[1962]

trade bill

A POSITIVE WORLD TRADE POLICY FOR LABOR

Published by

INTERNATIONAL ASSOCIATION OF MACHINISTS

Washington, D. C.

1962

Library of Congress catalog card number 62-17449

Printed in the United States of America

A POSITIVE WORLD TRADE POLICY FOR LABOR

TABLE OF CONTENTS

INTRODUCTION

International trade is an issue of real concern to trade unionists in both the United States and Canada. We know that, being industrialized countries, we are dependent on our commerce with other nations for many of the raw materials that feed our factories. We also know that we sell many of the goods we produce in foreign markets. These aspects of trade do not worry us. But what about trade consisting of imports of the kind of goods we produce in our own countries? What about Japanese textiles and Italian typewriters? What about Swiss watches and English bicycles? Do we have a responsibility to "protect" ourselves? Should we do this by erecting high tariffs that will keep foreign goods out of our markets—and thus insure that only American made textiles, typewriters, watches and bicycles will be sold in the United States?

And what about wages? On many sides we are told that American and Canadian wages are too high—that we are pricing ourselves out of world markets—and that we should not seek to improve our living standards (through better wages) any longer.

These are issues and questions of particular timeliness. Great changes are taking place in the economy of the world. In recent years new trading arrangements—as typified by the General Agreement on Tariffs and Trade and The European Common Market—have created new problems and stiffer competition for American and Canadian goods both at home and abroad. At the same time, forces for protection at home have become stronger. The Reciprocal Trade Act, which has been the foundation of America's liberal trade policy since the early days of the New Deal is being attacked on many sides. Powerful forces in Congress, in industry and even in some unions are today calling for more protection and less trade.

A SEEMING THREAT

This issue arose and was debated at the I.A.M.'s 25th Quadrennial Convention in St. Louis in 1960. It arose because the jobs of a significant number of our members seemed to be directly threatened by foreign competition.

Obviously this threat could not be ignored. The function of a union is to protect the livelihood of its members. At the same time, however, an organization such as the I.A.M.—with a broadly diversified membership in some 250 industries—could not ignore the benefits of world trade. We know that in recent years exports have created jobs for more than a third of our members in the machine tool industry.

We know that tens of thousands of jobs in the civilian aircraft industry depend on exports. We know that we produce trucks, tractors, road building equipment and agricultural machinery for the veldts of Africa and the pampas of Argentina. And finally we know that any position we take on world trade must be consistent with the national interest.

Accordingly the Convention directed the Grand Lodge "to call a conference of I.A.M. lodges whose members are affected by world trade for the purpose of developing concrete steps to meet unfair competition from abroad, to extend overseas markets for American goods, *and to provide our members with the facts about world trade*".

LIBERAL TRADE POLICY

Such a conference was held in Washington, D. C. on November 27, 28, and 29, 1961. It was attended by nearly 300 delegates representing I.A.M. members throughout the United States and Canada. It was the first union-wide conference dealing exclusively with problems of world trade ever held by any labor organization in this country.

For three days the delegates examined all aspects of international trade. They listened to experts. They questioned panel members. And they met in specific industry groups where they discussed in detail the special import problems affecting their own jobs.

This booklet is part of the fruit of that conference. As a summarization of the highlights of the conference it deals with many issues about which there is much public confusion and misunderstanding.

On the basis of the facts presented at the conference the delegates came to the conclusion that the future prosperity and progress of both the United States and Canada is inextricably tied to a liberal trade policy. And in their reports and recommendations such a policy received full support. However, it was frankly acknowledged that while a liberal trade policy would benefit the vast majority of workers in our two countries, it would also injure some workers and some industries. Therefore the delegates made specific recommendations as to the kind of supplementary legislation that would be needed to reduce the sting from import competition.

The pages of this publication not only contain the facts upon which the delegates based their decision in favor of world trade but also a summary of their reports and recommendations. In all we believe it sums up with accuracy the reasons and the necessity for a positive approach to world trade.

It has been prepared primarily for the guidance of our members—both in their dealings with employers in contract negotiations (when issues of imports and foreign wage comparisons arise) and in their contacts with their Congressmen (when tariff matters are under legislative consideration). We will be delighted, however, if the information and material contained herein helps to create greater understanding of the issue of world trade among the public generally.

The International Association of Machinists is indebted to all those who participated in and contributed to the success of this world trade conference. In particular we want to acknowledge and express thanks for the contributions made by the Honorable Arthur J. Goldberg, Secretary of Labor; Rudolph Faupl, U.S. Workers Delegate to the International Labor Organization, who chaired the conference; Herman Patteet of the International Confederation of Free Trade Unions; Stanley Ruttenberg, Research Director of the AFL-CIO; Professor Ray Vernon of the Graduate School of Business Administration, Harvard University; Sol Barkin, Research Director, Textile Workers Union of America; Ted Geiger of the National Planning Association; Doctor Howard Piquet of the Legislative Reference Service; Hyman Bookbinder, Special Assistant to the Secretary of Commerce; Everett Kassalow, Research Director of the AFL-CIO Industrial Union Department; Russell Bell, Assistant Director of Research, Canadian Labour Congress; the Honorable Chester Bowles, Special Representative of the President of the United States; Andrew Biemiller, AFL-CIO Legislative Director; and George Meany, President of the AFL-CIO.

ALBERT J. HAYES, *International President*

This (I.A.M. World Trade) Conference reflects the new and epoch-making events and challenges which confront us in the field of our international relations. As a leading industrial power of the world and its foremost trader, the United States is called upon to chart anew its course in trade policy. In doing so, we are confronted by revolutionary changes in the trading system of the world. The evolution of the European economic community and its prospective extension to include the United Kingdom and other countries of Europe, the need for expanding the export trade of less developed countries, the importance of finding stable and expanding export markets for Japan, our partner in the Far East, and the emerging challenge in the field of trade and aid posed by the Soviet bloc, all these are events and developments which we must contend with and fashion if we are to assure for ourselves and our free world partners the benefits of economic growth, expanding economic opportunity and the capacity to contend with communist economic warfare in the years ahead.

JOHN F. KENNEDY
President of the United States

PART I

TRADE AND THE WORLD LABOR MOVEMENT

By

Rudolph Faupl

U.S. Worker Delegate
International Labor Organization

For the last ten years I have had the privilege of serving as the International Representative of the I.A.M. In that capacity, I have traveled many times to distant parts of the world. As your representative to the International Metalworkers' Federation and the International Transport Workers' Federation, I have met and come to know and respect outstanding trade union leaders in other countries. But my contacts have not been confined to the top level. I have met rank-and-file workers from Calcutta to Berlin, from Sydney to Stockholm, from Tokyo to Bogota. Many of them are employed in the same industries as members of our union.

In these ten years, I have come to understand and appreciate the needs and aspirations of these trade union sisters and brothers in other lands, just as well as I learned to know intimately the goals of workers in our own country through the years that I have spent in the shop, at benches and machines, and as a representative of the labor movement in the Midwest.

If I have learned anything at all from this experience, it is that workers all over the world want essentially the same things and have the same ideals as we have here at home. Yes, a Japanese worker may prefer rice to potatoes, a French worker wine to beer. They may wear slightly different clothes—although even these differences are fast disappearing.

But workers everywhere want a decent wage and fair working conditions, so that they can support their families adequately and play their full part in the affairs of their organizations and their countries. They don't want boss rule or government regimentation. They want the right to organize and bargain collectively. In other words, workers everywhere want human dignity and freedom.

From rubbing elbows with workers in other parts of the world, I know that they do not work for wages far below American and Canadian standards—some of them for 10 or 15 cents an hour, or even less—because they want to. They have no more liking for the substandard conditions under which they are forced to work than American or Canadian workers 50 years ago had for the low wages, company housing and sweatshop conditions under which so many of them were compelled to work.

And the reaction of foreign workers is the same as that of all of us sitting in this hall. They are seeking to build strong, militant trade union organizations, so that they can improve their conditions as rapidly as possible.

In fact, the dissatisfaction of workers today with substandard wages and working conditions is greater than ever before, and their determination to bring about change has never been exceeded. There is a simple reason for this revolt against the old and the bad.

The world has become a pretty small place. The American standard of living and the trade union action which has brought it about are known to workers throughout the world. Millions of workers are saying to themselves: "If this is what the American and Canadian workers have been able to achieve, we can do it too".

The job of the trade union movement in the United States and Canada is to help them in their efforts. We should give this assistance first and foremost because the highest ideals of trade-union solidarity call for us to do so.

But that's not the only reason. The fact is undeniable that when we help our trade union brothers overseas we are also helping ourselves. We are insuring that exploitation of workers in other countries will not take away our jobs and reduce our standards.

Thus, by helping to increase the prosperity of workers in other countries, we will also be safeguarding our own welfare. This is the positive approach to world trade problems—the positive approach of international trade union cooperation and solidarity.

FAIR LABOR STANDARDS

Of course, the trade unions cannot do the whole job. Our own government, the Canadian government and other governments working in such international organizations as the International Labor Organization (ILO), the General Agreement on Tariffs and Trade (GATT) and the Organization for Economic Cooperation and Development (OECD) should do everything possible to promote the principle of fair labor standards in international trade.

This principle is a very simple one—that one of the main objectives in international trade must be to improve the wages and working conditions of the workers in both the exporting and importing countries. Putting this principle into world-wide practice through organizations such as ILO, GATT and OECD would be a tremendous step forward in advancing the interests and welfare of all of the workers in the free world.

Sometimes we fail to realize that there is more than one course open to us in meeting the problems that arise in international trade. Let me give you a hypothetical example. Suppose workers in a certain industry are beginning to be hurt by imports from Japan. Immediately the cry goes up that it is unfair competition based on low Japanese wages that has created this situation.

IMPROVED LIVING STANDARDS

One way of dealing with the problem is to raise the U.S. and Canadian tariff on goods made by Japanese workers. For us as trade unionists, it may be much more important that the Japanese workers get a 10 percent wage increase—10 percent this year, again next year and the year after that—than that the tariff be raised by 10 percent.

Raising the wages of Japanese workers helps to improve their living standards and expand their economy. It means, among other things, that the Japanese will buy more from us. But raising the tariff will do nothing to help the Japanese workers. In fact, it will make it harder for them to win wage gains, because it will shut off markets from Japanese firms and make it harder for them to pay better wages.

We cannot trust to the good will of the Japanese employers, however, anymore than we can trust this question to the American and Canadian employers. We ought to put this on a *quid pro quo* basis. In return for expansion of their markets, the workers in the exporting industries should share in the increased revenue in the form of higher wages and better working conditions. That, in a nutshell, is the heart of the principle of fair labor standards in international trade.

This principle of international fair labor standards has long been advocated by the American Labor Movement. Both the Democratic and Republican platforms in 1960 urged that it be incorporated into our national tariff and trade policy.

It has also been advocated by the International Confederation of Free Trade Unions to which the AFL-CIO is affiliated, and by the International Metalworkers' Federation to which our organization and several other American unions belong. Just two weeks ago, under the auspices of the OECD, people participating in this conference, working with trade union economists from other countries, sought to see how the principle might be applied in specific industries where there is sharp international competition.

But much more remains to be done and we here at this conference will no doubt wish to examine how we can effectively promote the concept of international fair labor standards.

I said a moment ago that, as the Japanese economy expands and as the Japanese worker gets better wages, Japan's purchases of American and Canadian products will expand also. In fact, this is true not just in Japan but all over the world. In my travels, I have seen American and Canadian products made by I.A.M. members wherever I have gone.

I have seen machine tools made in Rockford, Illinois in shops I have visited in Japan. I have seen road-building machinery made by our members in Canada, Illinois, Wisconsin and Minnesota in the jungles of South America. I have seen fountain pens made by our members in Janesville, Wisconsin, in New Zealand and Australia; oil burners from Bloomington, Illinois, in Paris and Geneva; paper making machinery from Beloit, Wisconsin, in Sweden and Australia.

In fact, there is virtually no country, except behind the Iron Curtain, that has not bought the products made by our members. At this very moment, members of our organization are in far-off lands in Asia, Africa and South America, installing equipment made by our members.

What all this adds up to is that we in the I.A.M. have an especially large stake in the sales that American industry makes overseas. In fact, even though U.S. exports today are four or five billion dollars a year greater than imports, our exports could be greatly increased. Accordingly, the time has come for American and Canadian business and industry to become export-conscious.

There are vast expanding markets abroad which are just waiting to be tapped. And those markets will grow even faster if the United States and Canada play the role they can and should in helping to expand the purchasing power and improve the living standards of the ordinary people in other free nations of the world.

TRADE UNION COOPERATION

But it isn't just the U.S. and Canadian Governments that have this responsibility. I am convinced that, in meeting all of these problems, the major hope lies in the strength and solidarity of the international trade union movement.

The policies of governments and inter-governmental organizations can help to expand trade or contract it, to assist economic progress or hinder it. But only the trade unions can do the basic job of winning for workers their fair share of the increasing prosperity that wise trade policies will bring about.

This is our job—the job of U.S. and Canadian trade unionists working in fraternal cooperation with unions throughout the free world.

PART II

GENERAL PROBLEMS IN INTERNATIONAL TRADE

Labor Costs And The Impact Of Foreign Trade Upon Employment

By

Stanley Ruttenberg

Director of Research, AFL-CIO

It is well known that the United States is the highest wage country in the world. It is also well known that the living standards and working conditions of the American people surpass those of any other nation. It is not generally recognized, however, that in spite of this condition—*or perhaps because of it*—the United States carries on a highly competitive trade in the market places of the world.

Because wages in the United States are higher than they are anywhere else in the world, employers will claim that we must therefore hold American wages down—or even reduce them—in order to make American products competitive. By the same token, some Congressmen claim that we must restrict imports to protect the jobs and living standards of the American people.

This is one way of looking at foreign trade. It is the easy way. But it does not take in the whole picture.

Certainly our wages are higher—far higher than those paid workers in Europe and Asia. But if on this account we were to decide that we would no longer import the goods of other nations because their wages are lower than ours we would end up importing absolutely nothing into the United States. And if we adopt such a policy of trade exclusion the countries who are now our customers would have no means of earning the dollars they need to buy our products. Without the American dollars they earn by selling to us they could not buy electrical machinery. They could not buy aircraft. They could not buy industrial machinery. They could not buy agricultural equipment and they could not buy any of the other commodities which are made by American workers—union workers—in the United States. Interestingly enough it is in these areas of American industry—these highly unionized and most highly paid areas—that we are most competitive.

So we might well ask ourselves: what is it that makes America so competitive in these high wage industries? The answer is mainly that wages do not determine labor costs. The United States is able to compete favorably around the world because the productivity—the output per man hour—of an American worker is greater than it is in any other country in the world.

In addition, the United States has advantages over many other countries because raw materials, power and other factors of production are often cheaper. Attempts to single out wages as the most important element of the trade challenge is therefore unrealistic.

We must also realize that the gap between American wages and those of workers in other parts of the world is becoming less pronounced each year. Last year, for example, the wages of German workers increased ten percent. This is considerably more than the increase that occurred in American industries. In fact, over the period of the last seven or eight years, wages in countries such as Japan, France, Great Britain, Italy, and Germany have come up far more rapidly than they have in the United States.

Next, we must also consider the effect of fringe benefits. Certainly we have many good fringe benefits in our collective bargaining contracts. We have others that stem from such governmental programs as Old Age and Survivors Insurance, Unemployment Insurance, and Workmen's Compensation. But these fringe benefits in America are not nearly as comprehensive nor as expensive—in terms of labor cost—as those of other industrially advanced nations. European and Japanese workers expect—and receive—far more in terms of housing subsidies, medical care, vacations, and pensions. And here again they are making progress faster than we are. For example, since 1953 wage and fringe benefits have increased only 34% in the United States but 77% in France, 75% in West Germany, and 51% in Japan.

DIFFERENCE IN PRODUCTIVITY

Interesting enough, while the differential between our wages and fringe benefits and theirs is narrowing, our productivity continues to increase. We are still ahead of them in terms of output per man hour. However this condition is not necessarily permanent. With the help of the Marshall Plan—and with the stimulus provided by the Common Market—many European countries are developing production efficiency that may soon be quite comparable to that of the United States.

This creates an enormous challenge. In order to stay competitive in world markets we must maintain our superiority in productivity. This means, of course, that the United States cannot continue to operate at 50 or 60 or 70 percent of capacity—particularly while other nations are producing at 80 and 90 percent of capacity. Unfortunately ever since 1953 the economy of the United States has been operating at

substantially less than full capacity. The result is that our economic growth-rate has been about one half the average annual growth-rate of the countries of Western Europe.

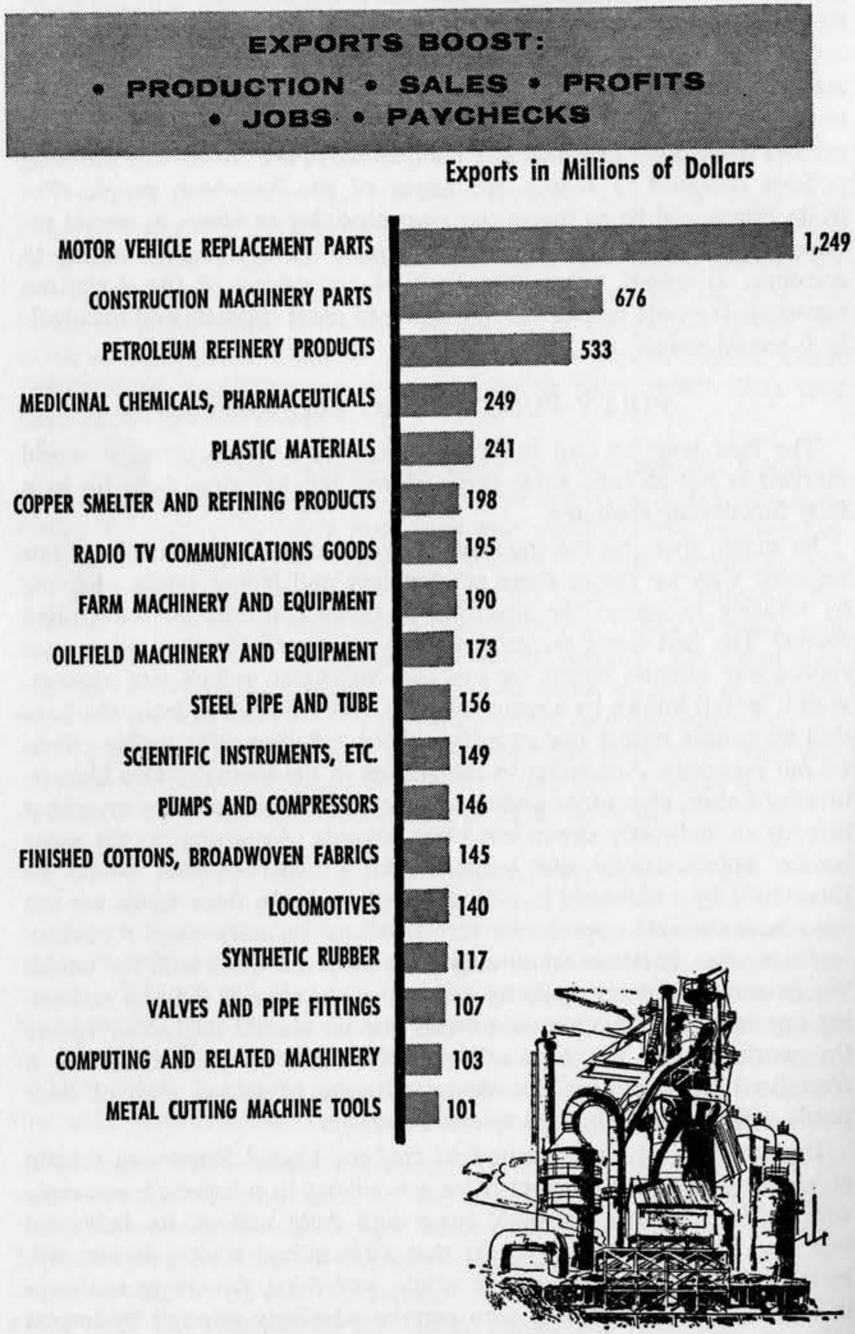
Thus we have a responsibility to adopt policies that will get the American economy operating in such a way that we will fully employ our work force and fully utilize our productive capacity. We cannot achieve these goals and thus stay competitive in the world—by pursuing policies designed to reduce the wages of the American people. For to do this would be to injure our own economy at home. It would reduce the income of the people of the United States and their ability to consume. It would reduce the level of operations of the American economy. It would reduce the utilization of plant capacity and eventually it would reduce our productivity.

FULLY FUNCTIONING ECONOMY

The best way we can make ourselves more competitive in world markets is not to hold wage levels down, but to bring them up in a fully functioning economy.

So much, then, on the question of wage rates. But what about our imports? Can we create more employment and higher levels of living by refusing to accept the products of other countries in the United States? The first thing we must realize, of course, is that we cannot reduce our imports unless we are also willing to reduce our exports. And it is well known by anyone who has ever troubled to learn the facts that we cannot reduce our exports without suffering catastrophic effects on our economy. According to the studies of the United States Department of Labor, about four and one half million American jobs are either directly or indirectly dependent upon exports. According to the same source, approximately one tenth of this number of jobs would be threatened by a complete liberalization of trade. In these terms we can see where the real opportunity for American industry—and American workers—lies. It lies in continuing to develop our trade with the world. We have much more to gain by expanding our exports than by restricting our imports. This does not mean that we should neglect or ignore the workers who are hurt—through no fault of their own—by a liberalized trade policy. But there are ways of taking care of their needs without damaging the whole economy.

In summary, let me reiterate first that the United States can remain competitive in world markets if we are willing to achieve an economy which fully employs its work force and fully utilizes its industrial facilities. Second, let us recognize that a liberalized trade program will increase job opportunities on the whole, and third, that there are ways to take care of the workers who may be adversely affected by import competition.



Productivity And Growth In The American Economy

By

Raymond Vernon

Graduate School of Business Administration, Harvard University

The notion most of us entertain about the nature of the international trade problem tends to run along these lines: Here is the United States on the left side of the Atlantic Ocean and there on the right are Britain, France and Germany. We and they are not so very different. Both sides make very similar products. The only trouble is that they make these products while paying about 40 percent to 50 percent of the U.S. wage level. Isn't there a substantial risk that, using lower wage rates, they will export to the United States and ultimately wipe out our industry?

This is not a trivial worry. But facts have a way of putting worries in perspective. As you turn from this generalized concern to looking at what the U.S. imports and what it exports, you make an interesting discovery. You discover that U.S. exports are strongest, by and large, in the industries that pay the highest U.S. wages. You also discover, paradoxically, that the U.S. is weakest in its competitive position in the industries that pay the lowest wages.

Run down the list with your eye. The industries which are exporting the most include the machinery industry, the chemical industry, the electrical industry. They include trucks and tractors, pharmaceuticals, and a variety of other relatively high wage industries. You find, in short, that the industries that pay the highest wages tend to export the most, while the ones that pay the lowest wages are confronted with the largest volume of imports. You see exceptions to the general pattern but as a whole the pattern holds.

Then you begin to puzzle over what the other characteristics of these exporting industries may be. And you find that in general we're best at exporting in our fastest growing industries, in industries in which the demand is rising the fastest around the world. And you find, finally, that we have the strongest international position in the newest industries, in the industries in which technology is changing fastest, in the industries in which new product is being generated the most rapidly.

Then you begin to get a clue to the peculiar position which the U.S. occupies in the international structure. The process is well illustrated by the office machinery industry's history over the years. In the first or second decade of this century, office labor was in growing demand and was getting terribly expensive in the United States. Young men with green lampshades and quill pens sitting up on high stools and young women with very long skirts had to be paid a lot of money to come down to the offices and do the work which in other countries could have been done much more cheaply.

The high cost of office labor in the United States began to force innovation in the office machinery industry. We began by engineering the concept of a typewriter into existence.

Now the notion of a typewriter was available to anybody in any country. We in this country weren't any smarter than the Italians or the French or the British. But we had far higher wages and therefore a much greater incentive to try to perfect the typewriter, to try to put a generally known principle to work before they did.

So we perfected the standard typewriter and improved it over the years. And for a while the big market was in the United States because of our high wage structure. American office managers, responding to the growing needs of the office and to the high wage structure of the United States, bought typewriters while the British and the Frenchmen did not. The typewriter manufacturing business boomed. Then, here and there around the world, Frenchmen, Englishmen, Italians, seeing that the typewriter was an efficient instrument, began to import it from the United States.

We did a booming business in the export of standard typewriters for a time. Finally foreign demands and foreign wage levels rose to the point at which it was useful for the large bulk of foreign employers to begin substituting typewriters for quill pens. At this point, there developed a tremendous market for typewriters. At this point, therefore, the Italians, the British and the Germans began making typewriters too; they moved into what previously had been our market.

PUSH TOWARD INNOVATION

But the process did not stop there. The wages in the United States kept moving ahead of wages in other countries and we kept being pushed toward new innovations. So we shifted to the electric typewriter. The electric typewriter is significantly more efficient than the standard typewriter even though it costs more.

We began producing electric typewriters in large volume and for a while we exported them to all the corners of the world. Here again, there were only small markets at first, since office wages in other countries weren't high enough to justify the purchase of electric typewriters in large volume. Today, however, wages are rising in other countries to the point at which it is practical for them to buy electric typewriters.

Now, just as sure as we are sitting here, the next stage is going to

be the direct voice transcribing to the machine. But it won't be justified in Europe, France and Italy as early as it will be justified in the United States because we pay our stenographers two or three times what Europe pays for stenographers; therefore, the relative cost of this machine will require most Europeans to wait a bit.

Meanwhile we'll ship this equipment out for half a decade or a decade or more in modest volume until finally there is a justification for European production based on a large-volume home market.

EFFECT OF HIGH WAGES

Think of the industries in which the United States innovates, and you'll see that this pattern repeats itself time after time. We produced the drip dry shirt because of the high cost of laundresses. Most countries can still afford the laundress, but at a certain point they won't be able to. We produced the garbage disposal machine because we don't have maids in our kitchen and can't afford them. We produced the prepainted aluminum sidings because our painters are so expensive. In short, we innovated because our wages are so high. Other countries lag behind in the use of these products because their wages are lower.

Sometimes international trade has a little different type of effect. In the cases I have just described, high wages generated new products, which in turn led to new exports. Conversely, however, the low wages of other countries permit them to ship into this country the things in which we are not innovating.

Take the case of the giant electrical equipment, for instance. Here we have an industry in the United States which is dominated by three or four giants. The history of this industry, as you all know, has been punctuated with price collusion and marketing agreements.

Now, at a given point, when the Federal Government asked for bids from foreigners on giant generators, foreigners began to export the products here to the United States at incredibly lower prices. It wasn't just a labor cost difference, obviously. These prices were so different in degree that there was obviously a different pricing policy governing the basis on which foreigners were selling these products here in the United States.

Nobody can ever say with absolute precision what causes a businessman to innovate. But after a few years, our producers of giant electric generating equipment began to make major cost-saving changes in their method of producing some of this equipment. As a result of these innovations the cost of making electric generators in the United States has been significantly reduced. There are even reports around the world of U.S. companies now being able to export competitively against the countries that were supposed to be able to underbid them because of lower wages costs.

The moral of the story is perfectly obvious. We have to live by our ability to innovate. We either have to live by our wits, or else we must reconcile ourselves to the fact that we're going to have living standards no higher than the rest of the countries of the world. That's our choice.

We can stop participating in international trade, of course. In that case we will have to take some of our men who are engaged in the export industries and over the course of time shift them gradually back into a series of industries whose products we have previously imported. Instead of being exporters of machinery, vehicles and chemicals, we'll be domestic producers of textile, glassware, hats and all the other things that we import.

We will have to take our highly productive and dynamic labor and push it back into industries in which technology is moving slowly, in which wages are lower, in which demand is not growing as fast. We'll have sons engaged in industries which have less dynamism than the industries in which we are engaged.

Or alternatively we will have to continue our nimble-footed course in international trade. We will have to keep leaping from one new product to another new product, ahead of the bandwagon.

NEED FOR HIGHER SKILLS

We will have constantly to change the way in which we make things; the products we design; our very skills. We will have to take American labor and constantly, through its life, upgrade it toward higher skills. Instead of having a labor force which, in education, in skills, in attitudes, resembles an Italian labor force or a French labor force, or a British labor force, we will require a more competent, more highly skilled and more efficient body of labor capable of selling to the rest of the world those products which the rest of the world has not yet gotten around to making. Some day, the rest of the world will make any product we make, whatever that product is. Then we've got to move on. But this is the price of having a living standard which is so much higher than that of the rest of the world.

This is why the adjustment program is really so important in the United States. This is why in all of the most recent thinking about a trade program, there is always a companion theme which says: While we do this, for heaven's sakes, let's keep increasing our technical education; let's keep increasing our in-plant training; let's keep increasing our ability to generate new technological change. Because these are indispensable parts of the process of keeping nimbly ahead of the rest of the world in the international exchange of goods.

Investment In Foreign Enterprises

By

Solomon Barkin

Research Director

Textile Workers Union of America

In recent years there has been a continuing growth in the volume of American investments in manufacturing organizations in foreign countries. In the current year, it is estimated that the value of such direct investments in foreign manufacturing plant units alone will be $1.76 billion. Their total value exceeds $12 billion.

The motives for such investments are varied. In some instances it is to supply a foreign market for which American exports would be too expensive either because of shipping costs or tariff walls. Some manufacturers consider it important to locate in a foreign country to compete with local producers in their own domestic markets on a more nearly equal cost basis. The products sold abroad may not have been promoted in the United States as in the case of the smaller cars until the compact automobile came to be manufactured. Other manufacturers saw an opportunity for a special profit in producing for foreign markets while local competition was not apparent.

Special financial inducements by foreign governments or incentives under our own American tax laws have encouraged American producers to locate outside of the United States. Foreign countries have offered investors, including foreigners, low interest or even free loans, tax abatements and exemptions, free or low cost land and other assistance if they would locate. These have been telling inducements. American tax laws have also made such investments attractive for some companies and individuals. Tax treaties have eliminated the threat of double taxation. Our American laws have permitted corporations to defer the taxes on earnings secured in foreign countries until such earnings are brought back to the United States, thereby allowing the parent companies to secure interest-free funds. This practice has, of course, also encouraged reinvestment of profits in foreign countries. Tax havens have enabled a number of companies to avoid all or a substantial part of the American tax. Special tax privileges are now also granted to investors in Latin America, which reduce their total tax liabilities.

A third group of American businesses saw a chance for manufacturing merchandise abroad at lower cost than could be done in the United States frequently because of the lower labor rates. These manufacturers not only have reduced the volume of exports from the United

States on the products they produced abroad, but also have shipped some of their output to the United States to replace domestic merchandise.

Some items manufactured abroad for the American market are produced under the supervision of American distributors according to their designs and specifications and often with the assistance of engineers and production specialists which the latter provide. Another form of capital export which directly substitutes foreign skills for those of Americans has been the organization of laboratories and research organizations to engage in research at lower costs than would be required in the United States. Now the actors unions and TV studio unions are protesting the production of American programs abroad.

While at one time these capital exports and know-how were enthusiastically endorsed as a means of speeding up recovery in other countries and are still supported for underdeveloped countries by the present Administration and official AFL-CIO policy, more and more people are questioning the wisdom of permitting the unrestricted outflow of such capital to developed countries. One of the major reasons is that the volume of such investments has attained truly significant proportions. It is estimated that the direct total investments in property, plant and equipment in 1961 will amount to $4.5 billion, bringing the total value of direct investments to a new high of some $35 billion.

What is most important is that the foreign plant and equipment expenditures are becoming an increasingly large proportion of the overall capital investment programs of many U.S. manufacturing industries. In 1961, the U.S. transportation equipment industry reports that foreign investments will constitute some 31 percent of its total investments. The ratio in the rubber industry is 24 percent; in primary and fabricated metals and electrical machinery, 18 percent; chemicals, 15 percent; machinery except electrical, 14 percent; food products, 13 percent; paper and allied products, 10 percent, and mining and petroleum industries, 37 percent. These ratios have been rising during recent years.

EXPORT OF JOBS

This outflow has, of course, been accelerated by the recession and low level of industrial investment and plant expansion in this country. American businessmen and capital owners have, therefore, seen it as their opportunity to utilize their funds abroad profitably while there was less opportunity in this country. Workers have seen jobs exported *en masse*.

The question is what can be done to reverse this outward flow of capital? The most obvious solutions are *first* to erase currently existing tax incentives that encourage the export of American capital—and

second prohibit American firms from using tax havens in foreign countries. These solutions have the approval of the Kennedy Administration. The President has proposed, for example, the elimination of the right to the deferral of tax payments on earnings overseas, the elimination of tax havens and the reduction of tax privileges for Americans living abroad for long periods. These proposals have been vigorously protested by American businesses operating in foreign countries.

FOREIGN INVESTMENT CONTROLS

At best these measures designed to establish equalization of treatment between investments at home and those in developed countries abroad do not resolve the basic question as to whether we should curb the export of capital to these developed countries. The present Administration appears reluctant to proceed beyond the preceding tax equalization recommendations. It is squeamish about establishing controls on such capital movements even though they are currently employed by many European countries in an effort to right their balance of payments.

Let us examine the significance of the issues confronting us as Americans and trade unionists. The United States is faced with a significant deficit which it must seek to correct. The Federal Government has taken a number of steps toward reducing it. It has lowered the amount of tax exemption for tourist purchases abroad from $500 to $100. An agreement has been apparently negotiated with West Germany for it to purchase annually $400 million of armaments. The OECD nations have been asked to shoulder part of the cost of economic development for the newer countries. We have reduced the volume of offshore procurement, particularly in hard currency countries to preserve our dollar purchases. The government tried to reduce the number of military dependents abroad to save on such costs. The Federal Reserve Bank has tried to encourage return of short term capital funds by seeking to raise the interest rates for such monies and reducing them for long term loans, but with only modest success. Conversations with foreign central banks have led to understandings which will prevent panic in the money markets.

The overhanging concern about our deficit and its possible impact on the value of our money has promoted a renewed program for encouraging exports from the United States. This effort is being advanced with little reflection as to its consequences for other countries.

While these moves are being made, the Administration remained relatively unconcerned with the export of $365 million by the Ford Motor Company to buy up minority interests in its British subsidiary. Nevertheless, many business leaders and economists have become much troubled by the nation's ability to continue our exports and our cost structure. They have begun a campaign to popularize the idea that our wage levels are too high and our costs embarrass our export efforts. They have urged restraints in future wage policies.

The issue before us is therefore real. Shall we permit freedom of capital export even at the price of having to adopt controls or limitations on our freedom for collective bargaining negotiations in the United States? If the problem of the payments deficit is so pressing, should not controls be made effective particularly in the areas most directly related to the creation of such deficits; namely, the export of capital?

FOREIGN POLICY CONSIDERATIONS

The control of such capital exports could have other advantages for the American economy. First, it would increase the supply of capital in the United States, thereby reducing long term interest rates. Second, it would discourage producers from seeking to escape competition by running off to lower wage areas and place a greater pressure on them to seek to solve their competitive problems through innovation, design, research and hard thinking and more risk taking. Third, the government would be enabled to favor investments in underdeveloped countries.

We therefore urge a vigorous program of control over such direct foreign investments.

In any program of control of foreign investments, two additional requirements should be added to a license for export. Observance of a code of good behavior as respects labor standards and industrial relations should be made mandatory. Second, foreign investors should be continuously apprised of this nation's foreign policy and interests and be required to observe them in their conduct and practice.

When an American company sets up a subsidiary in a foreign country, it doesn't have to pay any United States taxes on profits until such time as it brings the profits back home. Corporation taxes are almost always lower in these foreign countries, and American companies can often get special concessions as well.

The American Management Association has found that because of tax differences the profits on earnings reinvested overseas pile up twice as fast as they do here at home. We do not think any tax concessions can be justified for companies that invest in other industrial countries such as those in Western Europe, and certainly such concessions are outrageous when the overseas plant is designed primarily to ship goods back to the United States.

Why should any favors be extended to a corporation that deliberately sets out for the sake of extra profits to rob Americans of their jobs?

GEORGE MEANY
President, AFL-CIO

Some Foreign Policy Implications Of U.S. Foreign Trade

By
Theodore Geiger
Chief of International Studies
National Planning Association

Since World War II the nature of world politics has changed fundamentally. Today virtually every part of the globe participates in world politics.

World politics is no longer the exclusive concern of a few great powers, such as Great Britain or France or Germany or the United States. It is the concern of every country in the world, and in one way or another every country in the world plays a part in it.

This transformation of world politics is in turn an expression of a more fundamental movement which has been occurring throughout the world in the 20th century. In country after country the people and more particularly their leaders have begun to recognize that control over the standard of living, over the rate of economic growth, over social conditions, over justice in the society, is no longer something which must be left to nature, to impersonal forces, over which human beings have no control.

They have recognized that social and economic conditions can be changed by deliberate human action. And they have set out to make the changes they desire. The countries of Latin America, for example, which for 400 years have been passive participants in their own destinies, have within the last 20 years become cognizant of the fact that through their own actions they can improve their standards of living, achieve greater social justice, and play a more important part in the affairs of the world.

In the past 20 years, scores of new nations, previously ruled by European powers, have come into existence in Asia and Africa. Here again, the leadershsip of each of these new nations is imbued with the idea that through its own actions it can raise the standard of living and the rate of economic growth, improve the division of the national income, and magnify its own role in world affairs.

So we have throughout the world this fundamental revolution which has been occurring in the course of this century, but which has been greatly accelerated since World War II.

This transformation of the world scene is, in itself, a major problem. It is complicated, however, by the rise of international communism. In origin, communism is one product of this fundamental transformation, but having come into existence it becomes a further complicating factor. As is well known, the Soviet Union and Red China are aiming at world domination. They are exploiting the world revolution to serve their own ends. They are making it more difficult for many countries to achieve their goals by democratic procedures because, if they can make voluntary methods fail in these countries, the interests of international communism will be advanced.

It is this greatly complicated world situation that confronts the United States and the other Western countries, and provides the setting in which U.S. trade policy must be formulated.

It must be recognized that international trade is a factor of major importance in helping countries all over the world advance their own well-being. It is hard for us today in the United States to understand just how important foreign trade is to most other countries. We must realize that, in the aggregate, our foreign trade—our merchandise exports and imports—are together only about seven percent of our gross national product.

This means that in their daily life the American people as a whole are not deeply or directly involved in foreign trade. But the reverse is true if you look at the picture from the point of view of the other countries of the world.

There are, in fact, few other countries in the world, industralized or underdeveloped, in which at least the more progressive parts of the economy are not far more dependent upon exporting or importing than is the case with the United States.

In the various European countries, foreign trade ranges from a minimum of about 20 percent to a maximum of approximately 50 percent of their gross national products.

DEPENDENCE ON TRADE

For the underdeveloped countries of Asia, Africa and Latin America, the dependence is even greater. In Africa, for example, though the great bulk of the population may still be living within a subsistence and self-sufficient tribal economy, the part of the society which is progressing and growing—that is, the market economy—may be dependent upon foreign trade for as high as 80 or 90 percent of its goods and services.

So, whether the economy is advanced or underdeveloped, in almost all countries today, foreign trade is of overwhelming importance, because their standards of living, their rates of investment, and their ability to import the capital goods necessary for economic development all depend upon foreign trade.

More important than the foreign aid which other countries receive from the United States is the foreign trade which they carry on with us. There are countries in the world, particularly in Latin America, in which 80 percent of their foreign trade is with the United States.

There are very few countries which carry on less than 10 percent of their foreign trade with the United States. Thus, for many countries the extent to which they can export to the United States is of far greater significance than the amount of direct aid which they receive from us. This means that a serious reduction in their export earnings from trade with the United States can have a far more adverse impact on their economy than a reduction in U.S. aid to them.

IMPORTANCE TO U.S.

Thus, if we look at the problem of U.S. foreign trade in its world setting, we see that to virtually every other country of the non-communist world it is the very essence of their existence and the essence of their opportunities or potential for progress in the future.

One may ask why is this important to the United States. Granted that to other people their trade with the United States is of great significance, why should it concern us to the extent to which we would be prepared to sacrifice some American jobs and to the extent to which we would be prepared to subject Americans to the painful adjustments that would result from lowering our tariff barriers?

The reason why it is important to us is quite fundamental. It touches the very existence of Western society in the future. In today's world one group of countries, led by the United States has a relatively high and rapidly growing standard of living.

But many of the countries in the non-communist world do not. For all the talk that there has been in the last 20 years about economic and social development, the fact of the matter is that the "have" countries, the advanced industrialized western countries, have been growing at a rate double that of the underdeveloped countries.

In fact, in a great many underdeveloped countries there has been no net progress at all. The increases in productivity that have been achieved in the past 10 or 15 years have in many cases been offset by rapid increases in population.

In quite a number of countries, some very important to the future of mankind, like India, the living standard of the ordinary man, of the Indian peasant, is not as high today as it was 30 or 40 years ago.

Throughout the world, therefore, the economies of the richest countries are continuing the expand at a faster and faster rate. And it is quite possible—in fact, according to targets recently adopted by the Organization for Economic Cooperation and Development (OECD)—

the productivity of the Western countries will be doubled over the next 20 years.

Such an increase in productivity is technically attainable in the countries that are already industrially advanced. But in the underdeveloped countries, any comparable increase in productivity may not be technically possible unless a great many things happen which are not happening in the world today. The more likely outcome is one in which the gap will continue to widen between the small group of rich, advanced countries and the much, much greater group of overpopulated, underdeveloped and very slowly progressing countries.

In such a world, there could be no security for the rich and the well off nations. As we become a smaller and smaller minority, we will also become less and less secure. One of the most important steps which we can take to prevent that gap from widening—and if possible to narrow it (which will, of course, be more difficult)—is to foster our trade with these "have not" countries. If we increase their ability to earn through exports, we will help them to accelerate their own development. These long-range considerations make a liberal foreign trade policy more important to us than even the direct economic gains we derive from our trade. They are certainly of greater importance than the short-term injuries which may be suffered by individual producers in our economy as a result of lowering our tariff barriers.

FUTURE OF FREE WORLD

If European trade policy—and ours—are conducive to the advancement of the other countries of the world, then we can look forward hopefully to the future. If they are not, if U.S. and European trade policies are dominated by an excessive concern with protecting domestic special interest groups, then to that extent we can be pessimistic about the kind of world in which our children and grandchildren will be forced to live.

This does not mean that we must sacrifice without thought the welfare of groups in American society who have a stake in the problem of import competition. There are ways in which their legitimate interests can be safeguarded without resort to protective tariffs.

Obviously, this is also a political problem at home. We have to be realistic and we have to be humanitarian, but there are ways in which the problem of adjustment to increased import competition can be eased for those who are adversely affected. It is imperative that we seek these ways—and that we do not jeopardize the future of our country—and of the free world—because of our lack of imagination or willingness to do so.

PART III

ACHIEVING A MORE EFFECTIVE TRADE POLICY

Changes In Existing Protection Against Injury From Imports

By

Howard S. Piquet

Legislative Reference Service

Library of Congress

According to pure economic theory, injury resulting from import competition is essentially a short-run phenomenon. Under free trade, theoretically, the people who are displaced by imports will find new jobs—in the long run. The problem of injury is the problem of somebody being hurt in the short-run.

It's the problem of immediate displacement, not of the eventual adjustment. The first thing of importance is the magnitude of the problem. Statistics have been repeated, almost *ad nauseum,* showing that relatively few persons would be involved by way of job displacement, even if the United States were to go on a free trade basis.

It is generally agreed that the number of persons affected would be between 200,000 and 300,000, but that is largely irrelevant, since it makes little difference if I'm run over, whether I'm part of a large statistic or a small statistic.

The problem of injury is an individual problem; it involves individual people and individual firms.

The next point that we must bear in mind is that, when we've talking about the liberalization of trade, on the import side, we are, for the most part, talking about small business.

Now the small business problem and the problem of import competition do not exactly coincide. There are a lot of other problems that small business faces besides import competition, but we should be cognizant of the fact that the complaints that come in with respect to import competition are complaints from businesses that quite properly would be called "small" by Americans standards of size.

The Administration has been talking lately about a new type of tariff bargaining. There is a growing belief that instead of approaching tariff concessions, reciprocally, on the basis of item-by-item negotiations, we should approach it on an "across-the-broad" basis, through parallel, or linear, cuts.

If such a policy were adopted, it would mean that the problem of injury would probably become greater than it now is because the cuts would be made in the first instance without regard for individual industry peculiarities.

So, it's highly important that we discuss the escape clause in the context of a liberalized trade policy.

In the first place what is injury? The dictionary meaning is pretty clear; "injury" means that somebody is hurt; it does not mean, and should not be confused with, "inconvenience."

The inconvenience of shifting from one job to another is often considerable, but it doesn't mean that a person is necessarily "hurt" or "injured," merely because he has to adjust to some new line of activity. In a free enterprise economy we do this every day.

It is the essence of the individual enterprise system that those who are not well-adapted to the environment should transfer to other lines of work for which they are better qualified. The theory of the individual enterprise system is that, through self-interest, we maximize the utilization of resources in the most efficient manner. When we introduce obstacles to such adjustments we minimize our efficiency.

