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The Honorable Richard L. Neuberger  
United States Senate  
Washington, D. C.

Dear Senator Neuberger:

I appreciate your kind letter of June 5, 1958.

We had already noted your extremely interesting  
speech in the Congressional Record for June 3rd,  
and I had asked some of my people here to give  
it thorough study.

Faithfully yours,

~~SECRET~~

Allen W. Dulles  
Director

AWD:at

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*Cong*

RICHARD L. NEUBERGER  
OREGON

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PERSONAL SECRETARY

**United States Senate**  
WASHINGTON, D. C.

June 5, 1958

Executive Registry  
10-4412

Mr. Allen W. Dulles  
Director  
Central Intelligence Agency  
Washington 25, D.C.

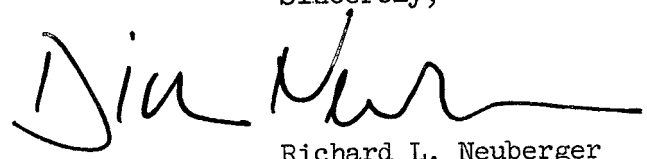
Dear Mr. Dulles:

Because I relied so heavily on your excellent speech to the U. S. Chamber of Commerce in my remarks, I thought you might like to see the attached copy of my Senate speech on June 3, on the subject of the Soviet challenge to our foreign economic policies.

Thank you also for your kind letter of May 27 in reply to my questions on some related phases of this subject.

With kind regards,

Sincerely,



Richard L. Neuberger

RLN:jc  
Encl.

voted overwhelmingly for it time and again. They have adopted a constitution on which a State can operate. They have sent by popular election two Senators and a Representative to Congress, under the historic Tennessee plan, as evidence of their desire to be full-fledged members of the Union.

Second. The people of the United States favor bringing Alaska into the Union. Cross-section groups in different parts of the country have voted for admission by ratios ranging all the way from 5 to 1 up to 12 to 1. The American people have believed for years that their fellow citizens in Alaska ought to have the right to vote in national affairs and to participate effectively in the work of Congress.

Third. Both political parties have promised repeatedly in their platforms to work for statehood. The most recent time was in 1956, less than 2 years ago. Actually statehood for Alaska was first proposed in Congress in 1916.

Fourth. National leaders of both parties are for Alaska's entry into the Union. President Eisenhower, Secretary of the Interior Seaton, and Republican Senate Leader Knowland are three of the prominent GOP leaders who are for admission, the President declaring himself anew only last week. Speaker RAYBURN is leading the Democratic forces in the House. Adlai E. Stevenson, Democratic standard bearer in 1952 and 1956, has spoken for bringing in a new State.

Fifth. Congress itself favors statehood when the House voted last week on the question of taking up the bill, the division was 217 for considering it to 172 opposed. Had the 100 Republicans who voted "nay" known that President Eisenhower was going to recommend passage, the margin for Alaska would have been much larger. As it was, the majority was a sizable 45. Four years ago the Senate passed a bill to admit both Alaska and Hawaii by the heavy majority of 57 to 28.

Sixth. The population of Alaska, 212,500, is greater than that of 22 States—almost half the members of the present Union—at the time they were admitted. But more important than Alaska's present population is the rate of growth of its population. In the first 6 years after the 1950 census, the population of Alaska grew almost 49 percent. Within the United States, the national average growth was about 13 percent for the same period.

Seventh. The rich resources of Alaska deserve the kind of development which will come with statehood and a still greater growth in population. Already the timber, metals, minerals, fish, and other products that have come from Alaska have returned more than 400 times the \$7 million the United States paid Russia shortly after the Civil War. No one knows the extent of the vast oil reserves awaiting exploration.

Eighth. Alaska is a geographical outpost of the United States in the Pacific which should be made a more effective part of our defense system. In World War II Alaska was the only part of North America invaded by Japanese forces.

Ninth. There is no remotest question of the loyalty of the people of Alaska. A report by the Federal Bureau of Investigation in 1951 said there were only 10 Communists in the entire Territory. The likelihood is that the number is smaller now.

Tenth. Admission of Alaska will show the world that the pioneering spirit which made this country great is not dead. It will demonstrate that we have not grown old and tired, but that, on the contrary, we are ready and willing to carry on vigorously along frontiers.

To these 10 reasons for admitting Alaska it would be easy to add others—as for example, with Alaska admitted the way will be open to exhibit the same justice and fairness to Hawaii. Surely these 10 are enough when the chief arguments on the other side are

little more than inertia, local pride, or prejudice.

Pass the Alaska bill.

Make this session of Congress historic.

Infuse new blood into the Union.

#### MUTUAL SECURITY ACT OF 1958

The Senate resumed the consideration of the bill (H. R. 12181) to amend further the Mutual Security Act of 1954, as amended, and for other purposes.

The PRESIDING OFFICER (Mr. PROXMIER in the chair). As a Senator the present occupant of the chair suggests the absence of a quorum; and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. NEUBERGER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### GRANTS FOR CONSTRUCTION AND EXPANSION OF PUBLIC COMMUNITY JUNIOR COLLEGES

Mr. NEUBERGER obtained the floor.

Mr. YARBOROUGH. Mr. President, will the Senator from Oregon yield to me, for the introduction of a bill?

Mr. NEUBERGER. I yield.

Mr. YARBOROUGH. Mr. President, I introduce a bill to authorize an annual grant of \$200 million for 5 years to assist States to cope with the emergency in higher education presented by skyrocketing college enrollments. The bill provides for Federal assistance in the construction of public community junior colleges.

Testimony which I have heard before the Senate Labor and Public Welfare Committee indicates that the number of potential college students in the United States will be doubled by 1970. Unless immediate steps are taken to construct buildings to accommodate them, the children of the veterans of World War II and the Korean conflict will be denied opportunities to attend college, simply because there will not be room for them.

Today, many high-school graduates are being denied an opportunity to go to college, simply because the colleges say they are full and have no more room. This is a denial of the American dream of a college education for every boy or girl who wants it and is capable of mastering the courses.

This bill provides grants for extension of existing public junior college facilities, or the establishment of new facilities. It provides for the development of State and local junior colleges, with special priority to the areas in need of higher educational facilities. States whose plans are approved will receive a flat Federal grant, with additional funds to be matched by the States.

The bill leaves wholly under the States control of these public junior colleges. There is no danger, under this bill, of Federal control of junior colleges.

The failure to provide adequate educational facilities for the young people of America is leading to the waste of the

greatest of all our resources, our human resources.

In the next 15 years, the college population of Texas alone will increase by 75 to 100 percent, and similar increases will take place throughout the rest of the Nation. There are 32 public junior colleges in Texas, and additional ones are authorized and are in the process of formation. If our society is to continue to grow and to develop, we must be alert to the particular needs of our times. The junior college represents a movement which has grown out of the educational needs and demands of our people.

The construction of public community junior colleges will be of distinct value to the Nation, as we strive to meet the urgent need for more and more highly skilled people. The junior college has played a very important role in Texas, because it has given thousands of students—who otherwise might not have been able to afford post-high-school study—an opportunity to pursue their studies beyond the high school. The outstanding contribution of the public junior college program throughout the Nation warrants our attention now. Through its expansion, the Nation's urgent need for more semiprofessional personnel can be met. The expansion of public junior community colleges, which the bill provides, would be as significant to the future of this country's world leadership and industrial productivity as the land-grant college legislation has been for 96 years.

For the future security of the Nation and for the continued fulfillment of our Nation's educational goals, we must recognize the need for the continued development of the community junior college.

So, Mr. President, I introduce, for appropriate reference, a bill to provide for Federal assistance for the construction and expansion of public community junior colleges.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 3932) to provide for Federal assistance for the construction and expansion of public community junior colleges, introduced by Mr. YARBOROUGH, was received, read twice by its title, and referred to the Committee on Labor and Public Welfare.

Mr. YARBOROUGH. I thank the Senator from Oregon for yielding to me, so that I might introduce a bill which I believe to be one of the most important subject.

Mr. NEUBERGER. Mr. President, I have been very happy to yield to the Senator from Texas for the introduction of so important a measure.

#### SELECT COMMITTEE TO STUDY FOREIGN ECONOMIC POLICY

Mr. NEUBERGER. Mr. President, I now come to the subject on which it is my privilege to address the Senate today.

Mr. President, from all sides we see mounting evidence of the great challenge which confronts the United States today in the realms of international economic policy.

This challenge is not as dramatic as the conquest of space and the threat of intercontinental ballistic missiles armed with nuclear warheads.

It is not as immediate as the terrible crisis facing the Atlantic community in France and in north Africa, or as the potentially explosive power struggles in the Near East.

It does not lend itself to oratory as readily as does, for example, the ideological battle between the Communist doctrines of dialectical materialism and the democratic philosophy of individual liberty.

This challenge in the real of international economic policy is not even exclusively one that can be pin-pointed as coming from an adversary—from communism or Soviet Russia—although the challenge of Mr. Khrushchev is very explicit indeed, and backed by impressive displays of present and potential performance.

Nevertheless, the mounting evidence indicates that the fate of the world in our lifetime is more likely to be determined by the success or failure of the free democracies' economic systems, of their interrelationship, and of our economic policies, than by either atomic war or ideological debate.

To the so-called uncommitted nations—and that means largely the underdeveloped countries whose people have only recently emerged from colonial bondage, carrying with them deep-seated resentment and suspicion of western and capitalist institutions—Mr. Khrushchev offers the vision of economic and industrial development under the harsh but rapid forced-draft patterns of Communist Russia and China. Here, the fate of our competing political systems and philosophies will hang in the balance of a choice that will be made on economic grounds.

To the older, more developed countries, the Soviet leaders offer glittering promises of trade with what they confidently predict will soon be the largest, richest, most powerful bloc of nations in the world—offers which can promise more favorable terms than are available in the west because they are made in a context of foreign policy, independent from the short-run needs and fluctuations of any domestic commercial markets within the Communist bloc.

We have had ample warnings that such Soviet sallies on the international economic front are effective—and their future effectiveness will be in direct relation to whatever opportunities are opened or closed to them by the success or failure of our own international economic policies.

