinet and the Director of the Foreign Operations Administration, appeared before the committee. All gave unqualified support to the bill.

*The Secretary of State,* Hon. John Foster Dulles, supported the bill in these words:

Specifically, I urge the extending of Trade Agreements Act by enactment of H. R. 1. This extension, I am convinced, will promote the security and welfare of the United States.

In this economic field many nations have a responsibility. But the heaviest responsibility lies upon the United States. That is because we are the world's principal economic unit. Although the United States represents less than 7 percent of the world's population, we account for more than 40 percent of the world's production. Our trade accounts for between 15 and 20 percent of the world's total trade. We are the largest single supplier of, and the largest single market for, many foreign countries. Therefore, our economic behavior is of tremendous importance to our friends and allies. Indeed, we would quickly alienate our friends and allies if we followed trade policies which cut across their vital needs.

Other countries are uncertain as to the future trend of our trade policies. They fear that we may shift to a policy of raising rather than lowering trade barriers.

Such fears, unless allayed, could set up a chain reaction which would gravely damage and disrupt the free world. It would bring to pass what Soviet forecasters have predicted and would provide hostile rulers with another opportunity greatly to expand their power.

A principal advantage of the bill, from the foreign relations standpoint, is that it extends the Trade Agreements Act for 3 years, and that increases certainty.

A second important factor of the bill, from the standpoint of foreign relations, is that it provides the President with new negotiating powers which will enable

the United States to make a new start in promoting freer trade policies on the part of other nations. The United States cannot itself be the recipient of all the surpluses of other countries. The greatest possibilities of foreign-trade expansion exist elsewhere. But these possibilities cannot be realized unless the United States is in a position to exert a continuing influence upon the trade policies of the free world.

I hope, Mr. Chairman, that I have not given the impression that the pending bill would primarily serve the economic interests of others. That is by no means the case. But I do not hesitate to say that even if it were the case, I would still advocate the bill as needed to preserve the unity and vigor of the free world in the face of the terrible menace that confronts it. In time of war we make sacrifices that are immense. I believe that in peace we should also be prepared to make some sacrifices in order to hold together a free world partnership which is indispensable to the peace and security of each of the parties.

Happily, however, we do not need to think of this bill as sacrificial, even in terms of trade. It is a bill to expand our foreign trade. And that is good business for us.

Our foreign policy, as I have put it in capsule form, is to enable the people of this country to enjoy in peace the blessings of liberty. I am convinced that that result cannot be achieved without cooperative trade relations of a dependable character between the free nations.

This pending bill and its counterpart, H. R. 536, are the only practical vehicles I know of for enabling us to promote that cooperation. In my opinion the failure at this stage of world affairs, to rededicate our Nation to liberal trade policies, and to do so for a 3-year term would have grave consequences.

*The Secretary of the Treasury, Hon. George Humphrey, stated his view of the importance of the bill in unequivocal terms:*

First, the importance of keeping our own economy strong and dynamic and sound. Our policies are directed toward economic strength and growth—toward greater freedom from governmental interference and control. Our policies aim at encouraging initiative and freedom and maintaining economic progress and a high level of economic activity at relatively stable prices. Such a condition helps international trade in both directions. A strong internal economy helps to keep us competitive and makes our goods attractive to foreign buyers. It also promotes a high level demand for imports. With high levels of business activity, the capacity of our economy to absorb imports is enormous—particularly imports of raw materials.

The second point which has impressed me in my contacts abroad is the concern of foreign countries with the broad direction of our commercial policy. Foreign countries do not expect us to lower our tariffs drastically. What they want to have, however, is assurance of continuity in our policies and they watch for moderate steps in the direction of our objectives. This argues strongly for a 3-year extension of the trade-agreements program. A 3-year period is needed to provide reasonable assurance of such continuity.

The bill before you is moderate. It does not interfere with existing safeguards for our domestic producers. It does not contemplate any drastic changes which would adversely affect sizable groups of citizens.

I would like to mention one other broad principle in connection with the bill. From the budgetary viewpoint, the President's trade program should help to reduce Government expenditures for foreign aid over a period of time. I believe it is best, where possible, for foreign countries to earn their way, rather than receive aid from the United States Treasury. This bill is a further step in that direction.

*The Secretary of Agriculture, Hon. Ezra Taft Benson, emphasized the importance of this bill to the agricultural prosperity of the United States:*

The modern farmer is a specialist. He is, you might say, a manufacturer. He combines his land; personal, family, and hired labor; capital; seed, fertilizer; etc.; and produces products for the market. He uses increasing amounts of machinery and other capital, and he concentrates his efforts on a few commodities which are suited to his particular farm. This has led to specialized areas: cotton and tobacco in the Southeast, corn and hogs in the Midwest, potatoes in Idaho and Aroostook County, Maine, and so on.

Clearly this specialization would have been impossible without trade.



While all producers of farm commodities gain from foreign marketings, producers of some commodities depend more heavily on exports. United States exports in the most recent marketing year, 1953-54, accounted for 45 percent of our rice crop, 26 percent of the tobacco crop, 24 percent of the cotton crop, 21 percent of the soybean crop, almost 19 percent of the wheat crop, and 18 percent of the lard production. Other commodities for which a sizable share of production is exported are: inedible tallow and greases, 15 percent; grain sorghums, 14 percent; and dried prunes, 29 percent. Exporting these large shares of farm production helps to minimize the difficulties that result from burdensome surpluses and acreage cutbacks. It is with good reason that we are doing our utmost to hold and expand the foreign market for such commodities.

The retention of foreign markets for our agricultural products depends in large measure on the continuation of multilateral and nondiscriminatory world trade. The trade-agreements machinery may be utilized to insure such trade. United States leadership in seeking the establishment of multilateral world trade is more nearly successful today than at any time since the trade-agreements program was initiated. Under the constant urging of this program, other countries are now taking steps to relax their restrictions against imports of farm products from the United States. Currency convertibility is being actively discussed among the soft-currency countries. The advantages to be realized by the United States trade generally, and by American agriculture in particular, from such measures are very great. These advantages, however, may well be lost if the United States should abandon its present leadership in this movement for an expanded world trade.

Concessions which the United States has obtained in past trade negotiations have been significant. It has been estimated that such concessions currently affect about \$2 billion of our agricultural exports. These concessions have been and will continue to be dominant factors contributing to the expansion of foreign markets for American farm products.

*The Secretary of Defense, Hon. Charles E. Wilson, stressed the importance of this bill to the defense effort of the United States.*

It is important that we keep in mind the fact that the Communist threat in the world today is based upon more than an outright military threat. It includes an equally serious threat in the economic, the political, and the propaganda areas.

To achieve this result trade barriers should be reduced to the extent practicable and all artificial restrictions eliminated. I personally believe that the passage of H. R. 1 will be an important step in this direction.

Much of the friction and strife between peoples and nations in past decades and centuries came about because of the effort to control land areas in order to have available food production and other natural resources and in order to control markets. Increased trade between peoples and nations would increase understanding between such peoples or nations and importantly contribute to world peace. Nations also attempted to be self-sufficient in order to improve their national security. Our established agreements with our allies, and the United Nations itself is an effort to overcome this difficulty.

International trade must be a two-way street. Such trade provides the most effective way to improve our relations with our allies on a long-range basis.

In the consideration of our own defense we must carefully consider how improvement of our trade relations with our allies and friends can be turned to real account in helping both ourselves and our allies. To do this we must move in the direction of removing unreasonable restrictions to international trade. We need our allies. In spite of our tremendous strength the United States cannot go alone in this modern world. This is no admission of weakness; it is a recognition of realities. The whole free world needs the collective and united strength of all of its members.

*The Secretary of Commerce, Hon. Sinclair Weeks, testified that passage of the bill will assist the foreign and domestic commerce of the United States:*

I support the legislation (H. R. 1) which has been introduced to give effect to this recommendation both on broad grounds of national policy and because I believe it would be of substantial advantage to the foreign and domestic commerce of the United States which I am charged by law to foster, promote, and develop.

The key significance of exports to our economy is reinforced by a consideration of their relationships to some of our most important and progressive industries.

During the 3 years of 1949 to 1951 one-half of our exports came from industries which sold more than 10 percent of their output abroad. One-third of our exports were accounted for by products which rely upon foreign markets for more than 25 percent of their sales. Machine tools, tractors, construction and mining equipment, oilfield machinery, and textile machinery made 20 percent of their sales in export markets.

I certainly do not have to labor the point before this committee that these exports must be paid. This committee, which has had various proposals affecting the trade-agreements legislation before it for over 20 years, is aware of the fact that as our grant-aid to the rest of the world is reduced and ultimately eliminated, we must increase our imports unless we are willing to see our exports decrease. I am sure that in view of the contributions which exports make to our economy, we cannot afford to permit them substantially to decrease. In an expanding economy, we cannot afford to permit them substantially to decrease. In an expanding economy, we should rather look forward to increasing exports and increasing imports of goods and services to pay for them.

This is only another way of saying that we should continue the trade-agreements legislation for the same reason as it was started in the first place—as an important export promotion measure.

Several studies by the Department of Commerce find that exports to trade-agreement countries increased more from depression levels of the early thirties than did exports of commodities to countries with whom we made no trade agreements. From this depression low with a gross national product of \$65 billions of which merchandise imports were 2.6 percent and merchandise exports 3.1 percent, our imports and exports have increased both in terms of absolute value as well as in percent of gross national product to where in 1953 with a gross national product of \$365 billions these same imports stood at 3 percent and exports at 4.3 percent. There can be no doubt that there has been a net gain to our economy from reciprocal trade agreements even though there has been a shortage of dollar exchange since World War II financed to the extent of 20-33 percent of the total exports by aid programs.

In summary may I say that unless we are to give up entirely the reciprocal trade treaty idea, we must reinstate it on the statute books so that it has some degree of permanency and stability and 3 years would seem to me to be the practical minimum.

Additionally, if we are to make any gesture whatsoever toward encouraging trade, the modest approach incorporated in H. R. 1 would again seem to me to be the minimum. This approach is selective, permissive, and no previously available safeguards are either eliminated or changed in the slightest degree.

*The Secretary of Labor, Hon. James P. Mitchell*, analyzed the effect of the bill upon American labor and concluded that the trade-agreement program benefited labor. In the course of his statement supporting the bill, he stated:

There is not even a passing reference to our tariff or foreign trade policy as a cause of unemployment during this period in recent analyses of the employment situation made by public groups or in most of the reports of private groups that have come to my attention. Instead, it is agreed that the major factors causing the unemployment rise in 1953-54 were the shift from a defense to a peacetime economy, a consequent drop in the Federal Government's defense spending, a shift in business policy to inventory liquidation rather than inventory accumulation, and a decline in business expenditures for new plants and equipment. Surely, these economic experts would somewhere have mentioned tariff policies or volume of imports if such policies or imports had had the substantial effect upon employment which has been claimed in some quarters. I believe that available evidence, even after analysis is made of those special situations in which imports have in fact risen, points to only a very small fraction of current unemployment as being traceable to the effects of imports.

There are cases, to be sure, in which imports create problems for certain industries, or segments of industries. These industries may be extremely important to the life of the community in which they are located. We must continue to consider such cases carefully, as we have in the past. Often there are domestic factors which have equal or greater effect upon employment in the industry. It is important to study all facts on a case-by-case basis before concluding that

imports are necessarily to blame. It is precisely to deal with and evaluate these difficult cases that the careful procedures of the trade-agreements programs, including the peril-point and escape-clause procedures and thorough interdepartmental consideration, have been designed. Where there is clear evidence of real injury or the threat of injury which can be attributed to imports, the proposed legislation will give the administration both guidance and authority to protect the industry and its workers. One of the important factors which the administration will continue to take into consideration in evaluating such evidence is whether skills which are essential to the mobilization base of the Nation are involved.

Wage competition is a special problem in international trade which affects the American worker. It is argued, for instance, that lower wage and other labor standards of foreign industries make it difficult or impossible for American industry to compete with imports in American markets. This problem was carefully reviewed by the Randall Commission, and I agree with their conclusions. The Commission's findings are worth quoting:

American labor should not be subjected to unfair competition as part of any program to expand our foreign trade. It must be made clear, however, what constitutes "unfair competition." Manifestly, wage levels cannot be used as the sole guide. Our export industries are among those with the highest wages paid in this country, yet they compete successfully in world markets with lower wage countries, many of which have erected barriers against our exports.

Unit labor costs are not a dependable guide either. Differences in cost provide the foundation of international trade, just as differences make possible trade within nations. Neither low wages nor low unit labor costs, in and of themselves, constitute "unfair competition."