So, when we're talking about injury resulting from import competition, we should be clear in our own minds that we are not talking about the inconvenience of shifting from one line to another, provided the opportunities for shifting are there.

I'll give you an illustration. In New York City, not so long ago, some producers of briar pipes were confronted by import competition. It was easy for the workers to find new jobs because New York City is a highly-industrialized, highly-diversified area, with many job opportunities.

INCONVENIENCE VS. INJURY

But, if the same happened in West Virginia, where there is specialized production in chinaware, glass, toys, and coal, the adjustment itself—the inconvenience—becomes injury. When you can't reasonably find a job, you're "hurt."

When you lose your job, you're hurt, and when you lose your capital investment, you are also hurt. That's what we should mean by "injury," in connection with the escape clause of the Tariff Act. Injury means hurt; it means essentially the inability to find an alternative opportunity.

Next, *who* suffers injury? We have become mixed up in our thinking on this subject. Not long ago I was sitting down with some research people in the government trying to find an industry or two that would fit certain requirements for study. We could hardly find such a thing

as an industry. Very few products today are produced by a single industry, and very few industries produce a single product. Industry is primarily a statistical concept, rather than an economic concept.

"Industries" don't suffer injury; no statistical category can suffer injury. *People* suffer injury, and this means individual workers and individual firms. In the trade adjustment bill introduced not long ago by Senator Javits this principle is clearly recognized. It's the first bill along this line that recognizes this principle.

So much for the "who."

Now what do you do about it? What's the "how"? What do we do about injury? Do we just let these people suffer? I think I'm correct when I say that most Americans believe that no small group of individuals should be called upon to pay the cost of foreign policy by losing an opportunity to work for a living.

AVOIDANCE OF INJURY

I think this is basic to our American philosophy. But, it does not mean that a person must be frozen into his job. If he can find another job, or if capital can be adjusted to some other line of activity, then the injury has been avoided.

When we think of this problem in terms of the individual, the "avoidance of injury" philosophy makes sense, but when we couple the "avoidance of injury" philosophy with an iron-clad requirement that imports must be curtailed, we are guilty of muddy thinking.

Injury is something we want to avoid. Curtailment of imports, under an escape clause, is only one way out. The escape clause means what it says. It's an "escape" from something. It's an escape from a commitment, made with another country, to reduce trade barriers on a reciprocal basis.

Under the present law, whenever the Tariff Commission finds injury to exist it communicates that fact to the President, together with a recommendation for action. The President either can accept the findings and recommendations of the Tariff Commission and impose a higher tariff or an import quota, or he can, in the national interest, refuse relief by rejecting the Tariff Commission recommendation.

What is needed, now is a new formula; a third choice for the President. Here is where an "adjustment assistance" formula comes into the picture. "Adjustment" should emphasize, not relief to the person who is injured, but the adjustment to some other line of activity. This can be done in several ways.

One way that has been proposed, a rather simple way when an entire industry is found to be injured, would be to invoke the escape clause, raise the tariff, but then provide automatically that the new tariff will decline automatically, every year for a period of five years, with no renewal.

In other words, you would give the industry protection while they're adjusting. However, it would be desirable to invoke adjustment assistance for individual workers in the industry involved.

This would extend the GI Bill of Rights philosophy to the people who are required to bear the cost of foreign policy, on the economic side. It would provide young people with retraining; small business with loan assistance; manufacturers with technical assistance; workers with moving allowances and stepped up unemployment insurance. It would, in fact, include a large number of devices designed to give assistance to the individuals who stand to lose from foreign policy.

In any case, it needs to be emphasized that the important thing in a free enterprise economy is flexibility and mobility. We should make it easy for people and opportunities to come together in a way that will maximize the productivity of the country.

So, it seems to me that the escape clause and the "avoidance-of-injury" philosophy is at the very center of what we shall be talking about in this coming session of Congress and for some time to come.

With the development of the European Common Market—and other regional economic blocs—the United States, the biggest free enterprise economy in the world, cannot follow a policy which would, in effect, freeze everybody in his present job, regardless of efficiency.

The conclusion with which I came away from these (GATT) meetings in Geneva is that we have got to find a way of reorganizing our own trade thinking so that we can get along in international trade and compete on sound grounds with the new European Common Market. The Common Market is a customs union but it is actually approaching a political union between Belgium, Netherlands, Luxemburg, Germany, France and Italy. The United States Government, with the support of the labor movement, pushed for the Common Market idea for a long time. We want unification of Europe, as a bulwark in the fight for freedom in the world.

The Common Market has resulted in a tremendous increase in the real wages and standard of living of the workers of Europe.

ANDY BIEMILLER
Legislative Director
AFL-CIO

Government Assistance For Workers, Firms And Communities Affected By Foreign Trade

By

Hyman Bookbinder

Special Assistant to The Secretary
U.S. Department of Commerce

The concept of adjustment assistance or development assistance is not new in American economic history. There are many analogies to this program. When this country felt that it needed railroads it didn't say, "Let private industry, all by itself, on the basis of the market, on the basis of the outlook for immediate profit just go out and buy lands and build railroads." It made the land available.

When this country feels that it needs a merchant marine it doesn't say to American shipbuilders, "Go ahead and build ships because the market situation in the world will permit you to make a lot of money." It says "This country needs a merchant marine. It needs it for national reasons. Therefore, we will contribute certain incentives and inducements that will subsidize the shipbuilding industry."

When this country took millions of young men and sent them to war, some of them never to return, and deprived them of education and job opportunities, it said, "We have a special responsibility, since these young men and some women were deprived of their normal education and job opportunities, to help them acquire a college education".

When we needed expansion of industries for war purposes we gave accelerated amortization. There's nothing new in this concept of helping individuals and industries to adjust to economic actions made in the national interest.

In the same way, as a matter of national need and interest, it is contemplated that modifications be made in our trade policy.

Since this is to be done in the national interest, whatever burden there might be should not fall on certain segments of the people of this country. No individual groups, no specific industries, should be required to bear the full cost of this necessary national economic decision.

The Administration, along with the labor movement and progressive people generally, recognizes the need to provide a climate of security for all people. That's why we are working to achieve a decent unemployment insurance bill.

We favor proper training for everybody; we favor proper social security for everybody and, of course, if we have all of the programs we're interested in, there might not be a need for a special trade adjustment program. After all, if anybody willing to work becomes unemployed, for any reason, we could argue that he should receive the best kind of unemployment insurance, retraining, relocation and so on.

But we don't have this paradise and so we're now saying, while we work for general improvements in all of these programs, we have a special need and urgency to provide alternative opportunities for men, women, plants, and communities that can demonstrate they have in fact been hurt by our trade policy.

We do not anticipate that many thousands or millions of workers will be so affected. But where they may be so affected, a package of remedies should be available.

The individual is hurt no matter whether he is one of a group of ten or one of a group of ten million.

Now, briefly, what are the remedies that have been proposed? Some you'll recognize as already in existence in other programs. First, there is the basic retraining function. We would want to help individuals acquire the skills that may be needed to go into a new job in the same plant or in another plant or in another industry, perhaps even another area.

This is basic.

Second, while a worker is retraining, while he is awaiting a further job opportunity, we think his unemployment insurance should be adequate to keep him going. It should be more adequate than the average situation now permits in the country.

RETRAINING AND RETIREMENT

Third, because some of the changes may require actually moving to a new area, this administration has already endorsed as part of a general retraining bill, the concept of providing relocation expenses, at least partially, for the cost of moving to another area.

The fourth proposal, which has appeared frequently in these bills that have been introduced on this measure, is the concept of earlier retirement. The bills that have been introduced in the past usually talk about the 60-year retirement. But we believe this should be flexible. If a man becomes unemployed when he's 58, 59, 60 or 61 years of age, it is almost impossible for him to get trained or started in a new industry or new plant.

So we must seriously consider provisions which will permit workers displaced by foreign trade to retire at a somewhat earlier age than the general statute permits. As you know, last year the men's age was reduced from 65 to 62. But further adjustments to cover special situations may be needed.[1]

These, then, are some of the kind of measures that would help to soften the impact that a liberal trade policy might have on some individuals. But what do we propose for specific industries?

First, we would supply industries, injured by imports, in a more coordinated, careful, and complete way, information and technical assistance to help them learn new methods, new markets, new products, and so on.

Second, we would enlarge the small business loan program, so as to make firms that have been hurt by imports eligible for loan assistance.

Third, it has also been suggested that such industries also be given the benefits of accelerated amortization. And, fourth, it has been suggested that more government procurement be channeled to firms that have been affected by imports.

FOCUS ON NATIONAL INTEREST

In the years ahead we will need a trade policy that keeps the national interest sharply in focus. In order to implement that national trade policy there will inevitably be some cases, relatively few, but some cases of hardship.

Where those cases can be identified, it is suggested that the President be clothed with authority to provide to communities, industries and workers, a series of measures which will help them adjust to new and productive economic activity.

This way the nation as a whole will benefit without undue hardship to specific workers, communities and industries.

[1] Since this statement was made, the Administration has sought to achieve this objective by allowing for larger adjustment allowances for those over 60 years of age.

International trade is the new frontier for American industry. Like all frontiers, it demands hard thought, hard work and endurance, but the rewards are great. For the American worker it means new opportunities, not only for himself but for his children and for his grandchildren, because, as the world grows, as the world progresses, as the per capita income of countries like India grows from $70 a year to what it is in Japan, $350 a year, and ultimately what it is in the United States, where per capita income is $2,000 a year, there is great opportunity for us as a great nation, and for many other countries, to meet unfilled needs throughout the world.

ARTHUR GOLDBERG
U.S. Secretary of Labor

IMPORTS ARE VITAL TO OUR DEFENSE

International Fair Labor Standards

By

Everett Kassalow

Director of Research

Industrial Union Department, AFL-CIO

Foreign trade has always been important to the United States but it is of greater importance today than ever before, both in terms of products exported and imported—and our relationship with other countries.

Despite this ever-growing importance many union members say, "Look, we've got unemployment, so let's shut out all these foreign imports." Unfortunately, this would be a very dangerous thing to do. The facts demonstrate beyond a doubt that we gain many more jobs from foreign trade than we lose. So our task is not to cut off foreign trade, but to find solutions which will let us have the benefits of foreign trade without causing undue hardship to individuals and companies.

In terms of impact, the problems raised by foreign trade are not substantially different than those raised by automation. We do not try to stop automation. But when workers are forced out of jobs as a result of new machinery, the trade union movement tries to insure that the hurt is kept to an absolute minimum. And so it is with foreign trade. We can't stop it—but we can keep workers from being hurt.

As we have seen, one approach to the problem is through enactment of a comprehensive trade adjustment act. But this is not the only approach. Another way to meet the problem of international competition is through the development of fair labor standards in international trade.

One of the difficulties in determining fair labor standards for the world as a whole is that we cannot be too precise. For example, in the United States we talk about a minimum wage in terms of $1.00, $1.15, or $1.25 an hour. We obviously could not apply this standard to very many countries elsewhere in the world. We cannot demand that all products sold in international trade be produced at an hourly rate of no less than something like $1.00 per hour.

We cannot do so simply because productivity differs from country to country; living standards differ from country to country; and efficiency of industry in one country is quite different from another.

Yet the AFL-CIO and many of its constituent unions have taken the position that exports and imports, whether you look at it from the point of view of the export country or the import country, should not be based upon exploited labor conditions.

In other words, we believe that workers in the United States should not have to compete against products coming from abroad which are produced by workers employed under sweatshop conditions.

We believe it is not only unfair to American workers, but that it is not good for workers in the exporting country—or even for the exporting country itself.

We know that in the long run, a country cannot build a sound and healthy economy if it is working its labor force 80 hours a week at wages of five, six or eight cents an hour.

This is the general framework within which the American labor movement has been trying to develop an approach to fair labor standards for international trade.

In deciding what constitutes a fair wage for a product entering into international trade, I must frankly admit that while we have some ideas as to how to determine whether a product is being unfairly exported to the United States, we have not reached any final definition. However, we are developing criteria—which I would like to discuss.

As an example, let's take a specific company in a country which is exporting textiles to the United States. If it can be shown that the wages this company pays its workers are significantly below the wages generally prevailing in the textile industry in that exporting country—this would indicate that these workers were probably being exploited—and that the products being sent to the United States were being produced under substandard conditions.

This is one test that might be applied.

EXISTENCE OF SWEATSHOPS

A second method for ascertaining the existence of sweatshop—or substandard—labor conditions would be to compare wages in a specific industry (such as the textile industry) in an exporting country with wages for manufacturing generally. Here again, if it is found that a substantial differential exists, it can be presumed that workers are being exploited.

A third way to measure exploitation is to compare unit labor costs as between one country and another. This is not an infallible measure, of course, since in a technologically advanced nation high wages and low unit labor costs are by no means incompatible. However, if a country gains increased production—by the introduction of new and better equipment—but continues to follow the old wage pattern, based on less productive labor, it could be presumed that the workers were not receiving a fair share of their increased productivity. But here again we cannot make a hard and fast judgment. In some cases, as for example, where it could be shown that other production costs—including raw materials, power, and capital investments—were materially higher, the exporting country might argue the necessity of offsetting these higher non-labor costs with a comparatively low wage scale. This argument could only be considered valid, however, when it could also be shown that profits were not unreasonably high.

Having devised these and similar tests in order to determine if goods shipped in international commerce are being produced under substandard conditions, the question remains: what can be done about it?

From our own experience we know, of course, that the most effective antidote to unfair labor conditions is a strong labor movement. And this is true even in countries that may try to raise wages—and living standards—through minimum wage legislation. To be effective such legislation needs policing by a watchful labor movement.

BUILDING STRONG UNIONS

Thus we can make a significant contribution to international fair labor standards by supporting the development of trade unions in underdeveloped countries through such instrumentalities as the International Labor Organization and the International Confederation of Free Trade Unions.

Although in the long run this approach—of building strong unions throughout the world—will be the most effective approach, we recognize that it is a long run technique and that there will remain many areas in the world in which for some time the labor movement will be too weak to establish and enforce meaningful standards.

Therefore, we must seek more immediate solutions. To this end we are trying to develop machinery which can operate through the General Agreement on Tariff and Trade (GATT) meetings. For those unfamiliar with GATT let me briefly explain that it is a conference at which all the countries of the Western World meet periodically to stimulate trade through the negotiation of tariff concessions.

We are suggesting that at each GATT conference there should be a review of the impact of increased trade upon specific countries for the purpose of determining whether the labor force is sharing fairly in the expanded benefits made possible by such trade.

We believe that where it should be found that the labor force was not sharing in those benefits—or where there was other evidence of exploitation—GATT, as an organization, could exert a strong moral pressure to encourage the improvement of labor standards.

Should such moral pressure prove ineffective, we believe that a second stage is indicated. If, for example, a specific industry or group of workers was being unfairly injured in the United States by the importation of goods from a country in which labor exploitation had been demonstarted, we believe our government should negotiate through the machinery provided by GATT for a variety of remedies. Our government might demand that the other nation either raise its wages—or limit its exports to the United States. This could be done gradually—with a period of adjustment during which—as wages were raised in one country, opportunities for greater trade would be opened up in another.

Our goal, of course, is to maintain and even increase our channels of trade with other countries. To do this, we will naturally have to make some adjustments at home. But this adjustment must work both ways. While we adjust to importation of foreign made goods, we expect other countries to adjust their living standards upward so that our working and living standards are not undermined by exploited and sweated labor elsewhere in the world.

> *A simple comparison of wage rates in different countries at prevailing rates of exchange is, of course, not an adequate indication of comparative labor costs. Wages are supplemented in most countries by fringe benefits and other indirect labor charges, and the addition of these narrows the gap between American and European wage costs. In any case, however, a proper comparison of labor costs between countries must also take account of productivity in the countries compared. In other words, the comparison should be based on labor costs per unit of production. Where productivity of American labor is much higher than productivity in the same industries in other countries that will go a long way—if not the whole way—towards offsetting whatever competitive advantage other countries derive from lower wage rates.*
>
> *HERMAN PATTEET*
> *International Confederation of*
> *Free Trade Unions*

Progressive Management Practices And Federal Full Employment Policies

By

Russell Bell

Assistant Director of Research
Canadian Labour Congress

Unlike the United States, which has a favorable trade balance, Canada has a significant deficit in world trade. For this reason the arguments of those who claim that workers must sacrifice—and reduce—their wage levels in order to make Canadian goods more competitive—are even louder and more vociferous in Canada than they are in the United States.

But there is one inescapable fact that reduces this argument to absurdity. Our trade deficit is traceable not to our commerce with low wage nations—but very largely to our trade with the highest wage country in the world—the United States. For example, in our trade with the United Kingdom and Japan, both of which have significantly lower wage standards than ours, we have not a defiicit but a favorable balance of trade. In fact, in our trade with Japan we have had a favorable balance of trade in every single year in the post-war period.

Therefore there is not a shred of evidence to support the contention that the wages of Canadian workers are pricing Canadian goods out of world markets. Unfortunately, however, many Canadian newspapers, like those of the United States, have repeated the high wage fallacy for so long that they have convinced far too many people—including many good trade unionists—that Canadian wages are indeed too high. In this respect, as in many others, our problems are quite similar to those of the labor movement in the United States. In our country—as in yours—we have anti-union forces who try to make black out of white—who try to portray decent wages as a national detriment instead of a national benefit—and who are willing to talk long and loud about wages but who studiously ignore factors of far greater significance such as productivity and unit labor costs.

Actually, as every economist knows, wages are only one small part of prices. Furthermore, as every smart business man knows, price is only one of many considerations in the seller-buyer relationship. As one authority stated recently in the *Harvard Business Review:* "How all-important is price anyway? Many American marketers have taken great pains over the years to emphasize that price is only one element in making the sale. They have claimed that other factors contribute heavily to the selling task—that to do the job really right, it is necessary to have a total marketing effort that brings to bear service, advertising, personal selling, effective channels, marketing research, and the other functions of the marketing mix."

In their own interest more businessmen must begin to recognize certain evident truths about their own shortcomings in international trade—including their serious failure to compete effectively—and must stop trying to shift the blame for their own shortcomings onto the shoulders of workers. It is encouraging to know that in some business circles, at least, such a recognition is beginning to dawn. As a writer in the *Washington Post* stated recently: "The popular dogma that American business mostly because of high wages is pricing itself out of world markets has been repeated so often that it is rapidly becoming accepted as fact, but a strong dissent was registered this week from members of the United States trade promotion mission just returned from seven weeks in Japan. The burden of their argument was that we're just not trying hard enough to sell our goods overseas."

Here again, what is true for the United States is also true for Canada. In other words we have a situation that applies to the whole North American Continent. Our businessmen are beginning to realize that their post-war picnic—in which they did not have to worry about competition—is over.

As you know, following the Second World War the United States and Canada, with their industry intact, enjoyed an unusual period of years during which Europe and Japan were rebuilding their shattered industries and dislocated economies. During these years—and so long as other countries needed our products so desperately—we could sell practically anything at all without regard to styling, quality or service.

DEMAND FOR LOW WAGES

Now, however, this situation has been drastically changed. Europe and Japan are producing goods at an unprecedented rate—and are out pushing these goods in world markets with unsurpassed vigor. It is truly ironic that North American management, which has long prided itself on its imagination and aggressiveness, is seemingly unable to meet this competition with anything more imaginative than a demand for lower wages and higher tariffs.

It is doubly ironic that should management succeed in convincing the people and the governments of the United States and Canada of the necessity of such a course they would be committing a form of economic suicide. For how much should you cut wages to bring them down toward European or Japanese levels? 20 percent? 30 percent? What would

such a curtailment of purchasing power do to sales, jobs, profits, services, dividends, executive salaries, production, and public revenues in our two countries? The consequences are too hideous to contemplate.

Therefore it is obvious that management must stop looking for a scapegoat and start remedying its own inadequacies.

It must, for example, start to emphasize such long neglected factors as design, style and quality. It must start to expand credit facilities—and make them at least equal to those that exist in Europe and Japan. It must train salesmen and technicians who understand the problems—and the ways in which business is conducted—in other cultures. It must realize that the days when it could merely sit back and take orders are gone. It must, in brief, recapture the energy, imagination, and aggressiveness that originally made the United States and Canada the great trading nations they are.

EFFECT OF AUTOMATION

Of course the fundamental purpose behind any effort to maintain and increase trade is to generate an expanding economy of full employment. However, a liberal trade policy is not the only method by which a democratic government can encourage full use of resources and skill. And unfortunately neither the United States nor Canada is making such a full use of these resources and skills at the present time. In both of our countries there has been a continuing growth, over many years, in the rate of what the economists call "structural unemployment". This problem of unemployment has been aggravated because while automation has been erasing jobs on the one hand, population—and the needs for jobs—has been increasing rapidly on the other. It is obvious that under these conditions even vastly expanded trade will not be sufficient to reverse the growth of chronic unemployment. Further government action—aimed at putting people to work and raising personal incomes—is plainly needed.

Although we are the two wealthiest nations in the world tens of millions of our citizens are today living on the bare edge of subsistence. In the United States, for example, more than 36 million Americans—or one-fifth of the nation—live in households in which the total family income is less than $3,000 a year. Another 5.4 million, who live alone, have incomes of less than $1,500 a year. In both the United States and Canada such families and individuals create a drag on the economy—a drag that could be converted to a pull if we could, through private and public action, raise the incomes—and thus cash in on the fantastic marketing potential—of this portion of the population.

The labor movement is attempting to do this, of course, by organizing—and bargaining for these underpaid and exploited workers. But in both the United States and Canada this effort has been sadly handicapped by restrictive policies in government—and unfair treatment in the big business press. If we are to achieve a dynamic economy the Government, at least, must maintain a favorable climate for legitimate trade union activities—especially those aimed at raising the purchasing power and living standards of the work force. For this is the key to an expanding economy of full employment under the economic system of North America.

Unfortunately, neither the Canadian nor the American Labor Movement have enjoyed this kind of climate in recent years because many people—holding positions of financial or political power seem to believe that the national welfare can be served by a cheap and docile labor force.

They appear to be strangely blind to the relation that exists between low wages and reduced markets, between reduced markets and less production, between less production and more unemployment, and between more unemployment and business recessions.

So before we mingle our tears with those who mourn the loss of some of our markets to vigorous foreign competition, let us challenge management to develop the now neglected market potential that exists right now from one end of the North American continent to the other.

FILLING UNMET NEEDS

We could set the stage for a new boom in manufacturing and processing industries in both our countries, if we but took an inventory of our national needs and set out to fill them. These needs extend to education—in terms of hundreds of thousands of classrooms; to housing in terms of replacing present slums—and building the additional millions of dwellings that will be needed in the next ten years to meet the expected growth in population; to community facilities in terms of recreational areas, retirement centers, youth centers, parks, and sewage and water-treatment plants; to medical facilities, including catching up with current shortages in rest homes and mental institutions, and to transportation in terms of development of both mass transit systems for our burgeoning metropolitan areas and airports adequate to meet the demands of the Jet Age.

These are only a few of the currently unmet needs of the growing populations in our two increasingly urban countries during this—the second half of the 20th century. If we move forward to meet these needs we will more than take up any slack in production caused by foreign competition. We will also create useful job opportunities for the fast-growing populations of the U.S. and Canada.

PART IV

A POSITIVE WORLD TRADE POLICY FOR LABOR

By
Albert J. Hayes
International President
International Association of Machinists

(Based on discussions, reports, and recommendations of delegates to the First I.A.M. World Trade Conference Washington, D.C., November 1961)

The importance of world trade to the American—and Canadian—economies can no longer be doubted. A liberalized flow of goods to and from our shores will boost our industrial activity—and help to absorb troublesome pools of chronic unemployment now existing in many industries. Conversely, restrictions which hamper trade—whether they are imposed by us against other countries or by other countries against us—can only result in economic stagnation.

Because of these considerations the I.A.M. strongly supports liberalization of the Reciprocal Trade Act. However, we are realistic enough to recognize that such a liberalization will raise serious problems for many workers. In some industries increased competition from imports will cause unemployment and individual hardship.

Accordingly, we further believe that there is a need for supplementary legislation which will lessen the possibility that individuals, communities and industries will suffer alone and unaided when jobs, payrolls or markets are jeopardized because of the requirements of an overriding national policy.

To insure a healthy trade relationship between our country and the rest of the world—while, at the same time providing necessary safeguards for U.S. and Canadian workers—the I.A.M. proposes the following ten-point program:

First: In order to expand our export markets in other countries, we urge our Government to take all necessary steps to persuade other countries to remove unreasonable and unnecessary restrictions on the goods which we produce.

We recognize that trade is a two-way street, but unfortunately the United States and Canada are not the only countries in the world in which sentiment for trade restriction exists. In fact, in some countries where the products we make are highly desired they are kept out only by discriminatory tariffs.

Our Government should make every reasonable effort to eliminate these discriminatory restrictions by negotiation. However, should these efforts prove fruitless, we are justified in requesting adequate and proper counter-measures. For if trade is to be a mutual benefit, other nations, as well as our own, must allow it to flow easily in both directions.

Second: As a further method of expanding our trade possibilities we urge our Government, in cooperation with other governments and international bodies, to support programs designed to raise living standards in the newly emerging nations of the world.

We not only recognize that even a small rise in the standard of living of South America, Asia, or Africa will create vast new markets for our production, but that this process, once started, will generate even further increases in living standards, and in markets, as well.

Third: We urge our Government to expand its efforts to help our employers compete more fully and effectively on world markets.

When failure to compete is due to obsolete production techniques, unimaginative products, unaggressive marketing practices, unattractive credit terms, and inadequate service, we strongly support expert Government technical assistance.

But where, as has sometimes been the case, the failure to compete is due to administered prices—and price-fixing conspiracies—then we, as the ones who suffer most directly, have a right to demand and expect vigorous and unceasing prosecution under the anti-trust laws.

LOOPHOLES IN TAX LAWS

Fourth: To lessen unemployment at home which has been caused or aggravated by the flight of American capital overseas, a flight that has been accelerated by loopholes in the tax laws as now written, we urge:

—That our Government conduct an up-to-date census of all United States business investments in foreign countries so that it is possible to determine the full extent to which we are competing with our own employers.

—That present tax laws be amended to eliminate the tax-deferrable privileges that are now enjoyed for earnings on investments in industrially advanced nations.

—That such laws be further amended to also deny such tax-deferrable privileges to firms which are now using underdeveloped nations as tax

havens where they may have profits from many sources taxed at rates far below those that would be imposed in the U. S.

—That firms which intend to relocate all or part of their production overseas be required by law not only to give ample notice to their employees, but also assume direct responsibility for lessening the human hardships caused by such relocation.

An assumption of such a direct responsibility is justified by both morality and precedent. It is only right that firms which have built themselves and their profits on the service, loyalty and skills of a workforce should not be permitted to abandon that workforce without absorbing some of the social costs involved.

This is not a revolutionary proposal since both the I.C.C. and C.A.B. have required railroads and airlines seeking to consolidate to guarantee certain protections for workers who are displaced.

SOFTENING IMPACT OF IMPORTS

Fifth: As a start in this direction—and in the absence of any existing legislation—we urge all local lodges to seek provisions in their collective bargaining contracts which obligate the employer (a) to give ample notice of any intention to shift operations abroad, and (b) to provide severance pay, supplemental unemployment benefits, retraining allowances, and other similar protections.

Sixth: To soften the possible impact of imports upon individual workers, we urge the prompt enactment of legislation providing the following minimum protections for workers whose jobs are eliminated by foreign trade:

—Unemployment compensation providing two-thirds of earnings for a period of one year.

—Retraining for available jobs in other industries.

—Relocation allowances covering the cost of transferring workers, their families, and their household goods to new jobs.

—The option by workers who have reached 60 years of age to retire on the full Social Security benefits due them.

Seventh: To offset the impact of imports upon specific industries, we strongly urge and support enactment of legislation providing loans, technical assistance, and other forms of aid to communities and firms that can demonstrate injury caused by imports coming in from foreign countries.

The purpose of such assistance should not be to subsidize incompetent or marginal producers but rather should be aimed at helping them to either (a) compete more effectively, or (b) shift to other lines of production.

Eighth: To lessen the impact of imports on industries and individuals, we urge the GATT (General Agreement on Tariff and Trade) Committee on Market Disruption to develop machinery that will prevent any nation from exploiting our liberal trade policy by suddenly flooding our markets with goods which will disrupt any domestic industry without giving its employers and workers sufficient opportunity to make necessary adjustments.

Ninth: We urge our Government to support more fully our efforts to eliminate unfair competition based on exploited labor. We believe, for example, that our efforts to strengthen unions in other countries through our association with the ICFTU, the International Transport Workers' Federation and the International Metalworkers' Federation must be supplemented by efforts on the part of our Government to raise labor standards in other countries through the ILO and GATT organizations.

In this connection we ourselves, in our own locals, should explore the possibilities of making more direct contributions to the ICFTU Solidarity Fund for the purpose of organizing workers and strengthening trade union principles and practices in parts of the world where the labor movement is still in is formative stages.

Tenth: As our final major point and the one which is probably the most basic of all, we urge this Administration to adopt overall spending, tax and credit policies which will produce a rate of economic growth commensurate with our nation's needs and resources.

ACHIEVING FULL EMPLOYMENT

It should be the national objective to reduce unemployment as quickly as possible to a maximum of 3 percent of the labor force. As Walter Reuther has so well stated it, "Before we attempt to balance the national budget we should first balance the family budgets of America".

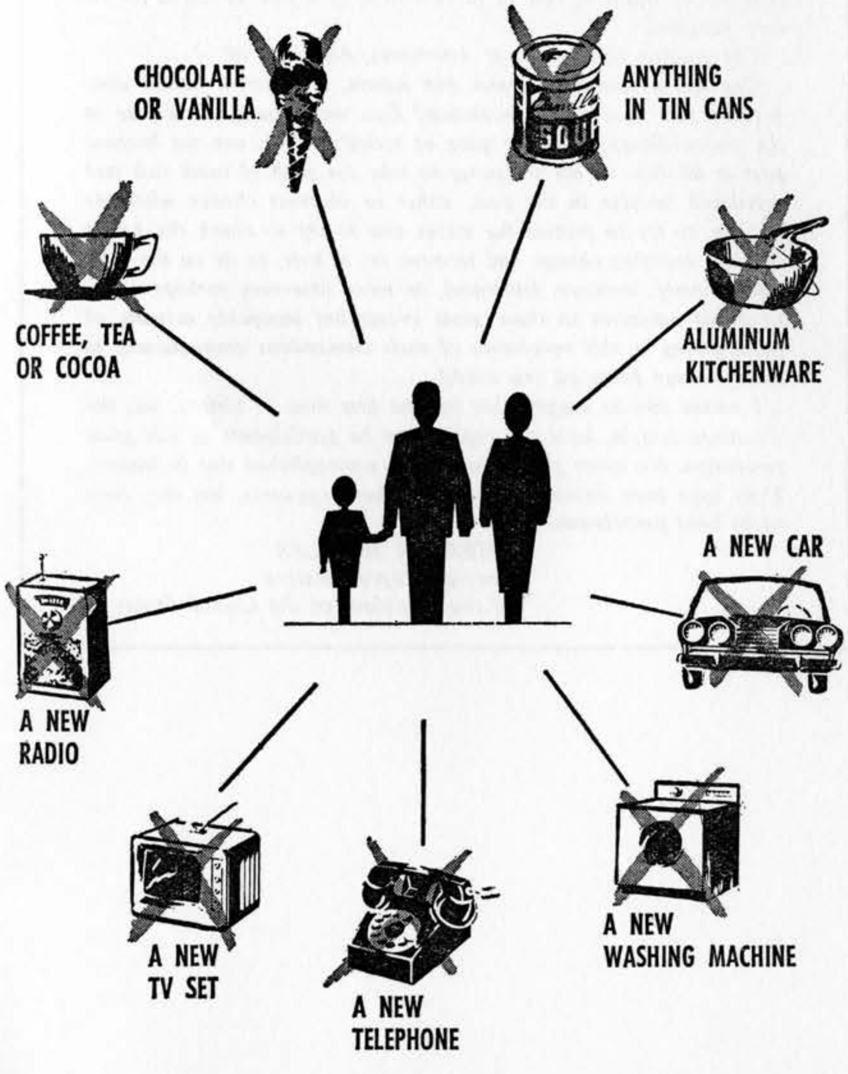
For, if we can achieve substantially full employment, we will also expand our production of goods and our sources of tax revenues at a far higher rate than we are now doing. And when that happens, the national budget will balance itself.

Also if we solve the problem of unemployment, we will solve the problem of trade. For if we achieve a dynamic, expanding full-employment economy, jobs that are eliminated by imports will be quickly replaced by new production in other areas.

And finally, with an expanding economy at home, fewer American firms will be tempted to invest their capital overseas.

YOUR LIFE WITHOUT FOREIGN TRADE

If the U. S. stopped trading abroad, there would be many shortages here, and prices would rise sharply. For example, you would soon be unable to buy . . .



In our world today, there is the revolution of rising expectations, as it has been called, this reaching out of people in Asia and Africa and Latin America to secure a better life, for more doctors, more school teachers, better opportunities, greater freedom, a greater measure of dignity. This is a very powerful revolution. It would happen if there were no communists left on this world today.

If every communist turned in his card tomorrow, this revolution would be going on. The Soviet Union did not create this revolution; is is simply trying to ride it, to control it, if it can, to use it for its own purposes.

The queston is: can we, as Americans, deal with it?

Can we, a comfortable and rich nation, a powerful nation also, become part of a world revolution? Can we actually participate in the extraordinary, changing pace of today's world, can we become part of all this, or are we going to take the path of most rich and privileged peoples in the past, either to obstruct change wherever we can, to try to protect the status quo to try to check the forces that are breeding change and ferment or, at best, to sit on the side-lines, uneasy, insecure, frustrated, as mere observers perhaps trying to adjust ourselves to these great events but incapable actually of participating in this revolution of such tremendous consequences to every human being on this earth?

I would like to suggest that for the first time in history, we, the American people, have the capacity to be participants in this great revolution. No other people have ever accomplished this in history. They have been onlookers, they have been opposers, but they have never been participants.

CHESTER BOWLES
Special Representative
of the President of the United States

International Association of Machinists

1300 Connecticut Ave., N.W.
Washington 6, D.C.

A. J. HAYES
International President

ELMER E. WALKER
General Secretary-Treasurer

Vice Presidents

P. L. Siemiller
J. C. McGlon
E. R. White
Harold J. Gibson
Joseph W. Ramsey
George L. Watkins
Floyd E. Smith
Matthew De More
Mike Rygus

[1962]

File - Exports
WF

EXPORT CONTROL

Sixty-first Quarterly Report

(Third Quarter 1962)

BY THE SECRETARY OF COMMERCE

TO THE PRESIDENT

THE SENATE

AND HOUSE OF REPRESENTATIVES

Letter of Transmittal

NOVEMBER 15, 1962.

THE PRESIDENT,
THE HONORABLE PRESIDENT OF THE SENATE,
THE HONORABLE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIRS: I have the honor to submit herewith the Sixty-first Quarterly Report, covering the third quarter 1962, as required under the Export Control Act of 1949.

Respectfully submitted.

Luther H Hodges

Secretary of Commerce.

Contents

I

Introduction

It is the policy of the United States to use export controls to the extent necessary (a) to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand; (b) to further the foreign policy of the United States and to aid in fulfilling its international responsibilities; and (c) to exercise the necessary vigilance over exports from the standpoint of their significance to the national security of the United States.

It is further the policy of the United States to formulate, reformulate, and apply such controls to the maximum extent possible in cooperation with all nations with which the United States has defense treaty commitments, and to formulate a unified commercial and trading policy to be observed by the non-Communist-dominated nations or areas in their dealings with the Communist-dominated nations.

It is further the policy of the United States to use its economic resources and advantages in trade with Communist-dominated nations to further the national security and foreign policy objectives of the United States. (Sec. 2, Export Control Act of 1949, as extended and amended by Public Law 87–515, 87th Cong.)

Export controls as administered by the Department of Commerce are basically of two types—"short supply" export controls, and "security" export controls. Although short supply controls primarily relate to part (a), and security controls to part (c), of the above extract of the Export Control Act, both controls reflect appropriately established U.S. foreign policy and international responsibilities.

Security export controls include an embargo to Communist China, North Korea and north Viet-Nam, and broad controls to the U.S.S.R. and other Soviet-bloc countries in order to control direct shipments of U.S. products to these destinations. Controls to the free world countries are mainly concerned with a highly selective list of goods, the control of which is necessary to prevent the unauthorized diversion of free world security goods to the Soviet bloc, and to prevent the frustration of U.S. controls over shipments to Soviet-bloc destinations.

All commercial exports from the United States and from its Territories and possessions, except exports to Canada for internal consumption, are prohibited unless the Department of Commerce has either issued a "validated license" or established a "general license" permitting such shipments.

A validated license is a formal document issued to an exporter by the Department. It authorizes the export of commodities within the specific limitations of the document. It is based upon a signed application submitted by the exporter.

A general license is a broad authorization issued by the Department of Commerce which permits the export of some commodities under specified conditions without requiring the filing of an application by the exporter. Neither the filing of an application nor the issuance of a license document is required in connection with any general license. The authority to export in such an instance is given in the *Comprehensive Export Schedule*, published by the Department of Commerce, which specifies the conditions under which each general license may be used.

The "Positive List of Commodities" is the highly selective list of commodities presently controlled by the Department of Commerce for security and foreign policy reasons. This list is maintained on a current basis, and identifies the commodities which require a validated export license for shipment to stated destinations.

Exports to Poland require validated licenses for a small number of specified non-Positive List commodities, in addition to all Positive List items. Exports to Yugoslavia require validated licenses for Positive List items only.

All Positive List commodities, and all non-Positive List goods except certain specified general license commodities,[1] require validated licenses for shipment to the U.S.S.R. and other Eastern European destinations (other than Poland and Yugoslavia); to Communist China, North Korea, and other Communist-controlled areas in the Far East; and to Hong Kong, Macao, and Cuba.

The Department of Commerce, through its Bureau of International Programs, exercises control over all exports from the United States, except for:

1. Commodities for the official use of or consumption by the Armed Forces of the United States, and commodities for general consumption in occupied areas under their jurisdiction, when the transport facilities of the Armed Forces are used to carry such shipments.

[1] Certain specified nonstrategic and non-Positive List commodities which are listed in the *Comprehensive Export Schedule* and which may be shipped under general licenses (i.e., "GLSA" to Eastern European destinations, not including Poland; "GHK" to Hong Kong and Macao; "GCU" to Cuba; etc.).

2. Commodities exported by the Department of Defense pursuant to section 414 of the Mutual Security Act of 1954.

3. Arms, ammunition, implements of war (including helium), and technical data relating thereto, which are licensed by the Department of State.

4. Gold (except fabricated gold with a gold content value of 90 percent or less) and narcotics, which are licensed by the Treasury Department.

5. Source material, "byproduct material," special nuclear material, and facilities for the production or utilization of special nuclear material (except components for such facilities, which are licensed for export by the Bureau of International Programs), and technical data relating thereto, which are licensed by the Atomic Energy Commission.

6. Vessels (other than vessels of war) which are licensed by the U.S. Maritime Administration.

7. Natural gas and electric energy which are licensed by the Federal Power Commission.

8. Tobacco seed and live tobacco plants which are licensed by the Department of Agriculture.

Exports to Territories and possessions of the United States are not subject to export control. U.S. exports to Canada do not require validated export licenses when they are for consumption in that country.

II

Interpretation and Administration of the Export Control Act

At the beginning of the third quarter the Export Control Act was extended by Congress to June 30, 1965, with several amendments. Later in the quarter the Select Committee of the House of Representatives, as part of its investigation of the administration and the enforcement of the act, requested the Department to report on (*a*) its interpretation of the amendments to the act; and (*b*) the steps taken to carry out recommendations made by the Committee in its report of May 25, 1962.

On September 13 and 14, 1962, Department representatives responded to the committee's request at a public hearing. Because of general interest in the subjects, this chapter will summarize the Department's oral report.

A. *The Department's Interpretation of the 1962 Amendments to the Export Control Act*

By Public Law 87–515, Congress amended sections 1, 2, 3, and 5 of the act. The act, as amended, is reprinted in full in the appendix to this report.

The amendment to section 1(b) sets forth the finding of Congress that unrestricted exports without regard to their potential military *and economic* significance may *adversely* affect the national security *of the United States.* (The italicized words are those added by the amendment.) The Department construes this amendment as providing a foundation for and guide to the implementation of the amendments to sections 2 and 3.

Section 2 has been amended by the addition of two new paragraphs. The first paragraph is a congressional declaration that it is the policy of the United States (*a*) to formulate, reformulate, and apply export controls to the maximum extent possible in cooperation with all nations with which the United States has defense treaty commitments, and (*b*) to formulate a unified commercial and trading policy to be observed by the non-Communist-dominated nations or areas in their dealings with the Communist-dominated nations. In keeping with the first clause of the amendment, this Department is assisting the

Department of State in efforts to maintain the cooperation of other nations in a high level of multilateral controls, and is formulating, reformulating, and applying U.S. export controls as much as possible to accord with the multilateral agreement level, subject, of course, to one major qualification. This qualification is that the United States should *not* refrain from exercising control over any item or toward any country, which is regarded as important to U.S. national security or foreign policy, merely because multilateral agreement cannot be obtained. The second clause of this amendment, referring to a unified commercial and trading policy to be formulated with non-Communist-dominated countries, includes much more than export control. This Department is working with the Department of State on ways of effectuating the intention of this amendment, but this is regarded as a long-term project on which it is too early to report.

The second amendment to section 2 of the act is a paragraph setting forth a congressional declaration that it is the policy of the United States to use its economic resources and advantages in trade with Communist-dominated nations to further its national security and foreign policy objectives. Having in mind that the economic resources and advantages in trade possessed by the United States obviously include much more than the power to impose export controls, the Department construes the scope of this amendment as transcending the preexisting statutory authority and responsibility vested in the Department under the act. To the extent that the policy expressed in this amendment can be effectuated under export control procedures, the Department undertakes to do so by denying export licenses when such denials are found to be in furtherance of the national security and foreign policy objectives, and by approving them when that course appears to be beneficial to those national interests. Further, the Department construes this amendment as providing congressional policy authorization to vary the scope and severity of export control to particular countries, from time to time, as national security and foreign policy interests require; e.g., during a period of heightened international tension. Finally, the Department regards the policy statement of this amendment as related to the policy expressed in the amendment to section 3(a) of the act—a finding of a trade "advantage" under the amendment to section 2 being one means, for example, of counterbalancing what might otherwise be a claim of "detriment" under section 3(a).

The amendment to section 3(a) makes it the explicit responsibility of the Department to deny export licenses to ship any item to a nation or combination of nations threatening our national security, under the conditions set forth therein. These conditions are that

664755—62——2

the item is deemed to make a significant contribution to the military or economic potential of the unfriendly nation or nations which would prove detrimental to the national security and welfare of the United States. The amendment requires that the rules and regulations issued under the act shall so provide. The Department has adopted a regulation to this effect which has been published in the Federal Register.

As the Department interprets this amendment, it is called upon, in the case of any application to ship an item to the Soviet bloc, for example, to consider whether that item will significantly contribute to the military or economic potential of the bloc. If the item does, from the information available to the Department, contribute in a significant way to the bloc's *military* potential, then it would most likely deny the application because it is very difficult to see how approval in such a case would not prove detrimental to the national security and welfare. When, however, it is found that an item will contribute significantly to the *economic* potential of the Soviet bloc, it may or may not be detrimental to the national security and welfare to approve it. There is, of course, a burden on any one who would argue that there is no such detriment. One situation where this burden can at times be met is where the same item, or a close equivalent, is readily available to the bloc from other free world sources. The Department has in particular cases concluded that, under such circumstances, and assuming that the United States is unable to persuade other free world countries to refuse to export the item in question to the Soviet bloc, it should properly conclude that export of the item *from the United States* would not be detrimental to the national security or welfare. In such cases the Department has decided that as long as the bloc can get the same or a similar item elsewhere, it is the fact of acquisition and use by the bloc that affects the security and welfare—*not* the source of the export. And, when it is considered that denial under such circumstances only operates to the detriment of U.S. business firms and workers, the Department believes it is not unwise in concluding on balance that there is, in such cases, more detriment to the national security and welfare in denial than there is in approval. There is, of course, a "gray" area between the military and economic, where one may find an item that appears to contribute to both potentials, but contributes significantly more to the one than the other. Such items must, of course, be dealt with on a case-by-case basis, in the light of such factors as the relative degree of contribution to the military or economic potentials, and the relative degree of effectiveness of U.S. control. Lastly, if export of an item will not contribute significantly to either the military or economic potential of the bloc, the Department considers that it should—unless there is some other reason to deny it—approve the license.

The Department does not regard the amendment to section 3(a) of the act as clearly and easily applied in every case that comes before it. To find facts bearing, for example, on whether a proposed export would or would not contribute to the "military or economic potential" of the Soviet bloc, and would or would not be detrimental to the national security and welfare, is very often a difficult and time-consuming project. However, the Department considers that it is its responsibility to carry out this law to the very best of its abilities, and strives constantly to do so.

The amendment to section 5 of the act provides a substantially increased fine or imprisonment, or both, for second and subsequent offenses, as well as for willful unauthorized exports, with knowledge that the items will be used for the benefit of any Communist-dominated nation. In such cases the fine may now be as much as five times the value of the exports involved or $20,000, whichever is greater, and imprisonment for as much as 5 years. For other types of violations, the previous provisions for a fine of not more than $10,000 and imprisonment of not more than 1 year remain in effect.