Furthermore, we have recently seen ample evidence that economic issues are basic points of challenge to our foreign policy, quite apart from anything the Soviet Union has done or may do. We confront it in the development of a common market and other integrated economic institutions in Western Europe, which—if they are not destroyed by the present French crisis—will inevitably carry with them crucial political consequences. We have seen such evidence in our own hemisphere—even in our relations with our great and close neighbor

and ally, Canada, where Soviet policies certainly have played no role.

American, not Russian, economic policies are the issue in the worsening of our relations with Canada, and American, not Russian, economic policies are widely agreed to be the issue in our relations with the Latin American nations, where the Vice President received such mixed receptions recently. For the time being, the United States, along with the older western democracies of Europe and the Commonwealth, still constitutes incomparably the strongest, richest, most influential economic unit and factor in the world economy. The challenge that faces us is whether or not we can so organize and apply our policies that this strength and wealth will serve not merely the economic objectives which we have as a Nation—not merely the goals of prosperity and security of the individual segments of our internal economy—but also the greater, noneconomic objectives of our national interest in the modern world. The challenge, in brief, is whether or not we can make foreign economic policy serve the ends of foreign policy, as well as those of our domestic economy.

#### SENATE STUDY NEEDED NOW

Mr. President, I propose that the Senate prepare to respond to this challenge while it is still of manageable proportions; while we still have time to meet it in an orderly fashion, on the basis of adequate information, study, and public deliberation. Too often, the Congress is criticized for being shortsighted, for facing only the issue immediately before it at the moment, and for habitually investigating only at the moment of crisis or disaster problems to which others had vainly sought to draw attention before it was too late.

For a considerable time, responsible leaders from President Eisenhower on down have been drawing our attention to the problems of our foreign economic policies. The frequency and intensity of the danger signals have increased rapidly in recent months, and I shall refer to some of them later. From time to time, in the past, studies have been made by Presidential commissions and under various private auspices, which have resulted in the accumulation of valuable knowledge and policy ideas. But the ultimate responsibility for enacting into law any such policies remains with the Congress, and it is to the Congress that the American people most particularly turn in such matters as economic policies, that have a pocketbook impact within our own country.

I propose no such specific policies today. But I do propose that, at this important juncture, the Senate act now by undertaking its own study of the challenge facing us in the realm of international economic policy, and of the economic foreign policies we shall need to meet that challenge.

To this end, Mr. President, I submit today a Senate resolution to create a Select Committee on Foreign Economic Policy, for the relatively brief span until June 30, 1959, to undertake studies of American foreign economic policy as specified in more detail in the text of

the resolution. I am honored to have, as cosponsors of this resolution, a group of our distinguished colleagues that include the chairman of the Committee on Foreign Relations, the senior Senator from Rhode Island [Mr. GREEN], the Senators from Alabama [Mr. HILL and Mr. SPARKMAN], the junior Senator from Massachusetts [Mr. KENNEDY], the junior Senator from New York [Mr. JAVITS], the junior Senator from Louisiana [Mr. LONG], the junior Senator from Pennsylvania [Mr. CLARK], and the junior Senator from Minnesota [Mr. HUMPHREY].

I ask unanimous consent that the text of the proposed resolution be printed in the RECORD at this point, and I shall explain it further at a later stage in my remarks.

The PRESIDING OFFICER. The resolution will be received and appropriately referred.

The resolution (S. Res. 312) to establish a Select Committee on Foreign Economic Policy, submitted by Mr. NEUBERGER (for himself and other Senators), was referred to the Committee on Foreign Relations, as follows:

Whereas the foreign policy of the United States is necessarily affected, both in its ends and its means, by the economic position and policies of the United States and other nations;

Whereas the United States is being repeatedly and vigorously challenged by the U. S. S. R. to a worldwide competition in the field of international economic policy;

Whereas the degree and manner in which international economic policy should be integrated with the objectives and instruments of United States foreign policy has not been adequately examined and clarified;

Whereas important and radical changes have occurred in the world situation in recent decades, including historic developments concerning the independence of nations, their economic and political relationships to each other and to the United States, and their relative strength;

Whereas in the course of these historic developments of the past quarter century, economic policies have increasingly become integral elements of national foreign policies, and are now being actively and effectively so used by the U. S. S. R.;

Whereas among the western democracies of the Atlantic community, constituting in itself almost one-half of all world trade, represents a vital element of the economic and political interdependence of the free world that is a key premise of United States foreign policy;

Whereas six western European democracies have newly formed a European Economic Community to encompass 162 million people in the most highly developed region of that continent, and there are plans to develop a wider trade area with the collaboration of Great Britain, members of the Commonwealth, and other western democracies such as Scandinavia, which has recently formed its own trade area;

Whereas there has been no comprehensive, objective public examination of the foreseeable economic and political impact of these modern world developments, and their significance for the international position, objectives, and policies of the United States;

Whereas the Senate has special responsibilities for measures to foster commercial intercourse with foreign nations and for other measures to the end that the foreign policies of the nation may be promoted: Be it

*Resolved*, That there shall be established a Select Committee on Foreign Economic Policy, which shall undertake thorough and objective studies of the extent to which

United States economic policies serve, fall to serve, and should serve the national interest under present and foreseeable world conditions, to the end that these studies and recommendations based thereon may be available to the Senate in considering United States international trade policies for the future.

Sec. 2. (a) The select committee shall be composed of 4 members of the Senate Committee on Foreign Relations, 4 members of the Senate Committee on Finance, and 4 members chosen from the Senate at large. Members from the respective committees of the Senate shall be selected equally from the two political parties by the chairman of said committees. Members from the Senate at large shall be chosen equally from both parties by the Vice President.

(b) Any vacancy in the membership of the select committee shall not affect its powers and shall be filled in the same manner as provided for in determining the original membership.

(c) The chairman of the select committee shall be designated by the chairman of the Senate Foreign Relations Committee.

(d) Seven members of the select committee shall constitute a quorum.

Sec. 3. The select committee shall, without limiting the scope of the study hereby authorized, direct its attention to the following matters:

(a) The relationship between the economic needs and objectives of nations and their political relations and policies in international affairs.

(b) The manner and effect of the use of economic means, including trade, as instruments of political foreign policy by the Soviet Union, and by other past and present totalitarian regimes.

(c) The conditions under which, and the methods by which, trade, taxation, monetary, and other economic policies can and should be more effectively utilized to further the overall foreign policy objectives of the United States.

(d) The significance, for United States foreign policy objectives, of the speed of, and sources of capital for, economic expansion in the non-Communist world.

(e) The economic, political, and military implications of the developing European Economic Community and the proposed European free trade area, including their effects upon United States foreign trade and policy in both the short-run and the long-run.

(f) The manner in which the United States should respond to these developments of closer economic and institutional interrelation in the free world—by reviewing and modifying its own trade and tariff policies in any direction, by encouraging and negotiating the broadening of these market areas into wider, multilateral trading arrangements, by participating in the creation of new institutions to include the United States, or any other means.

(g) The extent to which controls over international economic relations have assumed importance as aspects of foreign policy, and the extent to which the tariff and other such controls have diminished in importance as a factor, directly or indirectly, in the collection of Federal revenue.

(h) The degree to which United States policy toward economic relations with other nations, including modifications of tariff rates and other controls over trade, should depend upon reciprocal action by other countries, and the extent to which it should be unilateral, and the suitability of the unconditional most-favored-nation policy in the light of present world conditions.

(i) The economic and commercial factors affecting the determination of United States policies in the national interest such as, for instance, the problem of imports from non-Communist countries having abnormally low wage standards, and the gradual shift in

United States economic dependence from commodity exports toward resource imports.

(j) The effects upon the American economy as a whole, its human and material resources, and upon regions and groups within it, of any substantial modifications, in any direction, of United States tariffs or other international trade policies as part of United States foreign economic policy.

Sec. 4. The select committee shall transmit to the Senate not later than June 30, 1959, the results of the study herein authorized, together with such recommendations as may at that time be found desirable.

Sec. 5. In the conduct of this study full use may be made of the experience, knowledge, and advice of private organizations, schools, institutions, and individuals. The select committee may divide the work of the study among such groups and institutions as it may deem appropriate and may enter into contracts for this purpose. Full use shall be made of studies and plans prepared by executive agencies, and such agencies are requested to give the select committee, or any of its authorized study groups of consultants, such assistance as may be required.

Sec. 6. (a) For the purposes of this resolution the select committee is authorized to employ, on a temporary basis through June 30, 1959, such technical, clerical, or other assistants, experts and consultants as it deems desirable. The expenses of the committee under this resolution, which shall not exceed \$300,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the select committee. The chairman may designate one or more members who may act for him for the purposes of this resolution.

(b) For the purposes of this resolution, the select committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such places and times, to require, by subpoena or otherwise, the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable. The select committee shall cease to exist at the close of business on June 30, 1959.

Mr. NEUBERGER. Mr. President, it seems to me this is a particularly auspicious and pertinent time to submit such a resolution. In the House of Representatives debate is about to begin on the administration's recommendation to extend the reciprocal trade program for 5 years. I wish to say parenthetically that I support the administration's proposal in that respect.

Today we in the Senate are debating the Mutual Security Act of 1958, as reported by the Foreign Relations Committee. I also wish to add parenthetically that I support the program as recommended by the administration and as reported by the Foreign Relations Committee. Although, of course, I may vote for some amendments which would improve the program, I do support the program in general.

Thus at this moment there is before the Senate and the House of Representatives vital proposed legislation which pertains to American economic policy in the sphere of foreign relations.

Mr. President, I have said that in submitting this resolution, I do not intend to promote any proposals with respect to any particular phase or program of our economic foreign policy. Two of the most important are these programs

that will be before us in the immediate future—the mutual security authorization, which is before us this week, and the extension of the Reciprocal Trade Agreements Act, which will soon follow. It is my expectation that both of these bills, which I support, will have been dealt with by the Senate on their own merits before the study I propose will get underway. That study should provide the basis for intelligent, informed and rapid action by the 86th Congress on whatever new, further, or different programs may then prove necessary to meet the gathering threats to our national interests in the international economic field.

However, while this resolution will and should have no relation to the specific substantive bills on which the Senate will act at this session, I refer to them now only to illustrate how important it is that public study and attention be given to the foreign policy aspects of programs which, because of their impact on domestic American interests, are so widely regarded and judged only from that domestic point of view.