Competition from imports is based on many things in addition to wage differentials, such as natural resources, climate, special arts or skills, inventiveness or design in certain lines. These differences are the most important factors that bring foreign goods into our markets, with advantage to our own workers as consumers. They are also the factors which account for our own exports. Wage levels vary from country to country primarily because of differences in natural resources, capital equipment and productivity. It is generally a country's most productive industries that are its chief exporters. Where a country's exports are based not on such advantages but on exploitation of labor, there we have unfair competition from which we must protect ourselves.

The clearest case of unfair competition which the Randall Commission found is one in which the workers in a particular commodity are paid well below accepted standards in the exporting country. And in this area, the Commission made a specific remedial recommendation. It is recommended, and the administration has already adopted the policy, of granting no tariff concessions on products made by workers receiving wages which are substandard in the exporting country. As a member of the Interdepartmental Committee on Trade Agreements, the Department of Labor will help keep the President advised of cases which would fall within this standard.

It is unlikely that there are major areas of wage competition, other than those that violate the standards of the competing country, which can truly be labeled unfair. If, however, other kinds of situations exist in which foreign wage differentials in fact constitute "unfair competition" and threaten serious injury to American industry, they can be handled under the provisions of the bill.

In conclusion, I would like to say that I believe extension of the reciprocal trade agreements authority as proposed in H. R. 1 and the companion bill H. R. 536 is of concern and benefit not only to American workers and to American industries, but to the economic well-being of all of us. I therefore urge this extension, in the form proposed.

*The Director of the Foreign Operations Administration, Hon. Harold E. Stassen, emphasized the implications of the passage of this bill to the effort to strengthen the economies of the countries of the free world.*

My support of this bill is based upon the inseparable relationship of United States trade, United States assistance to foreign countries, and United States security. As the President has pointed out, the security of the United States requires that we have a strong and prosperous economy at home and that we have strong partners for peace—that they be strong not only in a military way but, equally important, in economic affairs.

However, without extraordinary United States Government expenditures, Europe would not now be able to maintain its present level of defense and at the same time, as it is presently doing, pay for as large a volume of food and manufactures labeled "Made in U. S. A." Such extraordinary United States Government expenditures—for troops, for weapons, for airfields, and so forth—are not a satisfactory long-term basis for balancing international payments accounts.

In recent years there have been significant progress in the easing of restrictions by European nations on imports of United States goods. Many nations in Europe are getting rid of Government controls over trade. Quotas are being dropped, and as a result of the work of the Dollar Liberalization Committee of the OEEC, and the work of GATT, many countries (including Denmark, Netherlands, Sweden, United Kingdom) are permitting increased imports of United States goods. I have just returned from a meeting in Paris at which agreement was reached on extending further the trade-liberalization program in Western Europe. In my opinion, we should keep this momentum going in the right direction. Passage of this bill will help forward this momentum toward greater freedom—and less Government interference—in trading relationships.

The provisions of this bill—namely the modest and gradual reduction of United States tariff barriers on a reciprocal basis—can help speed up the progress which free nations are making in their own economic development programs. Passage of this bill will add one more push to the economic development we are all seeking, a development which is in the self-interest of the United States.

I support this bill, H. R. 1, because it is in what the President has called the "enlightened self-interest of the United States." There is, I believe, a vast difference between self-interest and selfish interest. Were benefits proposed in this bill to come only to the United States, it would represent only selfish interests. The benefits, however, will be widespread. They will be for the self-interest, the mutual interest, of the free nations. We share many vital economic interests with our friends and allies. As we work together in mutuality of interest our grand partnership can be increasingly successful.

#### THE TESTIMONY OF BUSINESS AND INDUSTRY IN SUPPORT OF H. R. 1

Testimony in support of H. R. 1 was given by many national and regional business and industrial organizations, as well as by many trade associations. For example the *United States Chamber of Commerce* indicated approval of the proposed legislation. The statement presented on behalf of that organization stated in part as follows:

Through increased trade, the Nation's economy benefits. That is true just as much in world trade as it is in domestic trade. More goods at lower prices has been the very heart of the American competitive enterprise system; the trade-agreements program can contribute to the health of that system.

By continuing the trade-agreements program, the United States can lead from strength—the strength of a growing, dynamic, resilient economy.

\* \* \* I might add that the Chamber of Commerce of the United States does not advocate a free-trade program. But the gradual and cautious approach, as provided in H. R. 1, would be sufficient assurance that the United States, the economic nerve center of the free world, would continue on the path to liberalization of trade. This is the psychological reason why the trade-agreements program must be continued. We need to practice what we preach.

The research and policy committee of the *Committee for Economic Development*, a group of about 35 businessmen chosen from the 150 members of the board of trustees of CED, was represented by Howard C. Peterson, president of the Fidelity Philadelphia Trust Co. He testified that there were two major reasons why the committee believed that it was in the national interest to continue the policy of gradual and selective tariff reduction under the reciprocal trade-agreements program.

First. Tariff reduction contributes to our national security by supporting our foreign policy.

Second. Lower tariffs will strengthen the Nation's domestic economy.

Mr. Warren L. Pierson, chairman of the *United States Council of the International Chamber of Commerce*, endorsed H. R. 1 and said:

There are compelling reasons based on considerations of the national security for supporting this bill. Our whole system of military alliances is based on the spirit and strength of the other free countries. We believe that enactment of this bill will encourage and strengthen them.

It will do this, first, because it will demonstrate that the United States will not turn back to economic isolationism. This will have a favorable effect on foreign thinking which goes beyond the economic sphere.

Second, it will help other friendly nations to earn the dollars they need to buy the goods they require and want from the United States. This will make them stronger economically.

Third, by hastening the day when United States foreign aid will no longer be needed, it will increase the political strength and cohesion of the free world. Self-reliant nations who are paying their own way are the best allies.

Fourth, we believe that enactment of this bill will stimulate mutually profitable trade and investment among the free nations and reduce the possibility of trade disputes which could weaken the foundations of free world unity.

In his testimony Charles P. Taft, president of the *Committee for a National Trade Policy*, compared the support for the trade-agreements program today with that in 1945. He stated the groups for and against are much the same as they were then. He said:

This distinction occasions no surprise to anybody. It is the same distinction that existed 10 years ago, in 1945, when the only previous debate on increased authority for the reciprocal trade agreements program took place. Then, as now, the pottery industry, the glass industry, the organic chemical group, the glove industry, the hatters, and others told you that the trade-agreements program would destroy them. Then, as now, the administration and the broad national groups representing labor, industry, and the consumer, denied it, and opposed the position of these industries. Then, as now, I stood here before this committee and urged the continuation and expansion of the reciprocal trade-agreements program. Many of you gentlemen behind the bench today were present then to hear both sides of the issue.

This is one basic fact we should not lose sight of. Most Americans, including most businessmen, are for the continued gradual reduction of our tariffs. \* \* \* I think it is fair to say that of those Americans who express an opinion, there are twice as many for the continuation of the program as are against it.

Though the leaders on both sides of this issue have not changed much since 1945, except perhaps for a little graying at the temples, the world in which we live has changed a great deal. Time has proved that we who spoke on our side of the debate in 1945 were better prophets than those who opposed us. Although our imports of goods, so greatly feared then as now, have increased from \$3.9 billion in 1944 to \$10.9 billion in 1953, our gross national product has in the same period increased from 211 to 364.8 billion dollars, and our employment to record figures. Our exports have risen again well above the wartime lend-lease levels to \$15.6 billion in 1953, and contributed substantially to our high employment and prosperity. If the reciprocal trade agreements program has hurt us, it has been a hurt very well concealed.

The past president of the *National Retail Dry Goods Association* testified on behalf of that organization in part as follows:

This committee may be told that the United States is a low-tariff country and that our existing tariff levels are not high enough to keep out foreign goods. I believe that this approach needs some qualifications and that we should not rely solely on averages. We retailers do not deal in averages. We deal in individual commodities and we are constantly exposed to tariff rates that prevent us from importing some product or products that our customers want.

Mr. Morris S. Rosenthal represented the *National Council of American Importers*. He testified in support of H. R. 1 saying:

Then, too, we should remember that dollars that go abroad to pay for imports always come back to us in payment for exports, even if the flow of trade and of money is multilateral and not bilateral. The dollars we spend abroad for imports are not lost to us.

\* \* \* Also, greater imports at lower prices would enable the consumer to spread his purchasing power among more kinds of goods. To be able to buy some of his needs abroad at lower prices would mean that the individual buyer could afford still other goods of domestic manufacture that he cannot now buy, and in this way stimulate some of our American industries and agriculture.

*The Detroit Board of Commerce* in its statement indicated:

The board's interest in the instant proceedings springs from the great stake that Detroit has in foreign trade.

The products of Detroit's manufacturing concerns, members of the Detroit Board of Commerce, are seen throughout the world. Detroit-made automobiles and tanks, and tractors, are on the streets of Zurich and Istanbul, and Detroit-made pharmaceuticals and calculating machines, too, are in shops at Caracas and Rio de Janeiro. In fact, we estimate that 1 out of every 7 employed in manufacturing in Detroit owes his living to foreign trade to a substantial degree. Furthermore, in 1953, the port of Detroit experienced a level of international trade which ranked it second among the ports of the United States on the dollar value of exports and imports.

*The Cleveland World Trade Association* in its statement said:

\* \* \* Cleveland carries on an annual foreign trade amounting to approximately \$500 million which is substantially more than 10 percent of its total industrial production.

The president of the *San Antonio World Trade Association* testified that:

In 1951 exports through Texas ports amounted to \$229 per capita for the population of Texas, whereas during the same period the per capita exports for the entire United States amounted to only \$98. Thus, Texas exported over 2¼ times as much per capita as the entire Nation. During the same period, Texas per capita imports amounted to \$52. Comparing this with \$229 per capita exports, we find that Texas exported about 4½ times as much in 1951 as it imported.

Daniel W. Bell, president of the American Security & Trust Co., testified from the basis of his experience with the study of foreign trade policy made by the *Public Advisory Board for Mutual Security*. He said in part:

There is much more that will have to be done to give this country a trade and tariff policy suited to our expanding economy. Our local and interstate commerce would wither if it were subjected to the uncertainties and the inequities that are constantly applied to our import trade. We need to simplify our tariff classifications; we need to modernize our customs administration. Undoubtedly, other measures will be proposed to deal with these problems. In the meantime, there is no better way of making progress toward a trade and tariff policy in the national interest than to extend the Trade Agreements Act.

Mr. T. W. Hardy, Jr., vice president, *Hardy Salt Co.*, St. Louis, Mo., stated that he spoke as an individual businessman interested in the overall effect which this legislation can have on the general climate of business activity and prosperity. He said in part:

I emphatically do not believe, however, that there is any sacrifice of the American standard of living involved in this legislation. Quite the contrary. It seems to me that we stand to gain economically by the passage of H. R. 1, and by the increased imports resulting therefrom.

Increased imports, under the conditions of the United States trade imbalance which has existed for over 50 years, increased imports purchased by American business and consumers, can only result in an *increase* in the American standard of living. Increased imports are the best means of providing for expansion of United States exports. We stand to gain by an increase in our standard of living and, to the extent that foreign purchases are increased, by an expansion of production.

Monroe J. Rathbone, president of *Standard Oil Co. (New Jersey)*, testified on the basis of his company's more than 70 years' experience on foreign trade. He said:

\* \* \* The encouragement of international trade along sound lines is one of the surest ways to promote peace and progress in the world. And we are also convinced the United States cannot fail to benefit from social and economic progress by the other nations of the free world, and by a spreading of the desire for peace and the opportunities for progress which peace brings.