Since no criminal case has yet arisen to which the provisions of this amendment have been applied, it is not possible to report any judicial interpretation of this amendment. However, the Department has treated the congressional intention implicit in the amendment as being applicable to the Department's administrative export denial proceedings, warranting more severe sanctions for repeated and willful violations than may heretofore have been applied. In addition, at the request of this Department, the Bureau of Customs has recently increased the administrative penalties it will impose in seizure cases involving export control violations.

B. *Steps Taken To Carry Out Recommendations of the House Select Committee*

In the report of May 25, 1962, on its investigation and study of the administration, operation, and enforcement of the Export Control Act of 1949 and related acts, the Select Committee of the House of Representatives made 10 specific recommendations. Two were addressed to Congress. Five were basically directed to the Departments of State and Treasury. Three called upon the Department of Commerce to take certain actions. This report is concerned with the steps taken by the Department to put these three recommendations into effect:

1. The committee's recommendation for improvement of enforcement procedures comprised a number of proposals. The first was that the Export Control Investigations Staff should be increased. This recommendation has already been implemented by the addition of seven investigators and two clerks. At the close of the third quarter a total of 35 persons were engaged in this work, of whom 23 were investigators. The Department's long-range plan is to bring the Investigations Staff up to a total of about 50 people by fiscal year 1967.

The committee further recommended that the Department's Investigations Staff exercise more initiative and be more actively involved in planning the entire export control program, including that part carried out by the Bureau of Customs and the Foreign Service. For some time the Department order assigning responsibilities in connection with the administration and enforcement of export controls had specifically provided that the Export Control Investigations Staff, the General Counsel's Office, and the Office of Export Control should work together in the enforcement of the export regulations and control programs, including the initiation, development, and recommendation of policies and measures for the control of U.S. exports. These policy-formulating responsibilities continue to be borne by the Investigations Staff, in addition to its duties of investigating possible violations and developing evidence for appropriate administrative and penal actions. The Investigations Staff is also participating actively in new enforcement programs which the Department is working out with Customs and the Foreign Service. One of these programs pertains to the inspection by Customs of containerized cartons as they are packed. Another concerns the establishment of a procedure for Customs' inspection of export air cargoes at inland ports of origin.

Development of these cooperative programs also aids in the effectuation of the committee's further recommendation that the enforcement activities of the Bureau of Customs should be implemented to insure more adequate detection of export control violations. Another illustration of how this recommendation is being carried out is the Department's recent cooperative arrangement with Customs and the Post Office Department for a significantly stepped-up program for the inspection of mail shipments at all gateway post offices. These inspections will be conducted by Customs officials.

The committee's recommendation to improve enforcement procedures through strengthening of the Foreign Service participation in the export control program is being effected in several ways. This Department has devised with the Department of State an agreed list of oversea posts where export control work is a significant responsibility, and for the establishment of a training program for Foreign Service personnel going abroad for such work. The training program, to be conducted by the Commerce Department with the cooperation of the Department of State, will seek to give these Foreign Service officers a thorough understanding of the Export Control Act and U.S. export licensing policies, as well as of the Export Control Investigations Staff's techniques and methods for detecting and investigating illegal diversions and other violations. It is also the Department's intention to have its Investigations Staff and other enforcement personnel go overseas more often than in the past to assist in the training of foreign service officers and to participate in regional meetings with such officers for exchanges of information.

With respect to the committee's recommendation that, as an enforcement aid, the Department should see that Foreign Service personnel are promptly notified about outbound shipments moving under validated licenses so as to check on possible illegal diversions, the Department has pointed out that it can feasibly carry out the substance of this recommendation on a spot-check basis. Since the Department issues about 140,000 export licenses a year and there may be from 2 to 10 (or even more) partial shipments under each license, any procedure other than of the spot-check nature would be too much for Foreign Service posts to handle. Nevertheless, the Investigations Staff and the Office of Export Control have made plans to increase the number of postshipment checks to be made in the coming year over the number made in past years. One procedure which is under consideration would be the selection of particular shipments by the Investigations Staff on the basis of a review of ships' manifests and bills of lading. Information on these selected shipments would be transmitted to Foreign Service personnel, with requests for postshipment checks. Neither the exporter nor the importer would know in advance that his particular shipment has been selected for checking. The Investigations Staff is also undertaking to work with Foreign Service posts in certain sensitive countries to institute tracing investigations of selected shipments made to those countries in recent months. Other plans also are under consideration.

The Department also has taken careful note of the committee's recommendation to increase the number of prelicense investigations. In the first 9 months of 1962, the number of prelicense checks made by the Foreign Service was substantially increased—from 187 in the entire year of 1961 to 394 in the first 9 months of 1962. During this same period, 5,766 applications, including the 394 selected for further review by the Foreign Service, were sent to the Commercial

Intelligence Division of the Bureau of International Business Operations for review against the extensive information avialable in that Division about the personnel and activities of specific foreign firms. Ths review constitutes a prelicense check on the basis of information already developed and enables licensing officers to take action on applications with the same assurance but without the necessity of asking the Foreign Service to repeatedly check cases for any particular person or firm. Only those cases where there is insufficient information available in the Commercial Intelligence Division on which to base a licensing decision are selected by the Department for prelicensing checks by the Foreign Service. In some instances, where more information about the parties is considered desirable but referral to the Foreign Service does not appear warranted because of the small size of the shipment, the relatively low strategic importance of the commodities, or for other such reasons, the case is returned without action to the exporter with a request that he supply certain specific facts about the foreign parties and his business relationship with them. If the information which is returned is adequate, licensing action can be completed. If not, a prelicense check through the Foreign Service may have to be made.

The committee also recommended an increase in inspections of outbound mail shipments. Since publication of the committee's report, one mail inspection has been held, and nine additional inspections at international dispatching depots have been scheduled for the 1963 fiscal year.

2. The committee has recommended that immediate steps be taken to control more effectively exports of technical data. The Department has responded that, while it fully shares the committee's concern on this subject, it must point out that control over exports of technical data presents several very difficult problems. For one thing, it is clear that exports of published technical data cannot be effectively controlled, in view of our free press and other means of communication. Yet the existence of this limitation has raised the question whether restraints can and should be placed on the ability of persons owning unpublished technology to frustrate export controls through the simple process of putting it into the form of a book, magazine, pamphlet, or patent. Another difficulty arises from the fact that technical data may be in oral as well as written form. Full control over technical data exports could involve the United States in problems of restraining foreign travels of engineers and other persons having technological information in their heads.

Furthermore, there is a serious question about the extent to which the United States ought to go, beyond controlling exports of unpublished technical data to the Soviet bloc, to deal with exports of such data to free world countries in order to curb possible reexports of the data from the free world countries to the Soviet bloc or exports of the foreign-made products of such data from the free world countries to the Soviet bloc.

The Department assured the committee that it would endeavor to implement the committee's recommendation on this score as much as possible. It noted that restraints have been imposed on reexports of unpublished technical data and foreign-made products thereof from free world countries to the Soviet bloc in limited fields pertaining to petrochemical plants, petroleum line pipe, aircraft, and airborne electronics. It emphasized, however, that this is a subject which must be approached with great care so as not to do unnecessary damage to our freedoms and to the economic growth of our country and the free world. The Department observed that such growth appears to be very much related to the free flow of technological information, back and forth, within the free world.

3. The committee's final recommendation to the Department is that tight control be maintained over exports of prototypes or single units to Communist countries. The Department has assured the committee that it is, and has been, scrutinizing each application to the Soviet bloc from the standpoint of the commodity's possible significance as a prototype. It should be borne in mind, however, that not every request for a single unit means that it can or will be used as a prototype. Many times in the export business, as in the domestic business, a single unit may be purchased simply because only one is needed or because the buyer desires to determine from testing one whether he should ultimately order a large quantity. Also, there are many situations where it is not possible to copy an item even by having one or more units to take apart and study.

III

Security Export Controls

Licensing to Eastern Europe[1]

During the third quarter 1962, the Department processed export license applications totaling $61,474,766 for Eastern European destinations. Approximately $47 million of this total represented applications which had been held within the Department for substantial periods of time, while commodities and transactions involved were subjected to intensive technical scrutiny and top-level interdepartmental policy review. Of the total processed in this quarter, $16,858,597 were approved, while $44,616,169 were denied.

In view of the large volume of accumulated applications acted on in this quarter, customary statistical comparisons with the last quarter of 1962 and the corresponding quarter of 1961 are not meaningful.

Applications Approved for Export

Of the total value of applications approved in the third quarter 1962 ($16.9 million), over half ($9.1 million) were in the agricultural, chemicals, and plastics fields.

The main agricultural items were: Raw cotton linters for film and rayon textiles, $346,121, to East Germany, and tobacco, $737,199, principally to East Germany. Mexican-origin raw cotton, $1,910,362, for Czechoslovakia, required a validated export license because it transited the United States en route to its bloc destination.

The major items in the chemicals and plastics category were: caprolactam monomer for the manufacture of nylon fibers, $1,132,500, to the U.S.S.R.; carbon black for the manufacture of tires and rubber products, $430,530, principally to Czechoslovakia and the U.S.S.R.; rubber compounding agents, for use in rubber goods, $1,229,226, to the U.S.S.R.; hydrated silicone dioxide for the manufacture of white rubber products, $650,002, to the U.S.S.R.; certain types of nonstrategic synthetic rubbers for the manufacture of rubber products, $873,949, principally to Czechoslovakia and Poland; and furfural for the manufacture of plastic materials and use in the synthetic resin industry, $124,895, to Hungary.

[1] The term "Eastern Europe" as used throughout this report is employed in a special sense, and is defined to include the following countries: Albania, Bulgaria, Czechoslovakia, East Germany (including the Soviet sector of Berlin), Estonia, Hungary, Latvia, Lithuania, Poland (including Danzig), Rumania, and the U.S.S.R.

Other principal items were: paper converting machinery, $3,345,250, to the U.S.S.R.; rayon tire cord and fabric, $558,025, to the U.S.S.R.; equipment, $419,475, to Hungary for production and maintenance of locomotives for their railways; and aircraft parts and accessories for the maintenance of Polish Airlines (LOT) aircraft, $45,292, to Poland. Tractors, excavators, and parts, $1,500,000, were licensed for temporary use on a Finnish project in the U.S.S.R., on condition that they are to be returned to Finland upon completion of the project.

Applications Rejected for Export

During this quarter, the Secretary of Commerce authorized the denial of a large number of long-pending applications. Involved in these were automotive machine tools, with a total value of approximately $43.7 million. Of these, $2.3 million were destined for Czechoslovakia and $41.4 million for the U.S.S.R. These comprised a wide variety of machinery necessary for the production of automotive parts and components.

Denial was based largely on the fact that equipment of this magnitude and advanced type would have contributed significantly to the automotive capacity of the bloc. While it is recognized that equipment similar to most of that covered by the license applications is or could be produced and sold by foreign manufacturers, their ability to deliver more than a few units in the near future is limited.

Other major items authorized for denial during the quarter, covered by both pending and current applications, were: Carburetors for cars and trucks, $100,000, for Rumania; vanadium pentoxide, $50,772, for Czechoslovakia; aluminum alloy ingots, $484,880, for Rumania; silicone diffusion pump fluid, $32,349, for Hungary; and synthetic rubber of types over which the United States has effective unilateral control, $30,989, for Czechoslovakia and the U.S.S.R.

664755—62——3

Table 1. Dollar Value of Export License Applications Processed and Issued and of Actual Exports, to U.S.S.R. and Eastern Europe, Quarterly, 1953–62

[Thousands of dollars]

Quarter	Total processed	Licenses issued	Actual exports (including reexports)
1953:			
First quarter	491	390	816
Second quarter	100	94	394
Third quarter	114	109	115
Fourth quarter	2,044	2,043	451
1954:			
First quarter	[1] 42,142	4,011	330
Second quarter	4.472	3,097	463
Third quarter	3,661	1,340	850
Fourth quarter	17,987	[2] 10,355	[3] 4,478
1955:			
First quarter	[1] 30,911	4,968	[4] 2,979
Second quarter	4,203	4,006	2,065
Third quarter	4,839	2,778	1,051
Fourth quarter	1,809	1,625	948
1956:			
First quarter	8,915	8,582	3,186
Second quarter	4,301	4,116	3,615
Third quarter	19,555	[5] 9,983	2,016
Fourth quarter	7,650	6,350	2,428
1957:			
First quarter	20,499	[6] 16,435	5,718
Second quarter	21,637	[7] 19,435	5,190
Third quarter	25,932	25,109	29,779
Fourth quarter	16,067	6,442	45,408
1958:			
First quarter	19,132	5,153	21,419
Second quarter	5,909	5,563	25,490
Third quarter	13,135	12,939	44,702
Fourth quarter	16,005	10,213	21,514
1959:			
First quarter	21,800	6,627	18,863
Second quarter	18,325	7,247	9,961
Third quarter	28,168	[8] 11,446	40,322
Fourth quarter	31,968	30,540	20,123
1960:			
First quarter	42,595	35,420	26,875
Second quarter	27,430	24,473	43,863
Third quarter	22,969	19,536	48,584
Fourth quarter	26,223	15,596	74,531
1961:			
First quarter	48,742	23,825	60,383
Second quarter	[9] 15,734	12,905	40,136
Third quarter	15,916	13,167	17,731
Fourth quarter	13,573	7,871	15,123
1962:			
First quarter	14,046	13,340	45,192
Second quarter	12,019	10,836	42,079
Third quarter	[10] 61,475	16,859	n.a.

[1] See Thirty-first Quarterly Report, pp. 7–8, for an explanation of the sharp rise in the value of license applications received in the first quarters of 1954 and 1955.

[2] Includes $5,152,000 of food grains, medicinals, and insecticides licensed under the President's flood relief program for the Danube Basin.

[3] Includes $3,227,000 of food grains and agricultural insecticides shipped to Hungary, Czechoslovakia, and East Germany under the President's flood relief program for the Danube Basin.

[4] Includes $1,511,000 of corn and $5,000 of aureomycin shipped to Czechoslovakia and Hungary in January 1955 under the President's flood relief program for the Danube Basin.

[5] Includes $3,200,000 of butter, beans, corn and wheat licensed to Hungary in July 1956, under the President's relief program to relieve distress in Eastern Europe caused by severe winter weather.

[6] Includes $4,075,645 of relief shipments licensed to Hungary under U.S. Government International Cooperation Administration programs, and $632,400 of relief shipments under auspices of the American Red Cross and other nongovernmental relief organizations and private individuals.

[7] Includes $1,392,975 of relief shipments licensed to Hungary under U.S. Government International Cooperation Administration programs, and $113,859 of relief shipments under auspices of the American Red Cross and other nongovernmental relief organizations and private individuals.

[8] Includes $1,447,679 of goods and equipment licensed for the U.S. National Exhibition in Moscow.

[9] Covers cases with total value of $46,000 approved in second quarter but actual licenses issued in third quarter.

[10] Includes cases approximating $47 million which have been held by the Department over a substantial period of time. (See page 12.)

n.a.—Not available.

Trade With Eastern Europe [1]

U.S. exports to the U.S.S.R. and other Eastern European countries during the second quarter 1962 amounted to $42.1 million, somewhat below the $45.2 million exported in the previous quarter. It is, however, a slight increase over the $41.1 million exported in the corresponding period of 1961. Exports to these countries represented 0.7 percent of total U.S. exports for this period. Of the $42.1 million, Poland accounted for approximately 70 percent, or $31.0 million, the major items consisting of wheat, unmanufactured cotton, and synthetic fibers. The U.S.S.R. accounted for $7.3 million, made up mainly of inedible tallow, synthetic fibers, and paper and paper processing machinery.

U.S. imports from these same Eastern European countries during the second quarter 1962 totaled $20.9 million, somewhat higher than the $19.6 million imported in the previous quarter, but below the $22.0 million recorded in the second quarter 1961. Imports from these countries represented 0.5 percent of total U.S. imports for this period. Of this total, Poland supplied more than 50 percent, consisting mainly of canned hams and undressed furs. The U.S.S.R. supplied less than 2 percent, mainly in undressed furs.

[1] See footnote on p. 12.

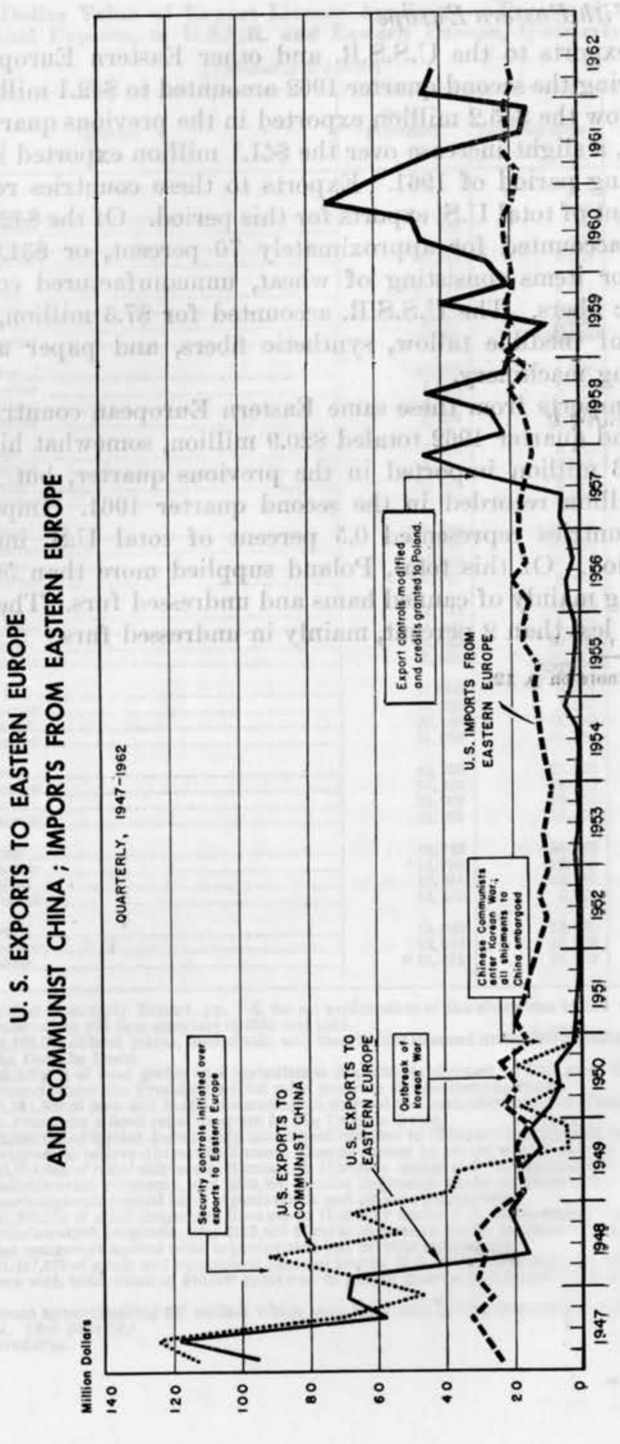


Table 2. Commodities Licensed for Export to Eastern European Destinations in the Third Quarter 1962

Country and commodities	Value in dollars
All Eastern European countries	16,858,597
Albania:	
Industrial sewing machines, parts and accessories, total	600
Bulgaria:	
Antibiotics	42
Compounds or mixtures containing antibiotics	216
Drugs and medicinal preparations, n.e.s	74
Sulfonamide drugs	245
Vitamins and preparations	143
Monoethanolamine (industrial chemical)	10,200
Other chemicals and plastics	35
Optical measuring instruments and accessories	1,833
Ball bearings and parts	9
Grinding mill, parts and accessories	13,728
Industrial sewing machines, parts and accessories	600
Automotive parts and accessories, n.e.s	367
Parts for automotive diesel engines	2,514
Total	30,006
Czechoslovakia:	
Cotton, raw (Mexican origin)	1,910,362
Soybeans	199,339
Tobacco	27,892
Other agricultural products	2
Antibiotics	72,818
Compounds or mixtures containing antibiotics	1,860
Culture media	4,404
Drugs and medicinal preparations, n.e.s	213
Glandular products	109,533
Medicinal chemicals	12,928
Parenteral solutions	2,022
Sulfonamide drugs	27,450
Surgical and medical equipment, n.e.s	1,633
Vitamins and preparations	45,007
Butyl alcohol (industrial chemical)	82,000
Carbon black:	
Channel	11,411
Furnace	224,100
Cellulose acetate and cellulose acetate butyrate	268,053
Cellulose acetate phthalate (cyclic chemical product)	1,650
Color developing agent (photographic chemical)	5,040
Industrial chemicals, n.e.s	345
Methyl propyl ketone (industrial chemical)	1,540
Mold release emulsion (chemical specialty compound)	2
Polystyrene (synthetic) resin	91,466
Rubber compounding agents	81
Synthetic pearl essence (pigment)	39,472
Synthetic rubber	403,401
Tertiary butyl alcohol (industrial chemical)	11,999
Other chemicals and plastics	37
Laboratory glassware	467
Meteorological instruments and accessories	1,200
Nuclear radiation detection and measuring instruments, parts and accessories	23,389
Czechoslovakia—Continued	
Other laboratory equipment	48
Air conditioners	42,902
Air-conditioning condensers	5,152
Ball bearings and parts	798
Electric motors, parts and accessories	1,778
Excavator parts (construction equipment)	5,690
Forklift trucks (construction machinery)	432
Glass-forming machine and parts	230,511
Grinding machine parts	1,146
Indicating, recording and/or control instruments, parts and accessories, n.e.s	10,802
Industrial sewing machines, parts and accessories	26,056
Metalworking tools, portable	60
Motor controlling and electrical devices	456
Printing apparatus	1,056
Rubber bins and unloader (conveying equipment)	2,051
Steam traps (power generating machinery)	146
Other industrial equipment	891
Automotive parts and accessories, n.e.s	3
Civil aircraft, used harvester and parts	935
Marine gasoline engines	1,775
Passenger cars	2,700
Switches (aircraft ground maintenance equipment)	14
VOR ground stations, spares and accessories	23,953
Other radio, TV, and electronic equipment	302
Crude sulfur	290,000
Accounting machine	15,637
Adding machines and accessories	8,174
Rayon tire cord and fabric	5
Unexposed still picture film	71
Used clothing (relief)	295
Viruses and virus and bacterial cultures	140
All other	215
Total	4,255,310
East Germany:	
Cotton linters, raw	346,121
Tobacco	674,847
Other agricultural products	5
Antibiotics	1,455
Fusel oil (industrial chemical)	3,842
Other chemicals and plastics	4
Humidity indicators and parts	11,885
Industrial sewing machines, parts and accessories	600
Total	1,038,759
Hungary:	
Other agricultural products	2
Antibiotics	108,561
Compounds or mixtures containing antibiotics	6,598
Culture media	819
Drugs and medicinal preparations, n.e.s	3,335
Glandular products	3,750
Medicinal chemicals	1
Surgical and medical equipment, n.e.s	69
Vaccines	9,154

Table 2. Commodities Licensed for Export to Eastern European Destinations in the Third Quarter 1962—Continued

Country and commodities	Value in dollars
Hungary—Continued	
Vitamins and preparations	8
Butyl alcohol (industrial chemical)	80,000
Carbon black, furnace	19
Cellulose acetate and cellulose acetate butyrate	8,374
Dinitro-ortho-secondary butyl phenol (coal-tar product)	105,280
Furfural (coal-tar product)	124,895
Industrial chemicals, n.e.s	158
Methyl cellulose (industrial chemical)	7,506
Nordihydroguaiaretic acid (industrial chemical)	2,492
Reagent chemicals for laboratory use	72
Rubber compounding agents	51
Synthetic glycerine (industrial chemical)	25,463
Synthetic rubber	11
Other chemicals and plastics	201
Nuclear radiation detection and measuring instruments, parts and accessories	540
Other laboratory equipment	114
Air conditioners	1,650
Air-conditioning condensers	750
Ball bearings and parts	1,312
Bolts, pins, nuts, washers, screws, rivets, and plugs	3,869
Carbon brushes	4,044
Electric industrial heating units, parts and accessories	904
Electric motors, parts and accessories	29,670
Generators and controls for railway transportation vehicles	27,985
Grinding machines, parts and accessories	1,785
Handtools, n.e.s	3,378
Indicating, recording and/or control instruments, parts and accessories, n.e.s	784
Industrial manufacturing and service industry machines	674
Industrial sewing machines, parts and accessories	600
Lubricating equipment	1,167
Metalworking tools, portable	1,511
Parts and accessories for internal combustion engines	56,510
Parts and accessories for locomotives, n.e.s	21,140
Parts for pipe mill	1,700
Parts for portable electric tools, n.e.s	522
Printing apparatus	60
Railway transportation equipment	8,602
Shoe machines, parts and accessories	1,427
Size-measuring machines and instruments	668
Steam generators (power boilers), parts and accessories	132,976
Voltage regulators	722
Wrenches, parts and accessories	2,594
Automotive parts and accessories, n.e.s	22
Civil aircraft, used	17,000
Passenger cars	2,500
Electrical quantity-indicating instruments, n.e.s	1,172
Electrical testing instruments, parts and accessories	1,742
Graphic recorder (electrical quantity recording instrument) and accessories	554
Lead-in wires for radio receiving tubes	655
TV broadcast studio equipment	4,160
Other radio, TV, and electronic equipment	80
Carbon steel wire, uncoated	109,781
Other metals and minerals	413
Microfilmers, parts and accessories	2,374
Unexposed still picture film	707
Used clothing (relief)	367
Viruses and virus and bacterial cultures	10
Wiping cloths and filter cartridges	6,453
All other	440
Total	942,907
Poland:	
Ion exchange resins (synthetic resins)	1,158
Synthetic rubber	446,574
Other chemicals and plastics	14
Optical measuring instruments and accessories	382
Grinding machines, parts and accessories	112,075
Indicating, recording and/or control instruments, parts and accessories, n.e.s	2,336
Parts and accessories for rotary drill rig	5,652
Other industrial equipment	360
Aircraft engine parts	18,000
Aircraft ground-based power supply	3,242
Aircraft landing gear parts	21,000
Aircraft parts and accessories, n.e.s	1,580
Aircraft starting, lighting and ignition equipment	1,470
Automotive parts and accessories, n.e.s	322
Analog computers	1,545
Calibrator (radio testing instrument)	941
Oscilloscope (waveform testing instrument)	1,250
Other radio, TV, and electronic equipment	107
Other metals and minerals	369
Fuel oil	1,450
All other	290
Total	620,117
Rumania:	
Cotton, raw (mexican origin)	184
Antibiotics	79,509
Compounds or mixtures containing antibiotics	671
Culture media	2,147
Drugs and medicinal preparations, n.e.s	3,287
Glandular products	55
Medicinal chemicals	777
Parenteral solutions	794
Tetrafluoroethylene surgical prostheses	1,671
Vaccines	616
Acetal resin (synthetic resin)	15,000
Industrial chemicals, n.e.s	6
Mold release emulsion (chemical specialty compound)	576

Table 2. Commodities Licensed for Export to Eastern European Destinations in the Third Quarter 1962—Continued

Country and commodities	Value in dollars
Rumania—Continued	
Rack coating and reducer (synthetic resin)	759
Reagent chemicals for laboratory use	1,130
Rubber compounding agents	1,800
Synthetic rubber	15,576
Other chemicals and plastics	83
Nuclear radiation detection and measuring instruments, parts and accessories	3,086
Ball bearings and parts	55
Fiber testing machine and parts	2,750
Industrial sewing machines, parts and accessories	700
Paper pulp mill machinery, parts and accessories	1,997
Plastic-pouch-making equipment	6,080
Shoe machines, parts and accessories	9,647
Steam traps (power generating machinery)	1,896
Other industrial equipment	45
Agricultural corn sheller	1,558
Agricultural grain dryer	4,679
Automotive parts and accessories, n.e.s	271
Passenger cars	3,068
Truck engine	665
Truck parts	732
V-belts and belting	1,042
Cathode-ray oscilloscope	1,181
Electronics characteristics testing instruments	2,728
VOR ground stations, spares and accessories	34,742
Other radio, TV, and electronic equipment	239
Cotton twine	1,945
All other	21
Total	203,768
U.S.S.R.:	
Tobacco	34,460
Antibiotics	6,116
Compounds or mixtures containing antibiotics	239
Culture media	156
Drugs and medicinal preparations, n.e.s	820
Glandular products	884
Medicinal chemicals	3
Sulfonamide drugs	48
Surgical and medical equipment, n.e.s	311
Vitamins and preparations	13
Acetal resin (synthetic resin)	2,140
Aluminum chloride (industrial chemical)	143,001
Caprolactam monomer (industrial chemical)	1,132,500
Carbon black, furnace	195,000
Cellulose acetate and cellulose acetate butyrate	250
Cyclohexanone (coal tar product)	103,616
Dimethyl ethanol amine anhydrous (industrial chemical)	624
Ethylene diamine (industrial chemical)	28,800
Hydrated silicon dioxide (rubber reinforcing agent)	650,002
Methyl bromide (industrial chemical)	74,000
Resorcinal technical flakes (coal tar intermediate)	124,000
Rubber compounding agents	1,229,226
Sodium sulfide (industrial chemical)	198,000
Synthetic rubber	8,387
Other chemicals and plastics	413
Amino acid analyzers	32,488
Laboratory glassware	261
Seismograph system, stationary-observatory type	20,000
Forklift trucks (construction machinery)	13,365
Humidity control systems	1,214
Indicating, recording and/or control instruments, parts and accessories, n.e.s	36,415
Industrial sewing machines, parts and accessories	31,764
Metalworking tools, portable	236
Motor controlling and electrical devices	131
Paper converting machinery	3,345,250
Paper-pulp mill machinery, parts and accessories	259,244
Parts for textile machines	867
Tractors, excavators and parts	*1,500,000
Materials testing (weathering) instrument, parts and accessories	14,440
Other industrial equipment	141
Automotive parts and accessories, n.e.s	112
Land levelers	2,900
Passenger cars	10,900
Land-type communication receiver	909
TV receivers	1,807
Other radio, TV, and electronic equipment	286
Other metals and minerals	79
Rayon tire cord and fabric	558,025
Viruses and virus and bacterial cultures	585
Watch batteries	935
Wooden displays of colored photographs	500
All other	1,267
Total	9,767,130

*To be returned to the free world. (See page 13.)

Table 3. U.S. Trade With Principal Countries of Eastern Europe, 1947, 1960, 1961, and January–June 1962

[Thousands of dollars]

Commodity	1947	1960	1961	January–June 1962
TRADE WITH CZECHOSLOVAKIA				
Exports, total [1]	49,094	4,473	7,446	4,594
UNRRA [2]	14,496	---	---	---
Horsemeat	2,334	---	---	---
Meat, other, and meat products	660	11	---	4
Lard	2,879	---	---	125
Dairy products	236	---	---	---
Seedcorn, except sweet seedcorn	---	72	35	21
Wheat and wheat flour	2,129	---	---	---
Hides and skins, raw, except furs	226	140	380	172
Leather and manufactures	329	(3)	---	---
Furs and manufactures	760	5	---	---
Tallow, inedible	---	---	271	175
Rubber and manufactures	4,116	---	10	242
Rosin and other naval stores	860	86	115	132
Soybeans	---	---	2,335	1,215
Soybean oil, crude	491	---	446	---
Vegetable oils and fats, inedible, other	1,146	2	---	---
Seeds, except oilseeds	981	66	16	129
Tobacco and manufactures	1,464	167	417	---
Hops	---	190	326	922
Cotton, unmanufactured	6,264	---	---	---
Pencil slats	116	373	349	109
Coal, bituminous and lignite	---	---	354	123
Petroleum products	523	---	---	---
Abrasives	326	3	1	---
Carbon and graphite and products	292	8	2	---
Sulfur, crude	14	391	470	714
Steel skelp	---	1,102	362	---
Steel sheets, carbon, black, cold-rolled, ungalvanized	(4)	175	100	---
Iron and steel-mill products and advanced manufactures, other	179	36	6	1
Copper, refined	1,066	---	---	---
Zinc, cast in slabs, pigs, or blocks	718	---	---	---
Magnesium and alloys, crude, and scrap	---	84	---	---
Vanadium, except ores and scrap	(4)	117	100	---
Metals and manufactures, other	487	27	---	---
Electrical machinery and apparatus	1,333	8	8	6
Power cranes and shovels, excavator type	4	78	---	---
Metal-cutting machine tools and parts	(4)	65	28	---
Industrial machinery, other	6,496	150	218	40
Card-punching and auxiliary machinery	369	10	61	---
Office machinery, other	387	16	12	4
Agricultural machinery, implements, tractors, and parts	1,298	4	---	---
Passenger cars, trucks, buses, parts, and accessories	917	(3)	6	(3)
Coal-tar products	1,259	87	77	---
Medicinal and pharmaceutical preparations	674	95	219	317
Synthetic resins	317	43	46	10
Chemicals, industrial	1,122	189	42	3
Pigments	280	70	165	---
Phosphate rock	---	149	---	---
Chemical products, other	264	81	21	15
Photographic and projection goods	274	128	22	4
Scientific and professional instruments, apparatus, and supplies	730	53	45	23
Private relief shipments	2,157	88	75	4
Other domestic exports	2,125	60	98	11
Reexports of mink furs, undressed	---	---	133	---
Reexports, other	492	44	75	73
General imports, total	23,210	12,214	9,286	4,772
Imports for consumption, total [5]	20,147	11,948	9,165	4,565
Canned cooked hams, shoulders, and other preserved pork	---	680	688	204
Paprika	---	48	114	78
Leather footwear	2	96	56	34
Gloves, leather	190	108	106	26
Furs, undressed	279	153	92	139
Hats of fur or fur felt and other fur manufactures	146	195	76	46
Feathers, crude	313	171	94	2
Chocolate	26	75	82	47
Rubber, allied gums, and manufactures	29	221	141	105
Hops	2,910	2	1	---

See footnotes at end of table.

Table 3. U.S. Trade With Principal Countries of Eastern Europe, 1947, 1960, 1961, and January–June 1962—Continued

[Thousands of dollars]

Commodity	1947	1960	1961	January–June 1962
TRADE WITH CZECHOSLOVAKIA—Continued				
Cotton manufactures	590	42	61	34
Jute burlap	943	---	---	16
Fabrics of flax, hemp, and ramie	597	185	194	124
Flax, hemp, ramie, and manufactures, other	233	121	120	76
Angora rabbit hair	---	639	256	235
Wool manufactures	284	(3)	---	---
Artificial fruit and flowers	404	184	112	37
Textile fibers and manufactures, other	299	9	(3)	4
Wood manufactures	47	112	126	76
Glass, cylinder, crown, and sheet	(3)	543	404	186
Glass Christmas tree ornaments	40	179	145	37
Glass and glass products, other	2,215	1,536	1,567	716
Clay and clay products	178	246	146	57
Imitation and synthetic precious or semiprecious stones; pearls; real and imitation marcasites	4,594	969	739	260
Steel-mill products	(3)	54	22	68
Nonferrous metals, except precious metals, and manufactures	551	130	90	53
Platinum	---	253	137	---
Palladium	---	79	---	---
Metal jewelry, rosaries, and accessories	792	12	11	17
Lathes and parts	(4)	187	116	---
Metalworking machinery and parts, other	6	175	214	140
Typewriters	---	252	192	172
Passenger cars, new, including chassis	4	771	75	15
Bicycles	(3)	949	209	28
Bicycle parts	104	415	352	251
Motorcycles	587	172	137	104
Benzene	---	---	---	118
Naphthalene	16	---	140	---
Chemicals and chemical products, other	101	69	86	36
Musical instruments and parts	318	28	57	60
Dolls, toys, and parts	80	83	72	23
Books, pictures, and other printed matter	136	339	535	279
Beads and fabrics and articles of beads	2,018	741	739	344
Buttons	478	4	4	4
Other imports	637	[6] 721	[6] 657	[6] 314
TRADE WITH EAST GERMANY				
Exports, total [1]	(7)	4,042	2,775	912
Furs, undressed	---	23	26	12
Soybean oil, crude	---	---	1,697	---
Tobacco and manufactures	---	1,006	884	759
Hops	---	---	---	20
Vegetable products, inedible, except fibers and wood, other	---	3	---	109
Lumber, Douglas-fir	---	33	---	---
Paraffin wax	---	56	---	---
Steel sheets, carbon, black, ungalvanized	---	2,468	62	---
Tin mill black plate	---	79	---	---
Cresylic acids and cresols	---	71	---	---
Phthalic anhydride	---	28	---	---
Coal-tar products, other	---	86	74	---
Medicinal and pharmaceutical preparations	---	---	15	---
Chemicals, industrial	---	84	6	---
Phosphate rock	---	63	---	---
Other domestic exports	---	42	11	12
General imports, total	(7)	3,153	2,529	1,895
Imports for consumption, total [5]	(7)	3,036	2,543	1,766
Mink fur, undressed	---	119	190	392
Furs and manufactures, other	---	51	64	205
Artificial fruit and flowers	---	560	385	109
Glass, cylinder, crown, and sheet	---	65	65	25
Glass and glass products, other	---	109	129	60
China ornaments	---	30	38	114
Montan wax	---	219	178	88
Metalworking machinery	---	48	14	---

See footnotes at end of table.

Table 3. U.S. Trade With Principal Countries of Eastern Europe, 1947, 1960, 1961, and January–June 1962—Continued

[Thousands of dollars]

Commodity	1947	1960	1961	January–June 1962
TRADE WITH EAST GERMANY—Continued				
Typewriters	----------	413	342	281
Printing presses and parts	----------	178	84	10
Machinery, other	----------	95	84	68
Bicycle parts	----------	112	102	80
Vehicles and parts, other	----------	11	39	9
Cresols and cresylic acid, crude	----------	13	----------	38
Trichloroethylene	----------	54	3	----------
Potassium ferricyanide	----------	42	38	23
Potassium nitrate, refined	----------	49	53	28
Sodium sulfate, crude (salt cake)	----------	58	----------	----------
Cameras, including motion-picture and box-type	----------	290	332	145
Optical goods, instruments, and parts	----------	49	61	19
Musical instruments and parts	----------	84	75	31
Artworks and antiques	----------	140	77	55
Other imports	----------	[6] 247	[6] 190	[6] 86
TRADE WITH HUNGARY				
Exports, total [1]	12,859	1,650	1,349	346
UNRRA [2]	256	----------	----------	----------
Dairy products	589	----------	----------	----------
Wheat	902	----------	----------	----------
Wheat flour	143	----------	----------	----------
Hides and skins, raw, except furs	26	94	215	37
Leather and manufactures	298	----------	----------	----------
Tallow, inedible	----------	343	309	----------
Rubber and manufactures	114	----------	28	----------
Seeds, except oilseeds	647	----------	(3)	5
Tobacco and manufactures	443	----------	----------	----------
Hops	----------	----------	----------	33
Nylon filament yarn and monofilaments; nylon tire cord and fabric	(4)	219	100	----------
Textile fibers and manufactures, other	230	7	4	----------
Container board liners	----------	105	----------	----------
Petroleum products	140	----------	----------	----------
Carbon and graphite and products	102	----------	28	----------
Magnesite	3	121	----------	----------
Iron and steel-mill products, rolled and finished	32	111	1	----------
Ferrosilicon	----------	145	----------	----------
Copper, refined	207	----------	----------	----------
Metals and manufactures, other	59	4	26	3
Industrial machinery	300	20	14	2
Machinery, other	180	27	16	8
Passenger cars, trucks, buses, parts, and accessories	227	3	3	----------
Phenol	----------	70	----------	----------
Coal-tar products, other	506	127	207	3
Medicinal and pharmaceutical preparations	238	48	34	56
Chemical specialties	39	25	20	29
Chemicals, industrial	180	52	156	57
Photographic apparatus and supplies	98	13	10	2
Scientific and professional instruments, apparatus, and supplies	71	44	52	10
Books, pictures, and other printed matter	9	8	3	50
Private relief shipments	6,669	14	12	6
Other domestic exports	277	45	68	45
Reexports	130	5	43	----------
General imports, total	1,501	1,809	2,024	862
Imports for consumption, total [5]	1,472	1,701	2,045	826
Birds, edible, prepared or preserved	45	----------	----------	----------
Vegetables and preparations	21	37	79	22
Paprika	109	277	379	70
Wines and other beverages	15	80	89	52
Furs, undressed	103	11	9	----------
Bristles	----------	22	29	----------
Feathers, crude	837	277	95	35

See footnotes at end of table.

Table 3. U.S. Trade With Principal Countries of Eastern Europe, 1947, 1960, 1961, and January–June 1962—Continued

[Thousands of dollars]

Commodity	1947	1960	1961	January–June 1962
TRADE WITH HUNGARY—Continued				
Crude drugs, herbs, roots, and similar inedible products	22	28	31	4
Seeds, except oilseeds	27	24	65	----------
Brooms	----------	87	173	118
Flax, hemp, ramie, and manufactures	(3)	22	71	52
Textile fibers and manufactures, other	21	38	53	76
Baskets and bags of straw	(3)	43	64	23
Baskets and bags of willow or osier	(3)	69	108	86
Glass and glass products	21	64	81	45
Clay and clay products	4	50	40	28
Aluminum scrap	----------	69	----------	----------
Bicycles and parts	30	90	138	1
Naphthalene	----------	----------	58	----------
Dolls, toys, and parts	(3)	59	26	4
Books, pictures, and other printed matter	68	85	158	71
Artworks and antiques	9	32	49	22
Other imports	140	[6] 237	[6] 250	[6] 117
TRADE WITH POLAND				
Exports, total [1]	107,705	143,090	74,791	69,664
UNRAA [2]	43,258	----------	----------	----------
Horsemeat	3,110	----------	----------	----------
Lard	3,253	----------	----------	----------
Dried whole milk and cream	111	----------	147	----------
Nonfat dry milk	1,116	828	418	----------
Dairy products, other	803	----------	----------	----------
Barley, except pearl barley	180	14,812	3,138	5,686
Corn, except seed	3,475	4,307	481	----------
Seedcorn, except sweet seedcorn		----------	----------	----------
Grain sorghums	----------	4,871	444	----------
Rice, milled	(3)	----------	----------	2,237
Wheat	6,192	74,009	27,768	25,476
Wheat flour	12,822	14	----------	----------
Grains and preparations, other	1,136	----------	----------	----------
Soybean oilcake and meal	----------	548	139	----------
Soybean flour	758	----------	----------	----------
Peanuts, shelled	2,524	----------	----------	----------
Cottonseed oil, refined	173	----------	164	----------
Soybean oil, refined, except shortening	174	4,350	2,657	910
Vegetable fats and oils, edible, other	1,787	----------	----------	646
Foodstuffs, other	758	118	119	139
Hides and skins, raw, except furs	431	1,459	792	180
Leather	435	----------	----------	----------
Leather manufactures	959	----------	4	----------
Animal oils, inedible	----------	----------	154	----------
Tallow, inedible	----------	2,825	3,361	2,855
Live horses, except for breeding	1,463	----------	----------	----------
Rubber and manufactures	2,523	490	788	837
Soybeans	----------	----------	1,025	479
Flaxseed	----------	----------	1,079	----------
Soybean oil, crude, inedible	296	1,867	521	3,422
Vegetable oils and fats, inedible, other	3,602	----------	2	24
Seeds, except oilseeds	685	193	149	2
Tobacco and manufactures	142	1,646	678	139
Hops	----------	61	----------	73
Cotton, unmanufactured	9,317	15,537	16,635	16,492
Cotton pulp	----------	26	205	176
Wool rags and used clothing of wool	[5] 775	1,264	623	303
Acetate filament yarn and monofilaments	----------	403	375	275
Synthetic fibers and manufactures, other	14	415	353	274
Woodpulp	----------	631	141	----------
Petroleum and products	652	75	18	----------
Aluminum oxide, fused, crude, and in grains	----------	143	309	46
Silicon carbide, crude, and in grains	----------	106	243	135
Sulfur, crude	----------	377	----------	----------
Electrical steel sheets and strip	256	121	161	82
Iron and steel-mill products, rolled and finished, other		380	62	1
Iron and steel advanced manufactures	663	(3)	6	6

See footnotes at end of table.