This is true of the mutual-security program. Foreign aid is not apt to be a popular label under the best of conditions, and it is doubly vulnerable at a time when many thousands of Americans, in communities throughout the country, have good cause to point to the need of economic expansion and prosperity right at home. And it is even more true of the reciprocal trade program. Trade policy by its nature must lie at the heart of the foreign economic-policy problems of which I speak today; yet under our private trading system, it is also a direct factor in domestic economic policy. We cannot isolate the two, as a totalitarian government can.

#### RECIPROCAL TRADE KEY PHASE OF ECONOMIC POLICY

Thus, the case of trade policy today is one important illustration of the need for the broader study I propose. Very soon, the Senate will once again debate and act on the basic legislative instrument of our international trade policies—the Trade Agreements Act. The bill to renew that act, H. R. 10368, is now running the first steps of the Congressional gantlet in the House Committee on Ways and Means. In urging its passage, President Eisenhower has told us:

The enactment of this legislation—unweakened by amendments of a kind that would impair its effectiveness—is essential to our national economic interest, to our security, and to our foreign relations.

Gov. Adlai E. Stevenson has said:

It would be folly not to give the President the authority he needs and to hobble our leaders at the conference table or in the cold war. Surely it would be unthinkable to refuse to renew the Reciprocal Trade Act, and for at least 5 years, in order to create some permanence about our intentions.

Strong statements in support of continuing the reciprocal trade agreements program have come from former President Truman, Vice President Nixon, the Senator from Texas, Mr. Johnson, Speaker of the House Sam Rayburn, Secretary of State Dulles, Secretary of

Commerce Weeks, and many other leaders.

Yet once again this year we have heard widespread predictions that the trade agreements extension bill faces perhaps its most critical test since Cordell Hull initiated the program in 1934; that the President can hope only for a much shorter extension than the 5 years he has asked, and even this only at the cost of destructive amendments or concessions.

What these predictions reflect, of course, is the fact that our country is in its most serious economic recession since World War II, with the highest rate of unemployment since 1941. Industries are idling along at a fraction of capacity, with workers on short weeks or laid off; lumber and plywood mills in my State are facing abrupt drops in demand and prices; mines are shut down for lack of a market at a price level that would meet production costs—these are conditions that must react adversely on a program of reciprocal international trade, as American producers in a shrinking market ask Congress to erect barriers to keep American purchasers from buying abroad.

It is natural, particularly under conditions of depressed American markets as we have today, that our international trade policy will be judged by many in narrow economic terms. Those who are most directly affected by it and therefore most vocal about it—exporters, importers, producers of goods that face competition from imports—naturally think of international trade primarily in relation to their own markets. Besides, it is the ancient tradition, at least in the capitalist world, to think of trade between countries as a commercial function, in aid or hindrance of the domestic economy. That emphasis is inherent in the term "trade" itself.

Mr. President, I believe the reciprocal trade program we have followed for the past quarter century has proved to be in the best interests of our national economy. It can and will be defended on the basis of its direct, economic benefits to the American people. I support its continuation, and I am confident that the Trade Agreements Act on which it is based will be extended at this session of Congress.

TRADE POLICY MUST BE RELATED TO FOREIGN POLICY

However, it is not reciprocal trade policy, but American foreign policy, about which I speak today. I expect to speak more specifically in support of the trade agreements program when that comes before us; but today I refer to it only as one aspect of our foreign economic policy. In today's world our international trade policies have far more than commercial significance. Of necessity, they are an essential, integral part of our total economic foreign policy. Trade policy must be judged by and adapted to the objectives of our total foreign policy. For compared to those objectives, to the magnitude of the stakes, and to the amounts and efforts we invest each year in other means for their attainment, the purely commercial impact of most of our international

trade shrinks into relative insignificance. Thus we need trade policies that will aid and support our foreign policies whenever possible; and certainly we cannot afford to adopt, for domestic economic reasons, trade policies that would actually contradict and impair the attainment of our foreign-policy objectives.

These propositions sound fairly self-evident in principle, Mr. President. But as a matter of fact, we do not now have any comprehensive, documented, widely understood factual basis for judging what they mean in practice. To my knowledge, the relationship between our international trade and our overall economic and other foreign policies has not been directly and specifically studied by the Congress.

Trade is a key factor in our international relations; yet so far as I have learned in my limited experience in the Senate, trade policy is not studied as part of our foreign policy, in conjunction with other aspects of foreign policy which are closely related to international trade in the overall world economic picture—for instance, our programs of economic aid and technical assistance to productivity in underdeveloped countries.

To give only one example, we have long heard the slogan "trade, not aid." That slogan may be unrealistic, for trade depends on exportable surpluses, and much of our economic and technical assistance has gone to precisely those countries that needed to restore deficits in their war-destroyed economies or create new, undeveloped capacity, rather than having surpluses to trade with. But whatever may be the interrelation between American aid programs and international trade, the two are not studied in relation to each other. The Senate does not act on a single, integrated plan of American foreign-policy interests in the world economy.

UNIFIED STUDY OF FOREIGN ECONOMIC POLICY NEEDED

That is why I believe that a Senate study, such as I have proposed, should be directed at the overall field of American foreign economic policy—that is to say, at the relationship of economic ends and economic means to the noneconomic ends and the noneconomic means of American policy in the modern world. Foreign economic policy, as so conceived, obviously involves far more than international trade. The study I propose must be far broader than a study directed specifically at trade and tariff policies; but the latter are of sufficient importance that I thought they should be given special significance, in determining the composition of the committee that should make such a study.

The select committee, as my cosponsors and I have proposed it in our resolution, would be composed of 12 members, drawn equally from both parties in the Senate. In this particular instance, it has seemed to me important to avoid any unnecessary question of political partisanship in the study of issues which are vital to the national interest abroad as well as at home. The function of this committee is intended to consist of undertaking serious, fac-

tual and objective studies in a difficult and important field of national policy—not to report legislation, nor to make any "investigation" in the popular sense of that term, for which the definition of a majority and a minority responsibility might be appropriate.

Of the 12 members, 4 would be from the Committee on Foreign Relations, because of its obvious primary concern with the subject of foreign economic policy as an aspect of our foreign policy. Four would be from the distinguished membership of the Committee on Finance, because of that committee's thorough familiarity with our trade and tariff policies, and because insofar as the studies result in conclusions for future legislative policies, some of those policies would be likely to fall within its jurisdiction. The 4 remaining members would be appointed by the Vice President from the Senate at large, 2 from each party.

I recognize that other Senate committees—for instance, the Committee on Interstate and Foreign Commerce, the Committee on Banking and Currency, and the Committee on Agriculture and Forestry—also have important stakes in aspects of our foreign economic policies—as, indeed, we all do. That is precisely a measure of their importance to the Nation as a whole.

For example, Mr. President, I am a member of the Senate Committee on Interior and Insular Affairs, on which committee I serve under the chairmanship and guidance of the able senior Senator from Montana [Mr. MURRAY]. We have before that committee now for consideration proposals from the Secretary of the Interior under which certain domestic mineral products would be subsidized in order that they not be too heavily damaged by competition from minerals brought to America from abroad.

I cite this merely to indicate that nearly all the great committees of the Senate, with few exceptions, are involved to some degree in our economic policies which impinge on our foreign relations.

This question of the composition of the committee will no doubt be given serious attention by the committee to which the resolution is referred for action. The important thing is that we obtain a unified look at and analysis of this field of policy, rather than approaching it from a series of narrow and limited aspects, as the 6 blind men diversely describing an elephant in the fable. It is for that important central reason that we are proposing this bipartisan and temporary Select Committee on Foreign Economic Policy.

TRADE NO LONGER PURELY COMMERCIAL INTEREST

Mr. President, I said earlier that it seems like a self-evident principle that our economic policies toward other nations must aid, not contradict or impair, our overall foreign policies. This applies to our trade policies, including tariffs, in these difficult and perilous times, when so much more depends upon the success of our foreign economic policies for our national interest in the long run than the prosperity of any sin-



gle domestic interest. Yet if that principle is accepted by responsible people today, it is nevertheless actually a new development, based on the historic lessons of the past 3 decades.

For until the long and tragic series of worldwide crises that began with the great depression of the 1930's, trade policy was everywhere regarded only as a form of governmental action in aid of private commercial interests. Actually the tariff is, of course, one of the oldest—if not the very oldest—economic issue in American politics, along with the issue over hard or soft money. The historical tradition has been to regard it as a purely economic issue—phrased in terms of the controversy over tariffs for revenue, or tariffs for protection; the controversy between American farmers who exported grain, cotton and tobacco, and the domestic producers for whom the tariff became the instinctive refuge against every adverse turn in the American market. The Smoot-Hawley tariff of 1931—that record-high schedule of import duties from which the reductions made under the reciprocal trade agreements are calculated—was itself such a reaction to the depression which began in 1930, a reaction based wholly on considerations of domestic, not foreign, policy.

In that depression, Mr. President, the United States at first reacted in the traditional way of seeking purely national solutions to its grave and painful economic problems. So did the great European industrial and trading nations, as the depression spread to that continent. Manipulation and control of foreign economic transactions began as a measure of desperate economic self-defense. Within a few years, the spread of political totalitarianism turned such controls into potent instruments of foreign policy—instruments which served German political penetration in Europe and the Near East, and Japanese expansion in the Far East for purposes which were political and strategic as much as commercial, and which ultimately paved the way for naked aggression, domination and war.

At no time since World War II have international economic problems, relationships and economic foreign policies played so large a role in the world situation as they do again today. For 10 years—since the Russian blockade of Berlin in 1948, which was met by the spectacular Western airlift to that encircled city—our foreign policy has been based upon the premise of a primarily military and aggressive threat from the Soviet world. In response to this threat, the economic programs of the original Marshall plan were given a new, military emphasis in the development of NATO and the mutual security program. That program, as it comes before the Senate again this week, still maintains such emphasis on defense against the threat of military aggression, not only in Europe, but in Asia, in Africa, even in Latin America. The same premise underlies the pacts and alliances we have sponsored in the Far East and the Middle East, as well as policy pronouncements such as the so-called Eisenhower doctrine for the latter area.