*Included among other business and industry representatives expressing support of H. R. 1 were:*

Samuel Nakasian, world trade committee of the Washington Board of Trade.  
Ed P. Jackson, Jr., Louisville Foreign Trade Club.  
Stacey Bender, Jr., chairman, foreign policy committee, North Atlantic Ports Association, Inc.  
Jere Patterson, International Advertising Association.  
John C. White, American Cotton Shippers Association  
J. T. Hutson, president, Tobacco Associates  
S. Ralph Lazrus, American Watch Association  
George Morgan, Association of American Ship Owners  
Benjamin Lazrus, chairman, Benrus Watch Co.  
Charles H. Percy, president, Bell & Howell Co.  
A. T. Brown, executive vice president, Caterpillar Tractor Co.  
Sidney A. Swensrud, chairman, Gulf Oil Corp.  
Harold W. Haight, president, Creole Petroleum Corp.  
James W. Foley, vice president, The Texas Co.  
George Donat, Parke, Davis & Co.  
Henry Ralph, vice president and manager, Bank of America International  
Joseph M. Barr, president, United Aircraft Export Corp.  
Charles Helin, president, Helin Tackle Co., Detroit  
Rudolph S. Hecht, chairman of the board, International House  
Motion Picture Association of America  
American Association of Port Authorities, Inc.  
Association of Food Distributors Joint Import Council  
United States Paper Exporters Council, Inc.  
American Book Publishers Council  
Chicago Association of Commerce and Industry  
Commerce and Industry Association of New York  
Houston Chamber of Commerce  
Buffalo Chamber of Commerce  
San Francisco Chamber of Commerce  
San Francisco World Trade Association  
World Trade Department  
Indianapolis Chamber of Commerce  
New Orleans Board of Trade  
Northwest World Trade Club, Minneapolis  
Norfolk Port Authority  
The Council of International Relations, San Antonio  
Foreign Trade Club of Galveston  
Export-Import Club of Dallas  
Fort Worth Export-Import Club  
Houston World Trade Association  
Hampton Roads Foreign Commerce Club, Norfolk, Va.  
Richmond Export-Import Club, Galveston Wharves  
Empire State Petroleum Association

Evansville Chamber of Commerce Foreign Trade Committee  
Arkansas-Missouri Cotton Trade Association  
Foreign Trade Association of Southern California

THE TESTIMONY OF AGRICULTURAL GROUPS IN SUPPORT OF H. R. 1

The President of the *American Farm Bureau Federation*, Mr. Charles B. Shuman, testified before the committee in favor of the present bill. The Farm Bureau, representing 1,609,461 farm family members in 48 States and Puerto Rico, has been a consistent supporter of the trade-agreements program. Mr. Shuman said:

\* \* \* Our wheat, cotton, tobacco, soybeans, feed grains, rice, and animal by-products and certain fruits and other products are among the most efficiently produced in the world. Our exports of farm products have run as high as \$4 billion in 1951-52. They accounted for roughly one-third of our production of wheat, cotton, rice, and soybeans. This provided a market for the produce of more than 1 out of each 10 acres of cropland. This amount was equal to \$1,000 for each commercial farm. Total farm exports have dropped nearly 30 percent.

We have made great efforts to adjust our production to lower demands. Our prices have dropped. We have imposed income-reducing production controls on wheat, cotton, corn, peanuts, tobacco, and rice. Despite these efforts, the Government has accumulated over \$6.5 billion worth of surpluses. Faster adjustments would require a regimentation on American farms which would endanger our freedom.

We are expanding our domestic markets. We must expand our foreign markets.

To maintain a prosperous agriculture, we need export markets of around \$4 billion per year at present prices. We have the capacity to supply an even larger foreign demand.

We think our foreign economic policies should be geared to these export needs. Enactment of H. R. 1 is an important step to gear up to this need.

\* \* \* \* \*  
We believe that H. R. 1 is a well-balanced piece of legislation. It provides not only the authority needed to expand trade but also provides desirable safeguards through application of the peril-point procedures, and through continuation of the escape clause and section 22 to protect domestic producers and the operation of domestic farm programs from disruptive rates of increase in imports.

Another great farm organization, the *National Grange*, was represented by its master, Mr. Hershel D. Newsom. After endorsing the principle of H. R. 1, Mr. Newsom said:

There is no single segment of American economy that has greater stake in achieving the objective of a sound United States economic position and policy, which would provide the basis for a constantly expanded level of trade in the world on a profitable basis, than has American agriculture. \* \* \*

There are likewise compelling reasons for our looking with great concern on any attempt that might be made to recklessly or inconsiderately remove some of our restrictions that we believe have been literally compelled by circumstances beyond our control.

\* \* \* \* \*  
The vast majority of farm people, as we know them and understand them, are thoroughly cognizant that our most important market is this market—right here in America. We are for the most part equally aware of the fact that unless we can market some 10 or 12 percent of our total agricultural output—and I assume that practically all members of the committee know that it runs up to a third of the total production or even a little higher than that under present circumstances—and then effectively balance our output as between agricultural commodities themselves, there is no effective recipe for the high level of agricultural income that we believe is essential to the expanding American economy that must be our total objective.

James G. Patton, president, the *National Farmers Union*, endorsed the bill stating in part:



Many of us produce products which have traditionally entered into export trade, like cotton, wheat, tobacco, hogs, and certain fruits. We know that the export market for these crops is important to us and that it depends on low-trade barriers abroad, on prosperity and buying power in foreign countries, and especially on foreigners' supplies of dollars. We know that foreigners can obtain dollars chiefly by selling goods and services to citizens of the United States and that the amount they can sell depends in part on how much we are willing to buy.

About one-ninth of total farm production is exported; imports of farm commodities of a type produced in this country were equivalent to approximately one-sixteenth of total United States farm production. The value of farm exports from the United States was almost twice as great as the value of competing farm imports.

*Exports.*—However, this simple comparison does not tell the whole story by any means. The direct effect of agricultural imports and exports on the economic situation of individual farm families varies a very great deal according to the commodities produced for sale. Exports make up a very large part of the market for some farm products; in 1953, 45 percent of United States rice was exported; 24 percent of our cotton; 19 percent of our wheat and flour; 17 percent of barley; 26 percent of tobacco; and 21 percent of soybeans and products; 18 percent of lard; 6 percent of our raisins; and about 5 percent of pears and apples; with somewhat smaller percentages of other commodities produced on United States farms.

Mr. J. B. Hutson, president of *Tobacco Associates, Inc.*, represented before the committee the producers, warehousemen, and exporters of flue-cured tobacco, and the merchants, bankers, and fertilizer dealers in the flue-cured-tobacco-producing areas of Virginia, North and South Carolina, Georgia, Florida, and Alabama. Mr. Hutson recommended the enactment of legislation extending the Reciprocal Trade Agreements Act and stated:

\* \* \* About one-fourth of all tobacco grown in the United States is exported. In the case of many types of tobacco, a substantial part of the crop is suitable only for the export trade.

\* \* \* We do not believe that there is enough recognition of the interests of the large segments of our population who are engaged in the production of articles which are exported. We believe that the interests of these groups, and especially those of our own consumers, should be given just as much consideration as is given the individual groups who might be adversely affected by the imports. In fact, all the studies I have seen point to the conclusion that the stake that the American economy—agriculture, industry, labor, the consumer—has in sustained and increased exports, far exceeds the possible adverse effects of increased imports.

#### THE TESTIMONY OF LABOR IN SUPPORT OF H. R. 1

Mr. James B. Carey, secretary-treasurer, *Congress of Industrial Organizations*, appeared before the committee on behalf of the approximately 5 million workers of that organization. Following are several direct quotations from Mr. Carey's statement:

\* \* \* many of our industries are dependent for survival upon the exports of reasonable amounts of their own production.

Many workers in key industries, such as auto, steel, electrical products, and machinery are dependent for their jobs on the exports of products manufactured in their plants.

\* \* \* In 1952, 13 percent of agricultural machinery production went abroad, 23.3 percent of the tractors produced were exported; 13.3 percent of the motor-trucks, 3.9 percent of the passenger cars, 6.3 percent of the rolled-steel products of the United States went to other nations of the world. During that year, over 2 million workers were totally dependent upon exports for their jobs, and the industries involved were dependent upon exports for a considerable percentage of their sales and profits. The latest available estimate shows that 7 percent of the employees in nonagricultural establishments of the United States were dependent on exports for employment in 1952.

\* \* \* The United States cannot pick and choose and deal only in the items that we need to import and export. Instead, the United States must engage in gradual,

continual, and, in many instances, reciprocal reduction of the barriers to international trade. Reciprocal trade is essential for the maintenance of production in many of our own basic industries and equally essential for the preservation of sound international relations with our allies. Improved economic well-being of the countries throughout the world is one means by which Communist aggression can be stopped. Economic well-being and improved international trade relations go hand in hand.

For these reasons we are happy to support H. R. 1, which will extend and continue the Hull reciprocal trade program.

\* \* \* \* \*

With the adoption of H. R. 1, problems will develop for some American workers in certain industries and communities. But let me make our position perfectly clear. We do not oppose a liberalized trade program, because injury or threat of injury may affect certain segments of American production. On the contrary, we say, "Alleviate the injury or threat of injury by some method other than increasing the duty. Don't cut off your nose to spite your face." \* \* \*

\* \* \* We are proud of the CIO slogan, "What's good for America is good for the CIO." We are convinced that the promotion of international trade is good for America and, therefore, good for the CIO.

The *American Federation of Labor*, representing more than 10 million workers, in a statement supporting H. R. 1 stated:

We are mindful of the fact that a significant number of American workers are employed in industries facing foreign competition. We are definitely concerned lest the trade-agreements program operate to deprive these workers of employment opportunities at their present trade or occupation.

At the same time, we are equally mindful that many American workers are dependent for their employment on American exports or on the handling, transportation, or storage of imports. In 1952, the Bureau of Labor Statistics estimated that the employment of 4,376,000 American workers depended on foreign trade. In other words, these are the workers whose employment depends on the ability of other countries to continue to buy American products.

The A. F. of L. expressed itself in favor of the gradual approach toward tariff reduction:

The American Federation of Labor does not endorse either the extreme position of free trade or the extreme position of protection. We believe that trade policy can prove a useful tool for reducing the dollar gap, for persuading other countries to lift their trade restrictions, and in general for strengthening the economic basis of the free world. We believe that to achieve these objectives, this country should continue its policy of negotiating tariff adjustments, to use the President's phrase, "on a gradual, selective, and reciprocal basis." The importance of the terms "gradual" and "selective" must be emphasized \* \* \*.

We believe that if the adjustments negotiated under this proposed program are, to use the President's words, "gradual, selective, and reciprocal," they need not operate to curtail employment opportunities for American workers.

The A. F. of L. recommended that promptness be exercised in giving relief where relief is justified, and recommended:

We suggest therefore that the time required for handling applications under the escape clause be shortened. We recommend that the 9-month requirement be reduced to 120 days and that the 60-day requirement for the handling of cases by the White House be reduced to 30 days.

This will greatly improve the operations under the present escape clause. Because industries will know that their applications will be processed more promptly, they are less likely to run to the Tariff Commission if the evidence does not justify relief. The net result will be a far more effective method of providing relief to those groups who may be suffering serious injury under a particular tariff.

The president of the *United Steelworkers of America*, Mr. David J. McDonald, appeared before the committee in support of the present bill. He spoke on behalf of more than 1,200,000 workers in the basic steel-producing, the metal-fabricating, aluminum- and metal-mining industries in the United States and Canada. After stating that pas-

sage of the bill is essential to the security of the United States, Mr. McDonald said that—

It is, of course, essential that the United States keep its own economic house in order, that the American economy be kept strong, employment must be kept at a high level, and the living standards of our people be steadily raised. I am of the opinion that expanding our foreign trade will assist rather than hinder the attainment of these objectives.

\* \* \* \* \*  
To carry out such policies is enlightened self-interest. If I had the slightest feeling that increased trade, particularly imports, would be injurious to the American workingmen, I would not be here today supporting a policy of trade liberalization. It is precisely because I believe that it is in the interest of the American workers and our people generally, that I am happy to continue to support a liberal trade policy at this critical juncture of American history.

\* \* \* \* \*  
The best figures that we could get indicate that employment attributable to exports is far greater than the immediate displacement of workers that would result by even a substantial reduction of our tariff duties. Secretary of Commerce Sinclair Weeks, in his testimony in connection with the Trade Agreement Extension Act of 1953, and which he repeated again the other day in his testimony before this committee, stated that over 4.4 million workers, or 7 percent of the total employment of the country, are dependent upon foreign trade.

He estimated that 3 million workers are involved in exports while more than a million more have employment in transporting, distributing, and manufacturing imports. Other reliable estimates indicate that in the iron and steel industry, the industry in which I am directly concerned, close to 160,000 workers, or almost 17 percent of the 965,000 workers in the industry, are dependent upon exports.

\* \* \* \* \*  
The most reliable estimates that we could find, indicate that even a full 50-percent reduction of all United States tariffs would not likely affect more than 100,000 jobs. This is the effect that could be expected in the short run. As time passes and economic adjustments take place, many of these workers would be absorbed in other lines of activity. This is not to say that workers displaced by imports should be left to their own devices to find new jobs. Both the short run and the long run are important. These estimates simply underline the basic truth that the American workers have more to lose from the curtailment of exports than from the expansion of foreign trade.

Mr. Hartman Barber, representing the *Brotherhood of Railway Clerks*, expressed the continued support by his organization of the reciprocal trade agreements program. Mr. Barber stated:

There is a tendency among some Americans to consider our foreign trade as relatively unimportant. The facts point to the opposite conclusion. Our prosperity is greatly affected by our foreign trade. Our Nation is now the world's principal foreign trading country. The reduction in the sales of some companies by the amount of their foreign trade would mean the difference between a profit and loss.