Table 3. U.S. Trade With Principal Countries of Eastern Europe, 1947, 1960, 1961, and January–June 1962—Continued

[Thousands of dollars]

Commodity	1947	1960	1961	January–June 1962
TRADE WITH POLAND—Continued				
Aluminum ores and concentrates	---	---	1,550	733
Copper, refined	1,119	---	---	---
Metals and manufactures, other	625	10	2	88
Electrical machinery and apparatus	4,627	45	405	45
Excavators, loaders, and dredging machinery and parts	146	26	28	---
Construction and related machinery, other	1,760	96	163	73
Metalworking machinery and parts	6,517	1,047	1,524	1,984
Textile machinery and parts	127	846	13	8
Sewing machines and parts	68	260	12	45
Food and beverage processing machinery and parts	97	294	320	1
Glass making, forming, and finishing machinery and parts		553	---	2
Chemical and pharmaceutical processing machinery and parts	8,176	202	---	---
Industrial machinery, other		202	306	99
Agricultural machinery, implements, and parts	800	40	2	1
Tractors and parts	2,650	41	60	---
Passenger cars, trucks, buses, parts, and accessories	952	21	98	10
Merchant vessels	1,050	---	---	---
Machinery and vehicles, other	459	65	118	14
Medicinal and pharmaceutical preparations	1,028	238	786	333
Butanol	---	651	---	---
Chemicals, industrial, other	475	334	97	48
Fertilizer and fertilizer materials	570	---	---	---
Soap and toilet preparations	772	---	1	1
Chemicals and related products, other	520	231	264	89
Photographic and projection goods	122	55	57	80
Scientific and professional instruments, apparatus, and supplies	1,697	206	189	35
Bound books and other printed matter	251	73	120	74
Private relief shipments	9,048	5,554	5,328	4,875
Other domestic exports	1,915	121	112	117
Reexports	1,549	3	77	14
General imports, total	1,335	38,809	41,316	24,488
Imports for consumption, total [5]	1,312	38,650	41,248	24,006
Canned cooked hams and shoulders	---	25,775	23,626	12,416
Pork, prepared or preserved, other	---	2,101	2,474	1,779
Chicory roots, dried	---	193	290	128
Fruit and preparations	---	12	126	52
Caraway seed	2	42	102	35
Molasses, inedible	---	124	---	---
Beverages	---	96	72	48
Calf hides	---	115	327	274
Wild pig and hog skins	---	484	441	476
Pig and hog leather	---	61	261	314
Fox fur, except silver and black, undressed	---	1,559	1,108	866
Marten fur, undressed	---	281	11	32
Mink fur, undressed	---	947	762	1,646
Bristles	11	266	213	101
Feathers, crude	61	770	975	588
Casein	---	1,389	2,058	584
Rubber tires and innertubes	---	---	---	95
Poppyseed	---	315	251	170
Brooms	---	122	139	96
Flax, hemp, ramie, and manufactures	([3])	179	620	721
Baskets and bags	45	365	475	326
Wood furniture and parts	12	183	658	342
Wood manufactures, other	1	18	69	90
Newsprint paper	279	28	22	---
Cement	---	478	407	128
Glass Christmas tree ornaments	([3])	662	853	205
Glass and glass products, other	50	450	607	235
Clay and clay products	46	42	175	56
Pig iron	484	---	---	---
Wire nails, over 0.065 inch in diameter, of iron and steel	---	225	94	147
Zinc blocks, pigs, or slabs	---	---	92	50
Bicycles	---	([3])	693	323
Benzene	---	---	783	154
Naphthalene	---	190	900	149
Coal-tar medicinals	---	---	148	268
Peat moss, fertilizer grade	([3])	332	281	227
Chemicals and related products, other	27	---	18	117

See footnotes at end of table.

Table 3. U.S. Trade With Principal Countries of Eastern Europe, 1947, 1960, 1961, and January–June 1962—Continued

[Thousands of dollars]

Commodity	1947	1960	1961	January–June 1962
TRADE WITH POLAND—Continued				
Dolls and parts	([3])	179	179	89
Toys and parts, other	1	18	92	5
Books, pictures, and other printed matter	53	79	87	85
Other imports	240	[6] 570	[6] 759	[6] 589
TRADE WITH RUMANIA				
Exports, total [1]	15,079	1,260	1,404	365
Dairy products	610	---	---	---
Corn, except seed	8,420	---	---	---
Seedcorn, except sweet seedcorn		78	143	---
Grains and preparations, other	608	---	---	15
Seed beans	---	---	46	---
Foodstuffs, other	147	---	43	---
Rubber and manufactures	97	---	3	1
Gum rosin	---	---	79	---
Soybeans	---	65	---	---
Seeds, except oilseeds	133	---	19	201
Skelp of iron and steel	---	---	416	---
Steel sheets, carbon, black, cold-rolled, ungalvanized	---	387	---	---
Tinplate	---	98	---	---
Tinplate, decorated	---	105	---	---
Iron and steel-mill products, other	65	---	---	---
Iron and steel advanced manufactures	71	20	2	---
Textile machinery and parts	---	---	131	---
Glass making, forming, and finishing machinery and parts	([4])	114	---	---
Industrial machinery and parts, other	18	45	99	51
Printing and bookbinding machinery	---	44	9	---
Agricultural machinery, implements, tractors, and parts	([3])	98	141	---
Passenger cars, trucks, buses, parts, and accessories	673	28	1	---
Antibiotics and preparations	([4])	68	80	52
Medicinal and pharmaceutical preparations, other	231	6	37	3
Chemicals and related products, other	73	56	76	27
Private relief shipments	3,465	---	---	---
Other domestic exports	464	48	79	15
Reexports	4	---	---	---
General imports, total	435	1,461	1,362	362
Imports for consumption, total [5]	440	1,386	1,339	349
Sturgeon and sturgeon roe	---	80	32	11
Mushrooms, fresh or dried	---	33	60	7
Walnuts, shelled	---	59	121	33
Spices	---	49	80	104
Molasses, inedible	---	519	862	---
Furs, undressed	276	31	---	27
Feathers, crude	84	41	1	31
Glass and glass products	---	15	30	74
Coal tar and coal-tar pitch	---	345	---	---
Stamps	12	115	123	13
Other imports	68	[6] 99	[6] 30	[6] 49
TRADE WITH U.S.S.R.				
Exports, total [1]	149,069	38,440	42,650	10,404
UNRRA [2]	32,072	---	---	---
Meat, canned	3,129	---	---	---
Dairy products	479	---	---	1
Cattle hides, raw	---	1,798	---	244
Tallow, inedible	---	---	15,122	4,011
Horses and mules	---	---	---	130
Rubber and manufactures	427	16	1,476	1,455
Naval stores, gums, and resins	388	---	---	---
Tobacco and manufactures	1,165	1	---	---

See footnotes at end of table.

Table 3. U.S. Trade With Principal Countries of Eastern Europe, 1947, 1960, 1961, and January–June 1962—Continued

[Thousands of dollars]

Commodity	1947	1960	1961	January–June 1962
TRADE WITH U.S.S.R.—Continued				
Cordage and twine of sisal and sunn	1,343	-----	-----	-----
Wool noils and waste	400	-----	-----	-----
Rayon filament yarn and cord; rayon tire cord and fabrics	-----	1,145	2,762	201
Synthetic staple fiber and tow	-----	1,400	1,603	1,114
Synthetic fibers and manufactures, other	72	258	295	114
Textile fibers and manufactures	405	92	33	9
Petroleum products	3,514	8	2	-----
Abrasives	297	18	-----	-----
Carbon and graphite and products	640	-----	-----	-----
Sulfur, crude	341	-----	-----	-----
Steel sheets, carbon, black, ungalvanized	4	10,618	1,086	-----
Iron and steel mill products, other	15,246	115	1	(3)
Iron and steel advanced manufactures	942	124	104	141
Copper and manufactures	496	-----	-----	-----
Metals and manufactures, other	274	-----	-----	-----
Electrical machinery and apparatus	19,992	49	388	48
Power generating machinery	5,504	63	40	3
Conveying equipment and parts	604	92	828	27
Trucks, industrial type, electric-powered	(4)	-----	378	-----
Mining machinery and equipment, specialized, and parts	(4)	81	1,260	1
Construction, excavating, mining, and related machinery, other	27,837	239	530	33
Metalworking machinery and parts	23,428	-----	834	-----
Textile and sewing machinery and parts	841	12,721	9,928	62
Food and beverage processing machines and parts	760	176	193	83
Paper, pulp, and paper processing machinery	1,171	757	7	1,442
Air-conditioning and mechanical refrigerating equipment	240	179	105	-----
Laundry and drycleaning equipment, commercial, and parts	357	60	1,143	21
Plastic making and manufacturing machinery	15	553	9	-----
Presses, power-driven	(4)	260	-----	-----
Industrial machinery and parts, other	20,295	1,103	669	732
Typesetting machines	-----	217	149	-----
Printing and bookbinding apparatus, other	27	7	241	-----
Agricultural machinery, implements, tractors, and parts	2,666	830	50	20
Trucks	1,267	16	19	7
Passenger cars and chassis	40	47	12	-----
Other automotive vehicles and parts	517	96	20	-----
Helicopters	-----	1,671	-----	-----
Aircraft, parts, and accessories, other	421	-----	-----	-----
Merchant vessels	1,241	-----	-----	-----
Freight cars over 1-ton capacity	1,843	-----	-----	-----
Coal-tar products	49	171	770	135
Veterinary medicinals and preparations	(4)	129	-----	-----
Chemical specialties	78	164	528	130
Butanol	-----	575	-----	-----
Chemicals, industrial, other	165	1,649	593	6
Carbon black	25	404	828	-----
Soap and toilet preparations	1,210	-----	-----	-----
Photographic equipment	423	107	35	40
Scientific and professional instruments, apparatus, and supplies	3,039	151	255	61
Private relief shipments	2,174	2	-----	-----
Household and personal effects	1,038	(9)	(9)	(9)
Other domestic exports	1,865	269	351	128
Reexports	375	9	3	5
General imports, total	77,102	22,629	23,228	7,372
Imports for consumption, total [5]	72,152	22,764	22,786	7,557
Sausage casings	853	118	-----	8
Sturgeon and other fish roe	520	208	177	44
Persian lamb and caracul fur, undressed	17,950	1,412	2,322	618
Sheep and lamb fur, undressed	28	71	364	230
Sable fur, undressed	1,502	1,613	2,335	1,362
Squirrel fur, undressed	6,649	2,403	1,569	988
Furs and furskins, undressed, other	15,411	468	171	172
Furs, dressed, and fur manufactures	684	78	36	44
Bristles	380	145	307	73
Licorice root	352	405	287	89
Essential or distilled oils	73	160	84	79
Tobacco, unmanufactured	1,916	-----	-----	-----
Cotton linters	1,937	680	541	367
Cotton waste	889	52	25	18

See footnotes at end of table.

Table 3. U.S. Trade With Principal Countries of Eastern Europe, 1947, 1960, 1961, and January–June 1962—Continued

[Thousands of dollars]

Commodity	1947	1960	1961	January–June 1962
TRADE WITH U.S.S.R.—Continued				
Wool, unmanufactured	730	-----	-----	6
Animal hair, unmanufactured	448	20	-----	-----
Chemical woodpulp	459	-----	-----	-----
Glass, cylinder, crown, and sheet	-----	78	432	280
Diamonds, cut but not set	708	-----	85	-----
Pig iron	46	57	17	-----
Manganese ore	6,899	-----	-----	-----
Chrome ore	8,956	160	502	441
Platinum	1,766	2,760	1,883	320
Iridium and osmium	335	-----	-----	-----
Palladium	1,131	1,473	4,238	480
Rhodium	-----	1,292	131	770
Benzene	-----	7,819	3,671	-----
Naphthalene	-----	-----	2,018	409
Pyridine	-----	196	317	23
Potassium chloride, crude	-----	481	397	254
Stamps	55	199	131	16
Books, pictures, and other printed matter	11	76	118	40
Artworks and antiques	4	10	61	149
Other imports	1,460	[6] 330	[6] 567	[6] 277

[1] Excludes "special category" exports.
[2] UNRRA shipments are included in commodity exports for 1947.
[3] Less than $500.
[4] Not reported.
[5] Commodity data are reported on the basis of imports for consumption.
[6] Includes an estimate of low-value shipments $250 or less each on informal entry shipments and under $100 each on formal entry shipments.
[7] East Germany not reported separately prior to 1952.
[8] Wool rags only.
[9] Not included in export statistics for 1960, 1961, and 1962.

Technical Data

During the third quarter 1962, U.S. technical data continued to be of interest to the Soviet bloc, with particular emphasis, as in the past, on industrial equipment. U.S. firms continued to seek the Government's views as to the desirability of their providing, directly or indirectly, through foreign licensees, affiliates or subsidiaries, technical data and/or equipment and material for construction of facilities of possible strategic importance to Soviet-bloc countries.

The Department approved 17 export license applications covering shipment to Eastern European destinations of technical data for other than the filing of patent applications. These covered:

For Poland.—Technical data for quotation, erection and MRO of a rotary flying hot saw.

Technical data for quotation, erection, and MRO of copper or brass tube rolling mill equipment.

For Bulgaria.—Technical data for quotation, erection, and MRO of a shearing line and an electrolytic tinning line.*

For Czechoslovakia.—Technical data for installation and MRO of a continuous heat treatment furnace.*

Technical data for quotation for continuous annealing and galvanizing lines.*

Photograph prints—designs for glassmaking molds.

For Hungary.—Technical data for installation and MRO of equipment relating to hot rolled steel strip.*

Technical data for quotation for a six-stand continuous billet mill.*

For Rumania.—Technical data for quotation on installation, erection, and MRO of yarn preparation, weaving, knitting, and finishing machinery for the textile industry.

Technical data for design, installation, erection, and startup services in connection with the supply of equipment and facilities for a Kraft pulp mill.

Technical data for quotation, erection, and MRO for a cold mill installation.*

Technical data relating to a carbon dioxide removal plant for the manufacture of fertilizer.

For U.S.S.R.—Technical data for quotation on installation, erection, and MRO of yarn preparation, weaving, knitting, and finishing machinery for the textile industry (two applications).

Technical data for assembly, erection, installation, and MRO of stationary power boilers and recovery units.

Technical data relating to process, plant and equipment layout, erection, installation, and MRO of a viscose staple tow plant.

Technical data for material specifications, equipment layout, erection, installation, and MRO of a four-strand wire rod mill.*

The asterisked items above relate to steel manufacturing and processing equipment and represent applications which have been pending in the Department for some time. The final decision to approve these was based primarily on the fact that such data and related equipment are readily available to the Soviet bloc from non-U.S. sources. Furthermore, they were not deemed significant to either the military or the economic potential of the bloc in any way that would prove detrimental to U.S. national security and welfare. All of the other technical data were approved on the basis of their nonstrategic nature and their availability from non-U.S. sources.

Two applications covering technical data were denied during this period. One involved technical data for the construction of a plant for the production of fiber-grade acrylonitrile to Rumania. The other application involved technical information for the maintenance, repair, and operation of transfermatic machines, which were among the automotive machine tools denied to the U.S.S.R.

In addition, export licenses for the export of technical data were granted in 35 cases involving the filing of patent applications by U.S. firms with the Governments of Czechoslovakia, East Germany, Hungary, Poland, and the U.S.S.R.

It is extremely difficult to place a dollar value on exports of technical data, since eventual payment for the data, provided the contract were negotiated, would depend almost entirely on the extent to which the contract would cover technical data (including training and operating instructions); design, engineering, and construction services; and materials and equipment.

Licensing to Communist China

The Department's policy provides for a total embargo on all U.S. exports to Communist China, and other Far Eastern Communist-controlled areas. However, provision is made for the approval of license applications where the consignee is a diplomatic mission of a friendly foreign country located in these areas, provided there is reasonable assurance that the commodities involved will not enter the economies of these areas.

Under this policy, during the third quarter 1962, the Department approved, for export to Communist China, passenger cars, valued at $4,560.

Additions to the Polish GRO Exceptions List

During this period, the Department extended its validated export license requirements to certain materials and equipment which heretofore were exportable under general license to Poland. These included certain metalworking equipment, size-measuring machines and instruments, metal heat-treating furnaces (nonelectric), ion exchange resins, and certain organic flocculating agents.

Licensing Policy Toward Cuba

In connection with the tightening of controls over shipments destined for Cuba, the following actions were taken during this period:

General License *SHIPS' STORES.*—This general license was amended to prohibit the supplying of any commodity for use or consumption on board a vessel departing from the United States, if that vessel is registered in, owned or controlled by, or under charter or lease to Cuba or a Cuban national. Such stores include bunker fuel, supplies of engine and steward departments, medical and surgical supplies, foods, etc.

General License *CREW.*—This general license was amended to prohibit a crewmember from exporting his personal and household effects if these effects are intended for importation into Cuba, or if the effects are being exported from the United States on a Cuban-registered carrier.

General License *GCU*.—This general license was amended to delete from its provisions the following items: Malt liquors, wine, whisky and other distilled liquors and compounds, containing spirits.

General License *GLR*.—This general license was amended to prohibit the return to Cuba of commodities shipped from Cuba to the United States which do not meet specifications or conform to sample; items shipped without consent of the U.S. consignee; and those refused entry into the United States by any Federal agency. In effect, this general license no longer is applicable to Cuba.

In addition to revising the foregoing general licenses, the Department also amended Transportation Order T–1. This order prevents any ship or aircraft documented under U.S. laws from transporting to Cuba any commodity which at the time is either on the Positive List, the U.S. Munitions List, or is controlled under the Atomic Energy Act of 1954 without an appropriate export license or without express authorization from the Department of Commerce.

IV

Short Supply Controls

There have been no commodities under control because of short supply reasons since 1959.

However, the Department maintains constant surveillance over the supply-demand situation of all commodities in order to assure prompt action if abnormal foreign demand were to adversely affect the domestic economy.

V

Enforcement

During the third quarter 1962, the Export Control Investigations Staff of the Bureau of International Programs had under investigation 229 cases, including 15 surveys to detect possible violation of export control regulations. At the close of the quarter, 43 of the cases had been closed—9 on the basis of a determination of no violation or insufficient evidence, and 34 after warnings to the parties involved in various types of violations considered to be of a less serious nature and not warranting institution of formal charges or compliance proceedings. In addition, two cases were referred to the Department's Office of the General Counsel for appropriate action. The remaining cases were still under investigation at the close of the quarter. A total of 44 warning letters was issued by the Investigations Staff during this period.

Upon recommendation of the Investigations Staff, the Department rejected 11 export license applications, with a value of $137,855. Three shipments, totaling $5,988, were recalled to the United States.

During this same period also, the collectors of customs seized a total of 64 shipments valued at $110,500. Ten of these, valued at $1,154, involved shipments apparently destined for Cuba.

The following denial orders were issued by the Department during the third quarter 1962:

Ross, Ltd.; Ross Ensign, Ltd.; Barnett Ensign, Ltd.; B.R.E., Ltd.; and Whitefriars Investment Trust, London, England; Metallurgical Enterprises Ltd., Kenton, Middlesex, England

On August 22, 1962, the above six British firms and three of their officials were denied all U.S. export privileges for an indefinite period because of their close relationship with Electrical Agencies (London), Ltd., which has been denied U.S. export privileges since 1953.

The individuals involved are Louis Larhold, chairman of Whitefriars and a director of Ross, Ltd., and Electrical Agencies; Walter J. Berger, owner of Metallurgical Enterprises and managing director of Electrical Agencies; and Brian K. Jones, a past director of Electrical Agencies.

The Department advised that during the last 2 years a number of the named firms and individuals concealed the interest of Electrical Agencies and Mosche Gevirtzman, one of the directors, in procuring

substantial quantities of U.S. electronic instruments and components. Such purchases were prohibited by the 1953 denial order, which had been imposed because of unauthorized transshipments of U.S. electronic equipment by Electrical Agencies to a Soviet-bloc country and because of the firm's refusal to explain such transshipments. All of the parties cited were found to be directly associated with Electrical Agencies within the terms of its denial order. Electrical Agencies has made persistent efforts to obtain American products through these and other firms, and in order to prevent further evasion of U.S. export control regulations, the denial order was extended to the subject parties.

Gerhard Louis Herzfeld, Hagersten, Sweden
Alfred Rimberg, Stockholm, Sweden, and Hamburg, West Germany
Ferdinand Bernstein, Hamburg, West Germany
Willie August Richard Springer, Hamburg, West Germany

On August 13, 1962, the above European businessmen were denied U.S. export privileges for attempts to divert and transship U.S.-manufactured materials to Communist China.

The denial order is effective for the duration of U.S. export controls, with the provision that Herzfeld, Rimberg, and Bernstein may apply for reinstatement of their privileges 2 years from the date of the order, as a result of their cooperation during the investigation. Springer failed to answer the charging letter and was found in default.

The Department found that during August 1958 through April 1959, Herzfeld ordered from a U.S. manufacturer $14,600 worth of X-ray tubes and related equipment. Herzfeld concealed from the U.S. supplier that his customer was in Communist China, naming instead Rimberg in Hamburg as the ultimate consignee. Herzfeld, in the belief that the U.S. goods could not readily be transshipped from Sweden to Communist China, arranged with Rimberg and Bernstein to take delivery of the U.S. shipments at Hamburg and ship them on to Communist China. This action was taken, with Springer acting as their forwarding agent, despite their knowledge and specific notifications that the U.S. export control regulations prohibited transshipment of the U.S.-made products to Communist China.

Kolle & Co., and W. G. Kolle, Amsterdam, Netherlands

On July 19, 1962, the Department denied all U.S. export privileges to the above firm and businessman, for a period of 3 months plus an additional 9-month probation period.

In April 1961, Kolle placed an order with the Amsterdam affiliate of a U.S. supplier for 1,100 kilos of potassium permanganate valued at about $770. In making the shipment, the U.S. firm informed Kolle that U.S. export regulations prohibited disposition of the commodity to a Soviet-bloc country without first obtaining U.S. permission. Nevertheless, in June 1961, he delivered the goods to its intended Hungarian customer.

The Department called Kolle's deliberate disregard of U.S. export control regulations inexcusable. However, in setting the short denial period, it took into account the nonstrategic nature and small value of the commodity, for which a license would have been issued if it had been requested, and Kolle's admitted recognition of his error.

"Austis" Warenhandelsgesellschaft, Vienna, Austria

On June 25, 1962, the Department issued a denial order against the above firm and its owner and manager, Otto Goldeband. Also covered is "Austis" Chemometall Warenhandelsgesellschaft (also known as "Austis" Chemometall), which is affiliated with Goldeband. This denial order is effective for the duration of U.S. export controls.

The Department found that in September 1960, a firm in Munich, West Germany, sold and delivered to Goldeband in Vienna, Austria, three U.S.-made electronic measuring instruments. Goldeband was specifically informed by the Munich firm that U.S. export controls banned the reexport of these goods to Soviet-bloc countries. However, after Goldeband assured the West German firm that the instruments would remain in Austria, he knowingly had them delivered to a Soviet-bloc firm, Electroimpex, of Budapest, Hungary.

VI

The Positive List as of September 30, 1962

The chief purpose of the Department's Positive List is to keep American exporters continuously advised of the commodities for which validated export licenses are required before shipments may be made to friendly foreign destinations. Export licenses are not required for commodities exported to Canada for consumption in that country.

All commodities require validated licenses for shipment to the U.S.S.R. and Eastern European-bloc destinations (excluding Poland), Communist China, North Korea, north Viet-Nam, as well as Hong Kong, Macao, and Cuba, except for certain specified non-Positive List commodities which are exportable under general licenses—such as general license GHK for Hong Kong and Macao, GLSA for the U.S.S.R. and Eastern European-bloc countries, GCU for Cuba, etc.

The Positive List is different in concept and content from the U.S. security export control list. The Positive List covers all items requiring validated export licenses for specified friendly destinations (but, as stated above, the majority of goods—all goods except those where applicable general licenses apply—even though not on the Positive List, require a validated license for shipment to Cuba and to the Sino-Soviet bloc and certain "fringe" areas). The commodity specifications on the Positive List are sometimes broader than those on the security export control list for administrative reasons.

The number of entries on the Positive List should not be considered as an indication of the comprehensiveness of export control. While one Positive List entry may involve only a few applications a year, another may involve many thousands.

The number of separate entries on the Positive List remained unchanged during the third quarter of 1962. Thus, at the end of the third quarter there were 1,111 separate entries, of which 1,008 were controlled to both R and O country destinations, and 103 to R country destinations only.

The following table shows the commodities on the Department's Positive List of Commodities controlled for export as of September 30, 1962.

Two or more related entries are frequently grouped together in the interest of brevity and clarity.

The numerical designations in column 1 indicate the appropriate commodity classifications as listed in the Bureau of the Census Schedule B classification of exports. This is the classification system used for identifying commodities on the Positive List.

The designation "RO" in column 3 of the table indicates that the commodity requires a validated license for shipment to any destination except Canada. The designation "R" indicates that a license is required for shipment to Cuba and destinations outside the Western Hemisphere.

RUBBER AND MANUFACTURES

Schedule B No.	Commodity description	Area of control
20051–20105	Synthetic rubbers [1]	R [2]
20610–20638	Tire casings [1]	RO
20656	Aircraft inner tubes	RO
20840–20932	Silicone rubber insulating tape, molded braided hose, and packing	R
20998	Silicone rubber manufactures, n.e.c.; and microwave absorber material made principally of rubber.	R [2]

MAN-MADE FIBERS AND MANUFACTURES

Schedule B No.	Commodity description	Area of control
38418–38482	Yarns, monofilaments, staple, tow, and woven fabrics wholly made of polytetrafluoroethylene.	RO
38590, 39990	Filter cloth, packing, and other textile and fiber manufactures wholly made of polytetrafluoroethylene.	RO

PAPER, RELATED PRODUCTS AND MANUFACTURES

Schedule B No.	Commodity description	Area of control
48660	Pressure sensitive synthetic tape [1]	RO

PETROLEUM AND PRODUCTS

Schedule B No.	Commodity description	Area of control
50150	Blending agents [1]	RO
50180	Jet fuels	RO
50400	Aviation engine lubricating oil [1]	R [2]
50410	Lubricating greases [1]	RO
50590	Hydraulic or automatic transmission fluids [1]	RO

GLASS AND PRODUCTS

Schedule B No.	Commodity description	Area of control
52170	Aircraft windshield	RO
52311	Silicon lens blanks; and lens blanks for infra-red equipment [1]	RO
52311	Quartz crystals, optical quality	RO
52311	Synthetic crystals specially fabricated for Masers or Lasers	RO

CLAY AND PRODUCTS

Schedule B No.	Commodity description	Area of control
53620–53689	Refractories [1]	RO

OTHER NONMETALLIC MINERALS AND PRODUCTS (PRECIOUS INCLUDED)

Schedule B No.	Commodity description	Area of control
54091	Synthetic diamond powder	RO
54114–54140	Abrasive products [1]	RO
54730–54809	Carbon or graphite products [1]	RO
57227	Magnesium oxide, and magnesia cement containing 97 percent or more magnesium oxide.	RO
59506–59509	Quartz crystal, natural and synthetic [1]	RO
59645	Lithium-containing minerals	RO
59900	Synthetic industrial diamonds	RO

See footnotes at end of table.

IRON AND STEELMAKING RAW MATERIALS

Schedule B No.	Commodity description	Area of control
60030–60085	Scrap, except tin plated or terne plated	RO
60095	Rerolling material	RO

IRON PRODUCTS AND STEEL MILL PRODUCTS, SEMIFINISHED

Schedule B No.	Commodity description	Area of control
60172–60178	Alloy steel ingots, blooms, billets, slabs, and sheet bars [1]	RO
60181	Alloy steel tube rounds [1]	RO
60185	Steel skelp [1]	RO [2]
60187	Alloy steel wire rods [1]	RO

IRON PRODUCTS AND STEEL MILL PRODUCTS, ROLLED AND FINISHED

Schedule B No.	Commodity description	Area of control
60220–60270	Alloy steel bars [1]	RO
60310–60335	Steel sheets [1]	RO [2]
60355	Electrical (steel) sheets and strip [1]	RO
60365–60390	Steel strip [1]	RO [2]
60627–60630	Steel line pipe [1]	R
60640–60680	Other steel pipe, tubes, and tubing [1]	RO
60710–60720	Steel plates [1]	RO [2]
60735	Alloy steel structural shapes [1]	RO
60813–60821	Alloy steel wire [1]	RO

CASTINGS AND FORGINGS

Schedule B No.	Commodity description	Area of control
61050–61055	Castings, alloy steel, rough and semifinished [1]	RO
61065	Forgings, alloy steel, rough and semifinished [1]	RO

METAL MANUFACTURES

Schedule B No.	Commodity description	Area of control
61857	Steel pipe fittings, pipe size connection greater than 19 inches o.d. [1]	R
61869	Alloy steel perforated sheets [1]	RO
61875	Liquefied gas jacketed storage containers [1]	RO
61881	Steel pipe lined with polytetrafluoroethylene or polytrifluorochloroethylene	RO
61932–61936	Liquefied gas jacketed shipping containers [1]	RO
61938–61944	Welding rods and wires [1]	RO
61952–61964	Wire products [1]	RO
61974–61987	Metal powders [1]	RO
61995	Metal foil [1]	RO
61995	Beryllium manufactures [1]	RO
61995	Copper and copper-base alloy perforated plates and sheets	RO
61995	Liquefied gas jacketed storage containers [1]	RO
61995	Microwave absorber material made principally from metal [1]	RO
61995	Permanent magnets [1]	RO
61995	Thermoelectric materials [1]	RO
61995	Zirconium and zirconium alloy manufactures	RO

FERROALLOYS

Schedule B No.	Commodity description	Area of control
62230	Ferromolybdenum	RO
62290	Ferroboron; ferrocobalt; ferrocolumbium; ferrocolumbium-tantalum; ferrotantalum; and ferrozirconium. [1]	RO

COPPER ORES, CONCENTRATES, SCRAP, AND SEMIFABRICATED FORMS

Schedule B No.	Commodity description	Area of control
64010	Copper ore, concentrates, matte, and other unrefined copper	RO
64120	Refined copper in crude forms	RO
64130	Copper scrap	RO
64220–64230	Copper pipe, tubing, plates, sheets, and strip	RO
64251	Copper wire and cable, bare	RO
64290	Copper castings and forgings, rough and semifinished	RO
64290	Copper rods and bars	RO

See footnotes at end of table.

Schedule B No.	Commodity description	Area of control
	COPPER-BASE ALLOYS, SCRAP, AND SEMIFABRICATED FORMS	
64400	Copper-base alloy scrap	RO
64410	Copper-base alloy crude forms	RO
64490	Copper-base alloy bars, rods, and other barsize shapes, extruded, rolled, and drawn.	RO
64500-64530	Copper-base alloy plates, sheets, strips, pipe, and tubing	RO
64571	Copper-base alloy wire and cable, bare	RO
64793	Copper-base alloy castings and forgings, rough and semifinished	RO
	NICKEL ORES, CONCENTRATES, SCRAP, AND SEMIFABRICATED FORMS	
65455	Nickel ore, concentrates, and matte	RO
65462	Nickel residues and dross; and nickel alloy metal scrap [1]	RO
65467	Nickel alloy metal in crude forms, and bars, rods, sheets, plates, and strip [1]	RO
65480	Nickel alloy semifabricated forms, n.e.c.[1]	RO
	OTHER NONFERROUS ORES, CONCENTRATES, SCRAP AND SEMIFABRICATED FORMS (EXCEPT PRECIOUS)	
66407-66411	Beryllium [1]	RO
66429-66431	Cobalt [1]	RO
66433-66437	Columbium or niobium	RO
66445-66447	Magnesium [1]	RO
66449-66465	Molybdenum [1]	RO
66469-66473	Tantalum	RO
66475	Quicksilver or mercury	RO
66479-66483	Titanium	RO
66487	Alloy steel scrap containing 1 percent or more tungsten	RO
66489	Tungsten wire	RO
66510-66520	Zirconium [1]	RO
66530	Lithium ores and lithium ore concentrates	RO
66540	Other nonferrous metals and alloys, in crude form, scrap, and semifabricated forms, n.e.c.[1]	RO [2]
	PRECIOUS METALS AND PLATED WARE, N.E.C.	
69561	Silver-copper brazing alloy	RO
	ELECTRICAL MACHINERY AND APPARATUS	
70010-70087	Generators and turbo generators, 5,000 kw. and over, and parts and accessories [1]	RO [2]
70101-70108	Welding sets specially designed for the manufacture of arms, munitions, or implements of war.	RO
70110-70115	Mobile generator sets, 5,000 kilowatts and over	RO
70362-70379	Electrical quantity and characteristic measuring and testing apparatus, and parts and accessories.[1]	RO
70400-70498	Electric motors and motor controls, and parts and accessories [1]	RO [2]
70655	Flash discharge tubes specially fabricated for Lasers	RO
70659	Single coil tungsten filaments	RO
70660	Power-controlled searchlights designed for military use	RO
70741-70746	Electric industrial melting, refining, and heat-treating furnaces and parts	RO
70748	Electron beam welders specially designed for the manufacture of arms, munitions or implements of war; and high energy electric arc heaters.	RO
70751-70753	Flash discharge type X-ray tubes, and parts and accessories	RO
70764-70797	Radio, television, and communication equipment [1]	RO
70824-70844	Electron tubes and parts [1]	RO
70848-70859	Other electronic-type components [1]	RO
70867	Radar and other electronic detection and navigational apparatus and parts [1]	RO
70871	Carrier current equipment [1]	RO
70879	Electronic amplifiers, and parts [1]	RO
70883	Recorders and reproducers, and parts and accessories [1]	RO
70886	Electronic equipment; n.e.c.[1]	RO
70888	Telegraph apparatus, and parts [1]	RO
70895	Telephone equipment, and parts [1]	RO
70921-70922	Starting, lighting and ignition equipment [1]	RO
70948	Copper bus bars	RO
70972-70995	Wire and cable, insulated [1]	RO
70997	Electrical steel punchings [1]	RO
70999	Miscellaneous electrical apparatus and parts, n.e.c.[1]	RO

See footnotes at end of table.

Schedule B No.	Commodity description	Area of control
	POWER GENERATING MACHINERY, N.E.C.	
71131-71190	Steam turbines designed for turbogenerators 200,000 kilowatts and over	R
71330-71392	Water tube boilers, marine type, and parts [1]	RO
71450-71590	Diesel engines, 50 horsepower and over, and parts [1]	RO
	CONSTRUCTION, EXCAVATING, MINING, OIL FIELD, AND RELATED MACHINERY	
72000-72021	Power excavators and loading machines, and parts, accessories and attachments [1]	R [2]
72205-72210	Scrapers and graders [1]	R [2]
72225	Contractors' off-the-road wheel-type tractors [1]	R [2]
72227	Off-the-road haulers [1]	R [2]
72245	Miscellaneous construction and maintenance equipment, and parts, n.e.c.[1]	R [2]
72511-72540	Materials handling equipment [1]	R [2]
73091-73225	Rotary drill rigs, and parts and accessories [1]	R [2]
73395	Petroleum and natural gas field production equipment, and parts [1]	R
	METAL-CUTTING MACHINE TOOLS (NONPORTABLE), PARTS AND ACCESSORIES	
74021	Turret lathes [1]	RO
74032	Artillery and ammunition lathes	RO
74039	Lathes, n.e.c.[1]	RO
74045	Automatic vertical boring and turning mills, cycle type	R
74049-74054	Boring machines, n.e.c.[1]	RO
74058	Shell tappers	RO
74075-74079	Milling machines [1]	RO
74086-74112	Gear-making machines [1]	RO
74200. 74234	Drilling machines [1]	RO
74260	Armor plate planers	RO
74391-74410	External and internal cylindrical grinding machines [1]	RO
74420	Grinding machines for broaching tools, automatic cycle, automatic sizing	RO
74427	Band sawing and band filing machines [1]	R
74429	Honing machines [1]	RO
74439	Other metal grinding machines, n.e.c.[1]	RO
74440	Multistation machine tools equipped with closed loop electronic circuits	RO
74447	Rifling and rifle-working machines	RO
74450-74455	Other metal-cutting machine tools [1]	RO
74456-74457	Parts and accessories for machine tools [1]	RO
	METAL-FORMING MACHINE TOOLS, N.E.C., PARTS AND ACCESSORIES	
74459-74461	Metalworking presses [1]	RO
74463	Bending and forming machines [1]	RO
74465	Punching and shearing machines [1]	RO
74466	Forging machines and hammers [1]	RO
74468	Parts and accessories for metal-forming machines [1]	RO [2]
	METALWORKING MACHINES, PARTS AND ACCESSORIES, N.E.C.	
74480	Rolling mill machines, and parts [1]	RO [2]
74500-74529	Foundry equipment, and parts [1]	RO
74580-74601	Metalworking machines, n.e.c., and parts and accessories [1]	RO [2]

See footnotes at end of table.

Schedule B No.	Commodity description	Area of control
	OTHER INDUSTRIAL MACHINES AND PARTS	
76491-76605	Refrigeration equipment capable of maintaining temperatures below minus 130° C.[1]	RO
76650-76680	Measuring, recording, and/or controlling instruments, and parts [1]	RO
76693-76696	Testing and measuring machines, and parts [1]	RO
76698	Geophysical and mineral prospecting equipment, and parts [1]	RO
76910-76935	Ball and roller bearings, and parts [1]	RO
77046-77078	Air and gas compressors, and parts [1]	RO [2]
77086	Diffusion vacuum pumps, 12 inches in diameter and larger	RO
77101-77119	Other pumping equipment [1]	RO [2]
77123	Tubular condensers (heat exchanger type) [1]	RO
77125	Heat exchangers, and parts [1]	RO
77450-77465	Pipe valves and parts [1]	RO [2]
77480	Glassmaking, glass forming, and glass finishing machines; optical curve generators, and parts.[1]	RO [2]
77485	Electronic tube manufacturing and assembling machines, and parts	RO
77516	Pipe assemblies specially fabricated for particular machines or equipment	RO
77520-77525	Chemical and pharmaceutical processing and manufacturing machines, n.e.c., and parts.[1]	RO
77567-77570	Carbon black furnaces, combustion type, and parts and accessories	RO
77585	Processing vessels, and parts [1]	RO
77588	Industrial-type separators and collectors, and parts [1]	RO
77596	Power-driven presses [1]	RO
77599	Miscellaneous industrial manufacturing and service-industries machines, and parts.[1]	RO
	OFFICE, ACCOUNTING, AND COMPUTING MACHINES	
77626-77628	Electronic computers, related information processing machines, parts and accessories.[1]	RO
	TRACTORS, N.E.C., PARTS AND ACCESSORIES	
78727-78891	Tracklaying tractors	R [2]
78780-78789	Wheel type tractors, 125 belt horsepower and over	R
78891-78895	Parts and accessories for tractors [1]	R [2]
	AUTOMOBILES, TRUCKS, BUSSES, AND TRAILERS, PARTS, ACCESSORIES AND SERVICE EQUIPMENT	
79013-79045	Motor trucks, military, or equipped to maintain temperatures below 130° C., or equipped with liquefied gas containers.[1]	RO
79057-79078	Motor busses, passenger cars, and chassis, military	RO
79113-79114	Special purpose vehicles, military or equipped to maintain temperatures below 130° C., or equipped with liquefied gas containers.[1]	RO
79130-79133	Used vehicles, military, or equipped to maintain temperatures below 130° C., or equipped with liquefied gas containers.[1]	RO
79136-79145	Trailers, military, or equipped to maintain temperatures below 130° C., or equipped with liquefied gas containers.[1]	RO
79148-79277	Parts and accessories for automotive vehicles [1]	RO
	AIRCRAFT, PARTS AND ACCESSORIES	
79337-79355	Military aircraft, models C-46, C-47 and C-54	RO
79361-79379	Civil aircraft	RO
79381-79489	Aircraft parts and accessories	RO
79496	Aircraft ground handling equipment [1]	RO
	RAILWAY TRANSPORTATION EQUIPMENT	
79660-79698	Railroad cars equipped to maintain temperatures below 130° C., or equipped with liquefied gas containers.[1]	RO

See footnote at end of table.

Schedule B No.	Commodity description	Area of control
	COAL-TAR AND OTHER CYCLIC CHEMICAL PRODUCTS	
80257	Diphenylamine	RO
80279	Fluoroalcohol esters of organic carboxylic acids boiling above 500° F	RO
80279	P-nitro-N-methylaniline	RO
80279	Polyphenyl ethers containing more than three phenyl groups	RO
80698	Miscellaneous finished coal-tar products [1]	RO
	MEDICINAL AND PHARMACEUTICAL PREPARATIONS	
81398	Medicinal chemicals [1]	RO [2]
	CHEMICAL SPECIALTIES	
82085	Weed killers consisting primarily of boron compounds	RO
82520-82610	Synthetic resins in unfinished and semifinished forms, including scrap [1]	RO
82670	Cellulose acetate dielectric film [1]	RO
82740	Teflon® paste	RO
82986	Radioisotopes, compounds, and preparations [1]	RO
82992	Reagent chemicals [1]	RO [2]
82996	Synthetic hydraulic fluids [1]	RO
82999	Miscellaneous chemical specialty compounds, n.e.c.[1]	RO [2]
	INDUSTRIAL CHEMICALS	
83285	Organo-fluorine compounds [1]	RO
83299	Miscellaneous organic chemicals [1]	RO
83440-83460	Lithium bromide; and lithium iodide	RO
83622	Boric acid and borates, except sodium perborate	RO
83799	Sodium azide	RO
83850	Guanidine nitrate; and tetrazene	RO
83959	Chlorine trifluoride	RO
83973	Hydrogen peroxide or dioxide [1]	RO
83979	Metal salts of organic compounds [1]	RO
83990	Miscellaneous industrial chemicals, n.e.c.[1]	RO
	PIGMENTS, PAINTS, VARNISHES, AND RELATED MATERIALS	
84290	Cobalt oxide pigments	RO
84380	Polytetrafluoroethylene finishes and enamels, and polytrifluorochloroethylene dispersion.	RO
	EXPLOSIVES, BLASTING AGENTS, FUSES, AND BLASTING CAPS	
86070	Jet perforators; and oil well bullets	R
86070	Detonators and priming compositions [1]	RO
	PHOTOGRAPHIC AND PROJECTION GOODS	
90028-90230	Cameras for use in space vehicles, and high-speed cameras; parts and accessories therefor, including lenses; micro-flash equipment; and parts and accessories for military cameras.[1]	RO

® Trademark registered in the Patent Office of the United States.

See footnotes at end of table.

Schedule B No.	Commodity description	Area of control
	SCIENTIFIC AND PROFESSIONAL INSTRUMENTS, APPARATUS, AND SUPPLIES, N.E.C.	
91475	Lenses and prisms for infrared and Laser equipment	RO
91495	Ion microscopes, and parts therefor [1]	RO
91599	Surgical and medical apparatus wholly made of polytetrafluoroethylene	RO
91620	Integrators, resolvers, and electro-optical monitoring devices, and parts and accessories.[1]	RO
91620	Parts and accessories for military phototheodolites, stereoscopic plotting equipment, and photo interpretation equipment.	RO
91650	Compasses, gyroscopic equipment, accelerometers, and other navigational instruments, and parts and accessories.[1]	RO
91910-91966	Electro-optical monitoring devices, and parts and accessories [1]	RO
91972	Nuclear detection and measuring instruments, and parts and accessories [1]	RO
91980	Miscellaneous research laboratory apparatus and equipment, and parts, n.e.c.[1]	RO
	ORDNANCE AND PYROTECHNICS	
94700-94745	Small arms and parts [1]	RO
94814-94825	Ammunition and parts [1]	RO
	MISCELLANEOUS COMMODITIES, N.E.C.	
98159	Manufactures of polytetrafluoroethylene and polytrifluorochloroethylene	RO
99960	Bayonets	RO

[1] All types of this commodity under this schedule B group are not on the Positive List. For detail of items included see Comprehensive Export Schedule issued Apr. 1, 1962.
[2] In general, the area of control indicated (either RO or R) is applicable to these commodity classifications. However, certain specific commodities are under the other area of control.

VI

Supplementary Trade Tables

A. U.S. Exports and Imports by Areas, 1947, 1950, 1956–61, and January–June 1962
B. U.S. Exports To and Imports From Countries of Eastern Europe and the Soviet Bloc in Asia, 1947, 1950, 1956–61, and January–June 1962
C. U.S. Exports to Eastern Europe by Principal Commodities, 1960–61, and January–June 1962
D. U.S. Imports From Eastern Europe by Principal Commodities, 1960–61, and January–June 1962

Table A. U.S. Exports and Imports by Areas, 1947, 1950, 1956–61, and January–June 1962

[Millions of dollars]

Country	1947	1950	1956	1957	1958	1959	1960	1961	Jan.–June 1962
	Exports including reexports [1]								
Total	15,338	9,798	17,020	19,001	15,925	15,926	18,892	19,105	9,931
Canada, including Newfounland	2,114	2,013	4,035	3,939	3,439	3,748	3,709	3,643	1,959
20 American Republics	3,858	2,676	3,778	4,579	4,085	3,526	3,478	3,380	1,629
Western Europe [2]	5,419	2,952	5,220	5,755	4,514	4,535	6,318	6,292	3,278
Eastern Europe and Soviet bloc in Asia	693	72	11	86	113	89	194	133	87
Western Asia [2]	215	222	406	411	423	441	482	513	310
Southern, southeastern, and eastern Asia	1,677	1,205	2,397	2,980	2,235	2,315	3,165	3,594	1,761
Africa	821	364	688	695	618	691	766	827	510
Other free world areas [3]	541	294	485	556	498	581	780	723	397
	General imports								
Total	5,768	8,874	12,774	13,255	[4] 13,255	15,627	15,017	14,720	8,120
Canada, including Newfoundland	1,130	1,968	2,941	3,042	2,965	3,352	3,153	3,267	1,767
20 American Republics	2,168	2,910	3,639	3,769	3,589	3,602	3,528	3,214	1,758
Western Europe [2]	768	1,364	2,890	3,078	3,297	4,523	4,185	4,067	2,260
Eastern Europe and Soviet bloc in Asia	225	227	73	66	68	88	84	85	42
Western Asia [2]	47	131	307	262	351	345	312	324	152
Southern, southeastern, and eastern Asia	833	1,360	1,682	1,718	1,642	2,250	2,406	2,256	1,270
Africa	327	494	681	693	668	679	627	669	393
Other free world areas [3]	261	405	533	595	674	768	703	834	464
Unclassified [5]	9	15	28	32	34	20	19	4	14

[1] Figures for 1950 and 1956–62 exclude "special category" exports which, for security reasons, may not be reported by destination. Data for 1950, 1956–60 have been adjusted, however, to include aviation fuel and lubricating oils which were removed from "special category" in 1960.
[2] Turkey is included with Western Europe and excluded from Western Asia.
[3] Includes European possessions in the Western Hemisphere, Canal Zone, Gibraltar, and islands in the Mediterranean, Australia, New Zealand, and other Oceania.
[4] Estimated total which includes adjustments for changes in statistical coverage resulting from the shift to new tabulating procedures during the year. Area figures, only partially adjusted, overstate imports in 1958 by approximately $33 million.
[5] Consists mainly of uranium shipments for which country of origin detail are not available for security reasons.