Throughout this cold-war decade, we have been conscious of the great military might of Soviet Russia. Yet, until very recently, Americans did not regard Russia as a serious competitor in economic and other peacetime fields of endeavor. Any remaining illusions of Russia as a country of backward serfs being driven reluctantly onward by terror and despotism has now been rudely shattered by the sputniks. We shall be better off for no longer underestimating the competition we face. But evidence of a change in the nature of that competition has been accumulating both before and after the U. S. S. R. demonstrated its dramatic technological progress by launching the first earth satellite. It has been accumulating while our own preoccupation, in Europe, in the Middle East, and in Asia has continued to be with the threat of possible military aggression.

NEW COMMUNIST THREAT IS ECONOMIC MORE  
THAN MILITARY

In the recent past, we have from time to time heard of instances of Soviet economic activity beyond the borders of Russia—of Soviet aid for streets in Afghanistan, Soviet offers of assistance to Egypt, Syria, and other areas of the Middle East, Soviet trade proposals to West Germany, Great Britain and Latin America. But only very recently have we begun to look at the total magnitude of the present and prospective Communist international economic effort.

Former Secretary of State Dean Acheson pointed out in a speech in Detroit on May 3 that the export of capital, in the form of production equipment, is the fundamental means of development for the economies of the underdeveloped nations. He stated:

The Soviet Government is well aware of this. Since 1953 it has put out \$1.6 billion of capital export commitments in 19 countries under the supervision of over two thousand Soviet technicians. This could be the course of such countries as India, Brazil, the Philippines, and others, if the free world economic system should not operate effectively. Governments which do not respond to the economic needs of their countries do not stay in power.

Both the manner in which the Soviet Union is moving to take advantage of every opportunity of economic penetration, and its increasing capacity for doing so effectively, were recently described in a most informative and enlightening speech by Mr. Allen W. Dulles, Director of Central Intelligence, to the Chamber of Commerce of the United States. I regard Mr. Dulles' speech of such importance that I wish every member of the Senate would read it, and that I could include its entire text in the Record with my present remarks, for this speech by the head of our Central Intelligence Agency shows more convincingly than anything I can say, why we need congressional study and readiness for action in the field of foreign economic policy now.

Since the length of Mr. Dulles' speech makes this impossible, however, I shall only read a few excerpts from it now. This is how he states the new challenge we face, since the direct military threat and bluster of the post-war Stalin era

was halted by our response through NATO and other defensive preparations:

Today the Soviet Union, through its very vocal leader, Khrushchev, is directly challenging the United States in the fields of industrial development and foreign trade and aid as well as in military matters. The other day he remarked, "To the slogan that says 'let us arm,' we reply with the slogan, 'let us trade'."

The economic challenge is a dual one. They are setting goals for their own domestic production to compete directly with our own and to quote their words, "to get ahead of us in the economic race." The other phase of their challenge is through their foreign economic penetration program.

The progress which the U. S. S. R., through its continuing program of forced-draft industrialization, is making toward both these goals is indicated by a series of statistical data given by Mr. Dulles. I ask unanimous consent to have printed in the Record at this point in my remarks extensive excerpts from the speech by Mr. Allen W. Dulles.

There being no objection, the excerpts were ordered to be printed in the Record, as follows:

Comparison of the economies of the United States and the U. S. S. R. in terms of total production of goods and services indicates the U. S. S. R.'s rapid progress.

Whereas Soviet gross national product was about 33 percent that of the United States in 1950, by 1956 it had increased to about 40 percent, and by 1962 it may be about 50 percent of our own. This means that the Soviet economy has been growing, and is expected to continue to grow through 1962, at a rate roughly twice that of the economy of the United States. Annual growth overall has been running between 6 and 7 percent, annual growth of industry between 10 and 12 percent.

These rates of growth are exceedingly high. They have rarely been matched in other States except during limited periods of postwar rebuilding.

A dollar comparison of U. S. S. R. and United States gross national product in 1956 reveals that consumption—or what the Soviet consumer received—was less than half of total production. It was over two-thirds of the total in the United States. Investment, on the other hand, as a proportion of gross national product in the U. S. S. R. was significantly higher than in the United States. Furthermore, investment funds in the U. S. S. R. were plowed back primarily into expansion of electric power, the metallurgical base, and into the producer goods industries. In these fields, it was over 80 percent of actual United States investment in 1956, and in 1958, will probably exceed our own. Defense expenditures, as a proportion of gross national product in the U. S. S. R., were significantly higher than in the United States; in fact about double.

Soviet industrial production in 1956 was about 40 percent as large as that of the United States. However, Soviet heavy industry was proportionately larger than this overall average, and in some instances the output of specific industries already approached that of the United States. Output of coal in the U. S. S. R. was about 70 percent of that of the United States, output of machine tools about double our own and steel output about half.

Since 1956, Soviet output has continued its rapid expansion. In the first quarter of 1958, Soviet industrial production was 11 percent higher than a year ago. In comparison, the Federal Reserve Board index shows a decline of 11 percent in the United States.

According to available statistics, in the first quarter of 1958, the Sino-Soviet bloc has for the first time surpassed the United States in steel production. The 3 months' figures show that the U. S. S. R. alone turned out over 75 percent of the steel tonnage of the United States.

Mr. NEUBERGER. Let me read only one conclusion stated by Mr. Dulles on the basis of the statistics of recent Soviet development, which takes on special meaning at this time of recession, when our own economy is actually being permitted to shrink. He states:

These (Soviet) rates of growth are exceedingly high. They have rarely been matched in other states except during limited periods of postwar rebuilding.

This is the image and the pattern which the U. S. S. R. offers, for emulation, to the underdeveloped nations that yearn desperately for rapid economic growth—while the image of capitalist America is one of recession, shrinkage, and inability to plan and sustain continued constructive development.

Beyond offering a tempting pattern, however, Soviet economic growth of the dimensions shown by the CIA's statistics has also made possible the active entry of Soviet Russia into international trade. Thus the Soviet Government is aggressively seeking, and achieving, expanded trade with western nations, including the key industrial nations of Europe—Germany and Great Britain.

We have seen a dramatic recent example in the sales of Russian aluminum, particularly in the British market, which have driven the world market price down 2 cents a pound or more, at a time when western aluminum producers in Canada, in the United States, Norway, and elsewhere already face difficult problems of temporary excess capacity.

I digress at this point to say that I have been particularly aware of the Russian impact on the world aluminum market with respect to price, because the Pacific Northwest, which is my native region, today produces some 35 percent of the American total aluminum production, and I know that many of the men engaged in supervising the production of aluminum in the Northwest, and in working in those plants, have been concerned by the effect of the delivery of Russian aluminum in the British market at 2 cents less a pound than the prevailing world price.

Mr. Dulles states that the U. S. S. R. may well, in time, become a major supplier of other metals, petroleum, and other industrial necessities to Western Europe, with these consequences:

Soviet ability to use trade as a weapon to advance its political aims will increase in a direct ratio to their success in realizing their economic goals.

For example, once they have penetrated Western European markets to the extent that these markets become substantially dependent on Soviet industrial raw materials, they will have available a new and formidable weapon of economic warfare. By withholding supplies, by capriciously raising prices, or by dumping commodities, the Soviets in effect will have a seat at the council table of the great industrial nations of Europe.

I believe, Mr. President, that I have quoted enough of this sober analysis by

Mr. Allen W. Dulles, Director of the Central Intelligence Agency, to indicate the magnitude of the Soviet potential for adding an economic cold war to the other, familiar techniques in the Communist arsenal. The picture of the U. S. S. R. at the political council table of Western Europe is not a reassuring one for the United States or for democracy. But if it happens, we cannot say that we have not been forewarned. Mr. Khrushchev's challenge of competitive coexistence is an open one. And we must remember that economics, and not military warfare, is the original battleground on which the Communist ideology has challenged Western, private-property democracy as a doctrine of society and government. If there is to be competition, let us welcome that it is to be in this realm of alternative roads to material, economic, and social accomplishment—the realm which is most hotly contested between the United States and our Communist adversaries, and in which we both have staked out major claims. Certainly we shall not regret that it is not to be on the field of battle. But let us also remember that the victory in this contest of economics and politics is not to be won inside Russia, or inside the United States, but in the vast bulk of the world which is neither.

UNITED STATES POLICY HAS RECOGNIZED WORLD NEEDS FOR ECONOMIC AID

Certainly, the record of postwar American policy shows that we have recognized that fact. This recognition led to the epoch-making Marshall plan for Europe, to our active and unstinting support for the World Bank for Reconstruction and Development, and to the point 4 technical-assistance program. Most recently we have recognized, in the resolution expressing our support for India's 5-year plan that was offered by the Senator from Massachusetts [Mr. KENNEDY] and the Senator from Kentucky [Mr. COOPER], the decisive importance of whether the development of this vast nation shall find its sources of capital—and its sources of inspiration—in the democratic West, or in communism.

I desire to emphasize in this connection my support for the very forward-looking and thoughtful resolution submitted in the Senate by the Senator from Massachusetts [Mr. KENNEDY] and the Senator from Kentucky [Mr. COOPER].

Yet our recognition of the importance of economics to our foreign policy has been expressed largely in a single class of programs—programs of foreign aid, such as those I have just mentioned. With the possible exception of some of the technical assistance programs, these have taken the form of extensions of credit, money grants or gifts of specific economic equipment and commodities to or through the governments of the recipient nations. The foreign-aid programs have carried almost the whole burden of our foreign economic policies, while our policies toward other forms of international economic intercourse even with the same nations, such as trade and private capital investment, seem to be

based on domestic, economic, and commercial considerations without much regard for our foreign policy objectives. Thus, in fact, these domestic American considerations may sometimes appear themselves to be our main foreign policy objectives in such nations.

U. S. S. R. HAS ADVANTAGE OF MORE FLEXIBLE, COMBINED PROGRAMS

Mr. President, the greater measure of Soviet governmental economic control mentioned by Mr. Allen Dulles, to which I have referred, permits the U. S. S. R. to mix aid, trade, loans, and personnel exchanges in formulating foreign economic programs tailored to meet the needs of Soviet policies in different countries and under changing conditions. Because of this mixing of the ingredients of grants, loans, trade, and other forms of economic activity, and the absence of private trading, Soviet foreign economic programs cannot readily be compared with United States or Western economic relations with respect to the same country. This was cogently pointed out, for example, in an analysis of Soviet and United States programs in Afghanistan, which was sent me by the International Cooperation Administration at the suggestion of Mr. Sheldon Mills, our Ambassador to that country.