Exports take a quarter or even a half of the total United States production of some commodities. In the year preceding the outbreak of the Second World War, the exports of our Nation furnished a market for 12 percent of our lard, 12 percent of our radios, 11 percent of our automobiles, 14 percent of our industrial machinery, 22 percent of our office appliances, 29 percent of our tobacco, 29 percent of our sardines, 31 percent of our cotton, 36 percent of our dried fruit, 36 percent of our sulfur, 38 percent of our rosin, and 52 percent of our production of phosphate rock. Some of these commodities are produced only in certain relatively small areas. In such cases, if exports were to decline there would be a concentrated effect upon the areas where they are produced.

Since the close of the Second World War, the goods we exported exceeded the value we imported by several billion dollars each year. We cannot continue to export, of course, unless we are willing to receive goods in exchange for the products we sell abroad.

\* \* \* \* \*  
A large number of our citizens earn their livelihood in occupations directly attributable to foreign trade. In the transportation industry, the industry in which the members of the *Brotherhood of Railway Clerks* are employed approximately 10 percent of the employment is so attributable.

### THE TESTIMONY OF PUBLIC-INTEREST GROUPS

As in the past when extension of the Trade Agreements Act has been considered by the committee, representatives of some of the most important public interest groups in the Nation appeared and testified in support of the legislation.

Mrs. A. Paul Hartz, chairman of legislation for the *General Federation of Women's Clubs*, with a membership of 5½ million, testified this year in support of H. R. 1.

A representative of the *Cooperative League of the USA* appeared before the committee on behalf of most of the consumer cooperatives of the country both rural and urban, some of the major farm supply cooperatives, two of the mutual insurance groups and a number of other organizations. The direct membership of the league is about 2,500,000 families. The statement of the league emphasized the fact that it "represents both producers and consumers" and pointed out that they thought it was to their benefit—

and indeed, to the benefit of all Americans, that the Reciprocal Trade Agreements Act should be extended.

It has often been said that the consumer is the forgotten man. Other interests, farmers, electric power companies, manufacturers, bankers, all have their spokesmen here in Washington. Whenever Congress writes a bill, these spokesmen present their points of view to the legislators. Yet all of us are consumers, whether we own a farm as I do in Ohio, or make watches, or run powerplants: no matter what we do for a living, the money we get or income is spent at least in part on goods and services.

If there can be said to be such a thing as a general interest, it is the interest of the American as a consumer. The manufacturer of watch movements may have a diametrically opposite interest to the assembler of watches who imports his movements from Switzerland. The textile manufacturer may have a direct conflict in interest with the exporter of heavy machinery. Yet all Americans however they make their living, have an interest in plentiful food, abundant goods, and low prices.

The *League of Women Voters*, which consists of 126,000 members in 960 local leagues in all 48 States, Alaska, Hawaii, and the District of Columbia, was represented by Mrs. Oscar M. Rubenhausen. She characterized the President's proposal as a moderate one, but stated that "as a result of its passage the United States and other nations should be able to progress in their negotiations toward the goal of expanding world trade."

Dr. Alzada Comstock testified in support of H. R. 1 on behalf of the *American Association of University Women*, an organization of women college graduates with a membership of more than 131,000 women in the 48 States, Hawaii, Guam, and Alaska. She stated that:

The association believes that through the years the reciprocal trade agreements program has served the interests of the American people and has strengthened international relations (1) by promoting the expansion of world trade, (2) by providing machinery through which this Nation and other nations could seek their mutual advantage through the exchange of goods, and (3) by providing for the consideration of all American interests—consumers, producers, and exporting industries as well as industries in competition with foreign goods in the United States market.

Among other public interest organizations which had representatives expressing support of the bill were:

The American Veterans Committee

The Jewish War Veterans of the United States of America

The Friends' Committee on National Legislation  
 The Americans for Democratic Action  
 The Council on International Relations of San Antonio, Tex.  
 The Committee on Foreign Trade Education, Inc.

#### OVERWHELMING PRESS SUPPORT OF H. R. 1

The press throughout the country has shown increasing interest in the renewal of the Trade Agreements Act during the past year. Editorial comment has been overwhelmingly in favor of the trade-agreements program and a substantial majority of those newspapers which have taken a position, support the pending legislation. Editorial writers emphasize that the program is essential to healthy international economic conditions, the maintenance of free world strength, and domestic prosperity.

*Boston Herald*, January 11, 1955:

The President's program should be adopted at the present session of Congress. We have been fencing with the inevitable long enough.

*Buffalo Courier-Express*, January 11, 1955:

President Eisenhower's proposal is in line with the thinking not only of enlightened American political leaders of both parties, but also of outstanding spokesmen of business and industry. America's position as 20th century leader of the free world would be impaired \* \* \* by retreat into 19th century high-tariff policies.

*Charleston (S. C.) News and Courier*, January 13, 1955:

We agree with Mr. Eisenhower that tariffs should be lowered.

*Chicago Sun-Times*, January 11, 1955:

President Eisenhower's special message \* \* \* outlines a sane and sensible program that deserves the full support of Congress.

*Christian Science Monitor*, January 11, 1955:

In our opinion, this all adds up to a useful program.

*Dallas News*, January 11, 1955:

The President is right in asserting that what he is proposing is less in the interests of aid for foreign trade than of aid for the United States.

*Dayton News*, January 11, 1955:

Fortunately, the political omens are favorable for enactment of the program.

*Denver Post*, January 11, 1955:

Modest as Mr. Eisenhower's program is, it has great potentials—for American business, for American agriculture \* \* \* for those countries which are not adverse to encouraging investments by American companies.

*Des Moines Register*, January 12, 1955:

These are very modest and very moderate proposals toward carrying out such a policy (President's stated goals). Let us hope that they are not weakened further.

*Detroit News*, January 19, 1955:

The administration has not asked for a drastic reduction in import duties. It has asked for a stable and rational trade policy.

*Garden City Newsday*, January 3, 1955:

The President must not retreat before opposition this year as he did last year. His program is sound. He must fight until he wins.

*Great Falls (Mont.) Tribune*, January 19, 1955:

There is little reason for a partisan fight over this program.

*Hartford Courant*, January 11, 1955:

But by and large for every domestic producer that is hurt by trade there are a vast number who are benefited, as is the public generally.

*Houston Post*, January 12, 1955:

Taken together, all of the proposals, if enacted, should result in good for the United States and all other participating countries.

*Kansas City Times*, January 11, 1955:

The broad foreign economic program which President Eisenhower submitted yesterday in a special message to Congress is geared at three levels to our own national self-interest \* \* \* It looks like an attractive package.

*Louisville Courier-Journal*, January 12, 1955:

President Eisenhower has always made uncommonly sound sense on the foreign trade issue. He has done it again with his latest message to Congress.

*Milwaukee Journal*, January 11, 1955:

The President is correct in terming his program "moderate, gradual, and reciprocal."

*Newark News*, January 11, 1955:

As Clarence B. Randall \* \* \* told the Congress of American Industry last month, "a tariff that cuts imports is a tariff that cuts exports."

*New Orleans Times-Picayune*, January 12, 1955:

Mr. Eisenhower's program seems to be well devised to stress the advantages of two-way trade.

*New York Herald Tribune*, January 12, 1955:

It (President's message) states the case for promptly taking those legislative steps in the fields of foreign trade and investment that will contribute to a strengthening of the economic base upon which security must rest.

*New York Journal of Commerce*, January 25, 1955:

The tariff-reduction provisions of this measure are quite mild, and the record of Mr. Eisenhower's first 2 years in the White House indicates that when he uses them at all he will use them with restraint.

*New York Times*, January 11, 1955:

They (President's proposals) really represent the minimum for an intelligible and intelligent foreign-trade policy.

*New York World-Telegram and Sun*, January 11, 1955:

President Eisenhower's message to Congress on foreign economic policy is sound and wise. Its proposals are moderate, yet taken together they can contribute greatly to our own prosperity and that of our allies and the underdeveloped areas of the free world.

*Philadelphia Inquirer*, January 11, 1955:

The time has come for Congress to vote the longer (than 1 year) program as evidence of our intention to help other countries—and ourselves—by expanding foreign trade.

*Providence Journal*, January 11, 1955:

For our own national welfare, we must have a trade program as broad and multipurpose in scope as Mr. Eisenhower has proposed. And it must have continuity.

*St. Louis Post-Dispatch*, January 11, 1955:

President Eisenhower's splendid message to Congress on foreign economic policy makes eminently good sense, as did the similar proposals when he first made them a year ago.

*Salt Lake City Deseret News & Telegram*, January 11, 1955:

If we recognize America's position in world affairs—and we cannot escape doing so—we must agree with the basis of the President's program.

*San Antonio Express*, January 11, 1955:

It follows that what President Eisenhower now seeks of Congress, in effect, is that it untie his hands so that he can wield a vital economic weapon, "trade, not aid," for the Nation's defense. He can be trusted to use the weapon discreetly \* \* \* for moral effect Congress should act speedily.

*Toledo Blade*, January 12, 1955:

Overall, the President's world trade message reflects midcentury facts the Nation cannot afford to overlook.

*Washington Post and Times-Herald*, January 11, 1955:

Approval of the program will mark an important step toward freer trade that should not be discounted just because it leaves much to be done.

*Watertown (N. Y.) Times*, January 10, 1955:

President Eisenhower takes the international long view on foreign trade, a view that his party should take, but a view that his party has failed to take in many years.

*Youngstown Vindicator*, January 10, 1955:

The requests are moderate enough, and American industries have the added protection of the existing peril point and escape clauses which the President would continue.

## APPENDIX C

## ACCOMPLISHMENTS OF THE TRADE AGREEMENTS PROGRAM

The record of accomplishment under the Trade Agreements Act is one of continuous and increasing contributions to the expansion of the American economy and levels of world trade. Under the act the United States now has trade-agreement relationships with 42 countries. Ten of these are bilateral agreements. The other 32 have been negotiated under the auspices of the General Agreement on Tariffs and Trade (GATT). Some of the negotiations conducted under the GATT replace former bilateral agreements. Following is the list of countries with which the United States has trade agreements:

Country	Date concluded	Date effective	Country	Date concluded	Date effective
Argentina.....	Oct. 14, 1941	Nov. 15, 1941	Iceland.....	Aug. 27, 1943	Nov. 19, 1943
Australia <sup>1</sup> .....	Oct. 30, 1947	Jan. 1, 1948	India <sup>1</sup> .....	Oct. 30, 1947	July 9, 1948
Austria <sup>1</sup> .....	Apr. 21, 1951	Oct. 19, 1951	Indonesia <sup>1</sup> .....	do.....	Mar. 11, 1948
Belgium <sup>2</sup> .....	Oct. 30, 1947	Jan. 1, 1948	Iran.....	Apr. 8, 1948	June 28, 1944
Brazil <sup>2</sup> .....	do.....	July 31, 1948	Italy <sup>1</sup> .....	Oct. 10, 1949	May 30, 1950
Burma <sup>1</sup> .....	do.....	July 30, 1948	Luxembourg <sup>2</sup> .....	Oct. 30, 1947	Jan. 1, 1948
Canada <sup>2</sup> .....	do.....	Jan. 1, 1948	Netherlands <sup>1,2</sup> .....	do.....	Do.
Ceylon <sup>1</sup> .....	do.....	July 30, 1948	New Zealand <sup>1</sup> .....	do.....	July 31, 1948
Chile <sup>1</sup> .....	do.....	Mar. 16, 1949	Nicaragua <sup>1,2</sup> .....	Oct. 10, 1949	May 28, 1950
Cuba <sup>1,2</sup> .....	do.....	Jan. 1, 1948	Norway <sup>1</sup> .....	Oct. 30, 1947	July 11, 1948
Denmark <sup>1</sup> .....	Oct. 10, 1949	May 28, 1950	Pakistan <sup>1</sup> .....	do.....	July 31, 1948
Dominican Republic <sup>1</sup> .....	do.....	May 19, 1950	Paraguay.....	Sept. 12, 1946	Apr. 9, 1947
Ecuador <sup>2</sup> .....	Aug. 6, 1938	Oct. 23, 1938	Peru <sup>1,2</sup> .....	Apr. 21, 1951	Oct. 7, 1951
El Salvador.....	Feb. 19, 1937	May 31, 1937	Southern Rhodesia <sup>1</sup> .....	Oct. 30, 1947	July 12, 1948
Finland <sup>1,2</sup> .....	Oct. 10, 1949	May 25, 1950	Sweden <sup>1,2</sup> .....	Oct. 10, 1949	Apr. 30, 1950
France <sup>1,2</sup> .....	Oct. 30, 1947	Jan. 1, 1948	Switzerland.....	Jan. 9, 1936	Feb. 15, 1936
Germany <sup>1</sup> .....	Apr. 21, 1951	Oct. 1, 1951	Turkey <sup>1,2</sup> .....	Apr. 21, 1951	Oct. 17, 1951
Greece <sup>1</sup> .....	Oct. 10, 1949	Mar. 9, 1950	Union of South Africa <sup>1</sup> .....	Oct. 30, 1947	June 14, 1948
Guatemala.....	Apr. 24, 1936	June 15, 1936	United Kingdom <sup>1,2</sup> .....	do.....	Jan. 1, 1948
Haiti <sup>1,2</sup> .....	Oct. 10, 1949	Jan. 1, 1950	Uruguay <sup>1,2</sup> .....	Oct. 10, 1949	Dec. 16, 1953
Honduras.....	Dec. 18, 1935	Mar. 2, 1936	Venezuela.....	Nov. 6, 1939	Dec. 16, 1939

<sup>1</sup> Agreement concluded under auspices of General Agreement on Tariffs and Trade.