General Note: Data in this table have been adjusted, for all periods shown, to include imports of uranium ore and export of uranium and other nuclear materials.

Table B. U.S. Exports To and Imports From Countries of Eastern Europe and the Soviet Bloc in Asia, 1947, 1950, 1956–61, and January–June 1962

[Thousands of dollars]

Country	1947	1950	1956	1957	1958	1959	1960	1961	Jan.–June 1962
	Exports including reexports [1]								
Soviet bloc countries, total	693,461	72,313	11,245	86,104	113,130	89,272	193,853	133,380	87,271
Eastern European countries [2]	339,857	26,759	11,245	86,095	113,125	89,269	193,853	133,373	87,269
Albania	4,556	169					2		
Bulgaria	1,471	857	24	(3)	129	763	72	47	6
Czechoslovakia	49,094	10,532	765	2,004	1,477	2,469	4,473	7,446	4,594
East Germany	(2)	(2)	441	265	382	972	4,042	2,775	912
Estonia	8				7				(3)
Hungary	12,859	3,476	2,006	5,320	1,664	1,119	1,650	1,349	346
Latvia				977			824	2,911	977
Lithuania	16								1
Poland	107,705	8,964	3,722	73,059	105,180	74,728	143,090	74,791	69,664
Rumania	15,079	2,009	464	966	871	1,820	1,260	1,404	365
U.S.S.R.	149,069	752	3,823	3,504	3,415	7,398	38,440	42,650	10,404
Asian countries [4]	353,604	45,554		[5] 9	[5] 5	[5] 3		[5] 7	[5] 2
China including Manchuria	353,604	45,554		[5] 9	[5] 5	[5] 3		[5] 7	[5] 2
Outer Mongolia									
North Korea	(4)	(4)							
	General imports								
Soviet bloc countries, total	224,947	227,080	72,754	65,616	68,096	88,154	83,850	84,641	42,222
Eastern European countries [2]	108,242	80,583	65,453	61,332	63,499	80,936	80,936	81,069	40,502
Albania	8	43	193	105	94	127	65	74	74
Bulgaria	4,651	2,348	436	459	700	965	781	1,248	677
Czechoslovakia	23,210	26,606	5,960	7,911	7,787	11,961	12,214	9,286	4,772
East Germany	(2)	(2)	5,455	4,881	6,073	4,137	3,153	2,529	1,895
Estonia	(3)	(3)		2	1	(3)		2	
Hungary	1,501	1,865	1,162	729	1,285	2,060	1,809	2,024	862
Latvia				263	6	13	2	(3)	(3)
Lithuania	(3)	2		3	(3)		13	(3)	(3)
Poland	1,335	11,136	27,402	30,001	29,683	31,857	38,809	41,316	24,488
Rumania	435	287	377	474	373	1,205	1,461	1,362	362
U.S.S.R.	77,102	38,296	24,468	16,504	17,497	28,611	22,629	23,228	7,372
Asian countries [4]	116,705	146,497	7,301	4,284	4,597	7,218	2,914	3,572	1,720
China including Manchuria	116,705	146,497	223	99	142	200	253	447	108
Outer Mongolia			7,078	4,185	4,453	7,015	2,658	3,125	1,611
North Korea	(4)	(4)	(3)		2	3	3		1

[1] Exports exclude "special category" classes.
[2] Data for 1947 and 1950 exclude trade with East Germany which was not reported separately prior to January 1952.
[3] Less than $500.
[4] Data for 1947 and 1950 exclude trade with North Korea which was not reported separately prior to January 1952.
[5] Figures shown include printed matter under general license and shipments to diplomatic missions of friendly foreign countries

NOTE.—Exports are shown by country of destination. Imports are credited to the country in which the merchandise was originally produced, not necessarily the country from which purchases and shipments were made. General imports represent merchandise entered immediately upon arrival into merchandising or consumption channels plus commodities entered into bonded customs warehouses for storage.

United States exports to North Korea were embargoed July 1950, and those to Communist China, Manchuria, and Outer Mongolia were embargoed the following December. On Mar. 1, 1951, general export licenses to Eastern European countries were revoked and the requirement of prior approval by license was extended to cover all exports to this area. On July 26, 1954, exports to North Vietnam were embargoed. Since mid-1954 the policy with respect to exports of nonstrategic goods to Eastern European countries has been liberalized to some extent. In particular, a less restrictive policy with respect to Poland has been pursued since August 1957. Pursuant to the Trade Agreements Extension Act of 1951, benefits of trade agreement tariff concessions were withdrawn from the U.S.S.R. and its satellites and an embargo was imposed on the importation of certain furs from China and the U.S.S.R. On Apr. 26, 1956, a general license, GLSA, was established authorizing the exportation without a validated license of certain commodities to Albania, Bulgaria, Czechoslovakia, East Germany, Estonia, Hungary, Latvia, Lithuania, Outer Mongolia, Poland, Rumania, and the U.S.S.R. except the Maritime Province.

Controls over imports of Chinese and North Korean merchandise are exercised by the Treasury Department under Foreign Assets Control Regulations issued Dec. 17, 1950. Under these regulations the importation of Chinese goods is prohibited without license by the Treasury Department, and it is contrary to the present policy of that agency to license such imports. Some items of Chinese origin, however, continue to appear in the statistical records of U.S. imports. For example, dutiable Chinese merchandise brought into the United States and stored in bonded customs warehouses prior to the effective date of the import control regulations is counted in import for consumption statistics at the time of withdrawal from warehouse. Duty-free merchandise permitted entry for customs inspection but subsequently rejected when determined to be of Chinese origin, may also be counted in the statistics. The figures may also include imports licensed to avoid undue hardship to firms and individuals who acquired the Chinese merchandise in good faith and imports, from third countries, of Chinese products in which all Chinese interests had ceased by Dec. 17, 1950. In U.S. import statistics, goods of Chinese origin are credited to China regardless of the country from which they came.

Table C. U.S. Exports to Eastern Europe by Principal Commodities, 1960, 1961, and January–June 1962

[Thousands of dollars]

Commodity	Total to Eastern Europe			Eastern Europe excluding U.S.S.R.[1]			U.S.S.R.		
	1960	1961	Jan.–June 1962	1960	1961	Jan.–June 1962	1960	1961	Jan.–June 1962
Total	193,853	133,373	87,269	155,413	90,723	76,865	38,440	42,650	10,404
Dairy products	828	565	1	828	565				1
Barley, except pearl barley	14,815	3,138	5,686	14,812	3,138	5,686	3	(2)	
Corn, except seed	4,307	481		4,307	481				
Grain sorghums	4,872	445	15	4,871	445	15	1		
Rice, milled			2,237			2,237			
Wheat	74,013	27,768	25,476	74,009	27,768	25,476	4		
Soybean oilcake and meal	548	177		548	177				
Edible vegetable fats and oils	4,350	2,821	1,556	4,350	2,821	1,556			
Hides and skins, raw, except fur	4,315	4,291	1,610	2,517	4,291	1,366	1,798		244
Tallow, inedible	3,168	19,062	7,041	3,168	3,940	3,030		15,122	4,011
Rubber, synthetic	485	2,245	2,533	485	782	1,078		1,463	1,455
Soybeans	76	3,360	1,707	76	3,360	1,707			
Flaxseed		1,082			1,082				
Soybean oil, crude, inedible	1,867	2,664	3,422	1,867	2,664	3,422			
Tobacco and manufactures	2,820	1,979	898	2,819	1,979	898	1		
Hops	251	326	1,048	251	326	1,048			
Cotton, unmanufactured	15,536	16,635	16,492	15,536	16,635	16,492			
Wool rags and used clothing of wool	1,264	625	303	1,264	625	303			
Synthetic fibers and manufactures	3,847	5,489	1,979	1,044	829	550	2,803	4,660	1,429
Sulfur, crude	768	470	714	768	470	714			
Iron and steel-mill products	15,788	2,255	83	5,055	1,168	83	10,733	1,087	(2)
Aluminum ores and concentrates		1,550	733		1,550	733			
Electrical machinery and apparatus	115	818	108	66	430	60	49	388	48
Construction, excavating, and related machinery	653	3,252	144	241	256	84	412	2,996	60
Metalworking machinery and parts	1,113	2,387	1,984	1,113	1,553	1,984		834	
Textile, sewing, and shoe machinery	13,889	10,174	121	1,168	246	59	12,721	9,928	62
Food and beverage processing machinery and parts	479	522	83	303	329	(2)	176	193	83
Paper, pulp, and paper processing machinery	775	27	1,468	18	20	26	757	7	1,442
Machinery, industrial, other	3,391	2,456	886	1,173	490	151	2,218	1,966	735
Agricultural machinery, implements, tractors, and parts	1,014	257	21	184	207	1	830	50	20
Aircraft, parts, and accessories	1,676			5			1,671		
Coal-tar products	658	1,290	72	487	520	51	171	770	21
Medicinal and pharmaceutical preparations	594	1,292	763	456	1,177	760	138	115	3
Chemical specialties	460	804	252	296	275	122	164	529	130
Chemicals, industrial	3,534	900	126	1,310	307	120	2,224	593	6
Carbon black	544	931	1	140	103	1	404	828	
Scientific and professional instruments, apparatus, and supplies	463	577	148	312	322	87	151	255	61
Private relief shipments	5,658	5,415	4,885	5,656	5,415	4,885	2		
Other domestic exports	4,857	4,512	2,581	3,857	3,649	1,993	1,000	863	588
Reexports	62	331	92	53	328	87	9	3	5

[1] Includes exports to Estonia, Latvia, and Lithuania.
[2] Less than $500.

NOTE.—Figures exclude "special category" exports which, for security reasons, may not be reported by destination.

Table D. U.S. Imports From Eastern Europe by Principal Commodities, 1960, 1961, and January–June 1962

[Thousands of dollars]

Commodity	Total from Eastern Europe			Eastern Europe excluding U.S.S.R.[1]			U.S.S.R.		
	1960	1961	Jan.–June 1962	1960	1961	Jan.–June 1962	1960	1961	Jan.–June 1962
General imports, total	80,936	81,069	40,502	58,307	57,841	33,130	22,629	23,228	7,372
Imports for consumption, total[2]	80,283	80,388	39,833	57,519	57,602	32,276	22,764	22,786	7,557
Meat and meat products	28,691	26,850	14,433	28,573	26,850	14,425	118	------	8
Fish and fish products, except shellfish	310	236	68	98	42	21	212	194	47
Vegetables and preparations	445	685	231	415	657	226	30	28	5
Spices	602	1,154	683	592	1,154	683	10	------	------
Molasses, inedible	643	862	------	643	862	------	------	------	------
Beverages	214	207	120	208	201	118	6	6	2
Hides and skins, raw, except fur	610	794	798	610	794	798	------	------	------
Pig and hog leather	61	261	314	61	261	314	------	------	------
Leather manufactures	246	187	131	246	187	131	(3)	------	------
Furs, undressed	9,109	9,063	6,683	3,142	2,301	3,313	5,967	6,762	3,370
Fur manufactures	269	123	71	245	122	71	24	1	------
Bristles	517	649	191	372	342	118	145	307	73
Feathers, crude	1,259	1,165	656	1,259	1,165	656	------	------	------
Casein	1,390	2,122	600	1,390	2,065	600	------	57	------
Rubber and allied gums	247	170	242	247	170	242	------	------	------
Licorice root	405	287	89	------	------	------	405	287	89
Oilseeds	328	255	187	328	255	187	------	------	------
Essential or distilled oils	354	295	219	194	214	140	160	81	79
Brooms	209	312	214	209	312	214	------	------	------
Cotton linters	680	541	367	------	------	------	680	541	367
Flax, hemp, ramie, and manufactures	506	1,008	974	506	1,008	974	------	------	------
Angora rabbit hair	659	256	235	659	256	235	------	------	------
Artificial fruits and flowers	744	497	146	744	497	146	------	------	------
Wood manufactures	824	1,562	978	819	1,551	976	5	11	2
Cement	478	407	128	478	407	128	------	------	------
Glass, cylinder, crown, and sheet	697	906	593	619	474	313	78	432	280
Glass Christmas tree ornaments	852	1,023	242	852	1,023	242	------	------	------
Glass and glass products, other	2,172	2,413	1,040	2,172	2,412	1,040	------	1	------
Clay and clay products	385	435	158	385	429	158	------	6	------
Montan wax	225	191	94	225	191	94	------	------	------
Imitation precious and semiprecious stones	969	739	260	969	739	260	------	(3)	------
Steel-mill products, pig iron and scrap	374	148	234	310	122	233	64	26	1
Chrome ore	162	502	441	2	------	------	160	502	441
Platinum	3,013	2,019	320	253	136	------	2,760	1,883	320
Palladium	1,552	4,238	480	79	------	------	1,473	4,238	480
Platinum-group metals, other	1,292	131	770	------	------	------	1,292	131	770
Metalworking machinery and parts	437	346	142	437	346	142	------	------	------
Typewriters	665	534	453	665	534	453	------	------	------
Machinery, other	515	382	131	514	381	130	1	1	1
Passenger cars, new, including chassis	785	78	15	775	78	15	10	------	------
Bicycles and parts	1,566	1,494	683	1,566	1,494	683	------	------	------
Vehicles, and parts, other	258	262	144	257	262	144	1	------	------
Benzene	7,819	4,454	272	------	783	272	7,819	3,671	------
Naphthalene	190	3,116	558	190	1,098	149	------	2,018	409
Pyridine	196	317	23	------	------	------	196	317	23
Coal-tar products, other	376	172	324	373	162	321	3	10	3
Chemicals, industrial	272	180	96	272	162	78	------	18	18
Fertilizers and fertilizer materials	815	690	497	334	288	227	481	402	270
Photographic goods	366	468	188	346	440	178	20	28	10
Dolls, toys, and athletic and sporting goods	357	392	192	356	392	192	1	(3)	(3)
Books, maps, and other printed matter	928	1,178	547	653	929	491	275	249	56
Artworks and antiques	273	239	270	263	178	121	10	61	149
Beads and fabrics and articles of beads	741	739	347	741	739	347	------	------	------
Other imports for consumption[4]	2,231	2,654	1,561	1,873	2,137	1,277	358	517	284

[1] Includes Estonia, Latvia, and Lithuania.
[2] Commodity data are reported on the basis of imports for consumption.
[3] Less than $500.
[4] Includes an estimate of low-value shipments of $250 or less each on informal entry shipments and under $100 each on formal entry shipments.

APPENDIX

Export Control Act of 1949

(As extended and amended by Public Law 87–515, 87th Cong.)

AN ACT

To provide for continuation of authority for the regulation of exports, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Export Control Act of 1949."

Findings

SEC. 1. (*a*) Certain materials continue in short supply at home and abroad so that the quantity of United States exports and their distribution among importing countries affect the welfare of the domestic economy and have an important bearing upon fulfillment of the foreign policy of the United States.

(*b*) The unrestricted export of materials without regard to their potential military and economic significance may adversely affect the national security of the United States.

Declaration of Policy

SEC. 2. The Congress hereby declares that it is the policy of the United States to use export controls to the extent necessary (a) to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand; (b) to further the foreign policy of the United States and to aid in fulfilling its international responsibilities; and (c) to exercise the necessary vigilance over exports from the standpoint of their significance to the national security of the United States.

The Congress further declares that it is the policy of the United States to formulate, reformulate, and apply such controls to the maximum extent possible in cooperation with all nations with which the United States has defense treaty commitments, and to formulate a unified commercial and trading policy to be observed by the non-Communist-dominated nations or areas in their dealings with the Communist-dominated nations.

The Congress further declares that it is the policy of the United States to use its economic resources and advantages in trade with Communist-dominated nations to further the national security and foreign policy objectives of the United States.

Authority

SEC. 3. (*a*) To effectuate the policies set forth in section 2 hereof, the President may prohibit or curtail the exportation from the United States, its Territories, and possessions, of any articles, materials, or supplies, including technical data, except under such rules and regulations as he shall prescribe. To the extent necessary to achieve effective enforcement of this Act, such rules and regulations may apply to the financing, transporting, and other servicing of exports and the participation therein by any person. Such rules and regulations shall provide for denial of any request or application for authority to export articles, materials, or supplies, including technical data, from the United States, its Territories and possessions, to any nation or combination of nations threatening the national security of the United States if the President shall determine that such export makes a significant contribution to the military or economic potential of such nation or nations which would prove detrimental to the national security and welfare of the United States.

(*b*) The President may delegate the power, authority, and discretion conferred upon him by this Act, to such departments, agencies, or officials of the Government as he may deem appropriate.

(*c*) The authority conferred by this section shall not be exercised with respect to any agricultural commodity, including fats and oils, during any period for which the supply of such commodity is determined by the Secretary of Agriculture to be in excess of the requirements of the domestic economy, except to the extent required to effectuate the policies set forth in clause (*b*) or clause (*c*) of section 2 hereof.

Consultation and Standards

SEC. 4. (*a*) In determining which articles, materials, or supplies shall be controlled hereunder, and in determining the extent to which exports thereof shall be limited, any department, agency, or official making these determinations shall seek information and advice from the several executive departments and independent agencies concerned with aspects of our domestic and foreign policies and operations having an important bearing on exports.

(*b*) In authorizing exports, full utilization of private competitive trade channels shall be encouraged insofar as practicable, giving consideration to the interests of small business, merchant exporters as well as producers, and established and new exporters, and provisions shall be made for representative trade consultation to that end. In addition, there may be applied such other standards or criteria as

may be deemed necessary by the head of such department, or agency, or official to carry out the policies of this Act.

Violations

SEC. 5. (*a*) Except as provided in subsection (*b*) of this section, in case of any violation of any provision of this Act or any regulation, order, or license issued hereunder, the violator or violators, upon conviction, shall be punished by a fine of not more than $10,000 or by imprisonment for not more than one year, or by both such fine and imprisonment. For a second or subsequent offense, the offender shall be punished by a fine of not more than three times the value of the exports involved or $20,000, whichever is greater, or by imprisonment for not more than five years, or by both such fine and imprisonment.

(*b*) Whoever willfully exports any material contrary to any provision of this Act or any regulation, order, or license issued hereunder, with knowledge that such exports will be used for the benefit of any Communist-dominated nation, shall be punished by a fine of not more than five times the value of the exports involved or $20,000, whichever is greater, or by imprisonment for not more than five years, or by both such fine and imprisonment.

Enforcement

SEC. 6. (*a*) To the extent necessary or appropriate to the enforcement of this Act, the head of any department or agency exercising any functions hereunder (and officers or employees of such department or agency specifically designated by the head thereof) may make such investigations and obtain such information from, require such reports or the keeping of such records by, make such inspection of the books, records, and other writings, premises, or property of, and take the sworn testimony of, any person. In addition, such officers or employees may administer oaths or affirmations, and may by subpoena require any person to appear and testify or to appear and produce books, records, and other writings, or both, and in the case of contumacy by, or refusal to obey a subpoena issued to, any such person, the district court of the United States for any district in which such person is found or resides or transacts business, upon application, and after notice to any such person and hearing, shall have jurisdiction to issue an order requiring such person to appear and give testimony or to appear and produce books, records, and other writings, or both, and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(*b*) No person shall be excused from complying with any requirements under this section because of his privilege against self-incrimination, but the immunity provisions of the Compulsory Testimony Act of February 11, 1893 (27 Stat. 443) shall apply with respect to any individual who specifically claims such privilege.

(*c*) No department, agency, or official exercising any functions under this act shall publish or disclose information obtained hereunder which is deemed confidential or with reference to which a request for confidential treatment is made by the person furnishing such information unless the head of such department or agency determines that the withholding thereof is contrary to the national interest.

Exemption From Administrative Procedure Act

SEC. 7. The functions exercised under this Act shall be excluded from the operation of the Administrative Procedure Act (60 Stat. 237), except as to the requirements of section 3 thereof.

Quarterly Report

SEC. 8. The head of any department or agency or official exercising any functions under this Act shall make a quarterly report, within 45 days after each quarter, to the President and to the Congress of his operations hereunder.

Definition

SEC. 9. The term "person" as used herein shall include the singular and the plural and any individual, partnership, corporation, or other form of association, including any government or agency thereof.

Effects on Other Acts

SEC. 10. The Act of February 15, 1936 (49 Stat. 1140), relating to the licensing of exports of tin-plate scrap, is hereby superseded; but nothing contained in this Act shall be construed to modify, repeal, supersede, or otherwise affect the provisions of any other laws authorizing control over exports of any commodity.

Effective Date

SEC. 11. This Act shall take effect February 28, 1949, upon the expiration of section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended. All outstanding delegations, rules, regulations, orders, licenses, or other forms of administrative action under said section 6 of the act of July 2, 1940, shall, until amended or revoked, remain in full force and effect, the same as if promulgated under this Act.

Termination Date

SEC. 12. The authority granted herein shall terminate on June 30, 1965,[1] or upon any prior date which the Congress by concurrent resolution or the President may designate.

NOTE

The regulations issued under this legislative authority appear in Title 15, Chapter III, of the Code of Federal Regulations, in Parts 368 to 399, inclusive.

[1] This extension from June 30, 1962, reflects the amendment contained in Public Law 87–515, 87th Cong., approved July 1, 1962.

U.S. GOVERNMENT PRINTING OFFICE: 1962

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. Price 20 cents (single copy). Subscription price: 75 cents domestic; 25 cents additional for foreign mailing.

U.S. DEPARTMENT OF COMMERCE

LIST OF FIELD OFFICES

ALBUQUERQUE, NEW MEXICO
U.S. Courthouse
William E. Dwyer
Business Analyst, In Charge
Phone: 247-0311, Ext. 2386

ATLANTA 3, GEORGIA
4th Fl., Home Savings Bldg.
75 Forsyth St., N.W.
Merrill C. Lofton, Manager
Phone: Jackson 2-4121, Ext. 6000

BOSTON 10, MASSACHUSETTS
Room 230
80 Federal Street
Paul G. Carney, Manager
Phone: Capitol 3-2312

BUFFALO 3, NEW YORK
504 Federal Building
117 Ellicott Street
Robert F. Magee, Manager
Phone: TL. 3-4216

CHARLESTON 4, SOUTH CAROLINA
Area 2
Sergeant Jasper Bldg.
West End Broad St.
Paul Quattlebaum Jr., Manager
Phone: 722-6551

CHEYENNE, WYOMING
207 Majestic Bldg.
16th & Capitol Ave.
Albert B. Kahn, Manager
Phone: 634-2731

CHICAGO 6, ILLINOIS
Room 1302
226 West Jackson Blvd.
Anthony J. Buchar, Manager
Phone: Andover 3-3600, Ext. 743

CINCINNATI 2, OHIO
809 Fifth Third Bank Bldg.
36 E. Fourth Street
Robert M. Luckey, Manager
Phone: Dunbar 1-2200
Ext. 345 & 346

CLEVELAND 1, OHIO
4th Floor
Federal Reserve Bank Bldg.
E. 6th St. & Superior Ave.
Edwin C. Higbee, Manager
Phone: Cherry 1-7900

DALLAS 1, TEXAS
Rm. 3-104 Merchandise Mart
500 South Ervay Street
Harry C. Myers, Manager
Phone: Riverside 8-5611, Ext. 3287

DENVER 2, COLORADO
142 New Custom House
19th & Stout Street
Charles E. Brokaw, Manager
Phone: Keystone 4-4151, Ext. 598

DETROIT 26, MICHIGAN
438 Federal Building
Frank A. Alter, Manager
Phone: Woodward 3-9330, Ext. 510

GREENSBORO, NORTH CAROLINA
Room 407 U.S. Post Office Bldg.
Joel B. New, Manager
Phone: Broadway 3-8234

HONOLULU 13, HAWAII
202 International Savings Bldg.
1022 Bethel Street
John C. Borton, In Charge
Tel. 58831, Ext. 464

HOUSTON 2, TEXAS
5102 Federal Bldg.
515 Rusk Ave.
George L. Malherbe, Manager
Phone: Capitol 8-0611, Ext. 231

JACKSONVILLE 2, FLORIDA
512 Greenleaf Bldg.
204 Laura St.
William T. Hunt, Manager
Phone: Elgin 4-7111, Ext. 546

KANSAS CITY 6, MISSOURI
Room 2011, 911 Walnut Street
Nathan L. Stein, Manager
Phone: Baltimore 1-7000

LOS ANGELES 15, CALIFORNIA
Room 450, Western Pacific Bldg.
1031 S. Broadway
Edwin Bates, Manager
Phone: Richmond 9-4711, Ext. 1261

MEMPHIS 3, TENNESSEE
212 Falls Building
22 N. Front Street
John M. Fowler, Manager
Phone: Jackson 6-3426

MIAMI 32, FLORIDA
408 Ainsley Bldg.
14 N.E. First Ave.
Marion A. Leonard, Manager
Phone: Franklin 7-2581

MINNEAPOLIS 1, MINNESOTA
Room 304 Federal Bldg.
110 South Fourth Street
Ernest G. Booth, Manager
Phone: 339-0112

NEW ORLEANS 12, LOUISIANA
1508 Masonic Temple Bldg.
333 St. Charles Avenue
Edwin A. Leland, Jr., Manager
Phone: 529-2411, Ext. 6547

NEW YORK 1, NEW YORK
61st Fl. Empire State Bldg.
350 Fifth Ave.
Arthur D. Rutzen, In Charge
Phone: Longacre 3-3377

PHILADELPHIA 7, PENNSYLVANIA
Jefferson Building
1015 Chestnut Street
David Jamieson, Manager
Phone: Walnut 3-2400, Ext. 591

PHOENIX 25, ARIZONA
New Federal Bldg.
230 N. 1st Ave.
Donald W. Fry, In Charge
Phone: 261-3285

PITTSBURGH 22, PENNSYLVANIA
1030 Park Bldg.
355 Fifth Ave.
John G. Desmond, Manager
Phone: Grant 1-0800, Ext. 785

PORTLAND 4, OREGON
217 Old U.S. Courthouse
520 S.W. Morrison Street
Harold K. Cherry, Mgr.
Phone: Capitol 6-3361, Ext. 421

RENO, NEVADA
1479 Wells Avenue
Jack M. Howell, Manager
Phone: 2-7133

RICHMOND 19, VIRGINIA
2105 Federal Bldg.
400 N. 8th St.
William S. Parker, Manager
Phone: 649-3611, Ext. 2413

ST. LOUIS 3, MISSOURI
2511 Federal Building
1520 Market Street
Alfred L. Rascher, Jr., Manager
Phone: Main 1-8100

SALT LAKE CITY 1, UTAH
222 S.W. Temple St.
Joseph J. Jeremy, Manager
Phone: Davis 8-2911, Ext. 341

SAN FRANCISCO 11, CALIFORNIA
Room 419 Customhouse
555 Battery St.
Merrill F. Woodruff, Actg. Mgr.
Phone: Yukon 6-3111

SAVANNAH, GEORGIA
235 U.S. Courthouse and
Post Office Building
125-29 Bull Street
Joseph G. Stovall, Manager
Phone: Adams 2-4755

SEATTLE 4, WASHINGTON
809 Federal Office Bldg.
909 First Avenue
William H. Flood, Mgr.
Phone: Mutual 2-3300, Ext. 492

[1962?]

Mr. President, last week President Kennedy addressed the White House Conference of Business Editors and Publishers. Several of the questions addressed to the President by these business editors raised the question of the alleged hostility of the Administration to the business community, of its alleged anti-business attitudes.

I am continually amazed and troubled by these feelings. ~~And I am troubled.~~ I am amazed because such attitudes disclose serious misconceptions and misunderstandings about the intentions of the Adm'n among certain business leaders, misconceptions & misunderstandings that are fundamentally unwarranted on the basis of the existing evidence. ~~and~~ But I am troubled because such misconceptions ~~lack of confidence~~ will seriously hamper this country in the decades of economic competition that lie ahead with the Communist world.

~~I believe it is absolutely essential~~ To quote President Kennedy, I am troubled because "this system of ours really depends upon comity, upon cooperation, if it is going to function."

Our struggle with international Communism demands that our system of private enterprise and initiative function at peak efficiency and effectiveness. Any attitudes or beliefs, however unwarranted, that hamper the functioning of this system, weakens the United States in this struggle.

~~What does this charge of being "anti business" really mean?~~ I think it is necessary to explore these attitudes further.

What is meant by this charge of being "anti-business?" I must give a simple and straight-forward answer: I have no idea. Those who make this charge apparently assume that business men subscribe to one list of approved attitudes and beliefs that President Kennedy opposes.

2/

To me this demonstrates that such business men know very little about the business world. Like any other group in American society, the range of opinions and beliefs among business men is wide and inclusive.

healthy democratic system. They help stimulate full discussion and examination of the public issues before the country. But such disagreements should not be transformed into a basis for attirbuting to the President some manner of class hatred against business men in general.

The wide divergency within the business community itself makes such a conclusion ridiculous. At best, the use of the term "anti-business" suggests that a particular business man opposes the President on a particularissue. Any understanding of the term that goes beyond this is irresponsible and seriously misleading.

Second, it makes absolutely no sense politically or economically for the President to hold this alleged anti-business attitude. A flourishing and expanding business community means prosperity and progress for the entire nation. It means vigorous economic growth and vitality. It means reduced unemployment and an end to recessions. No one hopes for these developments more fervently than the President of the United States, whateverhis party affiliation. Show me a party platform opposed to business prosperity and I'll show you a defunct political party.

Third, the Kennedy Administration has given clear evidence of its ~~appreciation of the contributions business men make to our national well-being and concern for insuring a growing and vital business~~ appreciation for the contributions of the business community in our national life and a deep-seated determination to insure that this community will grow and prosper. The President has brought to Washington some of the most able and talented business executives in the country. They have served the Administration and the country with distinction and honor. Secretary McNamara and Secretary Dillion are only the most obvious examples. There are hundreds more throughout the Government at all levels.

¶ The 3/ first item of business on the Administration's agenda in January 1960 was halting the growing recession that ~~xaxx~~ had spread across the country. ~~Thxxxx~~ By last summer this objective had been achieved. Since then, ~~Sxx~~ the President has proposed a number of specific measures ~~dxxxxxxxx dxxxxx~~ designed to assist the business community. These include, among others, the tax incentive plan for capital improvements contained in the tax reform measure of 1962, the revised schedules of depreciation released last July, the expanded housing program passed last year, the trade expansion act, and the cooperative arrangement between the Federal government and private buśiness for controlling communications satellites.

These examples could be multiplied many times. ~~But I seek by these xxxxx brief remarks to draw attention to the eloquent remarks of the President delivered to the White House Conference of Business Magazine Editors and Publisheers last week.~~ In sum, they demonstrate the firm conviction of the Kennedy Administration that a healthy and prospering business community means a healthy and prospering United States. To ~~say~~ assert that the ~~Kxx~~ Kennedy Administration is "anti-business" in light of this evidence is to talk nonesense. ~~xxx~~ It is to undermine the basic faith that all Americans, whatever their calling, should have in their ~~Federal~~ ~~Government, xxx whichever political party happens to control the executive or legislative branches.~~ elected representatives, whatever their political affiliations.

~~These brief remarks xxIxxxx~~ The President expressed this belief most eloquently last week in remarks delivered before the White House Conference of Business Magazine Editors and Publishers. ~~Mxx~~ My remarks today are made primarily to emphasize what the President said to the business editors. I hope every businessman who harbors some ~~xxxxxxxxxx~~ feeling that the Kennedy Administration is "anti-business" will read these remarks carefully.

In essence the President again expressed his belief in the free market economy as it operates in the United States and the need for a firm parternship between business and government in the difficult task of keeping this free market operating efficiently and in the public interest.

Let me quote the President directly: "Our experience during the present expansion has also demonstrated our ability to achieve impressive economic gains without shrinking the area of market freedom. I regard the preservation and strengthening of the free market as a cardinal objective of this or any Administration's policies. . . . The free market is a decentralized regulator of our economic system. The free market is not only a more efficient decision maker than even the wisest central planning body, but, even more important, the free market keeps economic power widely dispersed, It thus is a vital underpinning of our democratic system."

Then the President went on to make what I consider the heart of his message to the business editors and publishers: "A market, of course, is not a fact of nature. It is a creation of man and, as such, we have no guarantee that it will work effectively and impartially if we pay no attention to it. We must encourage and protect the availability of full information, safeguard competition and extend freedom of opportunity to individuals and businesses to participate fully in the economy in accordance with their desires and their abilities. The full benefits of the market system can only be felt when all of our people and all of our resources are used as wisely and effectively as possible."

The President concluded his formal remarks with this frank observation: "It is, of course, natural that we will disagree as to how these goals can be implemented on occasion. Such controversies are essential to the democratic system, and also essential to democratic progress. I think it is important, however, that the controversies be based as soundly as possible on facts and on the most detailed information, that this information be made available as widely as possible in order to make sure that the business men of the country play as significant a role as their responsibility warrants."

Mr. President, I can only repeat my hope that this expression of faith in our ~~xxxx~~ free market economy and the proper role for government in the maintenance of this economy ~~bxx~~ is studied by businessmen of all political persuasions. It is an outstanding and illuminating statement.

Mr. President, I ask unanimous consent that the text of the President's remarks and his answers to some questions posed by the business editors, as reported in the N. Y. Times of Sept. 27, be printed in the Record at this point of my remarks. I also ask unanimous ~~xxxx~~ consent that an editorial (Commenting on this conference ~~that appeared~~ ~~xxxx xxxxxxxx in the~~ from the Washington Post of September 28 be printed in the Record.

Mr. President,

/Rather than stifling the growth of business, I find continuous evidence that one of the central objectives of the Administration is to stimulate American businessmen into greater activity, to encourage a greater willingness to compete in world markets.

Last week Governor G. Mennen Williams, Assistant Secretary of State for African Affairs, called for a "greater spirit of adventure" by prospective American investors in Africa. Speaking before the Conference on Trade and Investment in Tropical Africa, Governor Williams acknowledged that investors faced economic and political risks in Africa but asserted that traditional American boldness could meet these risks and grasp "the many opportunities opening up on that dynamic continent."

At present American investments in Africa are very low in relation to Africa's needs or the opportunity that exists. American business men should recognize this fact, should accept this challenge, and should contribute to the tasks of economic development and maintenance of political stability in this critical area of the world. This is the most effective foreign aid this country can offer.

If we have faith in the American system of private enterprise, we must demonstrate this faith in the emerging nations and the underdeveloped areas of the world. This must not be done in the spirit of the old colonialism, but in a spirit of true cooperation with national leaders and businessmen of these nations. Our business men must receive a fair return for their investments. ~~And~~ But they must be willing to see that a fair proportion of the returns are directed into the local economy.

Last week I was also distressed to learn American business has seriously cutback investments in another critical area of the world, Latin America.

The Journal of Commerce reported that the Alliance for Progress is working in reverse as far as private U.S. foreign investment is concerned. While the Alliance projected annual private U.S. investment in Latin American on the order of $300 million in the first half of 1962, a new outflow of $29 million from Latin American to this country took place.

This is a most disturbing development. Private resources are potentially the ~~xxxxx~~ best equipped to raise the economic life of these South American countries. ~~The pending foreign aid appropriation bill contains — million for investment guarantees. It is essential that American business~~ Without adequate private participation in the Alliance, ~~itsxxxxx~~ it is likely to fail.

If the Alliance fails, and if the massive social and economic reforms in South American are not achieved, the forces of private initiative will have suffered a serious, ~~xxxxxx~~ perhaps even critical, setback. The United States government has pledged substantial economic and technical assistance. But this governmental action can only be successful in conjunction with equally determined private ~~investment~~ initiative.

Mr. President, I ask unanimous consent that the news story from the Journal 6f Commerce of Sept 28, 1962 describing the reduced ~~xxxxx~~ private investment in Latin American be printed in the Record at this point.

No, Mr. President, this Administration is not anti-business. This Administration is counting on private business to demonstrate its faith in competition and the free market, not only in this country but around the world. It has assigned to private initiative a critical role in America's struggle against the totalitarian systems of the Communist nations.

~~American business must propsor if American is to remain strong.~~

The ~~Kennedy Administ~~ration

8/

~~If American is to remain strong, America business must prosper.~~

~~It must accept the challenges of~~

I call upon
~~I challenge~~ American business men to accept this challenge.

I call upon ~~xxxxx~~ those American business men who charge the Administration

as being "anti-business" to ~~xxxxxxxxxxxxxxx~~ recognize the hollowness
contribute to the mighty effort of
of ~~this~~ their words. Let them instead ~~cooperate with the xxxxxxx~~
in demonstrating
this Administration ~~is [illegible] to demonstrate [illegible]~~ that
private
private initiative and enterprise, ~~xxxxx~~ in cooperation with
enlightened democratic
~~xxxxxxxx~~ government, ~~xxxxxxx~~ provides the best path to economic

growth and development and personal political freedom.

1962

FCIA

FOREIGN CREDIT
INSURANCE
ASSOCIATION

THIS BOOKLET SURVEYS BRIEFLY THE OPERATIONS OF THE FOREIGN CREDIT INSURANCE ASSOCIATION

FCIA has been established in response to a request by the Export-Import Bank of Washington for participation by the insurance business with the Bank in providing export credit insurance for United States exporters. On October 27, 1961, President Kennedy said that: *"The response of private industry has been splendid in furthering the national interest in this area. The insurance companies and commercial banks have given a distinctive public service through their cooperation in making export credit facilities available as part of the national effort to improve the balance of payments of the United States."*

FOREIGN CREDIT INSURANCE

INSURANCE FOR EXPORTERS

On February 6, 1961, President Kennedy issued a directive to Eximbank to provide facilities to insure American exporters where the extension of credit is warranted.

Eximbank then invited private insurance companies to take part in a broad program of providing foreign credit insurance.

The Foreign Credit Insurance Association was formed in response to that invitation. Membership in the Association is open to any insurance company that may qualify. Eximbank and FCIA are proceeding in this undertaking in accordance with Federal Law which authorized Eximbank to establish this program.

FCIA, at the direction of Eximbank, is to administer the details of the program. Eximbank will assume 100% responsibility with respect to political risks. Eximbank and FCIA's member companies will share the policy obligations with respect to commercial credit risks.

The Foreign Credit Insurance Association's purpose is to offer private insurance facilities in partnership with Eximbank in order to assist United States exporters to become more competitive in foreign trade through a sound foreign credit insurance program.

ADVANTAGE TO EXPORTERS

A POWERFUL STIMULUS TO NEW EXPORT BUSINESS

Credit insurance is a valuable aid to the exporter entering a new market or expanding his sales in an existing market. It assists the exporter in extending terms of credit to a new buyer although there has been no prior business transaction with him or in extending credit where previously sales were made only on a more restricted basis.

LIMITS CREDIT LOSSES IN DEALINGS WITH A FOREIGN BUYER

This new program insures payment of credits extended by an insured exporter to a foreign buyer, and may assist the insured exporter in obtaining financing through commercial banks and other private financial institutions. With this program, an exporter whose foreign accounts receivable are insured under FCIA policies should be,

- more disposed to extend proper credit to his customers abroad
- more readily able to obtain financing from his commercial bank or other private financial institution than if the accounts were not insured.

AID TO CREDIT MANAGERS

The FCIA program will augment the function of credit departments. Credit insurance is not intended to supplant or eliminate the work of a credit department. Export credit insurance is designed to protect against loss through failure to pay despite current reliable credit data obtained by credit departments.

The collection of payments will be the function of the insured exporter; it will be to his benefit (since premiums will depend upon claim experience) to exhaust every avenue in making collections. FCIA will advise and collaborate with the exporter in effecting collections, but will be unable to serve as a collection agency.

WHAT EXPORT CREDIT INSURANCE COVERS

The FCIA-Eximbank policy covers both commercial credit and political risks.

Commercial credit risks will be insured equally by FCIA and Eximbank. Political risks will be insured solely by Eximbank.

Commercial credit risks include insolvency of the buyer and his protracted default exclusive of any risk defined in the policy as a political risk.

Political risks are defined in the policy and include such risks as inconvertibility of foreign currency to dollars, expropriation, confiscation, war, civil commotion or like disturbances, and cancellation or restriction of export or import licenses.

WHOLE TURNOVER

FCIA requires that all eligible shipments be declared and premium be paid unless FCIA has agreed that the exclusion of certain products, markets or buyers would still provide a reasonable spread of risk.

INDEMNITY

Since the insurance offered by the members of FCIA and Eximbank is intended to reinforce and not replace sound credit judgments of the exporter, the insured retains a liability of 15% of any losses arising out of commercial credit risks and at least 5% of any losses arising out of political risks.

TYPES OF POLICIES

FCIA initially will provide insurance for *short term* credit transactions up to 180 days—in special circumstances, up to 1 year. Coverage for credit terms in excess of one year is being developed and will be offered soon.

The basic policy form provides insurance beginning on the date of shipment. An amendment to this policy providing cover from the date of the sales contract is also available. The contract form of policy will meet the needs of many exporters, particularly those who are fabricating to special order where the loss may occur before shipment, but after the contract is made.

Coverage is offered in most foreign nations except for the "iron curtain countries."

RATES AND PREMIUMS

Premium rates vary by country to which shipment is made and by credit terms extended to the buyer.

Eligible markets are grouped in three classes depending upon the market climate.

Insurance rates for commercial and political cover may vary from 20¢ to $1.72 for short term credits. These rates apply per $100 of gross invoice value of shipments. A deposit premium is required at inception and each policy will be subject to a minimum premium.

The insured will report each month and pay premiums on eligible shipments made during the preceding month of the policy term (normally one year).

The insured may elect at policy inception to include shipments to Canada and shipments under irrevocable bank letters of credit if payable in the United States.

HOW TO APPLY

To apply for foreign credit insurance an exporter obtains an application form through an insurance agent or broker or an FCIA member company. Submission of this form will constitute a formal request for a quotation. If the exporter elects to purchase the coverage described in the resulting quotation, he will submit to FCIA a signed copy of the quotation together with the requisite advance premium.

LIMITS OF LIABILITY

The policy will be subject to an overall aggregate limit of liability for the period of the policy (generally one year).

Each short term policy also will specify the maximum amount of credit outstanding to each buyer at any one time which will be covered by the policy. This maximum amount of credit covered by the policy may be fixed in either of two ways.

DISCRETIONARY CREDIT LIMIT

In each short term policy, FCIA will specify an authorized limit per buyer to be used by the exporter without prior submission of the buyer's name to FCIA. FCIA will not make a prior investigation of those buyers for whom the exporter uses the limits so authorized. Within this limit, the insured exporter is responsible for the exercise of good credit practices in extending credit to be covered by the policy. When making shipments to a buyer under a discretionary limit, the insured must have in his possession and retain favorable, current, written credit reports—from at least two reliable sources—on that buyer which justify extension of the credit contemplated.

THE EXPORTER'S SPECIAL LIMIT

If the insured desires a credit limit higher than his discretionary limit on sales to a particular buyer, he may apply to FCIA for a *special* limit which will apply to all future sales to that buyer. In agreeing on a special limit, it will be necessary for FCIA to complete a credit investigation of the buyer. Once established, a special limit will supersede the discretionary limit for that buyer and will continue in effect until withdrawn or amended. The form used by FCIA to approve each special credit limit is to be attached to and made a part of the policy.

HOW TO OBTAIN A SPECIAL LIMIT

In order to establish a special limit, FCIA must have sufficient credit information to justify such action for a particular buyer. Accordingly, with each application for a special credit limit the insured should submit such information if available to him. If FCIA is obliged to procure this information a fee of $10.00 will be charged. The amount of this fee will be re-evaluated each year in light of the actual cost of collecting credit information. To facilitate the procurement of the necessary information it is suggested that application for limits on and credit informatión concerning new buyers be submitted as soon as it is known negotiations with a foreign buyer will result in a firm order.

MAINTAINING A CREDIT LIMIT

When a policy is renewed, the discretionary and outstanding special credit limits and policy aggregate limits will be continued, unless otherwise specified in the renewal endorsement.

The credit information on a particular buyer will be reviewed periodically by FCIA at its own expense. The insureds can assist in keeping cost to a minimum by notifying FCIA if the special credit limit on a buyer is no longer needed, and insureds periodically will be asked to review outstanding special credit limits so that such limits may be withdrawn voluntarily wherever possible.

CREDIT LIMITS ARE ON A REVOLVING BASIS

Unless otherwise provided, all authorized credit limits, whether discretionary or special, will apply separately to each buyer on a revolving basis, i.e., as payments are made for earlier shipments, the credit limit becomes valid for further business.