Ambassador Mills is a very distinguished career diplomat and a constituent of mine from Oregon—although his duties in our Foreign Service force him to be an absentee constituent much of the time—and he and I had occasion on his last visit to Washington to discuss the question of the comparative Soviet and American programs in Afghanistan.

For example, the report on Afghanistan sent me by ICA explains that—

One important distinguishing characteristic of—Soviet—block aid is that it is generally presented on a long-term basis without reference to annual commitments, and in a package form which may include a long-term line of credit, technical assistance, training, military assistance and, in particular, increased trade opportunities. Such single package offers can have great appeal, particularly when the recipient country is having difficulty in marketing its export products.

Although direct grants of assistance by the United States far exceed the amount granted outright by the U. S. S. R., the total achievements of the combination Soviet package may appear disproportionately effective to the local population, particularly if they are channeled into projects which are chosen and designed to produce such an immediate impact that they have an economic dramatic effect. For instance, reporting on the Soviet package in Afghanistan, ICA states:

Although perhaps less than one-fourth of the credit extended under the economic aid agreement has been drawn down, substantial progress has been reported on many of the projects covered by the agreements. Streets of Kabul were paved and one asphalt factory near Kabul was completed with a line of credit extended in 1954. Construction has been completed on a grain silo, flour mill, bakery, petroleum storage tanks and cement plant. Surveys have been made or construction begun on various other projects, including a new highway over the



Hindu Kush Mountains and airport construction. A number of buses and taxicabs were delivered, and also equipment for a 100-bed hospital. Although a substantial part of the \$100 million credit from the U. S. S. R. has been obligated for specific projects, actual expenditures to date have probably been relatively small.

The report points out that the Soviet foreign economic programs are aided by the ability of the Soviet Government to commandeer and assign Russian technical personnel and needed equipment for such programs, and to design the specific projects themselves with an eye only on the desired policy goals, and without close regard for costs or economic feasibility, because the U. S. S. R. can, for political expediency, absorb any loss which may be inherent in any particular transaction.

When Ambassador Mills was in Washington some weeks ago, I had the opportunity of having breakfast with him in the Senate dining room. He emphasized to me at that time the importance of Congress passing the Mutual Security Act and sending it to the President for his signature. He said that without the foreign aid being made available to him and our other American representatives in Afghanistan, where he is our chief diplomatic spokesman, he would be absolutely helpless in combatting the propaganda and the efforts of the Soviet Union to bring Afghanistan into the Soviet orbit.

A very recent report prepared for the Committee for Economic Development stresses these same points. According to a review of this report in the Washington Post and Times Herald of June 1, entitled "Red Trade Gain Cited in Study," Afghanistan, Egypt, Indonesia, Nepal, Syria, and Yemen have received far more economic aid from the Soviet bloc than from the free world. This again is consistent with what I was told by Ambassador Mills during his recent visit here.. Thirty-two percent of India's aid and 40 percent of Ceylon's are said to have come from the Soviet bloc. At the same time, the report states that the Communists have made trade expansion a full partner with assistance in their economic offensive outside their own area, particularly in Latin America, where Soviet trade expansion has been 609 percent from 1952 to 1956, particularly with Argentina, Brazil, Cuba, and Uruguay. Mr. President, I ask unanimous consent that the Washington Post's article on this report for the CED be printed in the RECORD at this point of my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post and Times Herald of June 1, 1958]

**RED TRADE GAIN CITED IN STUDY**  
(By Carroll Kilpatrick)

Russian-bloc countries increased their trade with Latin America 609 percent from 1952 to 1956—a greater increase than with any other part of the world, a study prepared for the Committee for Economic Development reported yesterday.

"The Communists have made trade expansion a full partner with assistance in their economic offensive outside their own area," the study, by Michael Sapir, said. The aid

program, he wrote, has a different emphasis in three distinct areas of the underdeveloped world.

In Asia and Africa, the Communists are concentrating on economic development aid; in the Middle East, on aid and trade, but in Latin America "the emphasis is on increasing trade," Sapir said.

"In Latin America, the increase has taken place primarily because of vigorous efforts by eastern European countries," he reported. "A network of direct agreements has been established, with liberal credit provisions featured."

Latin America's principal imports from the Communist countries have been coal, machine tools, railway rolling stock and agricultural machinery. Principal exports have been meat, leather goods, and animal hides, sugar, coffee, and wool.

**FOUR COUNTRIES INVOLVED**

Sapir said the Soviet bloc, including Communist China, has concentrated on increasing trade with "a relatively few underdeveloped countries." Four countries in Latin America are chiefly involved: Argentina, Brazil, Cuba, and Uruguay.

"They account for practically all of Latin American-Soviet trade at present," he said. Sapir is a student of international economics who has specialized in affairs of underdeveloped areas.

"The Communists are attempting to create, in the eyes and minds of the underdeveloped nations, the image of a widespread, richly varied but unified Communist world, similar in scope, variety and resources to the free world, available and capable no matter what the problem," Sapir wrote.

While the Communists have expanded their relations with the non-Communist world in general, "they have concentrated increasingly on a 'trade and aid' program with the underdeveloped areas, and within the underdeveloped areas to uncommitted nations," the report said.

Sapir noted that only a very small amount of Soviet aid has been sent to countries receiving arms aid from the United States. But the uncommitted countries are receiving a substantial amount of Communist-bloc aid.

Afghanistan, Egypt, Indonesia, Nepal, Syria, and Yemen have received far more economic aid from the Soviet bloc than from the free world. Thirty-two percent of India's aid and 40 percent of Ceylon's has been from the Soviet bloc.

**CONTRAST WITH UNITED STATES AID**

In an introduction to the study, Herbert Stein, CED's director of research, said that of America's total foreign aid in the 11 years from 1945 to 1956 some \$10.6 billion, or less than a fifth went to underdeveloped countries, and some \$3.5 billion of that was for relief work.

Sapir said his study showed that the Soviet bloc "is capable not only of sustaining the economic drive currently underway but has the capacity to increase the effort several times over."

He said the Soviets are "constantly \* \* \* probing for weak spots in the free world which can be exploited by a variety of means and to a myriad of costumes and poses \* \* \*."

"Probably the greatest and clearest type of danger to the free world is the success of the Soviets in winning major influence in the Arab world, notably Egypt and Syria. \* \* \*"

"The Communists are moving more slowly and less directly in Afghanistan, close to the border of sensitively neutral India." He said Russia also is concentrating on Indonesia's "troubled waters" with apparent success.

Sapir held out the possibility that Communist bureaucratic methods and poor quality goods may cause the Soviet bloc trouble in the underdeveloped countries.

"It would seem reasonable to expect that the longer the bloc programs are in existence, and the wider their efforts, the greater the likelihood that the Soviet and its satellites

will stub their toes, making many of the errors we have made and others of their own invention," Sapir said.

"There is evidence that such countries as India, Pakistan, Turkey, or Burma and Ceylon are increasingly concerned about the political intent of the Soviet bloc, but concern alone, often, is not enough to frustrate Soviet ambitions."

Mr. NEUBERGER. Mr. President, I do not propose today that we change our economic aid programs in underdeveloped countries so as to imitate Russian methods. I am not now addressing myself to the mutual security and technical assistance programs, which already have been studied thoroughly and recently under the auspices of the Committee on Foreign Relations. My point, rather, is to illustrate that effective foreign economic policy involves more than foreign aid. If economic means are effectively to aid in the attainment of our foreign policy goals, then the proper relationship of trade, of credit and capital transactions, of technical assistance and of other economic activities—both private and governmental—to these foreign policy goals needs as urgently to be considered by the Senate as were the foreign aid programs themselves.

That is what is proposed in the resolution I am submitting today.

**TASK OF FOREIGN ECONOMIC POLICY LIES WITHIN WEST ITSELF**

Mr. President, I have spoken at some length about the economic challenge being presented to us by the U. S. S. R. throughout much of the world. Our Soviet adversary is rapidly developing the economic strength to make that challenge effective; yet as of now, the gap between that strength and ours is still so vast that any Soviet opportunity for success is largely a measure of a failure on our own part.

The greatest area where our foreign economic policy badly needs review, however, is one in which a direct contest with Soviet economic penetration does not yet—and, let us hope, never will—play a really major role. That area is the West itself—Western Europe and the twin continents of North and South America.

Here, on the two sides of the Atlantic, are both the most industrialized and some of the resource-richest regions of the world. In both natural and capital resources—if combined—this Western World so far outdistances the Communist bloc that what may look like a competition, when measured between the United States and the U. S. S. R., proves in fact to be no contest at all. It is here, within the West itself, that the success or failure of Western economic and political philosophy must prove itself. If we succeed here, with the vast resources at our combined command, the Atlantic economy will act as an irresistible magnet to the development of the so-called uncommitted nations of Asia where communism now offers actual competition. If we do not succeed in finding policies and systems for ordering these resources our joint economic growth, stability and prosperity, however, then the West risks the loss not only of these nations for the

free world—but eventually its own disintegration.

Here, as it seems to me, is the greater challenge to the foreign economic policy specifically of the United States, which today is the dynamo of the entire Western World.

Here, too, is the area where our foreign economic policies most deserve the intensive study of a special committee of the Senate, with the authority and the mandate to cut across all the separate lines of our national policies and programs in a unified inquiry into their impact on our national objectives in the world. For it is right in this Atlantic area itself that the last few months and even days have shown us the crises that make a review of United States policies so timely and even urgent today.

Our relations with Canada have deteriorated largely over economic issues, which have lent much popular support to talk of more nationalistic attitudes and policies in that country. These economic issues began—at a time of expansion—with impatience over the manner of United States business investment and control in Canada. When expansion turned to recession, new importance was added to old issues of tariffs and wheat markets and quotas. Our relations with Canada were not helped when, last December 24, President Eisenhower imposed the miscalled "voluntary oil quotas" against the import of Canadian oil to the United States west coast—an action which led to violent but unsuccessful protests from the Canadian Government. And we have failed outrageously in one step that could well serve as a pattern for imaginative and resourceful statesmanship in foreign economic policy—the negotiation of an agreement with Canada for the mutually beneficial development of the upper Columbia River Basin, in which rests a large share of the vast economic promise of western Canada.