<sup>2</sup> Replaced bilateral agreement with United States.

<sup>3</sup> To be terminated on July 18, 1955.

The following table demonstrates the expansion of United States trade with trade-agreement countries. As is shown in the table, trade with countries with which the United States has trade agreements had in some cases expanded between 1937 and 1953 by more than 1,000 percent. While this expansion in our export trade is not due exclusively to concessions obtained by the United States in trade agreements, they have nevertheless made a substantial contribution to this expansion through the more favorable customs treatment obtained for our goods. The most dramatic case, although the value of the total trade is not large, is trade with Iceland, which has expanded more than 7,000 percent since 1937.

After 1945 most of the world's economies had been seriously dislocated by the war and many countries were forced to adopt special measures to restrict imports, particularly from the United States,



since there was a worldwide shortage of dollars. This shortage is now less acute and balance-of-payment restrictions have been considerably reduced and modified by most of the countries.

*Estimated value of United States exports in 1937 and 1953 to countries with which trade agreements are now in effect*

[Thousands of dollars]

Country	1937		1953		Percent increase 1937 to 1953 total exports
	Total United States exports	Export of concession items <sup>1</sup>	Total United States exports	Export of concession items <sup>1</sup>	
Argentina.....	93,831	44,100	104,100	48,927	10.9
Australia.....	73,360	44,750	134,300	81,923	83.0
Austria.....	3,062	980	60,200	19,264	1,666.0
Benelux and dependencies.....	245,384	234,832	630,700	603,580	157.0
Brazil.....	68,271	36,866	293,800	158,706	330.5
Burma.....	(?)	-----	6,800	2,788	-----
Canada.....	491,489	353,872	2,941,100	2,117,592	498.4
Ceylon.....	1,718	807	7,100	3,337	313.3
Chile.....	23,742	14,957	97,600	61,488	311.1
Cuba.....	90,760	87,130	425,200	408,192	368.5
Denmark.....	17,150	6,003	38,300	13,405	123.3
Dominican Republic.....	6,371	1,911	47,000	14,100	637.7
Ecuador.....	5,004	2,102	41,300	17,346	725.3
El Salvador.....	3,393	431	37,000	4,440	929.8
Finland.....	12,243	3,018	22,100	7,072	80.5
France and dependencies.....	174,135	152,194	392,500	343,045	125.4
Germany.....	122,993	92,245	348,200	261,150	183.1
Greece.....	5,829	1,574	60,100	13,527	759.5
Guatemala.....	7,397	1,997	44,300	11,961	498.9
Haiti.....	4,025	604	28,800	4,320	615.5
Honduras.....	5,492	989	35,500	6,390	546.4
Iceland.....	174	50	13,300	3,857	7,643.7
India and Pakistan.....	\$ 43,649	-----	\$ 151,300	-----	-----
Indonesia.....	(*)	-----	\$ 98,100	72,326	-----
Iran.....	5,456	4,528	21,400	51,999	315.9
Italy.....	75,775	40,919	280,900	17,762	292.2
New Zealand.....	23,824	15,486	31,400	151,686	370.7
Nicaragua.....	3,293	955	25,900	7,511	31.8
Norway.....	21,984	9,884	64,600	29,070	686.5
Paraguay.....	7,742	430	7,100	4,113	194.1
Peru.....	18,883	9,442	118,600	59,300	856.9
Southern Rhodesia.....	(?)	-----	4,600	2,898	-----
Sweden.....	64,317	21,225	101,700	33,561	58.1
Switzerland.....	9,411	4,706	131,200	65,600	1,294.1
Turkey.....	14,866	6,982	64,500	30,315	334.2
Union of South Africa.....	88,292	46,795	206,600	109,498	133.9
United Kingdom and dependencies.....	579,424	403,859	698,100	486,576	205
Uruguay.....	13,105	3,407	24,500	6,370	86.9
Venezuela.....	46,229	15,256	510,800	168,564	1,004.9

<sup>1</sup> Estimated figure derived from applying to total exports in 1937 and 1953, 1949 ratio of exports under trade agreements concession to total exports.

<sup>2</sup> Included in Burma and India.

<sup>3</sup> British India includes Burma.

<sup>4</sup> India.

<sup>5</sup> Pakistan.

<sup>6</sup> Included in Benelux and dependencies.

<sup>7</sup> Included in other British South Africa.

Concessions obtained by the United States in its negotiations under the Trade Agreements Act have extended to every segment of the United States economy. The Torquay negotiations, conducted under the auspices of the General Agreement on Tariffs and Trade at which the United States negotiated with 17 countries, illustrate the range of concessions that the United States has obtained. At that conference, which is just 1 of 3 major conferences at which the United States has obtained concessions, we obtained concessions on an estimated \$1,100 million of our exports in 1949 to the 17 countries with

which the United States concluded agreements. The concessions obtained include those on agricultural products and foodstuffs such as wheat, flour, corn, oil seeds, vegetable oils, cotton, and tobacco; fresh, dried, and canned fruit; fruit juices, nuts, canned and dried vegetables, soups, lard, pork, canned and salted meats, canned and powdered milk, cheese, dried eggs, confectionery, canned fish, and prepared food specialties.

In the machinery field the more important lines for which we obtained concessions were: many types of industrial machinery; automotive vehicles and products, including passenger cars, trucks, trailers, industrial lift trucks, tractors, mining locomotives, and automobile parts and accessories; machine tools and metal-working machinery; mining machinery; earth-moving equipment; air compressors and pumps; pneumatic tools; printing presses and other equipment for the graphic arts; and agricultural machinery and implements.

Other concessions were obtained on many kinds of electrical machines, equipment, and appliances, including refrigerating and air-conditioning machinery, radio and television receiving and transmitting apparatus, motors, generators, and transformers; ignition systems; household appliances, such as washing machines, irons, heating devices, and lighting fixtures and equipment; X-ray apparatus, batteries, electronic tubes, and incandescent light bulbs.

Numerous concessions were obtained on chemical, pharmaceutical and medicinal products; rubber goods, including tires, tubes, hose, belting and packing; petroleum products, including lubricants, petrolatum and paraffin; naval stores, including rosin and turpentine; glass manufactures, including bottles, jars, and specialties; leather and numerous leather manufactures; various kinds of lumber, plywood, paper and paper products; numerous manufactures of iron and steel including tinplate, boilers, tanks; and bathroom fixtures; coal, coke, sulfur and borax; asbestos manufactures; abrasives, including paper, cloth and stones; and other typical United States export specialties such as office machines and appliances, motion pictures, film, cameras and projection apparatus, handtools, phonographs, fountain pens, safety razors and blades, metal office furniture, nylon hosiery, toilet preparations; and paints and varnish.

#### UNITED STATES EXPORTS OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

The following survey gives some examples of commodities on which the United States obtained tariff concessions from foreign countries under the trade-agreements program and in which United States exports to those countries have increased. It also gives examples of concession items which have been freed of quota restrictions in cases of countries whose balance of payments situation has improved enough to make it possible for them to reduce their controls over imports.

The statistics used for this compilation are United States export statistics.

#### UNITED STATES EXPORTS TO AUSTRALIA OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Australia increased from \$73,360,000 in 1937 to \$134,300,000 in 1953, an overall increase of 83 percent.

Approximately 61 percent of United States exports to Australia are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Cotton semimanufactures.....	\$17,000	\$182,000
Cotton manufactures.....	115,000	154,000
Synthetic fibers and manufactures.....	14,000	851,000
Sawmill products.....	1,035,000	4,022,000
Electrical machinery and appliances.....	2,228,000	6,274,000
Office machines and appliances.....	1,033,000	1,675,000

UNITED STATES EXPORTS TO AUSTRIA OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Austria increased from \$3,062,000 in 1937 to \$60,200,000 in 1953, an overall increase of 1,866 percent.

Approximately 32 percent of United States exports to Austria are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Prunes.....	\$7,000	\$114,000
Canned peaches.....	0	4,000
Raw cotton.....	36,000	12,465,000
Tires.....	44,000	87,000

UNITED STATES EXPORTS TO BENELUX OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Benelux and its dependencies increased from \$245,384,000 in 1937 to \$630,700,000 in 1953, an overall increase of 157 percent.

Approximately 96 percent of United States exports to Benelux are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Oranges and tangerines.....	\$14,000	\$5,911,000
Raisins.....	916,000	998,000
Cottonseed oil cake.....	0	227,000
Leaf tobacco.....	4,544,000	21,704,000
Raw cotton.....	19,219,000	21,430,000

In 1954, 83 percent of the total value of Benelux imports from the United States entered free of restrictions. The items permitted free entry and on which the United States had received concessions, were within the following commodity classifications:

- |  |                                     |
|--|-------------------------------------|
| Fruits                                 | Leather, rubber, and paper products |
| Vegetable oils                         | Textiles                            |
| Processed food items                   | Metal manufactures                  |
| Minerals and manufactures of chemicals | Machinery                           |

UNITED STATES EXPORTS TO BRAZIL OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Brazil increased from \$68,271,000 in 1937 to \$293,900,000 in 1953, an overall increase of 331 percent.

Approximately 54 percent of United States exports to Brazil are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Transformers.....	\$313,000	\$2,029,000
Radio tubes.....	194,000	536,000
Coal-tar dyes.....	168,000	754,000
Electromedical and electro dental equipment.....	234,000	3,162,000
Transformer oil.....	57,000	310,000

UNITED STATES EXPORTS TO BURMA OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Burma increased from \$2,714,000 in 1938-39<sup>1</sup> to \$6,800,000 in 1953, an overall increase of 151 percent.

Approximately 41 percent of United States exports to Burma are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1946	1953
Radios and parts.....	\$28,000	\$236,000
Pumping machinery, hand pumps and parts.....	0	30,000

UNITED STATES EXPORTS TO CANADA OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Canada increased from \$491,489,000 in 1937 to \$2.9 billion in 1953, an overall increase of 498 percent.

Approximately 72 percent of United States exports to Canada are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

<sup>1</sup> 1937 statistics not available.

Commodity	United States exports	
	1937	1953
Fresh fruit:		
Oranges.....	\$7,200,000	\$19,700,000
Grapefruit.....	1,300,000	4,300,000
Other fresh fruit.....	6,000,000	16,600,000
Fruit juice.....	700,000	11,400,000
Rasins (dried).....	400,000	2,600,000
Plums and prunes, dried.....	800,000	2,300,000
Vegetables, fresh and frozen.....	4,300,000	25,800,000
Corn.....	1,100,000	9,800,000
Rice, paddy (rough).....	100,000	3,200,000
Tobacco.....	1,200,000	2,100,000
Coal, anthracite.....	14,700,000	50,500,000
Coal, other.....	44,000,000	157,900,000
Clothing, cotton.....	400,000	3,300,000
Shoes, boots, etc.....	800,000	4,400,000
Furniture, house, office, store, of wood and other.....	500,000	8,300,000
Refrigeration apparatus.....	2,500,000	35,600,000
Business machines: typewriters, adding, bookkeeping, and calculating machines and parts.....	2,300,000	6,200,000
Apparatus for cooking and heating: coal, wood, oil, gas, electric.....	1,300,000	22,700,000
Glass: sheet, plate, demijohns, carboy, machine-made tumblers, etc.....	2,400,000	16,500,000
Machinery: all types, composed wholly or in part of iron or steel, not otherwise provided for, and complete parts.....	38,000,000	125,000,000
Parts of automobiles, trucks, buses.....	52,600,000	230,000,000
Iron and steel manufactures.....	19,600,000	60,000,000

Canada does not maintain quantitative import restrictions for balance-of-payments reasons. However, the Canadian tariff embodies prohibitions on a few special categories of goods. Quantitatively these have very little effect on United States export trade with Canada.

#### UNITED STATES EXPORTS TO CEYLON OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Ceylon increased from \$1,718,000 in 1937 to \$7,100,000 in 1953, an overall increase of 313 percent.