EXCESS BUSINESS

The insured will declare and pay a premium on all of his business involving eligible shipments including any credit sales made in excess of agreed credit ceilings for the following reasons:

1. as payments are received from a particular buyer the totals outstanding are reduced to a point where the "excess business" will come within the scope of the credit limit; and
2. the credit limit authorized by FCIA in its opinion represents the limit of prudent trade and any "excess business" may lead the buyer into overtrading, with a consequent increase in the risk to both exporter and insurers.

IN THE EVENT OF LOSS

OVERDUE ACCOUNTS

The insured will report in the monthly Shipment Reporting Form all amounts which at the end of the previous month remained wholly or partly unpaid for more than 90 days from the due date of the indebtedness in respect of shipments previously declared.

NOTICE OF POTENTIAL LOSS

The policy provides for notice in writing of the occurrence of any event likely to cause a loss, within 30 days of the insured's knowledge of such occurrence. Moreover, the policy contains specific conditions concerning the efforts to be made by the insured to minimize or prevent loss.

PAYMENT OF CLAIMS

All claims should be filed using the prescribed form. Proceeds may be assigned to a bank or any other financial institution, with the approval of FCIA.

RECOVERIES

The insured will be allowed and urged to continue to seek payment from the buyer even after payment of the claim. Recovery action is in the common interest of both the insurers and the insured. FCIA will be subrogated to all of the rights of the insured as respects recoveries.

The policy provides that, after payment of any claim, any sums recovered from the buyer or any other source shall, after reimbursement of the expenses of recovery, be shared between the insurers and the insured in the proportion in which they shared the original loss.

MEMBER COMPANIES OF FCIA (1/11/62)

Aetna Casualty and Surety Company, The
Aetna Insurance Company
Allstate Insurance Company
American Casualty Company of Reading, Pennsylvania
American Employers' Insurance Company
American Home Assurance Company
Atlantic Mutual Insurance Company

Boston Insurance Company

Camden Fire Insurance Association, The
Celina Mutual Insurance Company, The
Cincinnati Insurance Company, The
Commercial Union Insurance Company of New York
Consolidated Mutual Insurance Company
Continental Casualty Company

Empire Mutual Insurance Company
Employers Mutual Liability Insurance Company

Fireman's Fund Insurance Company
Firemens' Insurance Company of Newark, New Jersey

General Insurance Company of America
Great American Insurance Company

Hanover Insurance Company, The
Hartford Accident and Indemnity Company
Home Insurance Company, The

Insurance Company of North America

Liberty Mutual Insurance Company
Lumbermens Mutual Casualty Company

MFA Mutual Insurance Company
Middlesex Mutual Assurance Company
Mutual Service Casualty Insurance Company

National Casualty Company
National Union Fire Insurance Company
Nationwide Mutual Insurance Company
New Hampshire Insurance Company

Peerless Insurance Company
Phoenix Assurance Company of New York
Phoenix Insurance Company of Hartford, The
Potomac Insurance Company
Providence Washington Insurance Company

Quaker City Insurance Company

Reliance Insurance Company
Royal Indemnity Company

St. Paul Fire and Marine Insurance Company
Seaboard Surety Company
Security Mutual Casualty Company
Springfield Insurance Company

Transit Casualty Company
Transport Insurance Company
Travelers Indemnity Company, The
Tri-State Insurance Company

United Benefit Fire Insurance Company
United States Fire Insurance Company

Washington General Insurance Corporation
Wolverine Insurance Company
Worcester Mutual Fire Insurance Company

Zurich Insurance Company

and

Export-Import Bank of Washington

This booklet is explanative and illustrative only. It does not supersede the FCIA policy or the provisions therein discussed.

Published by
FOREIGN CREDIT INSURANCE ASSOCIATION
60 John Street, New York 38, N. Y.

EXPORT-IMPORT BANK OF WASHINGTON

EXIMBANK

For The Press

The following press release was the subject of FCIA - Eximbank Press Conference, New York January 30, 1962

REpublic 7-7890

FOREIGN CREDIT INSURANCE
OFFERED BY NEW AGENCY

NEW YORK, January 30 -- Credit Insurance for United States exporters, covering both overseas commercial and political risks, becomes available Monday, February 5 through the newly formed Foreign Credit Insurance Association.

Details of the program were announced today by Harold F. Linder, president and chairman of the board of the Export-Import Bank of Washington, and Thomas H. Bivin, chairman of the governing committee of FCIA.

In cooperation with the Export-Import Bank, the FCIA will insure in a single policy both commercial credit and political risks on short term transactions resulting from U.S. export sales to buyers in friendly foreign countries.

This new insurance guarantees payment of credits extended by a U.S. exporter to a foreign buyer. The policy contains coverage and provisions designed to give American exporters the best service of its kind in the world.

"This program will provide two important benefits for exporters," Mr. Bivin said. "First, exporters will be more disposed to extend credit to customers abroad and, second, they will be better able to obtain more financing from commercial banks than if the accounts were not insured."

Foreign credit insurance does not itself provide the financing required by the insured exporter. Such financing is available from commercial banks and other private financial institutions.

FCIA is an unincorporated association comprised at present of 57 capital stock and mutual insurance companies. Membership is open to all responsible and qualified insurance companies. The insurance will be offered through the member insurance companies and their agents and brokers.

Credit or commercial risks to be covered include insolvency of the buyer and protracted default. Also covered will be political risks of inconvertibility of a foreign currency to dollars, cancellation or restriction of export or import licenses, expropriation, confiscation, war, civil commotion or like disturbances.

This type of insurance has long been offered to exporters in foreign countries, mostly through government agencies, but has been available only on a limited basis to U.S. exporters.

"This concept of meeting the need for an insurance program through private companies is in keeping with the American free enterprise system," Mr. Linder said. "The program enables the exporter to purchase his credit insurance through a local agent or broker and eliminates any need for direct negotiations with Eximbank in Washington."

Coverage will be offered in most foreign nations except for the "iron curtain" countries.

At the suggestion of the United States Government through the Export-Import Bank, the FCIA was formed in late 1961. Earlier in the year President Kennedy had directed Eximbank to take steps to assure American exporters were placed on a basis of full equality with their competitors abroad. The President specifically mentioned the desirability of utilizing private U.S. financial enterprises more effectively.

After studying foreign export assistance plans, Eximbank concluded that the system best suited to American needs was a partnership between the private insurance sector and the U.S. Government. The FCIA represents such a partnership. Officials of both the private insurance industry and the government are convinced that the export credit insurance about to be issued is, as a package, at least equal to that offered anywhere in the world, and is superior to most.

The underlying interest of the government in increasing U.S. exports relates directly to its concern with the overall balance of our international payments. Balance of payments deficits can be attacked most directly through an increase in overseas sales of American goods.

On January 19th, 1962, President Kennedy said, "A 10 percent increase in exports and our balance of payments problem is defeated."

It is the aim and purpose of the FCIA and the Export-Import Bank to help increase the volume of American exports through export credit insurance which both protects the exporter and places him in a better position to obtain financing for his transaction.

Policies issued by FCIA will have Eximbank underwriting 100 percent of the political risks with FCIA and Eximbank sharing the credit risks with FCIA. Last September Congress enacted legislation clarifying Eximbank's authority to enter such an arrangement with private insurance companies. The bank at the same time was empowered to insure export transactions in an amount up to $1 billion.

The first FCIA policy will cover all U.S. products which may be legally exported from the United States on terms of 180 days or less. In appropriate cases, this cover may be had for transactions whose terms are up to one year. As soon as practicable, policies will be made available for export transactions whose terms are as long as five years. In all cases, terms of repayment in the transaction are not to exceed those customary for the goods in international trade.

The premium rates on short term policies where all export sales are covered will vary according to the terms of payment and the foreign country of the buyer and they will range from 20¢ to $1.72 per $100 of gross invoice value.

Political risk coverage of the FCIA short term policy is as extensive and inclusive as any to be found among insurers of international trade transactions. For example, FCIA treats any external expropriation of or intervention in the buyer's business as a political risk and it is therefore covered to 95 percent of potential loss. Common practice abroad is to consider expropriation and intervention as simple default of payment with coverage of 85 percent of potential loss. Further, coverage against other acts of government such as war and civil war is broader than is usual in delineating the elements of "political risks". In supporting political risk claims, the exporter will be required to submit the "best evidence reasonably available to the insured", that the loss was covered by the policy.

- 0 -

FOREIGN CREDIT INSURANCE ASSOCIATION

EXPORT-IMPORT BANK OF WASHINGTON

EXPORT CREDIT INSURANCE

Questions and Answers

Prepared as of February 19, 1962

Information contained herein is explanative and illustrative only. It does not supersede the FCIA Policy or the provisions therein discussed.

1. Q. Is FCIA an insurance company?

   A. No; FCIA is an Association of more than 50 Stock and Mutual insurance companies. The Export Credit Insurance policies will be issued by FCIA on behalf of its member companies and Eximbank.

2. Q. Under what authority does Eximbank become an Insurer?

   A. The Export-Import Bank Act of 1945, as amended. The most recent amendment was by Public Law 87-311 which became effective on September 26, 1961.

3. Q. Is foreign credit insurance available in other countries?

   A. In most of the major free world industrialized countries foreign credit insurance has been made available. In some instances insurance is made available by a government agency (such as in Great Britain through its Export Credits Guarantee Department) and in others by private insurers acting for the sole account of the government (such as in West Germany). It was decided that in this country it would be preferable to make maximum use of available private insurance through an arrangement with the government whereby the risks are shared in accordance with a specific agreement.

4. Q. Will FCIA provide financing?

   A. No; but an FCIA policy may assist an insured exporter to obtain financing through commercial banks or other private financial institutions.

5. Q. What types of policies will FCIA offer?

   A. On page 4 of the FCIA pamphlet reference is made to the types of policies now offered and those to be offered in the immediate future.

6. Q. Is it contemplated that FCIA will offer coverage for the following:

   (a) Unsold goods held in stock overseas
   (b) Sales from overseas stock
   (c) Goods exhibited or demonstrated overseas?

   A. Coverage for these cases is not presently available from FCIA, but will be developed as circumstances permit and a sufficient need becomes evident.

Questions Relating Specifically To The
Export Credit Insurance Policy (Short Term - Shipment Form)

7. Q. Why is it necessary to grant coverage for both insolvency and protracted default (failure to pay) when the latter seems broad enough to include the former?

   A. Insolvency may take place prior to delivery and acceptance by the buyer whereas "protracted default" is covered only after such acceptance; and payment of a claim is made when insolvency occurs whereas a 6-month waiting period is required as proof of protracted default.

8. Q. Will coverage be afforded if the loss occurs after the end of the policy period?

   A. Yes; provided that the eligible shipment was made during the policy period and written claim of loss is made within one year from the due date of the indebtedness.

9. Q. As respects the Transfer Risk (Coverage B-Political Risks), if the failure of the appropriate exchange authority to transfer local currency into dollars is due to a fault of the buyer, will there be any coverage under the policy?

   A. The circumstances described would render subparagraph 1b of Coverage B-Political Risks inapplicable, thus making this risk insurable under Coverage A-Commercial Credit Risks, since this would not be a loss "insured under Coverage B-Political Risks" (see concluding phrase of Coverage A).

10. Q. Would the same reasoning apply with respect to other situations where the loss is not "insured under Coverage B-Political Risks" e.g. confiscation <u>after</u> due date (subparagraph 2b (2) of Coverage B-Political Risks)?

   A. Yes; the example cited is but one of many types of risks which, because it is not within the precise definition of any of the Political Risks, comes within the subject matter of Coverage A. The only Political Risk which does not have a Commercial Credit Risk counterpart is contained in subparagraph 2b (4) of Coverage B.

11. Q. If there is a temporary blockage of local currency at the time of the deposit by the buyer which is followed by a devaluation, would the Transfer Risk Coverage protect the insured in the event the buyer fails to deposit the additional currency required?

   A. (i) If the deposit were made on or before the due date or within 90 days thereafter, as full payment of the debt at the rate of exchange then in effect, any later event would not affect cover provided under the Transfer Risk; if the deposit were only a part payment, only that portion deposited would be insurable as a Transfer Risk with the remainder being subject to Coverage A.

(ii) If the deposit were made more than 90 days after the due date, only Coverage A would apply.

(iii) Eximbank, however, does not cover a loss arising out of exchange fluctuations or devaluation of the currency of the buyer's country occurring on or before the due date of the indebtedness or date of deposit, whichever is later (see Exclusion A of Article V).

12. Q. Since subparagraph B1 of Article VII provides, in part, that Eximbank will make payment for a Transfer Risk loss within three months after submission of the required evidence, will the answer to the preceding question be in any way affected if the currency is unblocked after the devaluation, but before the end of the three months' waiting period required under Article VII?

A. No.

13. Q. Why is there a three month delay in payment of a claim by Eximbank?

A. In the case of inability of the buyer to obtain dollar exchange, to assure that the exchange blockage is not merely a temporary one; and in other cases to permit the exporter to effect alternate disposition of the goods or otherwise to determine the net loss involved.

14. Q. What rate of exchange will be utilized by Eximbank in calculating the payment for a Transfer Risk, when the buyer's country has a multiple exchange rate system?

A. The rate of exchange appropriate on the due date for imports of the type of shipment in question.

15. Q. What proof is required for the deposit of local currency by the buyer?

A. The exporter's bank should state in writing that it has been advised by its foreign correspondent that an irrevocable deposit of local currency has been made in the correspondent bank or other appropriate entity.

16. Q. Why is it necessary to have two subparagraphs (a and b) under paragraph 2 of Coverage B?

A. Under subparagraph b there must be a causal relationship between the loss and the event; no such causal relationship is required under subparagraph a.

17. Q. Under subparagraphs a(3) and b(3) of paragraph 2, Coverage B where reference is made to the "imposition of any law," is coverage afforded if the law is found to be arbitrary or unconstitutional?

A. Yes; the phrase "having the force of law" taken in conjunction with the phrase "not due to the fault of the insured and the buyer" (subparagraph a(3)) is intended to cover any act, legal or defacto, which prevents the import of the shipment (subparagraph a(3)) or the deposit from being made (subparagraph b(3)).

18. Q. Is it necessary to insure all "eligible shipments"?

A. Under the Short Term program, an insured is expected to declare and pay a premium on his "whole turnover," unless FCIA agrees in writing that the exclusion of certain countries, products or buyers will provide a "reasonable spread of risk."

19. Q. Explain what the term "whole turnover" is intended to mean?

A. Generally speaking, "whole turnover" includes every eligible shipment. However, by its definition an eligible shipment does not include, among others, sales which require full cash payment in advance. In addition, paragraph 11 of the Application and Request for Quotation provides the insured the option to include or exclude sales to Canadian buyers or sales on Irrevocable Bank Letters of Credit whether or not confirmed by a bank in the U.S. Where an insured elects to exclude either or both of these optional coverages, what remains is still considered as "whole turnover."

20. Q. As a corollary to the preceding answer, is it required that the insured declare and pay a premium on transactions where the terms are cash against documents, cash on arrival and sight drafts?

A. Yes; if the insured is to be eligible for a "whole turnover" rating such transactions must be included. However, a review of the various rating schedules will reveal that such transactions carry one of the lowest rates within such schedules.

21. Q. How can a prospective insured determine if FCIA will be willing to consider a portion of his foreign sales as a "reasonable spread of risk"?

A. Only by formal application with submission of complete details concerning the sales which would be included and excluded. It should be noted that FCIA will not be required to detail its reasons for rejecting such an application. However, new proposals may be submitted by the insured including more sales until finally accepted by FCIA.

22. Q. If each of the affiliated corporations of a parent company sells a different type of goods, may insurance be obtained for sales by only one such affiliate or division?

A. Yes; provided that the goods are categorically different and not merely modifications of a basic item.

23. Q. If the prospective insured conducts business in a certain area through a division or corporation, such as a Western Hemisphere corporation, established specifically for this purpose, may he obtain insurance solely for such division or corporation?

A. He must offer to FCIA the sales to other areas by divisions or corporations which are affiliates. In some cases it may then be possible on request to exclude certain types of goods or some markets as suggested in the answer to Question 18.

24. Q. Why cannot the prospective insured obtain coverage on sales to only one area or to selected countries?

    A. A self-sustaining insurance program at reasonable rates requires an adequate spread of risk on short-term transactions not subject to individual advance review. This is the practice of all guarantors or insurers of short-term sales abroad.

25. Q. Why cannot the prospective insured obtain coverage on sales to selected areas by paying higher rates?

    A. Rates sufficiently high to cover sales only to the more uncertain markets would generally be prohibitive from a competitive standpoint. Only an adequate spread of risk can make possible a self-sustaining operation at reasonable rates.

26. Q. Can a prospective insured who sells in only one country or area obtain insurance?

    A. Yes; if the limitation to one area is not the result of a restriction in the insured's charter or by agreement as implied in Question 23.

27. Q. Are re-exports eligible?

    A. Only if analysis indicates that no effective competition with products made in the United States will result.

28. Q. Are raw materials and consumers' goods eligible as well as durable goods and capital equipment?

    A. Yes.

29. Q. Does the FCIA insurance cover the sale by a United States firm of goods produced abroad?

    A. No.

30. Q. Must the manufacturer or exporter of the goods be a United States firm?

    A. No; subject to the limitations of paragraph 17 of the Application Form, the export sales of a foreign firm doing business in the United States are eligible for coverage, provided that the goods themselves are produced or manufactured in the United States.

31. Q. Are exports by merchants eligible for cover or is the coverage limited to goods exported by manufacturers?

    A. Merchants may apply for the insurance provided they hold title to the goods being exported.

32. Q. How does a prospective insured determine if he is eligible for insurance?

A. Subparagraph A of paragraph 17 of the Application and Request For Quotation sets forth the basic eligibility requirements imposed upon prospective insured.

33. Q. Is it possible to insure sales to foreign subsidiaries?

A. Subparagraph B of paragraph 17 of the Application and Request For Quotation sets forth the rules on this subject which are imposed upon Eximbank and, in turn, upon FCIA.

34. Q. Will FCIA insurance be available for shipments to or from the territories or possessions of the United States, Puerto Rico or the Canal Zone?

A. Exports from these areas are eligible, but imports into such areas are not eligible.

35. Q. Is it possible to secure insurance under a barter arrangement?

A. No; the goods must be sold for United States dollars.

36. Q. If the finished product includes component parts manufactured abroad, would the sale of such product be within the meaning of paragraph 2 of the definition of eligible shipment?

A. A decision on each case must be based upon submission of complete underwriting information.

37. Q. An exporter has a buyer in Panama who requests shipment be made to another, unrelated, firm in Bolivia. The draft will be drawn on and paid by the buyer in Panama. Is this eligible for coverage?

A. No; see Exclusion D, Article V.

38. Q. Is there any limitation on the means by which the shipment is made?

A. No; the shipment may be made by any available means of transportation.

39. Q. Explain the application for and use of credit limits?

A. The FCIA pamphlet provides an excellent summary of the application for and use of credit limits.

40. Q. Is there any limitation on sales to a particular buyer?

A. FCIA reserves the right to establish for each buyer a credit ceiling beyond which sound business practice would not warrant the extension of additional credit.

41. Q. If an exporter ships an account in larger amounts than the limit approved by FCIA, can that excess be covered against the political risk?

A. No.

42. Q. Is there any limitation on sales to a particular country?

A. The Country Limitation Schedule contains all such limitations.

43. Q. In certain countries FCIA will grant coverage only on CILC or ILC. If exporter ships accounts in such a country on a term credit basis, must premium be paid on these shipments?

A. No.

44. Q. As a corollary to the preceding question, may the exporter exclude that country?

A. Yes.

45. Q. May a prospective insured apply for the insurance through his commercial bank or other financial institution?

A. No; while such banks or other financial institutions may assist him, the prospective insured must select his insurance agent or broker or a member of FCIA to make the Application on his behalf.

46. Q. Would either the insured or an assignee be able to recover under the Policy if the insured makes a false statement or misrepresentation to FCIA?

A. The rights of an assignee would not be greater than those of the insured (assignor). FCIA does not intend to pay claims based on intentional fraud or misrepresentation.

47. Q. Under Exclusion B of Article V there appears the phrase "due to fault of the insured or his agent." Does "agent" include the bank handling the draft and documents for the exporter?

A. Yes.

48. Q. May either the insured or the Insurers cancel the policy during the policy period?

A. No; but paragraph B of Article X grants the Insurers the right to change the policy terms.

49. Q. Is it anticipated that the insured's retention may be amended on an individual risk basis?

A. Generally speaking no; however, the Insurers may exercise this right under extraordinary circumstances under the provisions of paragraph B of Article X.

50. Q. Will it be possible to secure certificates of insurance which would provide assignees notice whenever the Insurers elect to exercise their rights under B of Article X?

A. While such certificates have not yet been prepared, they will be made available if the need is established.

51. Q. In the event foreign competitors offer extraordinary terms, is it anticipated that FCIA will provide insurance for comparable terms?

A. If it is demonstrated that foreign competitors are offering extraordinary terms with public assistance FCIA will consider requests for matching terms.

52. Q. When reporting each month on the Shipments Report Form is it necessary to identify the particular buyer?

A. Under normal circumstances, no.

53. Q. Should the Shipments Report Form be sent directly to FCIA or through our agent or broker?

A. An insured may elect either route provided that the check for the full premium is made payable to FCIA. If you believe that your agent or broker can assist in avoiding mistakes, it may be helpful to send the Form directly to him rather than directly to FCIA.

54. Q. May Freight Forwarders purchase an FCIA policy to cover their charges on shipments handled?

A. No; unless they take title to the merchandise.

55. Q. If 15% cash in advance is received by the exporter can he get 100% coverage on the remainder on which he will extend credit?

A. No.

56. Q. Can investments, services, or plant construction be insured under an FCIA policy?

A. Investments, no; services and construction, not yet.

57. Q. Is it the intent of Article IX to permit the complete reimbursement to the insured for his recovery expenses before sharing the remainder with FCIA?

A. Yes; this is part of our inducement to insureds to pursue recoveries even after payment of a claim under the FCIA policy.

58. Q. How does the coverage provided in the FCIA policy compare with the coverage given to exporters in other countries?

A. The credit risk coverage and the political risk coverage in the FCIA policy are as extensive as, and in some cases are more extensive than those of any foreign insurer. No foreign insurer covers higher percentages of loss and, with one exception, foreign insurers cover lesser percentages. Proof of loss under the FCIA policy for credit risks is similar to that required by foreign insurers but for political risks it is more liberal. Payment of claims is as prompt as, and, for some causes of loss, is more prompt than that provided by any foreign insurer. Rates are neither the lowest nor the highest, falling generally between those charged by leading foreign credit insurers.

59. Q. Will extensions of the Due Date be authorized by FCIA?

A. Our present program does not provide for such extensions.

60. Q. Is it anticipated that FCIA will introduce a Rating Plan to reflect the actual experience of a particular insured?

A. While such a Plan has not been prepared, we believe it to be a proper subject for future consideration.

61. Q. Is it possible to secure only political risk coverage under an FCIA policy?

A. No.

62. Q. There has been some reference in the public press to a calendar year limitation of liability of $1,000,000 as respects the liability of the members of FCIA. Is there any such provision in the policy?

A. No; these references allude to a purely internal arrangement between Eximbank and FCIA which is subject to periodic renegotiation. Under no circumstances would this internal arrangement in any way effect the ability of an insured to collect under the policy.

63. Q. If it is impossible to communicate with a buyer because his country has been in a state of war since before the due date, will the loss be deemed to be "caused" by the war within the meaning of such paragraph 2b(1) of Coverage B?

A. Yes; unless there is specific information available to indicate that a causal relationship does not exist between the war and the buyer's refusal to pay.

64. Q. The Eximbank press release of October 27, 1961 announced that "a special comprehensive guarantee will be offered through the FCIA" to small exporters "whose direct exports in the preceding twelve months were valued at less than $50,000." Is it expected that this program will be put into effect in the near future?

A. Yes.

STATEMENT OF ARTHUR J. GOLDBERG, SECRETARY OF LABOR
BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE
ON THE
TRADE EXPANSION ACT OF 1962, H. R. 9900

March 13, 1962

MR. CHAIRMAN:

I am grateful for this invitation to appear before your Committee today in support of the Administration's trade bill--the "Trade Expansion Act of 1962." The expiration of the Reciprocal Trade Act gives this country opportunity to adopt a new trade policy responsive to the needs, the challenges, and the opportunities of our time. The proposal which President Kennedy has recommended and which has been introduced as H.R. 9900 by the distinguished Chairman of this Committee offers such a policy.

The legislation Congress finally enacts on this subject will vitally affect the economic future of millions of American working men and women. If we pursue a sound trade policy in the coming years, American industry and workers will benefit greatly from the expanded markets thus created. On the other hand, if we fail to act prudently and do not pursue a policy conducive to a lively trade, our industries and workers will not only be denied the benefits of additional foreign markets, but many existing trade channels are likely to dry up and job opportunities will be destroyed as a result.

FOREIGN TRADE AND U. S. EMPLOYMENT

For some twenty-seven years the Reciprocal Trade Act has represented an important cornerstone in our economic policy. Initiated in the midst of a worldwide depression, when, from the fears engendered at that time, the Western industrial nations were Balkanizing the world with high tariffs and trade restrictions, the reciprocal trade program has served effectively in unclogging the channels of world trade and in promoting economic well-being among the nations of the free world. A selective and progressive reduction of tariffs and other barriers to trade has been accomplished. Our exports have expanded from $2 billion a year to over $20 billion a year.

These exports are a very significant source of employment for American workers. A recent study completed by the Bureau of Labor Statistics estimates that the equivalent of 3.1 million jobs for American workers were supported by the merchandise exported from this country in 1960.

Of the 3.1 million total, almost half were involved directly with producing, transporting, or marketing the exported goods, with the other half in supporting industries--such as making the steel contained in exported machinery, and the tires, window glass and unholstery fabric on an exported automobile.

Most of the jobs were in non-farm industries, with a total of 1.3 million in manufacturing. The individual manufacturing groups which stand out as making the heaviest contributions to export employment are chemicals, primary metals, all types of machinery, and transportation equipment.

There are jobs dependent on exports in every State of the Union. They are not concentrated in a few industrial or coastal areas. All 50 States participate in export employment, directly and indirectly, including the basically agricultural States of the South and Central areas of the country as well as the industrial East, and far West. I am attaching a brief Table setting forth the State-by-State breakdown of the 3.1 million figure.

So much for the effect of exports on our employment. What can we say about the relation of imports to employment?

While we see or hear claims that imports are displacing American products in the market place and thus taking jobs away from American workers,a careful examination shows that a major effect of imports is to support American jobs. This is obviously true of such imports as coffee and tin which this country does not produce at all. These imports support many jobs in connection with the handling, processing, and distributing of these products in American markets. It is also true that imports of manufactured products support the jobs of those Americans who helped to bring these products to American markets.

How many jobs are supported by imports? The Bureau of Labor Statistics has provided me with estimates indicating that in 1960 imports had the effect of supporting 900,000 to 1 million jobs in this country.

When this figure is put together with the 3.1 million jobs supported by exports, there is a total of approximately 4 million U. S. jobs attributable to our foreign trade.

The 4 million does not include the numerous jobs resulting from the income-generating effects of this employment, i.e., the employment required to produce such items as the food, clothing, housing and other goods and services purchased by the workers whose jobs are dependent upon our foreign trade.

We recognize, of course, that increases in certain imports have the effect of displacing some American workers from their jobs. As Secretary of Labor, I have been very much concerned with this problem. We may wish at times that we could have a situation where our foreign trade only added jobs to our economy without taking any away. However, we know that trade must be a two-way street and that we cannot have a flourishing and growing export business, which creates so many jobs, without some reciprocal imports.

I wish it were possible for me to provide the Committee with a reliable estimate of the number of workers who have actually lost their jobs in recent years because of imports. Let me explain some of the difficulties in making such an estimate.

It is not sufficient simply to identify industries in which imports have risen. The work we have done in this field makes it clear that there are many cases in which rising imports have not had any adverse effect on employment. Even in industries in which there have been declines in employment and increases in imports, changing technology, emergence of substitute products and shifts in consumer demand have often had a more serious effect than imports on job opportunities.

Some light can be shed on this problem by the experience we have had with escape clause actions under the present Trade Agreements legislation. Since the beginning of the program in 1946 there have been 40 separate escape clause actions, covering 34 industries, on which the U. S. Tariff Commission has found injury to American producers. For these cases, detailed employment statistics are available. They indicate that the total loss of employment since that time from all causes, in these industries, amounted to only 28,000 jobs. Not all of this loss can be attributed to imports, but we also recognize that some industries which have been injured by imports have not filed for escape clause relief.

Our investigations into the relation between imports and employment have led us to ask this question: Suppose by the wave of a magic wand we could cut off all imports that might conceivably affect the sales of corresponding American products, what effect would this have on jobs in the United States?

Answering this question in firm statistics, however, represents a most difficult task. In approaching the problem we have utilized a classification made by the Department of Commerce which has separated imports into two categories: (a) those raw materials, supplies and semi-manufactured goods which are necessary for the U. S. economy, and (b) those imports of products of the type produced in this country that might affect the sales of comparable U. S. products. Approximately 60 percent ($9 billion) of imports fall into the first category and 40 percent ($6 billion) into the second category.

I might also point out that all manufactured goods have been classified in the 40 percent group. This rather arbitrary classification is based on the theory that our productive capacity is such that we could, if necessary, import the raw materials or semi-manufactured goods and make the finished product ourselves.

Using this classification of imports the Bureau of Labor Statistics has undertaken to calculate the answer to the theoretical question I posed a minute ago--if imports were cut off and demand remained unchanged, by what amount would American employment have to expand to fill the gap? Their answer is 8 to 9 hundred thousand jobs. But let me stress that this does not mean that this number of workers have in any sense lost their jobs because of these imports. Nor does it mean that our trade policy could be shifted to put this number of additional people to work in the future. I regret that I am not able to supply their detailed report on the matter at this time. I will submit it as soon as possible.

It is clear that this number does not represent lost jobs. Most of these jobs simply have not existed in this country. We must remember that these imports did not suddenly flood the American market. They have been flowing into this country for many years as they have won acceptance from American consumers. They have contributed to America's rising living standards by providing special advantages, in terms of price, quality, or style. The actual number of jobs lost because of competitive imports is much closer to the figure of 28,000 that I have already cited as the decline since 1946 in jobs in industries where the Tariff Commission has found injury to American producers.

Let me explain what would happen if this Nation tried to create the 800,000 to 900,000 jobs that might be needed to produce this $6 billion group of imports. Such a decision would have an immediate impact upon our export trade.

We could hardly expect our friends overseas to remain good customers for American exports if we decided to cut off their exports to us. Moreover, countries that send to us imports we critically need will simply not be willing to continue sending us these products unless we are also willing to take their other manufactures. The Russians have demonstrated time and time again their desire to pick up this trade in order to disrupt world markets.

The cost of gaining these additional 8 to 9 hundred thousand jobs would be the loss of up to 4 million jobs now related to our foreign trade. Thus we could reasonably anticipate a net loss from the total shutting off of both exports and imports of more than 3 million jobs. The price of adding one job would be the loss of three to four other jobs. The loss of income would be even greater since this country would be giving up its most efficient and more highly paid jobs to gain less efficient and lower paid employment.

The importance of this can be better visualized if one keeps in mind the magnitude of the trade involved. It may not be so widely known that our biggest dollar earners are our exports of manufactured products. In 1961 they amounted to over 10 billion dollars while our imports of manufactured products were only 5 billion. Thus any attempt to build up employment in this country by substantially curtailing imports is bound to boomerang.

A more realistic approach to this problem would be to examine the employment effects of the proposed legislation. Secretary Hodges testified yesterday that only about 18,000 workers a year, or a total of 90,000 over the five-year span of the legislation, might possibly be eligible for assistance if the trade legislation were enacted. Let me say emphatically that even this small displacement will be more than offset by the number of jobs generated by an expanding export trade. Judging by the relationship developed in our 1960 studies on exports each additional $1 billion of exports will generate about 150,000 jobs. In the next five years we anticipate that our exports will increase by several billion dollars.

THE NEED FOR A NEW TRADE POLICY

In view of the highly favorable trade and employment situation that we have under the Reciprocal Trade Act, one might ask why we should adopt a new trade policy rather than merely extend the old one.

The answer was contained in the President's Trade Message when he pointed out that five "fundamentally new and sweeping" developments have made our existing trade policy obsolete. These developments are:

- The growth of the European Common Market
- The growing pressures on our balance of payments position
- The need to accelerate our economic growth
- The Communist trade and aid offensive
- The need for new markets for Japan and the developing nations.

Some of these developments relate primarily to the conduct of our overall foreign policy and to the fiscal position of our nation. Secretary Hodges and Under Secretary Ball have already discussed these matters and Secretary Dillon and others will supplement that testimony. Therefore, I believe that I can be most helpful to this Committee by directing my remarks to those developments which directly affect the job opportunities of American workers: the need for accelerated economic growth, the growth of the Common Market, and the need for new markets for Japan and the developing nations.

(a) Accelerating our Economic Growth. President Kennedy has given top priority in our domestic economic policy to accelerating our rate of economic growth. Such action is necessary if we are to meet our responsibilities both at home and abroad and is imperative if we are to provide the millions of new job opportunities that will be required in this decade for those already unemployed and for the increasing flood of younger workers, farm workers seeking new opportunities, and city workers affected by technological change.

By the mid-1960's the number of young people coming of working age will increase very rapidly. Then we will need not 1,000,000 or 1,200,000 more jobs a year to take care of our growing labor force, but closer to 1-1/2 million.

Jobs must also be found for the increasing number of workers who are dislocated or who find their job opportunities drying up as a consequence of the increasingly rapid development of automation and other technological advances which has been taking place in many occupations and industries since World War II. In agriculture the impact of technology has been tremendous. Alsong with other factors, it has resulted in over 1,600,000 workers--20 percent of the total--leaving farm work since 1950. Yet farm output has increased by one-fourth, making available an abundance of food unequaled elesewhere in the world.

Each year, if technological advances are not to lead to rising unemployment, it is necessary for our output to grow by around 3 percent. When you add to this the increased output necessary to provide jobs for the newcomers to the labor force and to provide full-time work for those who are involuntarily on short weeks, it is obvious that we need a major expansion of markets.

We recognize that the best way to create new jobs is to develop new markets for the products and the services men at work will produce and provide. Filling America's own unmet needs will constitute a major source of new jobs, but full employment and satisfactory economic growth in this country also depend upon our ability to maintain and expand our foreign markets.

Vast new world markets are emerging in which United States business faces tougher competition--and more opportunity--than ever before.

We must continue to compete in these markets.

The courses open to us seem clear: either we pursue active reciprocal trade policies that allow us to participate in the growth of those markets, or we drift into reciprocal protectionist policies that close us off from those markets. The consequences for our own domestic growth appear to be--either trade and grow more rapidly, or lose markets and grow less rapidly. It is in this spirit that the Trade Expansion Act of 1962 has been proposed.

(b) Growth of the Common Market. One of the great new economic challenges and opportunities confronting us is the growth of the Common Market. The emergence of this powerful new factor in the trading world is one of the most significant developments that has occurred since the end of World War II. This community of nations consists of some of the most highly industrialized countries of Western Europe, with a total population of between 200 and 300 million people, depending on how many applicant countries are finally admitted, and with a rate of growth much higher than our own in recent years. It will bring about fundamental changes in world trading patterns and become a potent factor in the political affairs of the world.

President Kennedy has personally stated the Administration's view of the employment consequences of Congressional action in this field. The President said:

> "If we cannot obtain new bargaining power to open up overseas markets, our export industries will wither--and American labor will lose jobs. If American businessmen cannot compete from here for the growing purchasing power of the European Common Market, many more will build their plants over there--and American labor will lose jobs. If we cannot find expanding outlets for the goods of an expanding economy, this nation's growth will be stifled--and American labor will lose jobs.

"In short, we are confronted with a very basic decision: Are we going to export our goods and crops---or are we going to export our capital and our job opportunities? Are we going to be the free world's greatest merchant trader---or merely its temporarily wealthiest banker?"

That is the employment proposition in its bluntest terms. We have much to gain by bold action and much to lose by inaction or by a timid response.

(c) <u>The need for new markets for Japan and the developing countries</u>. Spectacular as the growth of the Common Market has been, we must not overlook the continuing growth of Japan and the developing countries as powerful trading forces in the world. The great need of these countries is for markets for their expanding production.

As Secretary Hodges and Under Secretary Ball have pointed out, it is in our interest to help them to secure those markets in the free world, for both political and economic reasons.

These countries are all valued trading partners of ours--and we recognize the importance of not unfairly restricting access of their goods to our markets. However, if they are to secure the outlets they need, then the other major countries of the Free World, principally in Western Europe, must agree to accept their products in increasing quantities.

If we have the authority to negotiate trade agreements with the industrial nations of the free world, the less developed countries will automatically receive the benefits of opened markets. The recently concluded Cotton Textile Agreement proves that these nations can cooperate to expand markets in a manner which will prevent disruption. Expansion of the domestic economies of these underdeveloped nations, by raising domestic levels of living, offers some of the greatest opportunities for U.S. exporters. Economic development of underdeveloped nations will also result in major changes in our trade mix with those nations.

(d) U.S. and Foreign Labor Standards. As you know, there are many who contend that we cannot afford to compete freely in world markets because our wage rates are so much higher than those of other countries. They say that our high wages price us out of competition with low-wage foreign producers. These people also call for a new trade policy, but their new policy would be the policy of the early 1930's--a return to high tariffs and the imposition of import quotas wherever tariffs did not hold down imports sufficiently. I have stated earlier that such protectionism would stifle our economic growth and reduce employment.

I would like now to discuss the question of comparative labor standards and competition with low wage countries.

Historically, the United States has been distinguished as a country of high labor standards with a large volume of exports. We have demonstrated how to apply technology, skill and capital to economic processes in such a way as to increase productivity and thereby make available a high level of goods for domestic consumption and for export at low enough prices to out-compete our lower wage foreign competitors.

As an essential part of this process, we have also led the way, through the mechanisms of an ever broadening industrial democracy, in obtaining for workers an equitable share of increased production. The result is a great internal market, both broad and deep, in which it is profitable to continue to pioneer technological improvement and ever-increasing productivity. Free trade among all the parts of this great market has been a key element in permitting steadily rising labor standards.

Another element has been an expanding foreign trade which becomes increasingly important as foreign economies develop industrially.

As a matter of fact, it has been primarily from our high wage industries that we have exported.

There are several points I would like to underline in this connection. In the first place, wage rates are not the measure of the costliness of labor. The significant labor cost for trade purposes is unit labor cost. Unit labor costs take account of fringe and social benefits, working conditions, and various job security costs which in many foreign countries are much more extensive than in the United States. Even more significant, unit labor costs reflect the impact of productivity. That is one reason why many of our high wage industries have such a favorable export balance. Although their wage rates are high, their productivity is so great, that is, they turn out so much more product per worker per hour, that their unit labor costs are even lower than those in many countries which have lower wage rates.

Second, even high unit labor costs do not necessarily involve competitive disadvantage if other costs are lower. For example, the costs of some raw materials, of distribution, of capital and of other elements in the final cost of a product tend to be lower in the U.S. than in most foreign countries. In other words, it is the price at which the product can be delivered which is important in determining whether we can export or compete with imports.

Furthermore, other considerations, such as quality, service, financing, and distribution, are also significant. As Secretary Hodges has said on many occasions, we must recognize that the post war competitive vacuum in world markets is over and that the same kind of aggressive salesmanship is needed to hold and win markets abroad that is needed in this country.

Finally, it must be recognized that a major part of the answer to any wage-price problem we may have, is to encourage the raising of wage standards abroad. We want to assure that any import competition is based on economic progress and not on the exploitation of labor. For this reason this Administration has made the achievement of fair labor standards in international trade a matter of special concern.

While there has been some confusion as to just what is meant by fair labor standards, I think it is obvious that fair labor standards do not mean equal wages in, say Hong Kong and the United States. I would like to mention two meanings which I believe are recognized as appropriate.

The first meaning has to do with the relation of wage levels among the industries within a single country. In the Report of the Randall Commission on Foreign Economic Policy, this concept was described as follows: "The clearest case of unfair competition is one in which the workers on a particular commodity are paid wages well below accepted standards in the exporting country."

A second meaning of fair labor standards concerns the very important question of making available to foreign workers, in the form of increased remuneration, the benefits of the increases in productivity which take place as their countries develop economically. In other words, remuneration and working conditions should fully reflect a fair share to labor of the productivity and technological advancement of a country. In this connection, the observations of the AFL-CIO Executive Council in a statement adopted on February 24, 1959, are worthy of note:

> ". . . we are fully aware that it is neither desirable nor feasible that wage levels be equalized in all countries. We recognize that the stage of development of a country's economy and the productivity of its industries may limit the level of wages that can be paid. Therefore, it is to be expected that wage differentials will continue to exist and such disparities should not impede international trade. But we insist that wages and working conditions in exporting industries fully reflect the productivity and technological advance of the industry and the national economy."

Of course, if one industry within a country were to become extremely productive, far beyond the average productivity in comparable industries in the same country, it would be unrealistic to suppose that this single industry could become a very high wage island in a sea of low wage workers. No one expects such an extreme development. On the other hand, it is widely recognized that the entire process of the economic development of a less developed country requires that the local market be built up through the return to workers of their fair share of the productivity increases that are achieved in the economy.

As the President's Trade Message indicates, we intend to encourage the attainment of international fair labor standards through appropriate consultation with major exporting nations. At the meeting of the Joint-U.S. Japan Committee on Trade and Economic Affairs in Hakone, Japan, last November it was agreed that the two governments would make a study of labor standards, employment conditions, wages, and other aspects of labor policy.

Furthermore, we intend to propose international discussions of charges of unfair labor standards and periodic reporting on labor standards in exporting industries.

Incidentally, I cannot pass up this opportunity to say a word in tribute to the great work the American labor movement is doing in this field. Important officials from both AFL and CIO unions took a leading role in the formation of the International Confederation of Free Trade Unions in 1949. A large number of leading U.S. trade unions are working with the 15 International Trade Secretariats. Under the aegis of these organizations--and in frequent formal and informal contacts of all kinds, including assistance in taking concrete action directed to raising standards--leaders of American labor are cooperating, on a continuing basis, to help develop and make effective indigenous trade unions in all parts of the free world, especially in low-wage countries. This is a very important influence toward fair and rising labor standards in foreign countries.

THE TRADE ASSISTANCE FEATURES OF THE TRADE EXPANSION ACT OF 1962

Having discussed the favorable impact of foreign trade on U. S. employment and having indicated the reasons why we believe that a new and expanded trade program is needed, I would now like to discuss some of the details of the program the Administration has proposed.

Secretary Hodges and Under Secretary Ball have testified at length concerning the negotiating authority sought in the Act and the safeguards afforded to industries and firms.

My remarks will be directed to the ways in which the Act proposes to assist workers whose employment is adversely affected by import competition.

(a) The reasons for proposing a trade adjustment assistance program.

The United States has traditionally recognized that some protection should be given to American firms and workers who are faced with serious import competition. However, until now that protection has been exclusively supplied by tariffs or other import restrictions which had the effect of restricting foreign competition and generally subsidizing inefficient domestic producers.

There are situations where such restrictions are still appropriate. As Secretary Hodges and Under Secretary Ball have testified, the proposed Act retains these traditional protective features--the reservation of items from tariff negotiations, the adjustment of imports which threaten national security, and where no other solution is possible, the increase or imposition of duties or restrictions on imports which are found to be causing or threaten to cause serious injury to an industry.

However, such features are no longer adequate as the only or even primary means of responding to import competition. They are inadequate because they do not provide sufficient flexibility in adjusting to changing patterns of international trade. The United States needs the means to assist American firms and workers to adjust to the competition they face. Only in this way can our trade continue to grow to the maximum advantage of ourselves and our trading partners. Only in this way can we adequately assist those Americans who find themselves unable to compete with imports.

The Trade Expansion Act of 1962 would provide the necessary means to assist firms and workers to adjust to import competition. Let me emphasize that such adjustment does not necessarily mean a change of jobs or line of production. It may mean simply increased efficiency or skill in one's present work or business so that foreign competition can be met in the market place and not shut off at the port of entry.

Let me also emphasize that the President's program will not involve the creation of a vast Government bureaucracy. To a great extent it will utilize the services and facilities of existing programs and agencies throughout the Federal establishment as well as State agencies. Moreover, it will not be a program of permanent Government paternalism. It will be, instead, as the President has stated, "a program to afford time for American adaptability and American resiliency to assert themselves."

The importance attached to affording time for change is illustrated by one of the most significant of the adjustment features--the "staging" requirement contained in section 243. Under this section, in order to enable American firms and workers to adjust to the effects of reductions or elimination of duties or other import restrictions, such reductions or eliminations would be put into effect at a rate no greater than that of equal annual installments over a five-year period.

As I have indicated, the overall effects of our expanded trade policy will benefit American workers. However, its immediate effects on some industries, firms and workers may be adverse. Some workers may lose their jobs, and for some of these, their hope of reemployment may depend on their acquiring a new skill, or changing to another industry; some may even have to move to a different location. This occurrence, however, is common in our competitive economy.