Mr. President, I should also like to point out that the same type of mutually beneficial agreement should be reached between Canada and the United States with respect to the great headwaters of the Yukon River, where the Yukon territory of Canada and the Territory of Alaska potentially share in one of the great hydroelectric resources of the entire world.

Our relations with Latin America, as with Canada, are also inevitably involved in our actions on such matters as the oil quotas and mineral imports. Press reports since the regrettable and shocking demonstrations of anti-Americanism, on the occasion of the Vice President's appearances in Venezuela and Peru, have emphasized the importance of dissatisfaction with United States economic policies in Latin American public opinion. The two countries involved in these demonstrations are, perhaps, no coincidence. Oil, of course, is the foundation of Venezuela's economy as much, or more, than it is that of Texas' or Oklahoma's. And, as Deputy Undersecretary of State Douglas Dillon recently told the Senate Interior Committee, 15 percent of Peru's commodity exports are lead and zinc, and

two-thirds of these go to the United States. Add copper, and more than half of Peru's total dollar earnings are directly involved in United States minerals policies. The figures for Chile and Mexico are equally impressive. The direct relationship between United States trade and Soviet economic penetration in Latin America was also reviewed in a brief article in Fortune magazine for April 1958, and I ask that it be printed at the conclusion of my remarks.

There being no objection, the article was ordered to be printed in the RECORD. (See exhibit 3.)

Mr. NEUBERGER. Mr. President, nothing could be more effective than Secretary Dillon's testimony to demonstrate that no longer can we make national policies on oil, on minerals, on other commodities, and on trade generally, simply as domestic economic decisions. We cannot have all United States governmental decisions made by the State Department, nor channel all legislation through the Committee on Foreign Relations. The legislative committees of the Senate—such as the Committee on Interior and Insular Affairs—can be counted on to give needed recognition and weight to the impact on our foreign policies of the measures that come before them, but they cannot all independently study this complex field. That is why I propose a single, unified Senate study to provide us with a long-range perspective and overall framework of United States foreign economic policy and its significance for the national economy.

UNITED STATES TRADE KEY FACTOR IN ECONOMY OF WEST

Mr. President, I have referred to the overwhelming concentration of capital and natural resources which makes the West itself the area in which our economic policies for a free world must succeed or fail, and I have indicated that the United States economy itself is the dynamic heart of this concentration, on which the bloodstream of the whole depends.

This fact is borne out by an analysis of our foreign trade. I have asked the Legislative Reference Service of the Library of Congress to break down the total of United States exports and imports in 1956 by different pertinent groupings of the nations with whom we traded. These groupings include, first, the nations of the European Common Market—France, Germany, Italy, Holland, Belgium, and Luxembourg. Second, the so-called Free Trade Area that has been suggested by Great Britain to include also the Common Market nations, Scandinavia, Austria, and Switzerland—in effect, almost all of Western Europe. Third, the 15 countries of the North Atlantic Treaty Organization. Fourth, the Latin American nations of the Organization of American States. Fifth, the nations which met at the Bandoeng Conference, which included about 30 of the Asian, Near Eastern, and African nations. Sixth, I have singled out Japan, because so much of the controversy over trade policy involves that one country. Seventh, our trade with the Soviet bloc. Mr. President, I ask unanimous

consent that the table be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 1.—United States trade with groups of countries  
(Dollars in millions)

	Exports		Imports	
	Value	Per cent	Value	Per cent
Total.....	\$19,066.0	100.0	\$12,736.5	100.0
European common market.....	2,871.2	15.1	1,428.8	11.2
Free trade area.....	4,431.4	23.2	2,667.8	20.9
NATO countries.....	8,184.7	42.9	5,378.3	42.2
OAS countries.....	3,687.0	19.3	3,668.9	28.8
Bandoeng Conference countries.....	2,384.2	12.5	1,771.6	13.9
Japan.....	894.6	4.7	557.8	4.4
Soviet bloc.....	119.8	.6	91.0	.7

Mr. NEUBERGER. Mr. President, these figures show that almost 20 percent of our exports and almost 30 percent of our imports, in 1956, were in trade with Latin America. They show that more than 42 percent of our trade was with the nations of the North Atlantic alliance. Very roughly, they indicate that about two-thirds of all United States foreign trade takes place within the great Western area that I have mentioned, and less than one-sixth of United States trade is with Asia, including Japan, and with the Communist world. The latter accounts for less than 1 percent.

This illustrates the extent to which, as I have said, United States trade and economic policies are a question of our policies for the West itself. How much this is true when limited even more specifically to the North Atlantic community itself is shown by another table prepared for me by the Legislative Reference Service, which I ask unanimous consent to have printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 2.—External trade of NATO countries (including United States)  
(Dollars in millions)

	Exports		Imports	
	Value	As percent of world total	Value	As percent of world total
Total.....	\$56,069.1	60.1	\$55,715.4	58.5
Internal (with other NATO countries).....	40,334.3	43.2	42,535.9	44.7
World.....	93,327.9	100.0	95,225.4	100.0

Mr. NEUBERGER. Mr. President, looking only at the 15 members of the North Atlantic Treaty Organization, which is the chief alliance of the Western democracies and the keystone of our foreign policy, we find that the foreign trade of these nations, including the United States, constitutes about 60 percent of all the international trade in the world. More impressively, the internal trade of the NATO nations among themselves alone—eliminating their trade with the entire rest of the world, and

that means eliminating trade with Latin America, with Japan, and with important European and commonwealth democracies which are not members of NATO—constitutes about 44 percent of all the international trade in the world.

This is a measure, Mr. President, of the importance of our foreign economic policies to the success or failure of our non-economic objectives and our non-economic programs in the foreign policy realm. On the military and diplomatic effectiveness of NATO, for instance, we have staked an immense proportion of our entire international political and defense efforts. Does it not make sense to study our commercial, monetary, fiscal, and other economic foreign policies in the context of this commitment of billions of dollars, and of our national security itself, to a NATO policy, rather than to regard them as a separate and distinct realm, to be judged by quite different and largely domestic considerations?

**FRENCH CRISIS IMPERILS WESTERN COMMUNITY**

The question is daily gaining urgency at this very time. None of us can tell what the current crisis in France will mean to NATO and to the various Western European institutions whose development we have so long encouraged. In raising the questions about which I speak today, I certainly do not pose as an expert in either economics or foreign affairs. No such special knowledge is needed; for these questions now confront us in daily newspaper headlines. The Washington Post and Times Herald of last Saturday, May 31, published an article by Don Cook of the New York Herald Tribune News Service which reported that impending French bankruptcy threatened the end of the European payments union and the proposed European trading institutions. On Sunday, June 1, the New York Times reported that "uncertainty over the future of France has cast a darkening cloud across the bright new plans for European economic unification." Both articles predict grave difficulties for the common market, and also the death of the proposed greater free-trade area. I ask unanimous consent that these informative and very ominous reports may be printed at the conclusion of my speech.

There being no objection, the articles were ordered to be printed in the RECORD.

(See exhibits 1 and 2.)

Mr. NEUBERGER. Mr. President, we can no more be indifferent to these developments than we could be to the possible collapse of the military structure of NATO. For in the long run it is impossible that we could maintain a military stake in the Atlantic community, but refuse to make any commitment to its economic stability, growth, and future prosperity. The time may already have come when the second is more important than the first, in the light of the new challenge from Soviet Russia which I have discussed. If we want to speak of a Western community, can we expect very long to hold to a view that in defense it is one for all and all for one, but that in the peaceful pursuit of prosperity it is every-one for himself, and business is business?

Or must we not, rather, modify nationalism at least enough so as to offer a community of positive goals to those whom we ask to share a community of defense against communism?

As early as July 29, 1955, in testimony before the Committee on Foreign Relations, I spoke of the necessity of preparing for a shift in emphasis from military to economic and political functions for joint NATO institutions. I then stated: The problems of world trade and currency transfers exist—except for the case of Japan—almost wholly within the Atlantic community itself. They should be treated as internal economic problems by institutions of that community. \* \* \* At the very least, the Organization for European Economic Cooperation, OEEC, should be expanded into an Organization for Atlantic Economic Cooperation, so as to include Canada and the United States.

Mr. President, I have seen nothing in the intervening 3 years to change the views I expressed then, and much is happening at this very time to confirm them.

Other voices, including those of persons more expert than I, are being raised in the effort to gain recognition for the significance of an economic policy for the West. Two weeks ago, the highly respected National Planning Association called for the development of nonmilitary, and particularly economic, institutions for the Atlantic community, to organize a meaningful and promising economic program for the future development of the free world. I am proud that the presidential candidate of the Democratic Party in the past two elections, Adlai E. Stevenson, has been in the forefront of those who have sought to anticipate and to meet the challenge of peacetime competition, rather than military aggression, to the Western World. I ask unanimous consent to have printed at this point in the RECORD the excellent lead editorial entitled "Free World To Work," which was published in the Washington Post last Sunday, June 1, because it reviews so cogently the points which I have tried to mention in my speech today.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Washington Post of June 1, 1958]

**FREE WORLD TO WORK**

In a time that cries for ideas, Adlai Stevenson has supplied one that deserves to be taken up, developed, and applied. Mr. Stevenson's concern is the growing free world economic crisis which he believes is far more serious in its implications than even the paralysis that beset Europe in 1947. Why not, he asked in an extremely thoughtful address at the University of Louisville a few days ago, establish a committee of experts comparable to the group which laid the groundwork for the Marshall plan in 1947? Their function on an international basis should be to prepare an agenda for the regeneration of the free world economy upon which the nations can agree and act within a year.

The crisis has its roots in the breakdown of the old trading system symbolized by Britain and grounded on low tariffs, high lending, and reserves flexibly based upon gold. Despite substantial American aid and investment programs since the war, the gap between the American standard of living and

those elsewhere in the free world is steadily widening. Last year, for example, the United States had a favorable balance of trade of some \$7 billion—which meant that we sold that much more than we bought. In that same year falling raw material prices reduced the income of producer countries by some \$750 million.