Approximately 47 percent of United States exports to Ceylon are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Fresh apples.....	\$17,000	\$27,000
Fresh grapes.....	42,000	58,000
Leaf tobacco.....	302,000	850,000
Typewriters.....	22,000	32,000

UNITED STATES EXPORTS TO CHILE OF PRODUCTS SUBJECT TO TRADE  
AGREEMENT CONCESSIONS

Total United States exports to Chile increased from \$23,742,000 in 1937 to \$97,600,000 in 1953, an overall increase of 311 percent.

Approximately 63 percent of United States exports to Chile are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Typewriters.....	\$129,000	\$226,000
Tractors.....	151,000	2,422,000
Over-size tires (excluding trucks and buses).....	2,000	200,000
Whisky.....	0	5,000

UNITED STATES EXPORTS TO CUBA OF PRODUCTS SUBJECT TO TRADE AGREEMENT  
CONCESSIONS

Total United States exports to Cuba increased from \$90,760,000 in 1937 to \$425,200,000 in 1953, an overall increase of 369 percent.

Approximately 96 percent of United States exports to Cuba are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Raw cotton.....	\$448,000	\$1,546,000
Wheat flour.....	6,361,000	8,502,000
Crude petroleum.....	1,379,000	8,145,000
Gasoline.....	1,975,000	7,273,000
Lubricating oils.....	684,000	905,000
Autos, trucks, parts and accessories.....	5,500,000	28,308,000

Cuba has no general controls over its import trade. Import licenses are required for 6 commodities, on 4 of which the United States had been granted tariff concessions (wheat, rice, potatoes, and tires and tubes). But this has had a negligible effect upon Cuba's total imports from the United States.

UNITED STATES EXPORTS TO DENMARK OF PRODUCTS SUBJECT TO TRADE  
AGREEMENT CONCESSIONS

Total United States exports to Denmark increased from \$17,150,000 in 1937 to \$38,300,000 in 1953, an overall increase of 123 percent.

Approximately 35 percent of United States exports to Denmark are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Wheat.....	\$179,000	\$185,000
Canned fruit.....	16,000	68,000
Soybeans.....	0	4,156,000
Leaf tobacco.....	670,000	7,412,000
Raw cotton.....	2,320,000	5,755,000
Refrigerators.....	1,000	4,000

Denmark has recently removed licensing requirements for about 38 percent of its imports. The following are examples of commodities on which the United States has trade-agreement concessions and which Denmark has freed of import restrictions:

Bluegrass seed	Combines, with electric elements
Redtop grass seed	Combines, other
Certain leaf tobacco	Parts of combines
Raw cotton and linters	Parts of drilling and boring machines
Gum and wood rosin	Parts of metalworking machines
Aircraft engines and parts	Files and rasps
Motion pictures	Methyl chloride
Carbon black	

UNITED STATES EXPORTS TO THE DOMINICAN REPUBLIC OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to the Dominican Republic increased from \$6,371,000 in 1937 to \$47,000,000 in 1953, an overall increase of 638 percent.

Approximately 30 percent of United States exports to the Dominican Republic are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Prepared oat cereals.....	\$39,000	\$152,000
Wheat.....	15,000	90,000
Wheat flour.....	16,000	1,361,000
Fresh fruit.....	22,000	175,000
Canned peaches.....	2,000	9,000
Canned pears.....	2,000	7,000
Typewriters.....	19,000	67,000
Fountain pens.....	3,000	20,000

The Dominican Republic requires import licenses only on wheat and wheat flour, rice, radio transmitting equipment, and fertilizers.

UNITED STATES EXPORTS TO EL SALVADOR OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to El Salvador increased from \$3,593,000 in 1937 to \$37 million in 1953, an overall increase of 930 percent.

Approximately 12 percent of United States exports to El Salvador are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Tires and tubes.....	\$77,000	\$288,000
Leather.....	114,000	253,000
Canned mackerel.....	2,000	179,000
Fresh apples, pears, and grapes.....	21,000	111,000
Canned asparagus, peas, corn, and tomatoes.....	7,000	75,000
Canned peaches, pears, and mixed fruit.....	28,000	43,000
Phonograph records.....	7,000	58,000
Rubber hose.....	4,000	28,000
Canned pork.....	5,000	41,000
Oatmeal, rolled oats, and preparations.....	12,000	61,000

El Salvador maintains no restrictions against imports.

UNITED STATES EXPORTS TO FRANCE OF PRODUCTS SUBJECT TO TRADE  
AGREEMENT CONCESSIONS

Total United States exports to France and its dependencies increased from \$174,135,000 in 1937 to \$392,500,000 in 1953, an overall increase of 125 percent.

Approximately 87 percent of United States exports to France are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Cotton, raw, ginned, unbleached.....	\$44,025,000	\$34,196,000
Machine tools.....	3,621,000	10,855,000
Oranges, fresh or dried.....	38,000	858,000
Electric household refrigerators.....	750,000	1,164,000
Steel sheets (automobile bodies).....	1,016,000	4,389,000
Calculating machines and parts.....	2,170,000	4,831,000

UNITED STATES EXPORTS TO THE FEDERAL REPUBLIC OF GERMANY OF PRODUCTS  
SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Western Germany increased from \$122,993,000 in 1937 (all of Germany) to \$348,200,000 in 1953, an overall increase of 183 percent.

Approximately 75 percent of United States exports to Western Germany are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Corn (maize).....	\$103,000	\$7,748,000
Wheat.....	751,000	60,264,000
Grapefruit.....	1,000	7,000
Lard.....	265,000	4,828,000
Dried milk.....	0	286,000
Tires and tubes.....	14,000	25,000
Sewing machines.....	1,000	8,000
Typewriters.....	32,000	159,000

Western Germany has been getting rid of some of its import restrictions on dollar goods. About one-third of the value of German imports from the United States in 1953 were free of import restrictions. The following are examples of commodities on which the United States has trade-agreement concessions and which have been freed of import restrictions:

Coniferous resins  
Unrefined lard  
Rendered tallow, unfit for human consumption  
Oleostearine, unfit for human consumption  
Monohydric alcohols and derivatives  
Turpentine and other distillate products of coniferous resins and woods  
Disinfecting, insecticidal, fungicidal, weed-killing, and similar preparations  
Goatskin leather, dressed  
Douglas fir  
Cotton  
Linters  
Air pumps and air or gas compressors  
Baking machinery and equipment



Sewing machines  
 Leathermaking machinery  
 Machine tools, metalworking  
 Machines for working wood, plastics, and other hand-carving materials  
 Typewriters  
 Calculating and accounting machines  
 Parts and accessories for office machines and appliances  
 Mining locomotives  
 Motor vehicles

UNITED STATES EXPORTS TO GREECE OF PRODUCTS SUBJECT TO TRADE AGREEMENT  
 CONCESSIONS

Total United States exports to Greece increased from \$5,829,000 in 1937 to \$50,100,000 in 1953, an overall increase of 760 percent.

Approximately 27 percent of United States exports to Greece are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Evaporated milk.....	\$1,000	\$787,000
Wheat.....	663,000	11,497,000
Refrigerators.....	22,000	231,000
Fountain pens.....	1,000	79,000

Over 90 percent of all commodities imported by Greece are free of import restrictions. The items free of import controls include all concessions obtained by the United States from Greece except the concessions on furs and machinery.

UNITED STATES EXPORTS TO GUATEMALA OF PRODUCTS SUBJECT TO TRADE  
 AGREEMENT CONCESSIONS

Total United States exports to Guatemala increased from \$7,397,000 in 1937 to \$44,300,000 in 1953, an overall increase of 499 percent.

Approximately 27 percent of United States exports to Guatemala are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Lard.....	\$37,000	\$1,021,000
Evaporated, condensed, and dried milk.....	25,000	488,000
Sardines and other canned fish.....	17,000	156,000
Wheat and wheat flour.....	567,000	1,988,000
Cotton yarn and fabric.....	493,000	3,870,000
Tires and tubes.....	94,000	366,000
Automobiles, trucks, and buses.....	537,000	3,557,000
Typewriters, duplicating and calculating machines.....	52,000	380,000
Cotton shirts.....	37,000	270,000

Guatemala maintains no quantitative controls over its exports.

UNITED STATES EXPORTS TO HAITI OF PRODUCTS SUBJECT TO TRADE  
 AGREEMENT CONCESSIONS

Total United States exports to Haiti increased from \$4,025,000 in 1937 to \$28,800,000 in 1953, an overall increase of 616 percent.

Approximately 15 percent of United States exports to Haiti are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Dried milk.....	\$3,000	\$63,000
Evaporated milk.....	8,000	36,000
Cereals of oats.....	4,000	22,000
Fresh apples.....	4,000	17,000
Raisins.....	1,000	6,000
Prunes.....	2,000	6,000
Tires and tubes.....	51,000	266,000
Surgical dressings.....	12,000	73,000
Radics.....	19,000	55,000
Automobiles (passenger).....	118,000	907,000

Haiti requires import licenses only on a few items, tobacco products, firearms, ammunition and explosives, none of which are subject to tariff concessions.

#### UNITED STATES EXPORTS TO HONDURAS OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Honduras increased from \$5,492,000 in 1937 to \$35,500,000 in 1953, an overall increase of 546 percent.

Approximately 18 percent of United States exports to Honduras are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Passenger cars, trucks, and buses.....	\$93,000	\$2,712,000
Cotton hosiery and shirts.....	19,000	388,000
Bags and sacks.....	32,000	202,000
Fruits: fresh, canned, and dried.....	25,000	119,000
Bakery products.....	14,000	143,000
Wheat flour.....	75,000	736,000
Condensed, evaporated, and dried milk.....	46,000	239,000
Canned sardines.....	9,000	132,000
Denims.....	11,000	417,000
Medicinals and pharmaceuticals.....	144,000	1,140,000
Toilet soaps.....	15,000	87,000
Canned meats and vegetables.....	26,000	142,000

Honduras has administered its exchange control system liberally and in July 1950 had an across-the-board relaxation of exchange controls.

#### UNITED STATES EXPORTS TO ICELAND OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Iceland increased from \$174,000 in 1937 to \$13,300,000 in 1953, an overall increase of over 7,000 percent.

Approximately 29 percent of United States exports to Iceland are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Raisins and prunes.....	0	\$112,000
Wheat flour.....	\$2,000	569,000
Cottonseed and soybean oil.....	0	85,000
Lubricating oils.....	1,000	124,000
Office machinery and parts.....	5,000	79,000
Rubber boats.....	16,000	42,000

Iceland has lifted all import restrictions on the following trade agreement items:

- |                       |                            |
|-----------------------|----------------------------|
| Rice and rice grits   | Other cereals              |
| Corn and cornmeal     | Cottonseed and soybean oil |
| Wheat flour           | Lubricating oils           |
| Oatmeal and oat grits | Rubber boats               |

UNITED STATES EXPORTS TO INDIA-PAKISTAN OF PRODUCTS SUBJECT TO TRADE-AGREEMENT CONCESSIONS

Total United States exports to India-Pakistan<sup>1</sup> increased from \$35,377,000 in 1938-39 to \$249,400,000 in 1953, an overall increase of 605 percent.

Approximately 29 percent of United States exports to India-Pakistan are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Dried skim milk.....	0	\$5,586,000
Tobacco and manufactures.....	\$1,628,000	2,880,000
Copper ore concentrates.....	0	2,223,000
Tractors and parts.....	208,000	6,988,000
Automobiles, parts and accessories.....	8,446,000	12,919,000
Medicinal and pharmaceutical preparations.....	1,634,000	9,101,000

Since 1954 the trend of India's import trade policy has been toward liberalization.

Among the list of items on which the United States had received tariff concessions and for which India has increased the import quotas or permits free importation are:

- |                                   |                  |
|-----------------------------------|------------------|
| Specified metals and manufactures | Chemicals        |
| Drugs and medicines               | Wood             |
| Agricultural implements           | Paper            |
| Electromedical apparatus          | Asphalt          |
|                                   | Electric carbons |

For the first half of 1955 Pakistan has abolished the distinction between the nondollar area and the dollar area as sources of imports. Included among the items now listed as importable from all sources but still subject to licensing requirements are approximately 95 percent of the items on which the United States had received concessions. They are the following:

- |                          |                               |
|--------------------------|-------------------------------|
| Certain mineral products | Metals                        |
| Drugs and medicines      | Chemicals                     |
| Radios and parts         | Office machines and equipment |
| Industrial machinery     | Refrigerators                 |
| Food products            | Typewriters                   |
| Toilet articles          | Tractors                      |
| Automotive vehicles      | Tobacco                       |

<sup>1</sup> The GATT negotiations were with India and Pakistan together. Prewar statistics included both countries.