We do not expect that many workers will lose their jobs because of tariff concessions in the years ahead. The gradualness with which such concessions will be put into effect will greatly minimize any displacement. While our estimates are quite rough, we believe that an average of less than 18,000 per year would be laid off because of increased imports in the five years of the proposed bill's operation. In this connection it must be remembered that increased numbers of workers will find employment due to new export opportunities opened up by the new legislation.

It should be noted that these numbers include not only those who will be affected by tariff concessions under the proposed bill but a substantial percentage who will be affected by concessions already granted.

It should also be recognized that this estimate of the average number who will be adversely affected by imports is only 2-1/2 hundredths of one percent of the labor force.

Small as this number is, the problems can be serious for some of the individuals affected. Since their problems will have been precipitated by a positive Government policy taken in the national interest, the Government's obligation to assist them is clear.

One of the best ways to help workers who have lost their jobs, who have been put on a part-time basis, or who are threatened with total or partial unemployment, is to assist their employer in order that he can fully employ them once again. Only in this way can the seniority, pension and other accumulated job benefits of workers be fully protected.

This interest in preserving the employment relationship of firms and their workers is manifested in three places in the Act.

First, in section 311(b) dealing with assistance to firms where it is provided that one of the conditions for the granting of such assistance is that the firm gives adequate consideration to the interests of its adversely affected workers.

Second, in section 326(b) concerning training, which requires that to the extent practicable training programs shall be developed which will retrain workers to meet the manpower needs of their employer.

And third, in section 362(b) where the services of an interagency board are made available to the President to advise him "on the development of coordinated programs for adjustment assistance to firms and workers, giving full consideration to ways of preserving and restoring the employment relationship . . . where possible, consistent with sound economic adjustment."

As that latter section expressly provides, there is no intention to perpetuate inefficient or uneconomic arrangements. Instead, there is only the very strong desire to assist firms and their employees who face a common hardship to adjust in a way that permits them to progress together.

Secretary Hodges discussed yesterday the specific provisions for direct assistance to firms. The Act provides several forms of direct assistance to workers who are totally or partially unemployed or who are threatened with such unemployment as a result of action taken under a trade agreement. Such workers may receive weekly cash payments while unemployed or while being retrained. Training will also be provided where appropriate, following vocational counseling and testing. For those who are heads of families, who cannot find employment in their community and who have received definite job offers elsewhere, provision is also made for payment of the reasonable costs of the family's relocation.

(b) <u>Discussion of the proposed worker assistance program</u>.

There are two general conditions for the granting of adjustment assistance to workers under the Act.

First, employment in the firm or subdivision in which they have been working must have been determined to have been affected adversely by increased imports resulting from trade agreements action.

The Act provides that the determination of adverse effect will be made by the President on petition by workers in their own behalf or by their union or other duly authorized representative.

In order to find adverse effect the President must conclude that the importation of articles in increasing quantities as a result of a trade agreement has caused or threatens to cause unemployment or underemployment of a significant number of workers in the firm or subdivision.

Once such a determination has been made individual workers of the firm or subdivision in question who have been laid off (totally separated) or who have had their hours of work and earnings reduced substantially (partially separated), will be eligible to apply for adjustment assistance.

To qualify for any of the forms of assistance, a worker must have worked 1-1/2 years, in the three years prior to his separation, and have worked one-half year in adversely affected employment in the year immediately preceding his separation. In addition, he must, if he has been laid off, be available for work in accordance with the requirements of his State unemployment compensation law. The disqualification provisions of such law also will apply to him unless inconsistent with the proposed bill.

Primary responsibility for the administration of adjustment assistance for workers will be vested in the Secretary of Labor. As Secretary Hodges has already stated, the Secretary of Commerce, in administering assistance to firms, will work closely with the Secretary of Labor to assure that full consideration is given to the interests of workers in any adjustment programs approved for the rehabilitation of such firms.

In providing assistance to workers, the Department of Labor will operate insofar as possible through the existing State agencies. The State employment security agencies, for example, are the agencies now responsible for performing job counseling, testing, and placement and for the payment of unemployment insurance.

Prompt determination of the workers' eligibility for assistance is, of course, of the greatest importance. It does little good to provide a program for assisting those who lose their jobs because of import competition, if the procedure for receiving that assistance is so time consuming that no assistance is actually provided until many months after separation.

Our goal is to provide adjustment assistance as promptly as possible so that it can help the individual in his time of need, not merely provide lump sum compensation after the event.

The determination of injury which must be made before any of a firm's workers can receive adjustment assistance is placed in the President by the bill. Once made, the determination will apply to workers separated within 2 years thereafter.

Of major importance is the fact that a petition can be filed before the workers have lost their jobs. The bill permits the President to find workers eligible for assistance not only if increased imports have caused, but also if they "immediately threaten to cause," unemployment or underemployment of a significant number of the firm's workers.

Under present escape clause procedures, the T ariff Commission requires approximately six months in which to make its findings as to whether or not injury due to imports has occurred. It is intended that under the Trade Expansion Act the time required for determination of injury to workers is to be reduced to no more than 2 months. It is for this reason that the Act requires that the Tariff Commission give its advice to the President within 45 days.

You may be sure that the other administrative functions will also be handled expeditiously to assure that assistance is furnished as quickly as possible.

The form of assistance which will be most widely used will doubtless be the cash payments called Trade Readjustment Allowances. These allowances will provide unemployed workers, including those undergoing approved training, with 65 percent of their individual average weekly wages but not more than 65 percent of the average wage in manufacturing.

Generally, a worker who meets the eligibility requirements will be entitled to Trade Readjustment Allowances for 52 weeks of unemployment. There are two circumstances in which a worker can receive Trade Readjustment Allowances for more than 52 weeks. Because older workers usually have a harder time finding new jobs, and thus can expect longer periods of unemployment, the bill provides an extra 13 weeks of allowances for those who are 60 or over at the time of their separation. Also, a worker who has begun a training course while drawing a Trade Readjustment Allowance, and who exhausts his 52 weeks before the course is over, may receive payments for as long as the course lasts or up to 26 extra weeks, whichever is the shorter period.

If a worker entitled to a trade readjustment allowance is also entitled to unemployment insurance for the same week or weeks under a State or Federal unemployment insurance law, his readjustment allowance will be reduced by the amount of the unemployment compensation payable, whether or not he has filed a claim for such insurance.

If the unemployment insurance payable to a worker is less than a trade readjustment allowance to which he would have been entitled for the same period, he shall receive the difference when he does apply, but the weeks covered by such payments shall be deducted from the total otherwise payable to him.

Thus, duplication and pyramiding will be effectively prevented.

Trade readjustment allowances are payable for weeks of unemployment including weeks in which the worker is undergoing approved training. In order to encourage workers to accept work even though full-time work is not available, weeks of unemployment also include weeks in which the individual earns less than 75 percent of his average wage and in which he works less than full-time. Only half of the remuneration earned will be deducted from the allowance otherwise payable for such week. A partially separated worker, i.e., one who is still working for the adversely affected firm must in addition to receiving less than 75 percent of his regular wages have a cut in hours of 20 percent or more, to be eligible.

In no case, however, will Trade Readjustment Allowances be paid in an amount which, when added to unemployment insurance and wages for the week, would exceed 75 percent of the worker's average wages.

In some cases, as I have already emphasized, the workers unemployed as a result of trade agreements action will have to develop new skills in order to find new jobs. This is fully recognized in the Act by section 326 which provides for counseling, testing, and training where appropriate.

The provisions of the Act are designed to encourage the individual to enter approved training programs. Not only can those who accept such training continue to receive the weekly trade readjustment allowance, but those who refuse training without good cause will not thereafter receive such allowances unless and until they subsequently do accept training. As I mentioned earlier, readjustment allowances may be extended for as much as 26 additional weeks in order to assist a worker to complete a training program. Also, if the place where the worker is sent for training is not within commuting distance, he may receive additional payments for transportation to the training location, and subsistence costs while he is there.

The bill recognizes that, although every effort will be made to assist workers to remain with their present employers, and failing that, to develop new skills for employment in their area, some individuals will have to look to other areas to find suitable employment.

Single workers, particularly younger workers who have not accumulated much seniority with their former employer, are relatively mobile. However, it is a different matter for the head of a family. Not only does he tend to be older and to have more of a "stake" in his old job and in his community--but the costs of relocation are frequently too great--even when he has a definite job offer.

The Act seeks to remedy this situation by providing relocation payments for heads of families who have no reasonable prospects of suitable re-employment where they are, and who have been offered suitable employment with a reasonable expectation of long duration in some other area. The relocation payment will consist of the expenses of moving the worker, his family and their household goods, and a cash payment of 2-1/2 times the average weekly manufacturing wage--which today would be about a $230 payment.

I would like to emphasize that relocation is entirely voluntary both for the worker and the community into which he might move. Only if the worker voluntarily chooses to move to a place where a job is available will he be offered this financial assistance. Only if an employer in another community has voluntarily made a firm and suitable job offer which is not available in his home community will the worker be assisted.

(b) Comparison of forms of assistance with benefits in existing or other proposed legislation.

There may be some question in your minds about the reasons why this Trade Bill proposes to set adjustment allowances at 65 percent of the affected worker's individual wage, while the Administration's unemployment insurance bill (H.R. 7640) only prescribes a 50 percent benefit level.

Let me first point out that there is a basic difference between the Administration's general unemployment insurance bill and the Trade Expansion Act.

In the Trade Expansion Act the allowance is a Federal payment and benefit. This allowance should thus provide the amount which the Federal Government considers necessary and adequate to facilitate the adjustment of affected workers to the changed circumstances resulting from the proposed new trade policies.

Under the unemployment insurance system the benefits are State benefits, payable out of funds collected through a tax on employers in the States.

In the Administration's unemployment insurance bill the Federal Government prescribes only the minimum benefit level which States are to meet. The States may pay a worker a larger benefit than 50 percent of his average weekly wage, the minimum specified in H.R. 7640. In fact, some States now provide benefits of as much as 67 percent of their average weekly wage for the lowest paid workers, or raise the benefit level by providing additional benefits to workers with dependents.

Most affected workers are expected to be in low wage industries. The amount of trade readjustment allowances to be paid to workers in such industries will be little, if any, higher than the unemployment insurance benefits paid to such workers under some State laws. If readjustment allowances were set at a level equivalent to only 50 percent of a worker's average weekly wage, many workers would receive a weekly allowance of <u>less</u> than the national average weekly unemployment insurance payment.

The 52 weeks during which workers can receive Trade Readjustment Allowances if they remain unemployed that long is longer than any of the various durations provided by State law for unemployment insurance payments even with the 13 additional weeks of benefits now provided by the Temporary Extended Unemployment Compensation Act or which could be paid under the Administration's unemployment insurance bill. In addition, the trade bill provides that workers over 60 can get 13 additional weeks of trade readjustment allowances, and that during training they can get up to 26 additional weeks if they need training for that long a period. Under the Manpower Development and Training bill, the maximum duration of training allowances is 52 weeks.

We believe that the worker assistance provided by the trade bill, both in level and duration, is justified and appropriate.

First, we have imposed employment tests which are considerably more strict than those in the unemployment compensation system. These tests will assure that only those with a substantial attachment to the labor force are eligible for adjustment assistance.

We have imposed these tests in part so that eligible workers could be offered enough assistance to make an adequate adjustment. In this connection, it should be remembered that a significant number of the workers who will be adversely affected by imports are older workers who will probably encounter difficulty in finding new employment. We want to be sure that the allowances they receive will not only be sufficient in amount but will also be sufficient in duration while they are being assisted to find other jobs or being retrained for different jobs. We further intend that affected workers will not be denied retraining or job opportunities because they cannot afford the cost of travel to the place where such retraining or job opportunity exists.

The Government has a special responsibility to these workers who suffer hardship because of its own trade policy. Such workers are not casualties of supply and demand, technology or any other impersonal force. In a very real sense their displacement is the price of our decision to expand trade to improve conditions for our people as a whole. As the President has suggested, the obligation we owe such workers is akin to that we owe to the veteran. We have long considered it appropriate to provide special programs for that group which exceed those for the general population. We should do likewise in this case.

I have discussed that part of the Act which is the particular responsibility of the Department of Labor and to indicate the care that the Administration has taken to insure that those workers who do suffer hardship from our trade expansion program--however few in number--will not be neglected.

As my remarks have indicated the Administration has proposed a generous trade adjustment program for workers injured by imports as an integral part of the Trade Expansion Act. As a humane Government we recognize our responsibility to provide adequate assistance to those who may be injured by a deliberately chosen Government trade policy. This does not mean that we believe that an enormous new program will need to be launched. As I have already stated our estimates show that the number of workers involved will not be significantly large.

CONCLUSION

In conclusion may I emphasize that we are committed as an Administration and I hope as a nation to a bold imaginative policy leading to the rapid and extensive liberalization of trade possibilities. This policy is taken in the context not only of the maximum possible benefit to American industry and labor but as a means of achieving economic growth and strength for industry and labor in the entire free world.

As Secretary of Labor I heartily endorse the Administration's new trade program and the bill in which it is embodied, H.R. 9900.

I do so mindful of my obligations as Secretary of Labor under the Department's basic charter "to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment."

I am convinced that the Administration's proposed program will substantially benefit the Nation's workers, jobs, wages, and prospects for economic growth.

Domestic Employment Attributable to U.S. Exports, 1960

State Distribution

(In thousands)

State	Total	Farm 1/	Manufacturing 2/	All other 3/	Export employment as a percent of State employment
Alabama.............	71.3	44.9	17.1	9.3	9.4
Arizona.............	21.8	12.9	3.5	5.3	7.1
Arkansas............	71.5	61.9	5.2	4.4	14.0
California..........	213.8	45.6	106.1	62.0	4.9
Colorado............	22.7	9.4	5.6	7.8	4.8
Connecticut.........	51.7	1.9	43.3	6.4	6.1
Delaware............	7.4	1.0	4.4	2.0	5.0
Florida.............	50.8	19.2	12.8	18.7	4.3
Georgia.............	73.2	41.3	20.4	11.4	7.0
Idaho...............	11.2	7.0	1.9	2.3	5.9
Illinois............	197.3	24.4	126.4	46.6	6.1
Indiana.............	83.7	15.7	54.5	13.5	5.7
Iowa................	48.8	22.7	17.5	8.6	5.7
Kansas..............	39.8	21.3	8.3	10.2	6.6
Kentucky............	52.8	27.3	13.2	12.3	6.8
Louisiana...........	70.2	35.3	11.5	23.4	8.8
Maine...............	9.2	1.5	5.4	2.4	3.4
Maryland............	39.0	4.8	22.3	12.0	4.8
Massachusetts........	71.7	1.6	54.7	15.5	4.2
Michigan............	115.4	13.5	81.0	21.0	5.2
Minnesota...........	56.3	23.7	16.7	15.9	5.3
Mississippi..........	76.9	65.4	7.1	4.5	13.6
Missouri............	66.5	24.2	23.8	18.5	4.6
Montana.............	12.7	8.1	1.4	3.2	7.2
Nebraska............	25.4	15.9	3.3	6.3	5.5
Nevada..............	2.9	.8	.3	1.8	3.2
New Hampshire........	7.6	.5	5.9	1.2	4.0
New Jersey..........	93.6	2.3	73.1	18.1	5.1
New Mexico..........	13.5	5.8	1.7	6.0	6.1
New York............	241.5	9.7	144.4	87.3	4.4
North Carolina.......	89.2	50.7	28.2	10.3	6.2
North Dakota.........	14.0	11.5	.2	2.3	7.6
Ohio................	174.8	14.7	128.8	31.4	5.9
Oklahoma............	43.8	26.1	8.0	9.6	7.1
Oregon..............	23.3	4.5	10.0	8.8	4.6
Pennsylvania.........	190.8	10.2	136.0	44.6	5.5

Domestic Employment Attributable to U.S. Exports, 1960

State Distribution--Continued

(In thousands)

State	Total	Farm 1/	Manufacturing 2/	All other 3/	Export employment as a percent of State employment
Rhode Island............	11.5	.1	9.2	2.2	4.5
South Carolina..........	48.8	30.8	13.3	4.7	7.2
South Dakota............	11.0	9.0	.4	1.5	5.6
Tennessee...............	70.4	37.6	20.9	11.8	6.9
Texas...................	231.3	129.0	41.7	60.6	9.1
Utah....................	11.2	2.4	4.1	4.7	4.8
Vermont.................	6.5	2.1	3.4	1.0	5.4
Virginia................	63.9	15.1	20.8	27.9	6.2
Washington..............	57.1	7.3	38.8	11.0	7.5
West Virginia...........	32.1	2.7	13.2	16.2	6.9
Wisconsin...............	65.6	13.7	41.6	10.3	5.0
Wyoming.................	6.2	2.8	.2	3.2	6.4
Total 4/	3,081.7	941.4	1,413.7	726.4	5.8

1/ State distribution of farm employment was made jointly by the U.S. Department of Agriculture, Economic Research Service and the U.S. Department of Labor, Bureau of Labor Statistics. These state distributions were made by using data of the Economic Research Service which took into account regional productivity factors for each of the crops. The resulting estimates of regional employment attributable to exports were allotted to each of the states in proportion to its share of the regional value of production for each of the crops.

2/ State distribution of manufacturing employment was prepared by the U.S. Department of Commerce, Office of Business Economics and Bureau of the Census and the Bureau of Labor Statistics. The procedure followed involved use of data on the local origin of exports in 1960 collected in a special survey by the Bureau of the Census and the state data in the 1958 Census of manufacturers. Each industry was distributed separately; the distributed estimates were then summed to obtain total manufacturing employment in each state.

3/ State distribution of mining employment was based on data prepared by the U.S. Department of Interior, Bureau of Mines and U.S. Department of Labor, Bureau of Labor Statistics. Wholesale trade was distributed by U.S. Department of Commerce, Bureau of the Census using the state distribution of wholesale trade in the 1958 Census of Business. Railroad transportation was distributed by the Bureau of Labor Statistics using data from American Association of Railroads showing state employment of railroad employees. The state distribution of the services industries, banking and finance, transportation, except railroad, construction and all remaining sectors was made by the Bureau of Labor Statistics using the state distribution of each of these sectors in the 1959 County Business Patterns.

4/ Alaska, District of Columbia, and Hawaii are not shown separately but included in the total.

export guarantees

March 23, 1962

Jack Flynn
FYI - Lets see whats happening on this - see p 2

Memo to: Senator
cc: Jack Piotrow

From: Bill

R. Henry Rountree, presently the Chief of the Economics Division, Export-Import Bank, and shortly to become one of its Vice Presidents (also in charge of Congressional Liaison) came in to see me about your comments on the floor of March 19th on export trade.

He wanted to give us a report as to how rapidly the Foreign Credit Insurance Association was developing and to reassure you that there are some important policy, administrative, and personnel changes being made at the Export-Import in the direction that we are looking for.

In the last 6½ weeks, since the FCIA has been in existence, there have been 632 applications for credit insurance amounting to 626 million dollars. Of this ~~$~~632 there have been 407 quotations and 128 binders are now in force.

All of these have been for up to one year short-term policies, but they are expecting to move rapidly as soon as they have their personnel set, to move into the medium term -- up to five years of financing.

Rountree says that the cost of this financing, which is carried on by a partnership between the major insurance companies and the government, is below the cost of the German program and somewhat above the cost of the British (which is operated at cost).

He flatly states that when we get into the medium length (up to five year credit program) that we are going to have a superior program to the Germans and the British. Under the existing program, the private insurance companies and the government share the commerical credit risk about 50-50, but the idea is to shift this commercial credit over to the private insurance companies, with the government retaining only the political risks. Another advantage he points out of having these insurance companies working in the Association is that an exporter does not have to come to Washington or any central office, but can operate through any insurance company, in order to arrange his insurance.

Would appreciate to have sp. on this

I had previously talked to Jack Behrman, Assistant Secretary of Commerce, about some other objections to import-export procedures and one was that Export-Import was not exercising its advance commitment procedure. Rountree says that this procedure is now being implemented. About one-third of the applications in the past several months have used this new procedure.

Behrman's objection is that the Bank has been too conservative, was not taking enough risk as shown by its high profit and low defaults record. Rountree's answer was that he agrees fully, but that the new Board is much more liberal, and already there are signs that there will be more risks taken -- although the Bank is not about to get itself into a position of losing large amounts of money.

Incidentally, Behrman is having some difficulty in getting enough cases worked up to backstop your talk on the need for expanded credit for exporters, but they are working on it. They have a first draft which is now under study by the Under Secretary. Behrman also wants to talk this over with Export-Import, so that we can try to get Export-Import to come in our direction before you even get out publicly on it.

I think it would be well, when we get Behrman's proposed talk, to call this fellow Rountree. He is extremely sharp and articulate and I think you would enjoy talking this problem over with him.

FLYNN WORK FILE_RECIPROCAL TRADE

COPY fd

April 2, 1962

The Honorable Luther H. Hodges
Secretary of Commerce
Washington 25, D. C.

Dear Mr. Secretary:

Thank you so much for your letter and the attached copy of a memorandum your Department has prepared to explain how the figures on exports of manufactured goods by states were derived.

I appreciate having this information. You may be sure that it will have my careful study.

Best wishes.

Sincerely yours,

Hubert H. Humphrey

THE SECRETARY OF COMMERCE
WASHINGTON 25, D. C.

MARCH 27, 1962

RECEIVED
MAR 28 1962

Honorable Hubert H. Humphrey
United States Senate
Washington 25, D. C.

Dear Senator Humphrey:

I am terribly sorry that you were unable to attend the meeting in Senator Mansfield's office on March 13 where we discussed the President's proposed Trade Expansion Act, but I know how busy your schedule is.

Because of the questions raised by several persons present as to the methods used to prepare our state-by-state export origin surveys, I am enclosing a copy of a memorandum which we have prepared to explain how the figures on exports of manufactured goods by states were derived.

I would like to emphasize that the Bureau of the Census was able to pinpoint the origin of $9.8 billion of the $16.9 billion of U. S. exports of manufactures in 1960, from the responses to 7,496 questionnaires which the Census Bureau received directly from manufacturing establishments throughout the nation. Of the $7.1 billion unreported balance, an estimated $1.4 billion is the difference between value at port and value at plant represented by transportation and other handling.

The Census Bureau distributed the remainder of about $5.7 billion by states using specifications supplied by our Office of Business Economics on the basis of statistical information available in the Census Bureau. These specifications included such factors as the number of employees in the industry working in the state in question.

Because of the importance of the studies themselves, I respectfully request you to read the attached memorandum and believe you will find that it thoroughly justifies your reliance on the Survey.

For your possible use, I have also enclosed a copy of the Department's Export Origin Survey on your state.

Sincerely yours,

Luther H Hodges

Secretary of Commerce

Enclosures (2)

DISTRIBUTION OF EXPORTS OF MANUFACTURED GOODS BY STATES

Total exports of manufactured products amounted to $16.9 billion, value at port.(1960) 1/ The Survey conducted by the Bureau of the Census accounted for exports of $9.8 billion, f.o.b. plant, from establishments each employing more than 100 workers and exporting $25,000 or more in 1960. A part of the $7.1 billion unreported difference is the difference between value at port and value at plant represented by transportation and other handling. The Department of Labor has estimated this difference at $1.4 billion, leaving an unreported remainder of $5.7 billion, f.o.b. plant, representing exports through wholesalers and others whose intention to export was not known to the manufacturer, and by small manufacturers not covered in the Survey.

This remainder was distributed by States by the Bureau of the Census using specifications supplied by the Office of Business Economics on the basis of statistical information available in the Census Bureau.

Two procedures were used in making these distributions. Stated in over-simplified and general terms, they were:

1. For those industry groups in which the Census Survey accounted for a substantial proportion of total exports of that group, the State was assigned the same proportion of the unreported exports as represented by its share of the total reported exports.

2. For those industry groups in which the Census Survey accounted for only a small proportion of the total exports, the State was assigned the proportion that corresponds to its share of total U.S. employment by that industry group as reported in the 1958 Census of Manufactures.

These procedures were considered the best available for determining the share of a known total of exports not reported in the Survey to be distributed to each State. The procedures were uniformly and mechanically applied.

Although it is recognized that any such procedure, uniformly and mechanically applied, may result in distortions for some industry groups for some States, the results obtained through the use of the selected procedures are generally regarded as reasonable. The distributed State shares are considered particularly reliable with respect to total manufactured exports originating in a State.

The balance of exports of manufactured products not reported in the Survey was distributed only by States. It was not considered practicable to distribute this difference to Congressional Districts and other smaller areas.

1/ This figure exceeds the Department of Commerce figure based on export declarations by some $800 million. WTIS Report, Part 3, No. 61-4. January-December, 1960. The total figure used in this report includes exports to Puerto Rico and certain other adjustments developed by BLS in their study of direct and indirect employment attributable to exports.

Department of Commerce, March 1962

EXPORT ORIGIN STUDY

STATE OF MINNESOTA

U. S. DEPARTMENT OF COMMERCE

1962

TABLE OF CONTENTS

F O R E W O R D

In response to many requests from the Congress and the public for information regarding exports from each of the States, the Department of Commerce has prepared a series of export origin studies. The Department has had the valuable assistance of the Departments of Agriculture, Labor, and Interior in the preparation of these interesting studies showing the value of manufactured, agricultural, mineral, and fishery exports from each of our 50 States and, where possible, their sub-divisions.

On the import side, the relevant information is of a very different nature. The most meaningful measure of the importance of imports to the economy of a State or its sub-divisions is in terms of the particular area's share of total domestic production of the related imported item. Tabulations of the relationship between total national production and imports of manufactured goods have been published by the Bureau of the Census for 1958 and currently are being brought up-to-date on a national scale by Census for public release in the next few weeks.

The section of each study dealing with manufactured exports is based on a nationwide survey of export origin by the Bureau of the Census. This survey is the first of its kind in our history, and has provided comprehensive data never before available on a national scale.

The studies show that exports originate in every one of our States in significant quantities, and thereby contribute to the economic well-being of American businessmen, workers and communities.

These studies relate to exports which have occurred in the recent past, and do not indicate the increasing opportunities to expand our international trade. Yet, the whole fabric of world trade is changing rapidly. For example, the creation of the European Common Market, with its potentials for economic growth, presents American business and labor with a great opportunity to increase exports to help satisfy the growing European demand for goods and services.

The United States enjoys a substantial surplus in its merchandise trade with the rest of the world. In 1961 our merchandise exports exceeded our merchandise imports by about $5 billion. This surplus is essential to the national security of the United States because it helps us pay for our military and economic aid and other national commitments abroad. These commitments, of course, are designed to help assure security of the Free World and to assist the less-developed nations to achieve higher standards of living and to develop their markets.

Despite a favorable trade balance, however, the United States has been experiencing a deficit in its international accounts. Settlement of this deficit has led to an outflow of United States gold and dollars. To alleviate this outflow, it is vital that we increase our exports. Thereby, we will further increase our trade surplus and help to pay for our international commitments without the necessity of settling in gold.

Exports benefit domestic employment, lead to profits for our businessmen, pay for our imports, and help pay for our national commitments. Importantly, they also strengthen the United States and its allies.

Today, the Soviet Union and members of the Communist bloc are engaged in a campaign to "bury us" through economic warfare. They are increasing their trade throughout the world. They feel that through trade they can generate alliances and allegiances. Our country must counterattack with a trade offensive of its own, and exports must be our weapon.

Thus, international commerce has become both an important key to prosperity and economic growth here at home and to the vitality and cohesiveness of peace-loving nations everywhere. A step toward an increase of international commerce is a step toward a stronger America and a stronger Free World.

Luther H. Hodges
Secretary of Commerce

February 1962

IMPORTS AND THE AMERICAN ECONOMY

Imports, directly or indirectly, are in daily use in every American home, factory, office, and farm. They are essential to our economic growth; they contribute to our security. Without imports, we would be lacking many raw materials required for our manufacturing industries, foodstuffs necessary to enrich our diet, and finished consumer goods important for our physical comfort. U.S. imports in recent years have constituted only about 3 percent of our gross national product, but they supplement decisively our own resources. Lacking them, fundamental changes would be necessary in our national life.

Competitive Aspect of Most Imports Minor

Most U.S. imports--60 to 65 percent--are basically non-competitive with domestic production. They are goods which are not produced at all in the U.S., goods on which the U.S. depends heavily for the bulk of its supplies, and goods which are essential for minimizing producers' material costs.

The remainder--between \$5 billion and \$6 billion, or less than 2 percent of our gross national product--offers varying degrees of competition with domestic production.

In 1960, nearly \$7 billion, or almost half of our imports consisted of crude materials and semimanufactures requiring further processing in U.S. manufacturing plants before ultimate consumption. Another \$3$\frac{1}{4}$ billion represented imports of crude and manufactured foodstuffs, most of which are either not produced in the U.S. or are produced in insufficient quantities for our needs. The remaining \$4$\frac{1}{2}$ billion represented imports of finished manufactures.

Among the industrial raw materials for which we depend largely on imported supplies are such essential commodities as natural rubber, manganese, chrome and industrial diamonds. We now obtain from foreign sources the great bulk of our supplies of tin, nickel, and newsprint, over one-half of our raw wool, one-third of our iron ore and copper, and one-fifth of our crude petroleum.

Our dependence on many of these materials from abroad is growing. For example, imports of bauxite--the material from which aluminum is made--amounted to 65 percent of our new supply in 1950; in 1960, imports were 81 percent of the total.

Imported raw materials are also necessary for the production of numerous items familiar to consumers. To build an automobile, for example, over 30 key imported materials are required. For a modern telephone, nearly half of the crude materials are obtained from foreign countries.

The use of imported materials helps reduce the cost of many finished products to industry, to farmers, and to ultimate consumers alike. Many of our raw material imports supplement scarce resources in the U.S. Their availability not only helps conserve these resources, but also makes possible the use of basic industrial materials at a cost considerably lower than if our supply were limited to domestic resources. Many commodities included in the Nation's stockpile of strategic defense materials are obtained exclusively from abroad.

Among the foodstuffs which we import, in recent years from two-fifths to nearly one-half have consisted of tropical products--coffee, tea, cocoa, bananas, spices--for which foreign sources provide the entire supply. Roughly one-half of our sugar and nearly as much of the fish marketed in this country is of foreign origin.

Benefits Derived from Competitive Imports

Directly competitive imports are mostly of manufactured goods, which increased from $2.8 billion in 1957 to $4.5 billion in 1960, following the reemergence of Europe and Japan as major world suppliers. Many of these imports--German cars, French perfumes, English woolens, Japanese zoris (sandals), Swedish glass, for example--present the American consumer with a wider range of taste and style than he would otherwise have. Often these new products stimulate new production here in the U.S. as was the case with the current range of American compact cars.

Competitive imports also stimulate our growth and efficiency by encouraging a shift of investment away from low-wage, less competitive sectors of the economy and towards high-wage, growth industries where there exists the prospect of higher earnings derived from clear technical and technological advantages. Furthermore, during a boom phase of the business cycle, imports help relieve supply shortages and mitigate inflationary price movements. At the beginning of the Korean conflict, for instance, the availability and prompt delivery of European steelmill products was of notable assistance in avoiding serious production bottlenecks.

Of prime importance is the fact that imports provide dollar exchange needed by foreign customers to purchase our goods. At least three-quarters of our growing exports in recent years have been paid for with dollars earned from foreign sales to us. Our export sales, in fact, in a large degree depend on our ability to import.

In summary, the importance of imports to the U.S. economy has been succinctly stated by President Kennedy in his speech before the National Association of Manufacturers in New York City last December, "We need imports if other nations are to have the money to buy our exports and the incentive to lower their own tariff barriers...We need imports to give our consumers a wider choice of goods at competitive prices. We need imports to give our industries and defense establishments the raw materials they require at prices they can afford--and to keep a healthy pressure on our own producers and workers to improve efficiency, develop better products, and avoid the inflation that could price us out of markets vital to our own prosperity."

EMPLOYMENT AND FOREIGN TRADE

The Bureau of Labor Statistics has estimated that the employment required in exporting the more than $20 billion of merchandise exported from this country in 1960 was the equivalent of 3.1 million jobs.

This estimate represents the average employment throughout the year 1960 attributable to the production, transportation and marketing of goods for export. The number of workers who were engaged in export employment at some time during the year was, of course, far larger than the figures indicate.

Of the 3.1 million total, almost half were involved directly in producing, transporting, or marketing the exported goods, with the other half in supporting industries -- e.g., making the steel contained in exported machinery, the tires and upholstery fabric on an exported automobile, etc.

The BLS estimates do not include the extensive additional employment resulting from the income-generating effects of export-related employment, i.e., employment required to produce food, clothing, housing, etc. purchased by workers whose jobs are related to exports. Such inclusion would significantly increase the estimated employment affects.

Most of the jobs attributable to exports were in non-farm industries (2.1 million). An estimated 1.3 million jobs were in manufacturing industries and 0.6 million of these were directly related to production for export. The individual manufacturing groups which stand out as making the heaviest contributions to export employment are chemicals, primary metals, all types of machinery, and transportation equipment.

These figures represent an estimated number of jobs, directly and indirectly, supported by exports. However, the role of exports in the American economy is far more important than is indicated simply by these figures. The export business of many manufacturing establishments may provide the margin which makes the entire enterprise profitable. A Bureau of the Census Survey shows that at least 6 million workers are employed in manufacturing plants that export. This Census Survey covered manufacturing plants employing more than 100 workers and exporting more than $25,000 in 1960.

Exports, based on the Census Survey, are not concentrated in just a few plants in a few localities, but occur in every one of the 50 States. It is clear that U. S. exports affect the economic wellbeing of workers and businesses in almost every community. About 650,000 jobs in manufacturing establishments are directly dependent on exports, according to BLS estimates, and a like number in these or other manufacturing establishments are producing components to be included in exported products. In addition, a large portion of the export jobs accounted for in agriculture, trade, transportation and other nonmanufacturing activities are required to provide the raw materials and to perform other operations needed in exporting the $15.5 billion of manufactured products.

The imperative need we face is to create about five million new jobs every year for the next several years. The growth in trade envisaged by the Trade Expansion Act will provide a significant number of these new jobs necessary to full employment.

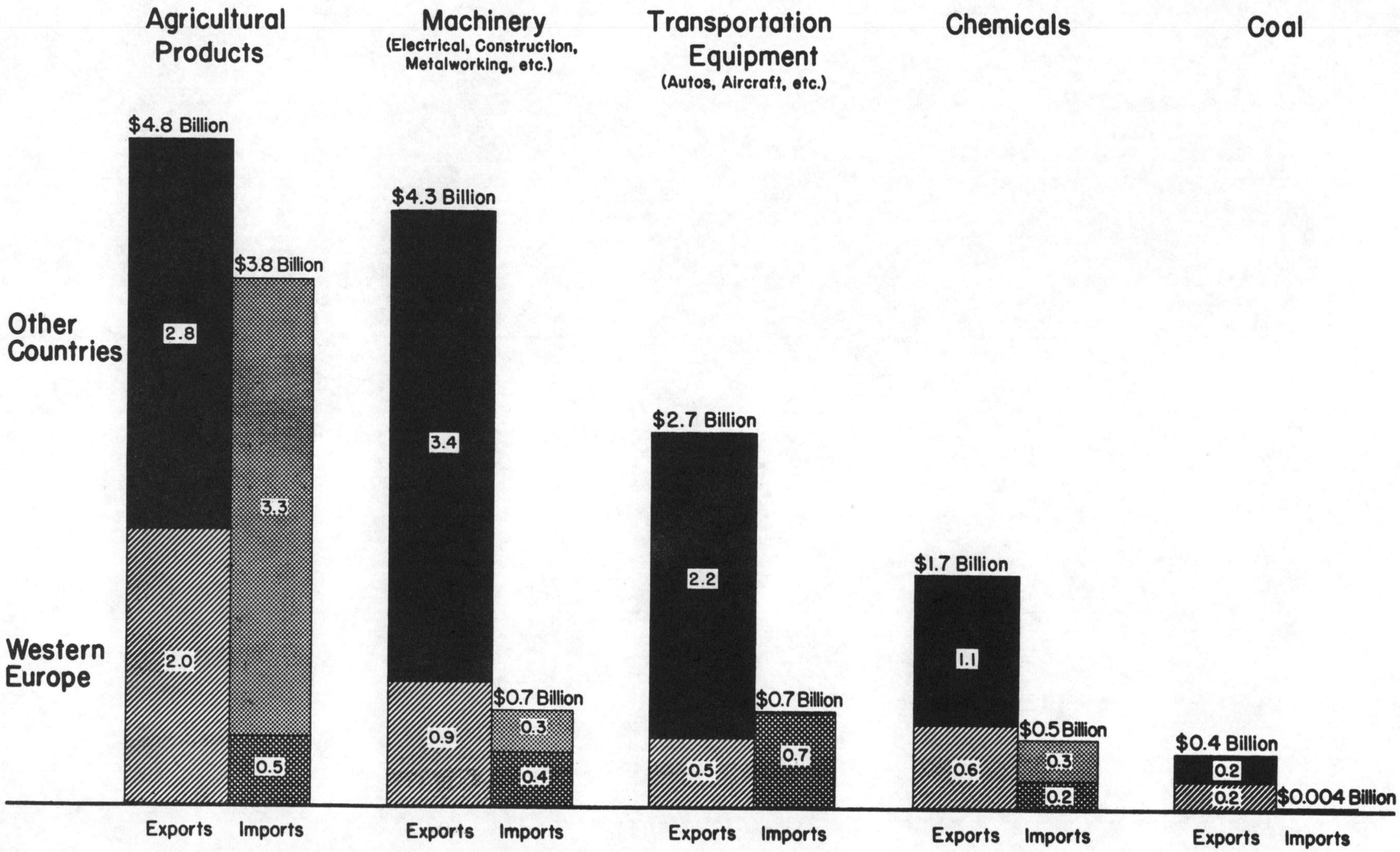
The effect of imports on the employment is more difficult to measure, primarily because of difficulties in determining precisely which of our imports are competitive with domestic production. We suffer no job loss at all, for example, from imports such as coffee and tin -- which we do not produce at all -- or from imports such as newsprint, which we do not produce in sufficient quantities to meet our domestic needs. These imports actually create jobs for those handling and processing such imports.

The employment picture in industries producing items affected by imports is further clouded by the fact that circumstances other than imports, principally technological change, may also significantly affect employment in those industries. Thus in the textile industry, while employment has declined since 1953 by two hundred thousand workers, domestic production has remained almost constant. Some of this reduction in employment is unquestionably related to the increase in textile imports, but separating the impact of imports from that of technology in such an industry is obviously not an easy task.

If American businessmen cannot compete for the growing purchasing power of the European Common Market and other areas and if we cannot find expanding outlets for the goods of an expanding economy, this Nation's economic growth will be slowed and American labor will be adversely affected.

EMP-2

EXPORTS FAR EXCEED IMPORTS FOR MAJOR COMMODITY GROUPS



Just over one-third of U.S. imports are considered to be directly competitive with domestic production.

Note: Data relate to 1960.

THE STATE OF MINNESOTA AND FOREIGN TRADE

SUMMARY HIGHLIGHTS

Foreign trade has a direct impact on every community, its economy, its industries, its workers, its farmers--the life and livelihood of all of its people.

MANUFACTURED EXPORTS

Exports of manufactured goods from MINNESOTA amounted to $176.4 million in 1960.

107 MINNESOTA establishments each exported more than $25,000 in 1960.

75,354 MINNESOTA workers were employed in these establishments. (Total number of manufacturing workers in MINNESOTA in 1958 was 209,191, according to the most recent Census Bureau Survey of Manufactures.)

MINNESOTA's major exporting industries are: Non-electrical machinery, food and kindred products, instruments and related products, electrical machinery, chemicals and allied products, and paper and allied products.

AGRICULTURAL EXPORTS

MINNESOTA's equivalent share of U.S. total exports of $4.9 billion of agricultural products was $163.7 million in the 1960-61 crop year.

Included were $132.5 million for field crops, $29.8 million for livestock and livestock products, $1.2 million for vegetables, and $0.3 million for fruits and nuts.

About 23,700 MINNESOTA farm workers may be attributed to the production of farm products that were exported both in unprocessed and in processed form. This number represents 8.9% of the 266,000 total workers on farms. (Estimates by the Departments of Agriculture and Labor.)

MINERAL EXPORTS

Exports of iron ore from MINNESOTA amounted to $29.7 million in 1960 (6.3% of local production).

12,975 workers were employed in MINNESOTA's iron ore mines.