If the United States were now investing in development abroad at the same rate as Britain in her heyday as a creditor nation, the total of public and private lending would have to be at least tripled—and some authorities say it would have to be increased by as much as 30 times. That is a measure of the imbalance. Although there has been much praiseworthy internationalism in our outlook since the war, the practical effect of our policies still has much isolationism to it; we are enriching ourselves while the remainder of the world falls behind. And while the free world is thus economically disunited, the Communists broaden and intensify their economic offensive, commiserating with nations that rely upon the West's falling capitalism. "One thing you don't find," Mr. Stevenson notes pointedly, "is a really isolationist Communist."

Today the capital hunger in some areas of the world is so great that it can be heard gnawing. Indeed, there will have to be primary infusions before there can be even the rudimentary expansion to foster private growth; there can be no doctrinaire blinders about socialism respecting countries which grasp at almost any slogan for improvement. Different manifestations of the same crisis of imbalance, of course, affect some developed nations as well. The World Bank, the International Monetary Fund, American reciprocal trade and assistance programs, the United Nations, Senator MONROE's soft-loan bank plan—all these are part of the answer. But they need direction.

Unity of concept thus is a first requirement. Specifically, Mr. Stevenson would have the committee of experts seek means of regaining momentum in economic expansion—an overall growth of 5 percent annually that would minimize inflation; build new links with the European Common Market and free trade area so as to avoid new protectionist walls; expand investment in underdeveloped areas; and stimulate additional working capital for trade and convertibility.

It follows that the United States is by no means alone in having resources to contribute. Germany, Britain, France, Canada, Japan, and other nations are now investing abroad, and they could help more in a distributed effort. Obviously, such help should not be unrequited. A basic essential is self-help, which means the sort of stocktaking and housecleaning in prospective recipient nations that underlay the Marshall plan.

Americans distressed by the waves of anti-Americanism that have broken in South America and the Near East could devote themselves to no more constructive purpose than developing such a catalyst. There is no short-term answer to such outbreaks, which are more symptomatic than causative; and in any event the country should concern itself with more than short-term remedies in the situation that confronts it. The basic problem is economic, and the basic requirement is to marshal the resources of the free world—through investment, raw materials stabilization, and the like—in such a way that they complement each other.

Some years ago Clare Boothe Luce referred derisively to such globalism as "globaloney." The plain truth is that the subject of yesterday's scoffing has become today's realism. We are finding more and more that we are literally our brothers' keepers, and that their health intimately affects our own. Mr. Stevenson appeals for the foresight, energy, and patience of Marshall, Acheson, Truman, Vandenberg, Bevin, and Monnet in organizing

a new American initiative; "I believe," he says, "that my fellow Democrats will follow an administration lead today as faithfully and eagerly as many Republicans followed the Democratic initiative 10 years ago." Ideas can move men and nations. This one should.

Mr. NEUBERGER. Mr. President, the point of this speech, Mr. President, is not to offer solutions or to recommend specific proposals. There will be other occasions for that. The point I make today is only to urge that the Senate begin now, and carry out in the coming year, a thorough study of these challenges to our economic role and policies in the world, which are daily being brought so insistently to our attention. If it is not already too late, certainly it is high time to take this step toward developing the understanding necessary for effective action in the future. That is why I hope that the committees of the Senate responsible for such decisions will give early and favorable consideration to the resolution which I am submitting today for my cosponsors and myself. The resolution affects no present program, no legislation before the Congress. It commits us to no preconceived conclusions or policies. All it can do is to permit the Senate to place itself in the position of giving serious, thorough, and nonpartisan study and consideration to a most important set of problems confronting our Nation in today's world—and to do it before a real crisis leaves us only the opportunity for ex-post-facto investigations of failure. I urge the Senate to undertake such a study now.

Mr. President, ahead of the other articles I have asked to have printed after my remarks, I ask unanimous consent to place in the RECORD an excellent editorial entitled "Trade: Weapon for Freedom," published in the Christian Science Monitor of May 23, 1958. This editorial also most effectively states the case for a bold, new approach to economic policy which will look beyond the narrow bounds of national commercial self-interest to the greater objectives of the Western, democratic contest with communism.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Christian Science Monitor of  
May 23, 1958]

**TRADE: WEAPON FOR FREEDOM**

The postwar struggle between the Soviet and the free way of life proceeds on several planes at the same time, but with changes of emphasis and with the West usually taking a defensive posture and replying to offensives as they develop. The Western nations are familiar with this shifting pattern. But they have given less than adequate attention to the new "front" where Soviet leadership is probing.

The eight-nation conference now reported from Moscow is a warning. It aims at organizing the resources of the Warsaw Pact countries and enlisting the interest of the whole Communist world in the possibilities of extending the Communist system through trade and aid within and without their community.

That Communist leadership regards trade not as an end in itself but as a means of cementing political controls has timely illustration at Moscow. Yugoslavia is absent from the conference. Reports indicate that

the Moscow thermostat is raising the heat on the too-independent South Slavs, and will use trade devices among other things to do it.

Western peoples are slower, even reluctant, to beat their economic plowshares of trade into weapons of politics. Yet they need to understand that unless they view their own trade and aid policies—toward each other as well as the rest of the world—as inextricable from their efforts to build free-world security these efforts will be endangered.

In the recent weakening of the Atlantic community at its core the neglect to develop closer economic relations among allies plays a big part. Canadian-American and other hemisphere frictions arise partly from economic misunderstandings or downright malpractices. The feeling that Americans are a source of largess may irritate Americans. But it also irritates others who might not need largess if trade policies consistent with common military security operated in the Western World.

A challenge now urgently confronting American, British, and West German leadership in particular, with Washington holding the key for the initiative, is (1) to open up the channels of trade within the Western community, and (2) to marshal Western resources for aid to underdeveloped regions—aid that need not have American strings.

Some Western leaders are already calling for this. Limited illustrations of the idea already exist in United Nations efforts, in cooperation between American and British programs in some parts of the world, and so forth. The internal development of the West necessary to real external strength is just beginning in such organizations as the European Common Market. But the West is dangerously far from being ready to answer to trade and aid offensives shaping up in the Communist world.

This is much more than an economic matter. It is an axiom of international politics that wherever one side in a contest leaves a power vacuum—an area inadequately defended or inadequately organized—the other side will fill it. "Nature," as they say in the laboratories, "abhors a vacuum." But the old concept of power vacuums has acquired a new dimension in this age. Power vacuums can be created—and filled—as surely by economic as by political or military policies.

The expansion or contraction of a nation's area of influence, like the Soviet orbit on the one hand, the free world on the other, is now a matter for economic engineering. It is no longer a one-nation job. One or another nation will lead in the organization of the resources of its own moral neighborhood for the economic development of the world's present political no man's lands. That nation will make the stronger bid to maintain its own way of life.

**EXHIBIT 1**

[From the Washington Post and Times Herald of May 31, 1958]

**FRANCE NEAR BANKRUPTCY, IT TELLS ALLIES—FINDS IT IMPOSSIBLE TO GO DEEPER INTO EUROPEAN PLANS**

(By Don Cook)

LONDON, May 30.—The French Government has informed its European partners that it faces a financial crisis verging on bankruptcy in the next 6 weeks, and that it cannot negotiate further on a European free-trade area and may not even be able to implement the already-ratified European Common Market Treaty.

This warning, it was learned through diplomatic sources in London, was conveyed to a meeting of the "European six"—Italy, West Germany, France, and the three Benelux countries—at Brussels last week by Maurice Faure, Minister of State for European Affairs in the outgoing Pflimlin government.

This warning, however, is also believed to hold true for the incoming government of Gen. Charles de Gaulle as well—particularly the death knell which has been sounded for the British sponsored European Free Trade Area plan which the French have never liked much anyway.

Moreover, the warning also confronts Europe with an immediate policy crisis in one of its most successful postwar institutions—the European Payments Union. The current EPU agreement, which has been instrumental in the clearing of trading accounts and liberalization of trade policies for all of Europe for the past 8 years, expires June 30. Negotiations for its renewal were to have opened shortly.

France, however, is already more than \$400 million in debt to the Payments Union, and the deficit was increased by another \$58.3 million in April, according to latest figures. The incoming De Gaulle government might well decide on a suspension of trade liberalization and a policy of greater economic isolation to try and curb the plunge into bankruptcy.

The main purpose of the Brussels meeting of the six powers was to discuss their common attitude toward the free trade area plan. France had prepared a memorandum which the other Europeans wanted modified to meet British views more nearly, but at the end of the discussion, Faure stated his government's position quite bluntly.

France was verging on bankruptcy, he said, and it was pointless to discuss any further modifications in her counterproposals on free trade. Moreover, although the European Common Market Treaty is due to come into force January 1, 1959, the financial situation was so serious that France might not be able to implement these obligations.

It is too early for other European governments to have assessed this impact of the French crisis on their basic policies—but no government expects General de Gaulle to take a more positive or liberal attitude than the outgoing Pflimlin government, and the dismal, inevitable conclusion must be, therefore, that the slow but steady process of European integration is now to be halted, if not thrown into reverse.

**EXHIBIT 2**

[From the New York Times of June 1, 1958]  
**STRIFE IN FRANCE SNAGS TRADE PLAN—COMMON MARKET SET BACK BY WOES IN ALGERIA, LACK OF A REGIME IN PARIS—UNIFICATION IS STALLED—REVISIONS OR ABROGATION OF THE SIX-NATION AGREEMENT ARE FEARED POSSIBLE**

(By Brendan M. Jones)

Uncertainty over the future of France has cast a darkening cloud across the bright new plans for European economic unification in which she is scheduled to play a major part. Even before it worsened, France's deep involvement in the Algerian problem had been delaying the negotiations for the European free trade area. This proposed partnership of European nations for advancement of their most vital economic activity was to complement the small Common Market union.

The latter, comprising France, West Germany, Italy, The Netherlands, Belgium, and Luxembourg, provided for their gradual economic integration under the spur of mutual reduction of trade barriers. An initial 10 percent cut in duties has been scheduled for next January 1.

The Common Market, or by its official title, the European economic community, was established by a treaty which technically is irrevocable. Before its adoption in March last year, however, it had to be considerably modified to make it acceptable to France. It was well hedged with delaying clauses and exceptions to cushion the shock of freer trade to France's highly protected economy.