UNITED STATES EXPORTS TO INDONESIA OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Indonesia increased from \$24,999,900 in 1937<sup>1</sup> to \$103,999,287 in 1953, an overall increase of 315 percent.

Approximately 50 percent of United States exports to Indonesia are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937 <sup>1</sup>	1953
Hardware	(?)	\$7,000
Files and rasps	\$34,000	238,000
Pliers	(?)	4,000
Pumps and parts	90,000	702,000

<sup>1</sup> Statistics in 1937 are given for Netherlands East Indies, later named Indonesia.  
<sup>2</sup> Less than \$500.

UNITED STATES EXPORTS TO IRAN OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Iran increased from \$5,456,000 in 1937 to \$21,400,000 in 1953, an overall increase of 292 percent.

Approximately 83 percent of United States exports to Iran are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Lubricating oils and greases	\$25,000	\$164,000
Tires and tubes	655,000	2,610,000
Automobiles, buses, chassis, parts, and accessories	2,962,000	3,243,000
Pumps	54,000	189,000
Refrigeration and air-conditioning equipment	1,000	230,000
Radio receiving sets and tubes	5,000	130,000
Tractors	12,000	467,000

UNITED STATES EXPORTS TO ITALY OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Italy increased from \$75,775,000 in 1937 to \$280,900,000 in 1953, an overall increase of 271 percent.

Approximately 54 percent of United States exports to Italy are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Wheat	\$459,000	\$27,546,000
Raw cotton	33,294,000	42,604,000
Metalworking machinery	1,661,000	22,198,000
Calculating machines, cash registers, typewriters, and parts	828,000	2,928,000
Tractors, trucks, passenger cars, parts and accessories	2,042,000	4,206,000
Film—unexposed and exposed, motion picture—silent and sound	110,000	482,000
Dried prunes	11,000	414,000

During the postwar period, Italy has found it necessary to maintain quantitative import restrictions on many products because of balance-of-payments

difficulties, and has had to concentrate its expenditure of dollars on essential commodities. However, approximately 23 percent of its trade with the dollar area has been liberalized. The following are examples of commodities on which the United States has trade-agreement concessions and which Italy has freed of import restrictions:

- Vaseline
- Solid paraffin
- Carbon black
- Silicons, plastic materials, condensation, and polycondensation products
- Absorbent cotton in packets weighing not more than one-half kilogram

UNITED STATES EXPORTS TO NEW ZEALAND OF PRODUCTS SUBJECT TO  
TRADE AGREEMENT CONCESSIONS

Total United States exports to New Zealand increased from \$23,824,000 in 1937 to \$31,400,000 in 1953, an overall increase of 32 percent.

Approximately 65 percent of United States exports to New Zealand are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Books and other printed matter.....	\$275,000	\$341,000
Office machines and appliances.....	347,000	722,000
Metalworking machinery.....	136,000	207,000
Tractors and parts.....	2,239,000	4,632,000
Tobacco and manufactures.....	1,270,000	4,631,000
Medicinal and pharmaceutical preparations.....	59,000	111,000
Woodworking machinery.....	53,000	255,000

During the postwar period, New Zealand has found it necessary to maintain quantitative import restrictions on many products because of balance-of-payments difficulties, and has had to concentrate its expenditure of dollars on essential commodities. New Zealand has recently increased the list of items free of import restrictions. The following are examples of commodities on which the United States has trade-agreement concessions and which New Zealand has freed of import restrictions:

- |                       |                     |
|-----------------------|---------------------|
| Hardware              | Refrigerating units |
| Agricultural tractors | Kidskin leather     |
| Radio tubes           | Paper products      |
| Machinery             | Motor vehicles      |

UNITED STATES EXPORTS TO NICARAGUA OF PRODUCTS SUBJECT TO TRADE  
AGREEMENT CONCESSIONS

Total United States exports to Nicaragua increased from \$3,293,000 in 1937 to \$25,900,000 in 1953, an overall increase of 687 percent.

Approximately 29 percent of United States exports to Nicaragua are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Wheat flour.....	\$197,000	\$685,000
Evaporated milk.....	8,000	57,000
Dried milk.....	6,000	51,000
X-ray equipment.....	0	22,000
Typewriters.....	9,000	115,000
Tractors.....	4,000	459,000
Fountain pens.....	2,000	17,000

Quantitative import restrictions in Nicaragua are negligible, and are not applicable to items which are the subject of tariff concessions.

UNITED STATES EXPORTS TO NORWAY OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Norway increased from \$21,964,000 in 1937 to \$64,600,000 in 1953, an overall increase of 194 percent.

Approximately 45 percent of United States exports to Norway are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Raw cotton.....	\$809,000	\$2,435,000
Wheat flour.....	122,000	2,855,000
Leaf tobacco.....	1,195,000	4,587,000
Raisins.....	176,000	366,000

UNITED STATES EXPORTS TO PARAGUAY OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Paraguay increased from \$742,000 in 1937 to \$7,100,000 in 1953, an overall increase of 857 percent.

Approximately 58 percent of United States exports to Paraguay are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Cigarettes.....	\$1,000	\$24,000
Lubricating oils and grease for machinery and vehicles.....	56,000	203,000
Varnishes, driers, and gumlac, prepared, including wood stains.....	1,000	11,000
Toilet colors, eyebrow and eyelash pencils, lipsticks, rouge, nail polish, etc.....	3,000	13,000
Dental powders and soap.....	7,000	16,000
Axes, hatchets, and adzes, with or without handles.....	9,000	37,000
Typewriter ribbons.....	( <sup>1</sup> )	1,000
Mechanical coin counters, cash registers, calculating machines, bookkeeping machines, and parts thereof.....	5,000	67,000
Typewriters, covers for same and parts.....	12,000	43,000
Storage batteries and parts or elements for same.....	6,000	20,000
Passenger automobiles and buses, etc.....	218,000	1,674,000
Automotive tractors and parts.....	0	370,000
Automatic refrigerators.....	29,000	278,000

<sup>1</sup> Approximately \$500.

UNITED STATES EXPORTS TO PERU OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Peru increased from \$18,883,000 in 1937 to \$118,600,000 in 1953, an overall increase of 528 percent.

Approximately 50 percent of United States exports to Peru are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Motor vehicles.....	\$3,319,000	\$18,772,000
Tractors.....	475,000	4,505,000
Machinery.....	5,974,000	37,977,000
Tinplate.....	500,000	1,221,000
Iron and steel pipe.....	400,000	2,762,000
Iron and steel sheets.....	208,000	1,204,000
Iron and steel bars, rods and shapes for building.....	510,000	1,155,000
Lumber.....	1,007,000	2,134,000

Peru maintains no import restrictions.

#### UNITED STATES EXPORTS TO SWEDEN OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Sweden increased from \$64,317,000 in 1937 to \$101,700,000 in 1953, an overall increase of 58 percent.

Approximately 33 percent of United States exports to Sweden are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Canned fruit and juices.....	\$125,000	\$422,000
Passenger cars, chassis, other auto parts for assembly, and tire casings.....	8,758,000	11,501,000
Lubricating oils.....	1,183,000	1,822,000
Dried fruits.....	1,757,000	2,331,000
Tractors.....	1,580,000	3,989,000
Metalworking machines.....	1,270,000	3,286,000

Sweden removed import-licensing requirements from about 45 percent of its total imports effective October 1, 1954. The free list includes a great majority of the commodities on which Sweden granted tariff concessions to the United States under the GATT. The free list is composed of raw materials, semimanufactures, many finished goods, almost all chemical products, all hides and skins, rubber products, wood goods, all paper other than newsprint, textile raw materials, yarn, cord fabrics, shoes, hats, and stone, clay, and glass products.

Extensive free listing is also applicable to engineering products. All manufactures of iron and metal, the greater part of iron and steel products, and all machines, apparatus, and instruments with the exception of cameras, projectors, and musical instruments are free listed. Also included are equipment for railways, streetcars, motorcycles, and bicycles. In the field of foodstuffs, imports are free listed among others for dried fruits and raisins, rice, canned fish, and canned fruits, juices, and a number of other products. Finally, the list includes raw materials for plastics and a large number of products of less importance such as small boxes, handbags, fishing tackle, tobacco pipes, fountain pens, and many other consumer goods.

#### UNITED STATES EXPORTS TO SWITZERLAND OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Switzerland increased from \$9,411,000 in 1937 to \$131,200,000 in 1953, an overall increase of 1,294 percent.

Approximately 50 percent of United States exports to Switzerland are covered by tariff concessions which the United States obtained from that country under

the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Electric refrigerators, machines and parts.....	\$136,000	\$1,183,000
Passenger cars and chassis.....	1,362,000	5,956,000
Typewriters, cash registers, accounting and calculating machines and parts.....	694,000	2,895,000
Hosiery of artificial silk.....	1,000	7,477,000
Lubricating oils and greases.....	103,000	519,000
Dried plums, prunes, apricots, and raisins.....	49,000	574,000
Canned asparagus.....	140,000	628,000
Raw cotton.....	227,000	1,088,000
Typesetting and bookbinding machines.....	93,000	349,000
Coal-tar derivatives.....	65,000	432,000

Ninety-eight percent of Switzerland's imports from all countries are free of restrictions and there is no discrimination against imports from the United States.

UNITED STATES EXPORTS TO TURKEY OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Turkey increased from \$14,856,000 in 1937 to \$64,500,000 in 1953, an overall increase of 334 percent.

Approximately 47 percent of United States exports to Turkey are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Tractors.....	\$140,000	\$1,311,000
Agricultural machinery.....	320,000	4,415,000
Industrial machinery.....	808,000	16,806,000
Automobiles, trucks, etc., and parts.....	1,554,000	7,110,000
Lubricating oil.....	331,000	2,360,000
Tinplate.....	945,000	5,802,000
Electrical equipment.....	606,000	8,335,000

UNITED STATES EXPORTS TO UNION OF SOUTH AFRICA OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Union of South Africa increased from \$88,292,000 in 1937 to \$206,600,000 in 1953, an overall increase of 134 percent.

Approximately 53 percent of United States exports to Union of South Africa are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Wheat.....	\$690,000	\$5,643,000
Office machines and appliances.....	936,000	2,377,000
Tractors and parts.....	2,118,000	11,167,000
Naval stores, gums, and resins.....	186,000	750,000
Synthetic fibers and manufactures.....	1,523,000	14,520,000
Sawmill products.....	1,518,000	5,692,000

Since January 1954 the import-control system has been nondiscriminatory in character insofar as source of imports is concerned. In the Government's announcement regarding its 1955 import-control policy, and which concerns items on which the United States received concessions, were the statements that the



importation of industrial machinery would be on a more liberal basis than in 1954; quotas for agricultural machinery and implements would be increased; consumer-goods imports would be increased.

UNITED STATES EXPORTS TO UNITED KINGDOM OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to the United Kingdom, and its dependencies, increased from \$579,424,000 in 1937 to \$698,100,000 in 1953, an overall increase of 20.5 percent

Approximately 70 percent of United States exports to the United Kingdom are covered by tariff concessions which the United States obtained from that country under the trade agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Machine tools and parts.....	\$18,800,000	\$50,700,000
Wheat.....	6,900,000	29,400,000
Tobacco, unmanufactured.....	87,400,000	125,000,000
Textile machinery.....	1,800,000	5,400,000
Soya beans.....	0	3,100,000
Hosiery of artificial fiber.....	4,000	124,000

During the postwar period, the United Kingdom has found it necessary to maintain quantitative import restrictions on many products because of balance-of-payments difficulties, and has had to concentrate its expenditure of dollars on essential commodities. However, the United Kingdom, in line with its improved balance-of-payments situation, has recently carried out a large measure of relaxation of import restrictions. Approximately 50 percent of its trade with the dollar area has been liberalized. The following are examples of commodities on which the United States has trade agreement concessions and which the United Kingdom has freed of import restrictions:

- |                       |                       |
|-----------------------|-----------------------|
| Wheat                 | Dried beans           |
| Soybean oil and beans | Softwood              |
| Oats                  | Maize                 |
| Barley                | Maize starch          |
| Lard                  | Soybean cake and meal |
| Linters and waste     | Raw cotton            |
| Canned salmon         |                       |

Further, the United Kingdom recently relaxed import restrictions on hardwood and automobiles.

UNITED STATES EXPORTS TO URUGUAY OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Uruguay increased from \$13,105,000 in 1937 to \$24,500,000 in 1953, an overall increase of 87 percent.

Approximately 26 percent of United States exports to Uruguay are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Raisins.....	\$15,000	\$86,000
Tobacco, unmanufactured cigarettes.....	114,000	1,594,000
Harvesters.....	217,000	531,000
Refrigeration equipment.....	219,000	4,420,000
Composing machines; printing presses.....	63,000	265,000
Washing and ironing machines.....	13,000	80,000
Automobiles and trucks.....	3,415,000	4,336,000
Tractors.....	493,000	1,556,000

In December 1954, Uruguay allotted a \$3.5 million quota for the importation of goods from the United States and Canada.