## TIMETABLE IN DOUBT

Nonetheless, the agreement retained a fairly exacting time schedule for its basic objective of trade-barrier removal. It set a transitional period of 12 to 15 years in which a fully free trade market was to be achieved. But it added the broad provision that reductions were to be made by the member countries "if permitted by their general economic situation and the conditions of the sectors (industries) concerned."

On the surface this would seem to be a fatal loophole. But the treaty itself incorporated commitments to principles requiring conscientious and constant efforts by the partners to implement its flexible blueprint for a stronger, more prosperous future.

In short, the agreement was recognized as one that could succeed only through willing cooperation, not by compulsion. Besides the freeing of trade, it also called for a freer movement of capital, services, and labor within the community and expansion of industry and new development projects. Among other activities, a special fund exceeding \$500 million was to be set up for economic development in overseas territories, mainly those of France.

Despite its shortcomings the treaty was hailed as a major stride toward economic and possible political federation. Its designers have been confident not only that it would ultimately succeed, but also that it would be carried out with a minimum of delay.

But it appears doubtful whether France will be in any condition to carry out her commitments as scheduled. Whether this will cause a delay in implementation of the agreement generally, or whether the other community members would proceed without France is highly uncertain.

## FACT IS UNDER STRESS

The unpredictability of what is likely to happen in France is such that abrogation of the agreement under a radically changed regime cannot be ruled out. Indications that a stronger central Government in France would lead to imposition of economic austerity do not auger well for her participation in a free-trade arrangement.

But if the outlook for the common market has been confused by the French developments, that for the free-trade area has not, although the effect is negative. For this plan to augment the common market move has still to be drafted in treaty form. Negotiations, under the aegis of the Organization for European Economic Cooperation, had been going forward with the aim of reaching agreement in time to synchronize the trade-area plan with that of the common market.

As a major party to these negotiations, involving the 17 Organization for European Economic Cooperation nations, France had been proving a main stumbling block to agreement. But in addition, her preoccupation with Algeria and another Cabinet fall forced suspension of talks. In recent weeks, hope for settlement of the trade-area program this year have faded completely.

## MASS OUTPUT IS GOAL

The free trade area proposal was largely a self-protective move. It recognized that fusion of six highly industrialized economies, aided by a free market of 160 million consumers, would bring lower cost mass production into the heart of Europe. Surrounding nations particularly would feel its impact both in export trade and in their home markets.

Additionally, the six nations ultimately were to establish a single tariff. Exporting to the six would become especially difficult for other nations, unless reciprocal tariff-reduction agreements could be effected.

The solution was the free-trade area, which would include the six common market nations and an auxiliary of other member nations of the OEEC. Besides its practical

aims, the plan also has the virtue of extending trade liberalization already attained through OEEC.

With the six-nation group, other prospective members who have taken part in the recent negotiations are Britain, Ireland, Iceland, Denmark, Norway, Sweden, Portugal, Switzerland, Austria, Greece, and Turkey. At the outset of treaty negotiations last year, agreement had seemed mainly a matter of solving technical problems. Knottiest of these in relation to desired uniformity in the agreement seemed to be the devising of a formula by which less developed countries could continue some protection of new industries.

But French reluctance to make concessions sought in the broader 17-nation bargaining added to the technical complications. Time was important since it was hoped that a treaty could be completed and ratified so that the entire trade area could meet a January 1 deadline for the start of the common market tariff cutting.

This spring, the negotiators prepared to consider new French proposals. Then the Gaillard government fell and with subsequent delay in formation of a successor, France could not negotiate. Meetings on the trade area were suspended and, with France increasingly beset by the Algerian crisis, they could not be effectively resumed.

Hope now is gone for final agreement this year, but a German proposal for a gentlemen's agreement to allow tentative duty reductions by January 1 has been offered. The outlook for this stopgap is uncertain. Its acceptance by France and resumption of trade-area treaty talks with French participation are unlikely for the immediate future.

It has been evident, moreover, that even if a treaty were completed this year, there would be little chance of French ratification for some time. With the approach of the common market tariff reductions, French opposition to the plans has apparently grown.

## UNIFICATION SET BACK

France, which has produced some of the leading advocates of European federation, also has been the source of major opposition to unification plans. She is the largest single partner in the six-nation plan, and a compromise on its original terms to suit French requirements had emphasized her essential role.

The cry that Algeria must remain French is a disturbing omen. As part of Metropolitan France, Algeria falls within the area of the common market, and if Algerian tariffs were reduced, German, Italian, Dutch, and Belgian goods presumably would enter more freely. A militant assertion of French rights in Algeria would seem to make such a development—should it ever occur—a cause of more turmoil.

But under special provision of the common market treaty, Algeria was to be eligible also for grants from the investment fund planned as economic aid to "overseas territories" of community members.

In Western Europe's need for greater production and trade, economic unification has seemed the effective course. The common market has been viewed as a "metamorphosis" through which its members jointly could become a "third power" ranking economically with the United States and Russia. The Free Trade Area has been regarded as necessary to assure success of the common market and add further to European economic vigor.

Even under strain of a big military budget, and its aggravation of foreign-exchange deficits, France's economy has shown basic strength. Many French economists have urged European unification, despite its initial difficulties. But others have argued that France was not ready, that her industry would have to be further modern-

ized and that the exchange deficit would have to be overcome before unification could be started.

## EXHIBIT 3

[From Fortune magazine of April 1958]

## THE BAD-NEIGHBOR TARIFF

United States tariff policy is also becoming of increasing importance in Latin America, particularly in view of Russia's new economic offensive in the Southern Hemisphere. While the United States remains Latin America's best customer—last year United States imports from the area ran to about \$3.8 billion, or some 45 percent of all its sales—trade restrictions are constantly giving trouble. A case in point: In 1951 the United States wool lobby succeeded in getting the tariff on Uruguayan wool tops raised to an insurmountable height. Russia stepped into the breach; is now one of Uruguay's biggest wool customers (working through Dutch intermediaries). Among other things, the move has enabled Moscow to use its Montevideo Embassy as a central command post for further economic infiltration.

Fresh from their successes in the Middle East, Russian leaders are now intensifying their drive into Latin American trade routes. In 1957 Soviet-bloc countries offered to sell arms to Ecuador, to arrange a \$30-million wheat-for-coffee deal with Colombia, and to supply Argentina with sorely needed capital goods and oil. Then, a few weeks ago, came the biggest carrot yet—a \$40-million trade package for Brazil.

## Its contents:

Russia could buy Brazil's coffee, sugar, hides, etc., sell the Brazilians oil, drilling rigs, refineries, and, "with no political conditions whatsoever," supply Rio with technical assistance and nuclear know-how. All this in return for reestablishment of diplomatic relations with Moscow, which Brazil broke off back in 1947.

Washington is not worried that Latino businessmen will immediately rush to take these latest Red baits. Latin American countries in general are fully aware that in the past Soviet shipments have often been poor in quality, late in delivery, and sometimes surprising in content—like the cargo of blue glass eyes reportedly foisted upon Brazilian importers in lieu of requested capital goods. And the continent's coffee growers in particular are aware that Russia, a nation of inveterate tea drinkers, can dispose of its coffee purchases only by dumping them on the world markets. For these reasons, plus an understandable hesitancy to incur United States displeasure, the countries south of the border have had little to do with the Communist world. Last year these 20 republics, only 3 of which have diplomatic relations with Russia (Argentina, Mexico, and Uruguay), did \$220 million worth of business with the Reds, or less than 3 percent of their total trade with the outside world.

But what does worry Washington is the fact that many a Latin American nation finds it politically impossible at this juncture to rebuff the Russian blandishments. However dubious he may be about Russia's offer, the fact remains that President Kubitschek of Brazil has not flatly turned it down. In Argentina, the head of a trade mission off to collect a \$30-million trade debt incurred by Red nations since the war stated flatly: "We urgently need machinery and capital goods. We do not care where they come from." And in Chile legislators are talking about an emergency measure to permit trade with the Soviet bloc. Pressure for doing so has been visibly increased by demands in this country for higher tariffs on copper, lead, zinc, and other vital exports. If these demands were met, United States relations with Chile and Peru would take a decided turn for the worse, and all Latin American nations might conclude that Moscow has something to offer after all.

8972

## CONGRESSIONAL RECORD — SENATE

June 3, 1958

ENROLLED BILLS AND JOINT  
RESOLUTION PRESENTED

The Secretary of the Senate reported that on today, June 3, 1958, he presented to the President of the United States the following enrolled bills and joint resolution:

S. 1191. An act to authorize the Secretary of the Interior to exchange lands at Olympic National Park, and for other purposes;

S. 2448. An act to authorize a payment to the Government of Denmark; and

S. J. Res. 171. Joint resolution to amend section 217 of the National Housing Act.

Mr. NEUBERGER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. NEUBERGER. Mr. President, I ask that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## ADJOURNMENT

Mr. NEUBERGER. Mr. President, I move that the Senate adjourn.

The motion was agreed to; and (at 4 o'clock and 59 minutes p. m.) the Senate adjourned until tomorrow, Wednesday, June 4, 1958, at 12 o'clock meridian.

## NOMINATIONS

Executive nominations received by the Senate June 3, 1958:

## UNITED STATES ATTORNEY

Harry Richards, of Missouri, to be United States attorney for the eastern district of Missouri for a term of 4 years. He is now serving in this office under an appointment which expired July 16, 1957.

## IN THE COAST GUARD

The following-named person to be a commissioned instructor with the grade of lieutenant (junior grade), United States Coast Guard:

Albert L. Wilding.

## CONFIRMATIONS

Executive nominations confirmed by the Senate June 3, 1958:

## IN THE NAVY

The following-named persons to be assigned:

George B. Greer, Jr., midshipman (Naval Academy), to be an ensign in the line of the Navy, subject to qualifications therefor as provided by law;

Eugene J. Peltier, Jr., midshipman (Naval Academy), to be an ensign in the Civil Engineer Corps of the Navy in lieu of ensign in the line of the Navy as previously nominated and confirmed, subject to qualifications therefor as provided by law;

Maurice H. Manahan, midshipman (Naval Academy), to be an ensign in the Navy, subject to qualifications therefor as provided by law; and

James L. Denny, midshipman (Naval Academy), to be an ensign in the Supply Corps of the Navy, subject to qualifications therefor as provided by law.