In addition, certain consumer goods which had been on a restricted list were freed. The goods may be purchased from any area. Those of interest to the United States and on which concessions had been granted are foodstuffs, textiles, automobiles, machinery, cigarettes, and lumber.

UNITED STATES EXPORTS TO VENEZUELA OF PRODUCTS SUBJECT TO TRADE AGREEMENT CONCESSIONS

Total United States exports to Venezuela increased from \$46,229,000 in 1937 to \$510,800,000 in 1953, an overall increase of 1,005 percent.

Approximately 33 percent of United States exports to Venezuela are covered by tariff concessions which the United States obtained from that country under the trade-agreements program. Some examples of concession items in which trade has increased are as follows:

Commodity	United States exports	
	1937	1953
Wheat flour.....	\$1,616,000	\$0,222,000
Prepared milk.....	200,000	18,787,000
Oats, oat flour, and barley.....	14,000	4,719,000
Copper wire.....	295,000	2,693,000
Cigarettes.....	105,000	5,412,000
Trucks, automobiles, accessories, and parts.....	7,872,000	66,499,000
Refrigerators.....	465,000	4,533,000
Office appliances.....	386,000	2,660,000
Medicinals and pharmaceuticals.....	881,000	11,063,000

Venezuela has virtually no restrictions against imports. United States trade enjoys the full benefit of the trade-agreement concessions.

## APPENDIX D

## HOW A TRADE AGREEMENT IS MADE

The decisions involved in making a trade agreement are made by the President, for it is to him that the authority to negotiate trade agreements within specified limits has been given by the Congress in the Trade Agreements Act of 1934. This act, which became law on June 12 of that year and has since been renewed nine times, empowers the President to conclude trade agreements with other countries. In return for reductions in their barriers against American goods, he may modify United States tariff treatment or other import restrictions on goods from abroad. Within the authority granted by Congress to the President, in addition to undertaking general obligations such as granting most-favored-nation treatment with regard to tariff matters, United States concessions may consist of (a) a reduction in the United States tariff rate, (b) binding of that rate, that is, an agreement not to increase the rate, or (c) a binding of the duty-free status of an item, that is, an agreement not to impose a duty on an article which is being admitted free of duty when the agreement is concluded.

In making decisions under the Trade Agreements Act, the President is required by law to seek information and advice from the Departments of State, Commerce, Agriculture, and Defense. In practice, he gets a broader range of advice for he has, by Executive order, set up an interdepartmental group called the Trade Agreements Committee, which includes not only the agencies that he is required by law to consult but also the Departments of Labor, Interior, and the Treasury, the Foreign Operations Administration, and a representative of the Tariff Commission.

The executive agency members on the Trade Agreements Committee are the official representatives of their agencies. Therefore, the recommendations of the Trade Agreements Committee reflect the considered position of all those agencies and the interests of the segments of the American economy for which those agencies have primary responsibility. If the Committee cannot reach unanimous agreement on recommendations, the disagreement goes to the President for resolution.

## FIRST STEP—OBTAINING INFORMATION ON TRADE WITH COUNTRY X

Once the President has decided that trade negotiations should be undertaken with a particular country the Trade Agreements Committee appoints a subcommittee made up of officers of the different agencies which have members on the Trade Agreements Committee. They are experts on our trade with country X. This subcommittee then studies the statistics of this trade and picks out for possible tariff negotiation the products which we import from country X and for which country X is the principal supplier. The committee also chooses the items which country X imports and for which the United

States is the principal supplier. It may also include in the list of that country's imports some products in which our exporters have a particular interest, even though we may not be the principal supplier. The lists of products to be considered for tariff negotiation suggested by the subcommittee are submitted to the Trade Agreements Committee for consideration.

#### TRADE AGREEMENTS COMMITTEE MAKES RECOMMENDATIONS

When the Trade Agreements Committee has made any modifications it considers necessary in the lists suggested by the subcommittee it sends the list of United States import items to the President for his decision.

When the President has decided what products should be included on the list, it is published and a date is set for public hearings to obtain the views of all interested persons and groups as to whether concessions on any of the items should be made. These hearings are held by the Committee for Reciprocity Information, which is composed of the same agencies and the same individuals as the Trade Agreements Committee. Hearings are also held by the Tariff Commission in connection with its determinations of appropriate "peril points" for articles included in the list.

The notice that goes out with the list makes the following points clear:

1. That everyone who has an interest in the items on the list is invited to make known his views about whether a concession should be granted.
2. That the inclusion of a product in the list does not mean that any decision has been made as to whether a concession will or will not be granted.
3. That no concession will be granted on any product which is not contained in a public list.
4. That interested people are requested to give the Committee their opinions as to concessions which should be asked by the United States from the other countries with which it is negotiating, as well as their views about possible concessions in the United States tariff.
5. The time and place at which briefs must be filed and the time and place at which the hearings will be held.

#### INTERESTED PERSONS PRESENT VIEWS

A very considerable effort is made to see that this list and notice get the widest possible distribution. Both are published in the Federal Register, and the notice is published in the State Department Bulletin, Treasury Decisions, and Foreign Commerce Weekly. Copies are sent to every Member of Congress and in quantity to all the district offices of the Department of Commerce for dissemination to interested people. Over the course of the years, an extensive list of people who are interested in hearing about trade-agreement matters has been built up, and copies of the notice and the public list are sent to everyone on it. Moreover, many of the trade associations, trade journals, chambers of commerce, and so forth, frequently purchase quantities of the notice and list for distribution to their members. The list and notice are always made available to the press.

All individuals or groups who wish to express views about a product on the list are required to file a written memorandum in advance of the hearings. They may also appear at the public hearings and present supplemental information. Many people avail themselves of this opportunity. Unless the Committee on Reciprocity Information specifically accepts information on a confidential basis, the material contained in the briefs submitted to the Committee is public information.

Copies of the briefs are furnished to the members of the subcommittees developing country trade information, to the members of the Trade Agreements Committee, and to any other persons who may be involved in the conduct of the hearings. The briefs are first analyzed by the Government's experts on the particular product so that the officials who are to conduct the hearings have in advance the result of expert analysis of the brief and suggestions as to additional information to be elicited before or during the hearings.

After the hearing is concluded, the information elicited at the hearing, the information contained in the briefs, and the information in the Government files with respect to each product is then studied by a subcommittee. The subcommittee studies the data to ascertain whether a concession would be justified and, if so, what the nature of the concession should be. These studies are presented to the Trade Agreements Committee, which reviews them item by item and approves, modifies, or rejects them.

During the Committee for Reciprocity Information hearings the public is invited to submit suggestions for items on which we should request tariff concessions from country X. These suggestions and others made by the members of the subcommittees are also reviewed in detail by the Trade Agreements Committee.

#### HOW RECOMMENDATIONS ARE ARRIVED AT

The recommendation in each case is based upon a variety of factors. The Committee considers, for example, the relation of imports to domestic production. Are imports a large part of the amount consumed in the United States, or a small part? It considers what the trend has been on this point. Have imports been taking an increasing part of the domestic market, a smaller part, or has the relation between imports and domestic production remained substantially stable?

It considers whether the domestic industry is on an export basis. If, for example, the domestic industry has a large export business, this would be one indication that the industry might well be able to compete in third markets with the foreign product, and, therefore, a reduction in the tariff might be considered.

The Committee also takes into account such matters as whether the domestic industry is a large and diversified industry located in many places and producing a wide variety of products, or whether it is an industry concentrating on the particular product involved and located largely in one community. This has an important bearing, of course, upon the possible impact of imports on the domestic industry.

Since the law provides that no decrease in duty on an article shall be made if the President finds such reduction would threaten domestic production needed for projected national-defense requirement, the Committee must also consider the national security needs for particular products.

Then the Committee considers whether it would be desirable or possible to make a concession on only part of the tariff category that may be involved. For example, it might well be that a substantial reduction in the tariff on imports of a product above a certain value would not have any appreciable effect on the domestic industry, whereas a comparable reduction on lower value products might have a considerable impact.

The Committee may also take into consideration the advisability of making a limited reduction through the use of a tariff quota or other devices. For example, the Committee may consider that a reduced duty should apply to only a specified percentage of average United States production of the product. Or, to take another example, the Committee may consider that it would be desirable to reduce the duties but to reserve the right to increase the rates if imports exceed a certain percentage of United States production of similar products.

The Committee also considers the peril-point findings of the Tariff Commission. These peril points are the limits below which the United States duties and other import restrictions involved cannot be reduced without causing or threatening to cause serious injury to domestic industries, according to the judgment of the Tariff Commission. These peril-point findings by the Tariff Commission are required by law.

The Committee is also guided by President Eisenhower's acceptance of a recommendation of the Commission on Foreign Economic Policy that no tariff concessions will be granted by the United States on products made by workers receiving wages which are substandard in the exporting country.

All of these factors and others are taken into account in making a recommendation as to a concession on any particular product.

#### RECOMMENDATIONS GO TO THE PRESIDENT

The recommendations of the Committee are forwarded direct to the President for his approval. The President considers the recommendations, paying particular attention to cases in which the Committee recommends reduction of United States import restrictions below what the Tariff Commission considers the peril point.

The decision of the President constitutes an instruction to the United States negotiators. It authorizes them to make the concessions they recommend provided that they can get from the negotiating country the concessions which they have recommended the United States should ask.

#### ACTUAL BARGAINING BEGINS

The next stage is that of negotiation. The negotiation is conducted normally by a team consisting of representatives of the Department of State, the Tariff Commission, the Department of Commerce, and the Department of Agriculture. At other times, there may be a representative from the Department of the Treasury. Other agencies are represented by advisers when their interests are involved.

The offers and requests are presented to the country X negotiators, and the bargaining takes place around the table, usually for a considerable period of time.

TRADE AGREEMENTS EXTENSION ACT OF 1940

The negotiating team makes the best bargain it can within its instructions and then reports to the Trade Agreements Committee.

In recent years during the extensive conferences at Geneva, Switzerland, in 1947, Annecy, France, in 1949, and Torquay, England, in 1950-51, the Trade Agreements Committee has gone to the site of the conference. Such reports can therefore be made personally by the negotiating team. In such report, the team indicates whether it believes an agreement is possible and, if necessary, makes recommendations to the committee as to whether any changes in the offers initially authorized or in the requests initially made would, in its opinion, be desirable. The Trade Agreements Committee considers the recommendations of the team, and, if it feels that any changes in the original position are desirable, recommends to the President what changes it thinks should be made.

Normally there are changes as a result of negotiation. If it develops that we are not able to get as much as we feel we should, then we pull back some of our offers. If we are able to get more than we expected but are asked for more in return, the committee considers whether the bargain would be worth while and whether it could be made without injury.

On the basis of this consideration the committee makes its recommendations to the President for the final decision. If he approves them, the negotiating team concludes the agreement on that basis. If any negotiation results in a concession on a United States tariff below the peril-point finding of the Tariff Commission the President is required by law to explain to the Congress the reasons for the action.

#### BARGAINING WITH SEVERAL COUNTRIES AT ONCE

From 1934 until 1947 the United States, under the Trade Agreements Act, concluded trade agreements through separate negotiations with each of various foreign countries. Tariff concessions in each agreement were based, of course, on the trade between the United States and the other country involved, although, under the traditional most-favored-nation policy of the United States, the concessions granted in any agreement applied to the products of all other countries as well. The "general provisions" of the agreements—relating to general trade treatment and designed to safeguard the tariff concessions themselves—differed in some cases, although they were considerably standardized.

At Geneva in 1947, the United States and 22 other countries negotiated tariff concessions simultaneously and agreed to one set of general provisions—those in the General Agreement on Tariffs and Trade concluded then. At Annecy, France, in 1949, and at Torquay, England, in 1951, these countries and several additional countries exchanged further concessions on import restrictions. There are now 34 countries which are parties to the General Agreement on Tariffs and Trade.

Notwithstanding the number of countries engaged in the negotiations, the same country-with-country bargaining procedure is followed in exchanging tariff concessions. The result is that the number of such two-country negotiations has run into the hundreds. When all

have been completed, all the concessions resulting from the separate negotiations are examined and approved by all the participating countries and then integrated into the one agreement.

The foregoing paragraphs describe in detail the successive steps followed in considering and reaching decisions on each tariff concession which the United States may ask or offer in the course of making a trade agreement. Only after all these stages have been passed does the President make effective, by proclamation, the modifications in United States tariffs which the United States Government makes in return for corresponding trade-barrier reductions granted by foreign countries and designed to widen markets for United States products.

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