The following individual companies are illustrative of those which contribute to the merchandise exports of MINNESOTA. They have extended permission to be identified as companies participating in direct exports:

ALBERT LEA

King-Seely Thermos Co. - Fabricated metal products and non-electrical machinery

AUSTIN

Geo. A. Hormel & Co. - Lard, pork offal, beef offal, canned meats

DULUTH

Clyde Iron Works, (Republic Industrial Corp.) - Hoists, cranes
Diamond Tool and Horseshoe Co. - Mechanic handtools

FAIRMONT

Fairmont Railway Motors, Inc. - Railway maintenance-of-way equipment

FARIBAULT

McQuay, Inc. - Air-conditioning units, refrigeration equipment

GLENCOE

Telex, Inc. - Hearing aids, electrocoustic devices, other electronic equipment

HASTINGS

F. H. Peavey & Company - Flour

HOPKINS

Motec Industries, Inc. - Farm machinery, materials-handling equipment

HUTCHINSON

Kraft Food Division, National, Dairy Products Corp. - Dairy products

LAKE CITY

Di-Acro Corporation - Metal-forming machine tools

MARSHALL

Marshall Produce Co. - Fresh eggs and egg solids

MINNEAPOLIS

Archer-Daniels-Midland Company - Linseed oil, crude and processed
Cream of Wheat Division, National Biscuit Co. - Cereal preparations
Despatch Oven Company - Industrial ovens, furnaces, and other heat processing equipment
Durkee-Atwood Company - Automotive and industrial rubber products
Hygrade Food Products Corporation - Coffee
Maico Electronics, Inc. - Hearing aids, audiometers, auditory training instruments, electronic stethoscopes
McQuay, Inc., - Air-conditioning units and refrigerating equipment
Minneapolis-Honeywell Regulator Co. - Automatic heating controls, air-conditioning, and refrigeration
Motec Industries, Inc. - Farm tractors
The Pillsbury Company - Flour
Pioneer Engineering Division, Poor & Company - Rock crushing, screening, and washing plants
Possis Machine Corporation, Guarantee Generator and Armature Co. - Machinery for manufacture of armatures, stators, coils
Rogers Hydraulic Incorporated - Hydraulic presses
Smith Welding Equipment Division, Tescom Corporation - Equipment for oxyacetylene welding and cutting
Onaw Division, Studebaker-Packard Corporation - Electric generator sets
G. H. Tennant Company - Floor maintenance equipment
Thermo King Corporation - Refrigeration
Unipress Company, Inc. - Laundry machinery, ironers

MORA

Dairy Equipment Division, Blaw-Know - Food-and-milk drying equipment

OWATONNA

Owatonna Tool Company - Hydraulic presses and handtools

ROCHESTER

Libby, McNeill & Libby - Processed canned and frozen foods

SAINT PAUL

Capitol Gears, Inc. - Marine reverse and reduction gears
Koppers Company, Inc. - Coke
Northwestern Refining Co - Gasoline and home-heating oils
Rayette, Inc. - Beauty salon cosmetics, hair preparations, and beauty salon equipment
Standard Conveyor Company - Conveyors
Standard Packaging Corporation - Remembrance advertising materials
Telex, Inc. - Hearing aids, electrocoustic devices, other electronic equipment
Whirlpool Corporation - Refrigeration products

SARTELL

De Zurik Corporation - Valves, and miscellaneous papermill equipment

SPRING GROVE

Mansfield Industries, Inc. - Photographic equipment

SPRING PARK

J. R. Clark Company - Fabricated metal products, ironing tables

STILLWATER

Maple Island, Inc. - Whole milk powder, milk-processing machinery

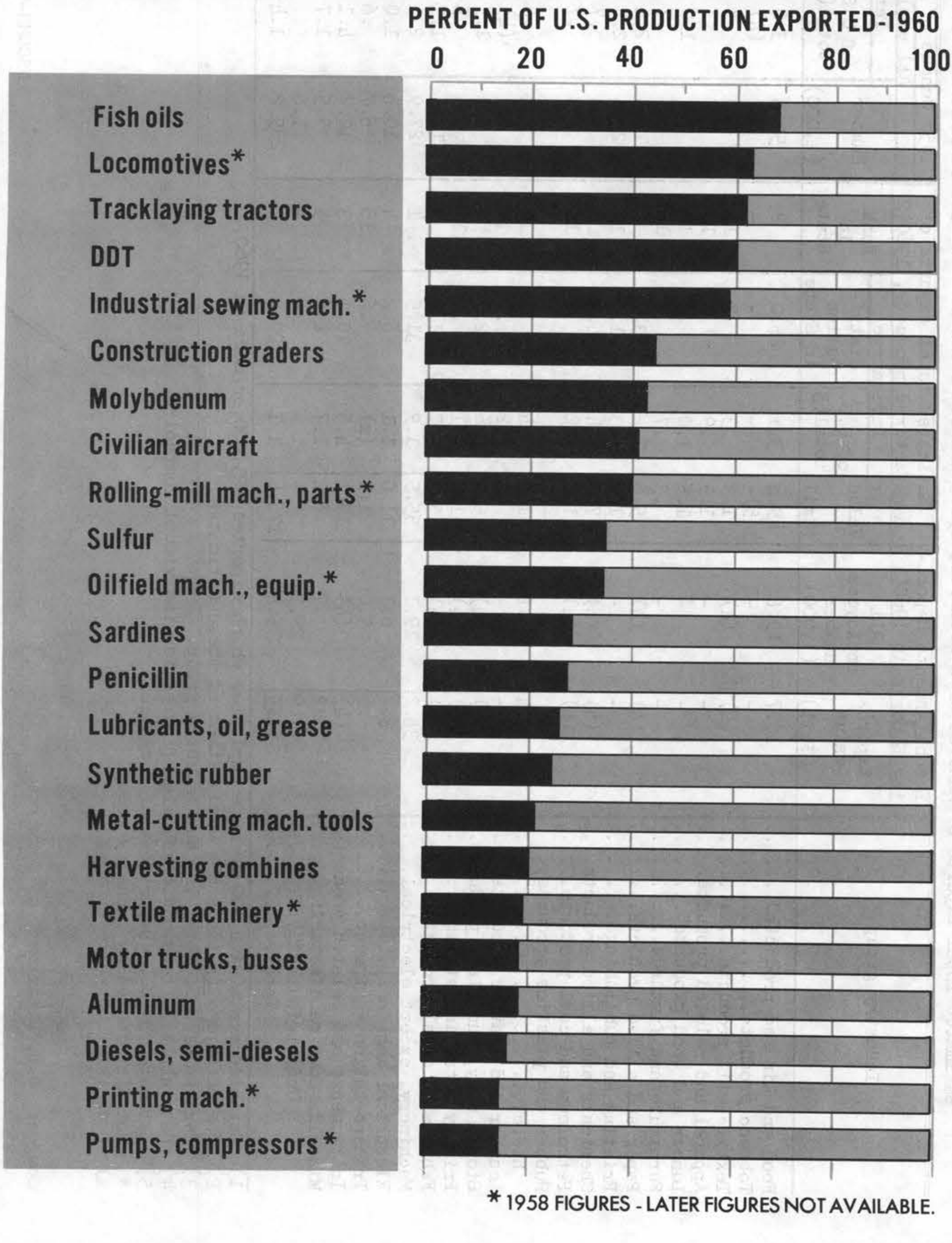
WASECA

Birdseye Division, General Foods Corporation - Frozen fruit and vegetable products
E. F. Johnson Company - Electronic equipment and components

WINONA

Bay State Milling Company - Flour
Lake Center Switch Company - Stampings, die castings

SOME U.S. INDUSTRIES DEPEND HEAVILY ON EXPORTS



State of Minnesota

Exports and Employment of Manufacturing Establishments Reporting Exports, Estimated Total Exports of Manufactured Products, 1960, and Total Manufacturing Employment in 1958

Industry group	Establishments Reporting Exports in 1960(1		Estimated total exports of manufactured products, 1960(2				1958 Census of Manufactures — All employees		
	Exports value ($mil)	All employees number (1,000)	Value ($mil	Percentage: of U.S. total(3	Percentage: distribution in State	Rank in State	Number (1,000)	Percentage: of U.S. total(3	Percentage: distribution in State
Food and kindred products........	16.7	13.8	49.4	3.1	28.0	2	51.8	3.0	24.8
Tobacco products.................	-	-	5)-	-	-	-	(4)	(4)	(4)
Textile-mill products............	(4)	(4)	1.3	.3	.7	13	2.8	.3	1.3
Apparel and related products.....	-	-	1.9	.9	1.1	10	7.7	.7	3.7
Lumber and wood products.........	-	-	1.5	1.0	.8	12	7.2	1.2	3.4
Furniture and fixtures...........	-	-	.3	.7	.2	18	2.5	.7	1.2
Paper and allied products........	(4)	(4)	5.6	1.4	3.2	7	11.5	2.1	5.5
Printing and publishing..........	-	-	1.8	1.3	1.0	11	20.6	2.4	9.8
Chemicals and allied products....	(4)	(4)	7.7	.4	4.4	6	5.0	.7	2.4
Petroleum and coal products......	(4)	(4)	1.2	.2	.7	15	1.3	.7	.6
Rubber and plastics products, n.e.c..............	.4	.8	1.3	.4	.7	14	2.1	.6	1.0
Leather and leather products.....	-	-	.2	.2	.1	19	(4)	(4)	(4)
Stone, clay, and glass products..	(4)	(4)	5.1	2.6	2.9	8	8.3	1.5	4.0
Primary metal industries.........	(4)	(4)	1.0	.1	.6	17	5.6	.5	2.7
Fabricated metal products........	(4)	(4)	3.3	.7	1.9	9	12.1	1.1	5.8
Machinery, except electrical.....	38.2	19.1	55.5	1.9	31.5	1	27.9	2.1	13.3
Electrical machinery.............	8.7	6.7	11.0	1.1	6.2	4	10.8	1.0	5.2
Transportation equipment.........	.4	5.0	1.1	(x)	.6	16	8.7	.6	4.2
Instruments and related products.	(4)	(4)	19.1	4.5	10.8	3	12.2	4.1	5.8
Miscellaneous manufacturing......	.2	.7	8.1	1.7	4.6	5	9.5	1.7	4.5
Undistributed*...........	27.9	29.3	-	-	-	-	1.6		.8
Total...........	92.5	75.4	176.4	1.1	100.0		209.2	1.4	100.0

1) Establishments with 100 or more employees which exported $25,000 or more in 1960.
2) See accompanying table for explanation of these estimates.
3) Percent of U.S. total in each industry group.
4) Data withheld to avoid disclosing figures for individual companies.
5) Estimated by U.S. Department of Commerce.
* Not distributed by industry group.
x) Less than .05 percent.

Source: U.S. Department of Commerce.

MANUFACTURED EXPORTS*

U. S. exports of manufactures made up more than 75 percent of total exports for the year 1960. These manufactured exports were valued at $15.5 billion, f.o.b. plant.

Nationally, the six largest industry groups were: Non-electrical machinery ($2.9 billion); transportation equipment ($2.7 billion); chemicals and allied products ($1.8 billion); food and kindred products ($1.6 billion); primary metals ($1.1 billion); and electrical machinery ($1.0 billion).

Approximately 6 million workers were employed in U. S. manufacturing establishments each of which exported $25,000 or more in 1960. Thus, one out of every three industrial workers in the United States was employed in plants which produced for export. These plants accounted for about 45 percent of all U.S. manufacturers' shipments in 1960.

These facts were revealed by a recent survey of the geographic origin of U. S. exports of manufactures conducted by the Bureau of the Census. Nearly 8,000 manufacturing establishments, reporting two-thirds of U. S. manufactured exports, responded to this survey, the first of its kind in the United States. Regional and State distributions of exports for the remaining one-third were estimated by the U. S. Department of Commerce.

The following analysis is based on data from this survey.

THE STATE OF MINNESOTA

Minnesota's industrial progress has been marked by continuous growth in industrial employment and in value added by manufacture. Agriculture, meanwhile, has remained a vital segment of the State's economy. Indeed, this continued vitality of Minnesota's agricultural economy has directly influenced the "size and shape" of the State's food and kindred products manufacturing industry.

Total value of exports from the State of Minnesota in 1960 was estimated at $176.4 million. A total of 107 establishments, exporting $25,000 or more, reported $92.5 million of this total. These establishments employed 75,400 workers and their exports represented 4 percent of their total value of shipments. The balance was exported indirectly through middlemen by these same establishments or by other establishments.

*Prepared by the U. S. Department of Commerce.

Minnesota ranked 23d in the Nation in value of manufactured exports in 1960.

The State's significant exporting industries are: Non-electrical machinery, food and kindred products, instruments and related products, electrical machinery, chemicals and allied products, and paper and allied products. Exports of these six industries were estimated at $148.3 million in 1960, almost 85 percent of the estimated total value of Minnesota manufactured exports in that year.

The non-electrical machinery industry appears to be dominant in State industrial activity in terms of exports. In 1960 it accounted for more than 31 percent of the estimated total value of Minnesota exports.

Non-Electrical Machinery

Total value of exports of non-electrical machinery from Minnesota in 1960 was estimated at $55.5 million. A total of 36 establishments, exporting $25,000 or more, reported $38.2 million of this total. These establishments employed 19,084 workers and their exports represented 9 percent of their total value of shipments.

Best customers for similar U. S. exports in 1960 were Canada, Brazil, Argentina, Japan, Mexico, Colombia, and the United Kingdom.

The most significant elements of this industry in terms of employment and value of exports from Minnesota were: Farm machinery and equipment, construction and like equipment, and service industry machines.

Farm Machinery and Equipment

The reported value of exports of farm machinery and equipment in 1960 was $10.5 million, which represented 13 percent of the total shipments from reporting establishments. These establishments employed a total of 3,656 workers.

Motec Industries, Inc., which has plants in HOPKINS and MINNEAPOLIS, is representative of Minnesota industrial establishments that produce and export farm machinery and equipment. The principal exports from the Minneapolis plant are farm tractors, while the Hopkins plant exports farm machinery and materials-handling equipment. Motec has sales subsidiaries in Canada and Argentina, distributors in principal cities in the United States and Canada, and export distributors in 43 other countries.

Other Minnesota establishments exporting farm machinery include the Gandy Company, of OWATONNA, exporting fertilizer spreaders, chemical applicators, and seeders; and Freeman Manufacturing Company, of MINNEAPOLIS, exporting hydraulic loaders.

Construction and Like Equipment

The reported value of exports of construction and like equipment in 1960 was $6.2 million, which represented 11 percent of the total shipments from reporting establishments. These establishments employed a total of 2,494 workers.

The Pioneer Engineering Division of Poor and Company is included among Minnesota establishments producing and exporting construction and like equipment. This concern exports rock-crushing, -screening, and -washing plants.

Other industrial establishments exporting construction equipment from Minnesota include: Northfield Iron Co., in NORTHFIELD, exporting graders; William Bros. Boiler and Manufacturing Co., in MINNEAPOLIS, exporting compaction rollers; and Stockland Road Machinery Co., also in MINNEAPOLIS, exporting road machinery.

Service Industry Machines

The reported value of exports of service industry machines in 1960 was $6.3 million, which represented 7 percent of the total shipments from reporting establishments. These establishments employed a total of 4,051 workers.

McQuay, Inc., with facilities in FARIBAULT and MINNEAPOLIS, is illustrative of Minnesota establishments manufacturing and exporting service industry machinery. This concern produces an extensive line of air-conditioning, refrigeration, and heating equipment. Distribution and manufacturing affiliates and licensees sell McQuay equipment in England, Brazil, Australia, and New Zealand.

The Whirlpool Corporation plant in ST. PAUL is another Minnesota industrial establishment producing and exporting service industry machinery. One of seven Whirlpool plants exporting to overseas locations, the St. Paul facility exports refrigeration equipment through a number of distribution channels.

Other Minnesota concerns manufacturing and exporting service industry machines include: G. H. Tennant Company, in MINNEAPOLIS, floor maintenance equipment; and J. R. Clark Company, SPRING PARK, ironing tables.

Fairmont Railway Motors, of FAIRMONT, is one of several representative Minnesota industrial establishments exporting other lines of non-electrical machinery. This company makes and exports maintenance-of-way equipment for railroads. Included in its output is a wide range of equipment for ballast maintenance; for extinguisher, inspection, and derrick purposes; oil and wood spray equipment; and gang cars, pushcars, and trailers.

Clyde Iron Works, Inc., of DULUTH, manufactures and exports large industrial cranes, cargo winches, hoists, and monorail systems. It is a wholly owned subsidiary of Republic Industrial Corporation, the only Republic subsidiary participating in direct exports.

Additional exporting manufacturers of non-electrical machinery include: Blaw-Knox Company, MORA, exporting food and milk-drying equipment; Capitol Gears, Inc., ST. PAUL, marine reverse gears; De Zurik Corporation, SARTELL, papermill equipment; Despatch Oven Company, MINNEAPOLIS, industrial ovens and furnaces; Rogers Hydraulic, Inc., MINNEAPOLIS, hydraulic presses; and Standard Conveyor Co., NORTH ST. PAUL, exporting conveyors.

The non-electrical machinery industry is indirectly dependent on imports for its high volume of production. Large quantities of ferroalloys, for instance, are produced by the primary metals industry from imported ores and concentrates of manganese, chromite, nickel, cobalt and columbite-tantalite, and tungsten. Other indirect import requirements include nonferrous ores or metals such as antimony, bauxite, copper, and tin.

Nonmetallic imports used--most of which are direct requirements of this industry--include aluminum oxide, silicon carbide, corundum, asbestos, industrial diamonds, graphite, and rubber.

Food and Kindred Products

Total value of exports of food and kindred products from Minnesota in 1960 was estimated at $49.4 million. A total of 21 establishments exporting $25,000 or more, reported $16.7 million of this total. These establishments employed 13,810 workers and their exports represented 2 percent of their total value of shipments.

Best customers for similar U. S. exports in 1960 were West Germany, the Netherlands, Belgium and Luxembourg, the United Kingdom, Switzerland, Canada, Venezuela, Indonesia, Egypt, and Nigeria.

The Kraft Food Division of the National Dairy Products Corporation, in HUTCHINSON, exports dairy products. The corporation, which purchases, makes, processes, and distributes a diversified line of dairy and other food products, is the largest processor and distributor of dairy products in the United States. In all, the corporation's seven divisions maintain over 200 processing and manufacturing plants and have more than 300 sales and distribution branches in the Western Hemisphere, Europe, and Australia. The principal foreign plants are in England, Canada, Denmark, West Germany, and Australia. The Kraft Food Division makes and distributes cheese and cheese products, salad dressings, margarine, confections, cooking oils and shortening, jellies and preserves, fruit salads and segments, as well as animal and poultry feeds. It supervises subsidiaries which make, package, and distribute cheese and other products in a number of markets outside the United States, principally in Canada, Australia, England, West Germany, and Denmark.

The Cream of Wheat Corporation, a division of National Biscuit Company, is another prominent Minnesota establishment engaged in the production and export of food products. This corporation, producer of the well-known cereal preparation Cream of Wheat, has its main plant in MINNEAPOLIS.

Libby, McNeill and Libby, a diversified food-packing and canning organization, operates a fruit, vegetable , pickle, and condiment cannery in ROCHESTER. This establishment, one of 26 operating plants owned by Libby, McNeill and Libby, exports processed foods, canned and frozen foods.

The Pillsbury Company of MINNEAPOLIS is the largest exporter of flour in North America. It is the second largest flour miller in the United States and an important maker of prepared food mixes for home baking and commercial bakeries, formula feeds for poultry and livestock, and soybean products. The company also merchandises grain and feed ingredients. It operates several subsidiaries in Canada.

The George A. Hormel & Co. plant at AUSTIN, also is representative of the Minnesota food processing industry. The Austin facility is one of three Hormel exporting plants. The company's principal exports are lard, pork offal, beef offal, and canned meats.

Also included among the State's exporting food products companies are: Archer-Daniels-Midland Company, of MINNEAPOLIS, exporting linseed oil; Bay State Milling Company, of WINONA, exporting flour; Hygrade Food Products Corporation, of MINNEAPOLIS, exporting coffee; Marshall Produce Co., of MARSHALL, and its branch, Farmers Market, of PAYNESVILLE, exporting eggs and egg solids; Birds Eye Division of General Foods Corporation, of WASECA, exporting frozen food products; F. H. Peavey & Company, of MINNEAPOLIS, also exporting flour; and Maple Island Inc., of STILLWATER, exporting whole milk powder.

The food processing industry, including bakeries, dairies, and beverage and meat processors, uses imports. Various kinds of spices and flavorings, nuts, fresh and dried fruits, sugar, coffee, tea, and cocoa, as well as tapioca are imported. Firms in this industry also import inedible items, such as cork, gums, casings, burlap, and bagging.

Electrical Machinery

Total value of exports of electrical machinery from Minnesota in 1960 was estimated at $11 million. A total of 11 establishments, exporting $25,000 or more, reported $8.7 million of this total. These establishments employed 6,670 workers and their exports represented over 5 percent of their total value of shipments.

Best customers for similar U. S. exports in 1960 were Canada, Venezuela, Mexico, Brazil, and Argentina.

The Minnesota Mining and Manufacturing Company, which has establishments in ST. PAUL, FAIRMONT, HUTCHINSON, and HASTINGS, exports electrical machinery as well as many other types of industrial goods. This company manufactures a wide variety of electrical products, including video-band recorders, reproducers, magnetic tapes and films, generators, and heat pumps. It also manufactures and exports many other products too widely diversified to be classified in any one industry group. These include tape and allied products, coated abrasives and related products, graphic products, electrical products, roofing granules, and reinforced plastics. The company's main exports include a broad range of abrasives, adhesives, coatings, sealers, plastic tapes, sheetings, and ribbons.

Minnesota Mining handles its own export business. Sales are made primarily to foreign distributors, to the company's foreign subsidiaries, and to export houses. Foreign subsidiaries and affiliates operating in Canada, Germany, England, Spain, Mexico, Brazil, Argentina, South Africa, the Netherlands, and Australia in most cases produce and sell tapes, abrasives, and certain related products similar to those produced by the company in the United States.

The Onan Division of Studebaker-Packard Corporation in MINNEAPOLIS, is representative of other Minnesota establishments manufacturing and exporting electrical machinery and equipment. The Onan plant, one of six Studebaker-Packard plants from which exports are made, exports electric generator sets.

The Minneapolis-Honeywell Regulator Company, in MINNEAPOLIS, is another Minnesota industrial establishment exporting electrical equipment. Its export products include automatic controls for heating, air-conditioning, and refrigeration. The Minneapolis facility is one of nine Minneapolis-Honeywell plants exporting various types of controlling and recording equipment.

The company has manufacturing and selling subsidiaries in Canada, Great Britain, France, West Germany, and the Netherlands. Other subsidiaries, consisting mainly of sales and warehousing organizations, operate in Sweden, Denmark, Belgium, Venezuela, Austria, Switzerland, Mexico, and Brazil. Including its subsidiaries, affiliates, and branches, Minneapolis-Honeywell maintains 184 sales and service offices throughout the world, and has distributors in 43 foreign countries. A 50-perent-owned Japanese company makes industrial instruments for sale in Japan.

The Possis Machine Corporation of MINNEAPOLIS also produces electrical equipment for export. The corporation, a subsidiary of Guarantee Generator and Armature Co. of Chicago, Ill., manufactures such equipment as armatures, stators, and coils. Exports go principally to Mexico, Canada, Venezuela, Colombia, the Republic of the Philippines, and Greece.

The E. F. Johnson Company, of WASECA, exports electronic equipment and components.

The electrical machinery industry is supported by various materials of foreign origin, including many indirect imports. This is evidenced by imported raw materials which are wholly or partially processed by the primary or fabricated metal industries prior to being used by electrical machinery manufacturers.

These include virtually the entire range of imported metallic ores and other imports consumed in the primary metals industry, such as bauxite, the various copper forms, and ferroalloys. Also included in this category of indirect imports are castor oil for making special wire insulation, and natural rubber.

In addition, there are other materials--not fully available domestically--which are introduced more directly into the production system of this industry. These include diamond dies, industrial diamonds, mica, mercury, platinum, tungsten, quartz crystals, talc, and abrasives.

Instruments and Related Products

Total value of exports of instruments and related products from Minnesota in 1960 was estimated at $19.1 million. A total of 5 establishments reported exports of instruments and related products valued at $25,000 or more. Estimated exports of instruments and related products represent nearly 11 percent of the total value of exports from the State of Minnesota in 1960.

Best customers for similar U. S. exports in 1960 were Canada, West Germany, Mexico, Japan, and the United Kingdom.

Maico Electronics Corporation, which has its headquarters in MINNEAPOLIS, is among Minnesota's exporters of instruments and related products. Maico, wholly owned subsidiary of Sheaffer Pen Company, makes and exports hearing aids and miniature electronic devices, including audiometers, auditory training instruments, and electronic stethoscopes. Sheaffer's extensive system of overseas dealers, and affiliates, and subsidiaries facilitates the distribution of Maico products throughout the free world.

Telex, Inc., with plants in ST. PAUL and GLENCOE, is another Minnesota producer and exporter of instruments and related products. This concern exports hearing aids, electrocoustic devices, and other electronic devices and equipment.

Mansfield Industries, Inc. has its domestic production plant at SPRING GROVE. The company also holds 49-percent ownership in a Japanese affiliate, Atlas Cine Works, Ltd. Through this affiliation a well-integrated program has been developed for the production and distribution of photographic equipment and related instruments. Foreign distribution is handled by another affiliate, Mansfield International, in Geneva, Switzerland, and by independent distributors in Canada.

The instruments and related products industry requires high-precision manufacturing standards. As a result, the industry has a continuing requirement for imported, high-quality raw, semifinished and finished manufacturing materials, as well as processing materials, many of which are not fully available in this country.

Included among the materials for which the instrument industry is at least partially dependent on imports are: Aluminum oxide abrasive, corundum, diamond dies, industrial diamonds, jewel bearings, manganese, mercury, mica, nickel, platinum, sapphire and ruby, and selenium.

Chemicals and Allied Products

Total value of exports of chemicals and allied products from Minnesota in 1960 was estimated at $7.7 million. A total of 4 establishments reported exports of chemicals and allied products valued at $25,000 or more.

Best customers for similar U. S. exports in 1960 were Canada, Japan, Mexico, the Netherlands, and West Germany.

Rayette, Incorporated, in ST. PAUL, is representative of Minnesota establishments exporting chemicals and allied products. This company makes and exports practically all types of cosmetics for use in beauty salons, furniture for beauty salons, plastic products, and chemicals for cosmetics. Beauty salon supplies and equipment are sold through dealers in the United States and Canada, and directly to department-store beauty salons. Chemicals are sold through company agents. Rayette has agents and customers in many foreign countries. A subsidiary in South Africa manufactures the company's products for sale in Africa.

The Hagen Supply Company of ST. PAUL manufactures and exports tear gas.

Chester-Kent, Inc., in ST. PAUL, exports drugs and pharmaceuticals, cosmetics, and household chemicals.

The chemicals and allied products industry uses, in varying degrees, many imported materials.

The drug segment of the industry imports the following: Agar, bismuth, castor oil, hyoscine, iodine, mercury, gum opium, quinidine, and selenium. Some imports of the following are also required: Adrenalin, bile salts, ammonium persulfate, tellurium dioxide, thyroid extract, lecithin, and hemoglobin.

Other segments of the chemical industry use a variety of imported materials, such as cadmium, celestite, mercury, selenium, and tin oxide for pigments; chromite for dyestuffs; manganese for photographic chemicals; platinum and nickel for catalysts and other uses; pyrethrum for insecticides; shellac for paints and other uses. Also imported are: Fluorspar, rutile, silicon carbide, sperm oil, tantalum, and tin.

The instruments and related products industry requires high-precision manufacturing standards. As a result, the industry has a continuing requirement for imported, high-quality raw, semifinished and finished manufacturing materials, as well as processing materials, many of which are not fully available in this country.

Included among the materials for which the instrument industry is at least partially dependent on imports are: Aluminum oxide abrasive, corundum, diamond dies, industrial diamonds, jewel bearings, manganese, mercury, mica, nickel, platinum, sapphire and ruby, and selenium.

Chemicals and Allied Products

Total value of exports of chemicals and allied products from Minnesota in 1960 was estimated at $7.7 million. A total of 4 establishments reported exports of chemicals and allied products valued at $25,000 or more.

Best customers for similar U. S. exports in 1960 were Canada, Japan, Mexico, the Netherlands, and West Germany.

Rayette, Incorporated, in ST. PAUL, is representative of Minnesota establishments exporting chemicals and allied products. This company makes and exports practically all types of cosmetics for use in beauty salons, furniture for beauty salons, plastic products, and chemicals for cosmetics. Beauty salon supplies and equipment are sold through dealers in the United States and Canada, and directly to department-store beauty salons. Chemicals are sold through company agents. Rayette has agents and customers in many foreign countries. A subsidiary in South Africa manufactures the company's products for sale in Africa.

The Hagen Supply Company of ST. PAUL manufactures and exports tear gas.

Chester-Kent, Inc., in ST. PAUL, exports drugs and pharmaceuticals, cosmetics, and household chemicals.

The chemicals and allied products industry uses, in varying degrees, many imported materials.

The drug segment of the industry imports the following: Agar, bismuth, castor oil, hyoscine, iodine, mercury, gum opium, quinidine, and selenium. Some imports of the following are also required: Adrenalin, bile salts, ammonium persulfate, tellurium dioxide, thyroid extract, lecithin, and hemoglobin.

Other segments of the chemical industry use a variety of imported materials, such as cadmium, celestite, mercury, selenium, and tin oxide for pigments; chromite for dyestuffs; manganese for photographic chemicals; platinum and nickel for catalysts and other uses; pyrethrum for insecticides; shellac for paints and other uses. Also imported are: Fluorspar, rutile, silicon carbide, sperm oil, tantalum, and tin.

Paper and Allied Products

Total value of exports of paper and allied products from Minnesota in 1960 was estimated at $5.6 million.

Best customers for similar U. S. exports in 1960 were Canada, the United Kingdom, Venezuela, West Germany, and the Republic of the Philippines.

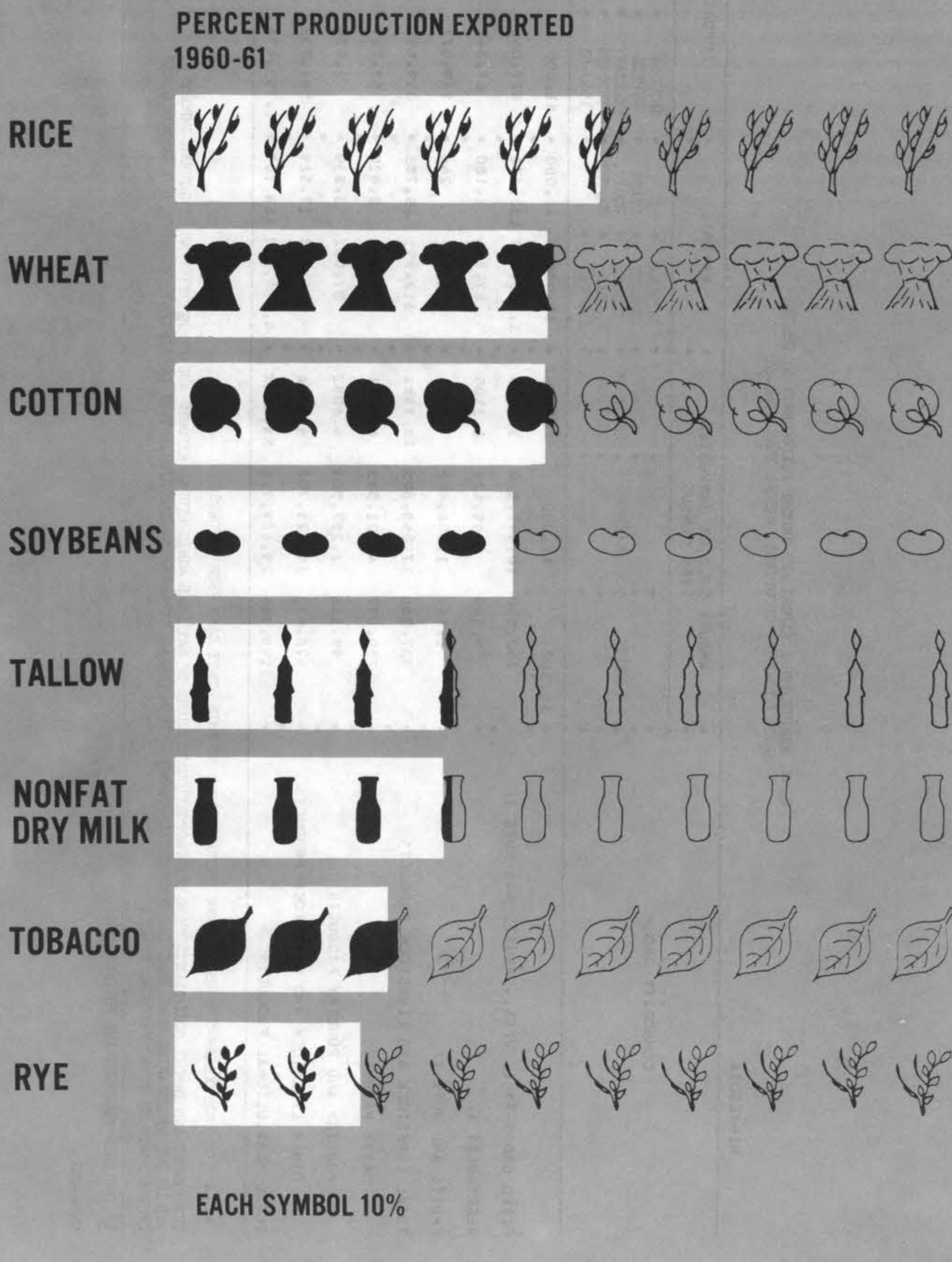
The Weyerhaeuser Timber Company, which exports its products, maintains a shipping container plant in AUSTIN. Weyerhaeuser is a leading producer of pulp, paperboard, hardboard, wood- fiber and bark products, as well as plywood, hardwood, and fabricated structural products. The company converts a substantial portion of its paperboard production into shipping containers and folding boxes. Manufacturing plants are operated in 27 States, as well as in Canada and Costa Rica. Subsidiaries operate oceangoing steamships and docking facilities. Weyerhaeuser Belgium, S. A., recently formed by the U. S. company, has started construction of a shipping container plant at Ghlin, Belgium, to serve the European Common Market.

Decor Note Company in ST. PAUL exports scented, decorated, and fancy boxed writing papers.

Waldorf Paper Products Company of ST. PAUL manufactures and exports paperboard containers and boxes.

This analysis has covered those industries with the highest value of exports for which there is specific information available. For other industries with smaller exports, in many instances possibility of disclosure of individual firms prevented tabulation of the precise value of exports reported. While these industries could not be discussed in detail, their combined employment and overseas shipments made an important and significant contribution to the international activity of the State of Minnesota.

U. S. FARM PRODUCTS NEED FOREIGN MARKETS



U. S. AGRICULTURAL EXPORT AND IMPORT EQUIVALENTS BY STATES
MAJOR COMMODITY GROUPINGS, FISCAL YEAR 1960-61

MINNESOTA

COMMODITY GROUP	AMOUNT SOLD OR HARVESTED 1959 CENSUS			EXPORTS		IMPORTS	
	STATE	NATION	STATE SHARE OF NATION	NATIONAL EXPORTS FISCAL YEAR 1960-61	STATE EQUIV. EXPORTS	NATIONAL SUPPLE-MENTARY IMPORTS 1960-61	STATE EQUIV. IMPORTS
	$1,000	$1,000	PERCENT	$1,000	$1,000	$1,000	$1,000
FIELD CROPS-EXCL. VEGS., FRUITS AND NUTS 1/	350,530	10,492,820	3.3406	3,965,473	132,471	877,066	29,299
VEGETABLES 1/	9,989	739,629	1.3505	87,346	1,180	67,847	916
FRUITS AND NUTS 1/	1,359	1,398,462	.0971	274,407	266	169,072	164
TOTAL LIVESTOCK AND LIVESTOCK PRODUCTS	837,066	17,058,805	XX.XXXX	612,691	29,788	639,491	29,441
DAIRY PRODUCTS	259,077	4,021,593	6.4421	130,696	8,420	52,727	3,397
POULTRY AND POULTRY PRODUCTS	99,516	2,257,504	4.4082	87,082	3,839	2,031	90
OTHER LIVESTOCK AND LIVESTOCK PRODUCTS	478,473	10,779,708	4.4386	394,913	17,529	584,733	25,954
TOTAL AGRICULTURAL PRODUCTS	1198,944	29,689,716	XX.XXXX	4,939,917	163,705	1,753,476	59,820

$.14 OF EACH DOLLAR'S WORTH OF FARM PRODUCTS SOLD BY THIS STATE CAME FROM EXPORTS.

THE EXPORT AND IMPORT EQUIVALENTS SHOW THE PROPORTIONATE SHARE OF NATIONAL AGRICULTURAL EXPORTS AND COMPETITIVE AGRICULTURAL IMPORTS AND DO NOT NECESSARILY MEAN THAT THE COMMODITIES SHOWN WERE ACTUALLY EXPORTED OR IMPORTED. THEY DO REFLECT, HOWEVER, THE COMMON STAKE OF THE STATE IN TOTAL NATIONAL TRADE.

1/ INCLUDES PRODUCTS AND PREPARATIONS

USDA-ERS

AGRICULTURE*

Sixty million acres of American cropland -- one out of every six acres harvested -- produce for export.

American agricultural exports are running at a record high rate of $5 billion a year. U.S. farmers need these exports as an outlet for their efficient and abundant production, and as an important source of income. Foreign consumers need these exports as a significant source of food and clothing.

In fiscal year 1960-61 U.S. exports equaled half of the Nation's production of cotton, wheat, rice, and dried peas; two-fifths of the output of soybeans and tallow; a third of the production of tobacco, hops, flaxseed, and nonfat dry milk; a fifth of the dried whole milk output; and a sixth of the feed grains sold off farms. Other important exports were fruits, poultry meat, and variety meats.

MINNESOTA'S farmers have a direct stake in exports of some of these agricultural commodities.

About 23,700 farm workers may be attributed to the production of farm products that were exported both in unprocessed and in processed form. This represents 9.9 percent of the 266,000 total workers on farms. (Estimates prepared in cooperation with the Bureau of Labor Statistics.)

Minnesota's equivalent share in the 1960-61 national agricultural export total was $132.5 million for field crops; $29.8 million for livestock and livestock products; $1.2 million for vegetables; and $300 thousand for fruits and nuts.

For leading individual commodities, Minnesota's equivalent share was $38.6 million for soybeans, $29.3 million for corn, $24 million for wheat, $8.4 million for dairy products, and $3.8 million for poultry and eggs.

("Equivalent share" signifies a State or District's proportionate contribution to national sales or out put as determined from the Agricultural Census data. The share reflects the common stake in national trade and does not necessarily mean that the "equivalent share" shown was actually exported or imported.)

As a whole, the equivalent share of agricultural exports from Minnesota is over 2½ times as large as the equivalent share of competing imports.

Minnesota, like every other part of America, is an importer of agricultural products. These are largely tropical or semi-tropical products not grown here, such as coffee, tea, spices, bananas, rubber, etc. In addition, there are imports of competing products, often of special grade and higher in price. Under Section 22 of the Agricultural Adjustment Act as amended, imports of the following commodities are limited: Wheat and wheat products, cotton, cotton waste, cotton produced in any stage preceding spinning into yarn (picker lap), certain manufactured dairy products, peanuts, tung nuts, and tung oil.

---

*Prepared by the U.S. Department of Agriculture.

The domestic market, however, is unable to absorb the total output of America's highly productive agriculture. Fortunately, there is active need for these products in foreign countries. In the more prosperous countries, incomes are rising and there is excellent opportunity to sell larger amounts of U. S. farm products, provided such countries maintain liberal trade policies that permit U. S. agricultural commodities to enter and compete on equal terms with those of other suppliers. In the less prosperous countries, U. S. farm products obtained under such programs as Food for Peace are helping these countries in their economic development and at the same time are increasing U. S. prospects for future commercial sales to them.

CRUDE MINERALS*

Almost $2 billion worth of crude minerals — 10 percent of the total value of production at U. S. mines and wellheads — was exported in 1960. This export volume includes both direct and indirect shipments abroad.

Production for export provided jobs for 90,000 American workers — 14 percent of total employment — in the domestic mining industry.

Indirect exports of metals and minerals — contained in exported trucks and other manufactured products — contribute substantially to sales and employment in the mining industry. In 1960, such shipments were responsible for more than three-fourths of the industry's total export dollar volume and for more than two-thirds of its export production jobs.

Direct exports, though proportionately smaller than indirect exports, nationwide, are highly important to many localities. For example, direct exports of bituminous coal are significant in Virginia, West Virginia, Pennsylvania, and Kentucky; of anthracite in Pennsylvania; iron ore in Minnesota; molybdenum in Colorado; boron in California; sulfur in Louisiana; and phosphate in Florida.

Crude mineral imports, on the other hand, are vital because they help U. S. production to compete in world markets. In general, imported raw materials are noncompetitive to any significant degree with the domestic industry. The major exceptions, where the President has found it in the national interest to restrict imports, are lead-zinc and petroleum.

Reduction or loss of such important raw materials as crude petroleum, iron ore, copper ore, diamonds, manganese, bauxite, asbestos, zinc, tin, and lead, for example, would raise production costs in American basic industries and, consequently, reduce American living standards.

Exports of iron ore from MINNESOTA amounted to $29.7 million in 1960, almost 6.5 percent of the total production.

Employment was about 13,000 in 1960 at both mines and mills. Iron ore was produced from 160 mines.

Almost all production and employment was in the 8th Congressional District. The largest single producer was the Oliver Iron Mining Division of the United States Steel Corporation.

About 65 percent of all U. S. iron ore is produced in Minnesota and the mine value of the State's production was $470.9 million in 1960.

In 1960, Minnesota, with mineral production valued at $515.3 million, ranked ninth among the States and accounted for 3 percent of total U. S. mineral production. The principal minerals produced, in order of value, were iron ore, sand and gravel, stone, and cement.

---

*Based on data supplied by the U. S. Department of the Interior, Bureau of Mines.

Firms Producing Iron Ore
(listed in order of value of production)

U. S. Steel Corp.
Oliver Iron Mining Division
Pickands Mather & Co.
The M. A. Hanna Co.
Reserve Mining Co.
The Cleveland-Cliffs Iron Co.
Jones & Laughlin Steel Corp.
Snyder Mining Co.
Pittsburgh Pacific Co.
W. S. Moore Co.
Republic Steel Corp.
Rhude & Fryberger, Inc.
Oglebay Norton Co.
Inland Steel Co.
Pacific Isle Mining Co.
North Range Mining Co.
Pioneer Mining Co.
Schroeder Mining Co.
E. A. Young, Inc.
Haley Young Mining Co.
Charleston Iron Mining Co.

MANUFACTURING ESTABLISHMENTS REPORTING THE EXPORT OF PRODUCTS IN 1960, THE NUMBER OF THESE ESTABLISHMENTS, THEIR EMPLOYMENT AND REPORTED EXPORTS, COMPARED WITH TOTAL MANUFACTURING EXPORTS, BY REGION AND STATE

Geographic Region and State	Establishments reporting exports			Total Manufacturing Exports and Estimated Regional and State Totals (millions of $s)
	Number of Establishments	All Employees, Annual Average	Value of Exports Reported (millions of $s)	
UNITED STATES, TOTAL	7,496	5,699,981	$ 9,792.4	$ 15,454.3
New England	721	482,036	551.8	1,013.7
Maine	26	16,271	14.5	37.5
New Hampshire	39	18,166	30.3	54.7
Vermont	24	11,161	15.5	28.1
Massachusetts	319	204,495	224.4	435.2
Rhode Island	63	28,066	22.2	65.9
Connecticut	250	203,877	244.7	385.9
Middle Atlantic	1,894	1,443,830	2,271.2	3,506.1
New York	685	573,331	888.1	1,417.4
New Jersey	505	296,404	587.2	897.0
Pennsylvania	704	574,095	795.7	1,189.5
East North Central	2,500	2,084,340	3,119.5	4,503.8
Ohio	785	628,666	921.5	1,299.4
Indiana	312	310,259	310.2	483.6
Illinois	666	464,430	971.1	1,407.8
Michigan	487	482,960	646.5	898.7
Wisconsin	250	198,025	270.0	411.4
West North Central	438	294,334	378.6	764.0
Minnesota	107	75,354	92.5	176.4
Iowa	101	84,987	121.4	243.0
Missouri	154	85,101	91.5	193.0
North Dakota	1	D	D	2.4
South Dakota	3	D	D	7.4
Nebraska	24	14,093	14.5	41.9
Kansas	48	30,729	56.7	96.6
South Atlantic	546	412,822	845.8	1,655.0
Delaware	25	12,267	14.4	28.4
Maryland	102	92,012	138.4	216.9
District of Columbia	2	D	D	7.7
Virginia	89	74,485	213.3	338.3
West Virginia	71	58,489	125.3	156.1
North Carolina	93	103,162	128.0	391.8
South Carolina	27	27,353	30.4	121.8
Georgia	82	54,502	107.0	230.8
Florida	55	29,028	85.1	158.8
East South Central	309	208,795	324.9	587.3
Kentucky	89	57,660	102.2	178.4
Tennessee	107	76,413	132.0	220.1
Alabama	78	60,946	54.4	109.2
Mississippi	35	13,776	36.1	77.0
West South Central	397	222,032	938.2	1,243.3
Arkansas	31	13,225	29.2	50.7
Louisiana	73	41,371	192.0	254.1
Oklahoma	51	19,966	65.5	98.9
Texas	242	147,470	651.3	836.6
Mountain	67	46,386	97.6	177.3
Montana	1	D	D	3.9
Idaho	10	2,065	8.4	15.6
Wyoming	1	D	D	0.7
Colorado	21	19,130	28.2	48.4
New Mexico	4	378	11.3	26.5
Arizona	12	12,635	12.8	29.3
Utah	13	9,724	32.0	45.8
Nevada	5	1,639	4.6	5.4
Pacific	624	500,228	1,264.3	1,994.2
Washington	86	95,276	393.7	582.8
Oregon	43	19,428	50.8	87.1
California	490	385,524	809.7	1,302.6
Alaska	1	D	D	4.0
Hawaii	4	D	D	15.5

Note: Figures may not add because of rounding. The $9.8 billion in exports reported in this survey were made by establishments with 100 employees or more and exporting $25,000 or more in 1960. Based on a Census company survey covering 1958, these establishments account for substantially all shipments known to the manufacturer to be destined for export. The $5.6 billion in exports not reported in the survey would be accounted for chiefly by products shipped through wholesalers, independent export houses, etc., and by small manufacturers.

The exports shown in this table are in f.o.b. plant values. The total value at port is estimated at $16,898 million, and exceeds the 1960 Census Bureau's totals for manufactured foodstuffs, semimanufactures and finished manufactures by some $800 million. Figures given here include exports to Puerto Rico, bunker sales of fuel to foreign vessels, and certain other adjustments developed by the Bureau of Labor Statistics in their study of direct and indirect employment attributable to exports.

The National total figures were prepared by the Bureau of Labor Statistics, based largely on Census export data and Census "bridge" tables on export and industry classification systems.

Regional and State distributions of exports, not reported directly by manufacturers, were estimated by the Office of Business Economics and the Bureau of International Programs, U. S. Department of Commerce, in order to account for local origin of all manufacturing exports. The figures reported by manufacturers are from a survey conducted by the Census Bureau of plants with more than 100 employees included in the Annual Survey of Manufactures.

D Withheld to avoid disclosing figures for individual companies.

Source: U. S. Department of Commerce

Alpha: JW 1RR

COPY hw

September 22, 1962

The Honorable W. Willard Wirtz
Secretary of Labor
Department of Labor
Washington 25, D. C.

Dear Mr. Secretary:

Frequently the statement is made that American industry is at a competitive disadvantage in foreign markets due to our high wage cost. I have heard replies to this, pointing out that the price of a commodity includes not only wages, but price of raw materials, power, transportation, indeed, the interest on many items.

Could the Department of Labor give me a meaningful and constructive statement that would demonstrate how we can compete in certain foreign markets, despite our wage costs. I think this is much needed. Such a statement should include the kind of commodities in which we have a distinct advantage, and, of course, those commodities where we find ourselves facing tough competition.

I would appreciate your prompt attention of this request, because I will need this material by the first week of October.

Thank you.

Sincerely yours,

Hubert H. Humphrey

AL PHA. WIRTZ.

RECEIVED
OCT 8 1962

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

OCT 6 1962

The Honorable Hubert H. Humphrey
United States Senate
Washington 25, D. C.

Dear Senator Humphrey:

This is in reply to your letter of September 22, requesting a statement regarding wage costs and our foreign trade.

As you probably know, this matter has been of great concern to us in the Department of Labor. It was discussed at some length in our testimony on the Trade Expansion Act.

I hope that the attached brief restatement of the matter will meet the specific need expressed in your letter.

Yours sincerely,

W. Willard Wirtz
Secretary of Labor

Attachment

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

OCT 6 1962

The Honorable Hubert H. Humphrey
United States Senate
Washington 25, D. C.

Dear Senator Humphrey:

This is in reply to your letter of September 22, requesting a statement regarding wage costs and our foreign trade.

As you probably know, this matter has been of great concern to us in the Department of Labor. It was discussed at some length in our testimony on the Trade Expansion Act.

I hope that the attached brief restatement of the matter will meet the specific need expressed in your letter.

Yours sincerely,

W. Willard Wirtz

Secretary of Labor

Attachment

WAGE COSTS AND INTERNATIONAL COMPETITION

The United States has been distinguished through much of its history as a country with high labor standards and a large volume of exports. We have demonstrated how to apply technology, skill and capital to economic processes in such a way as to increase productivity and thereby make available a high level of goods for domestic consumption and for export at low enough prices to out-compete our lower wage foreign competitors. As a matter of fact, it has been primarily from our high wage industries that we have exported.

Wage rates are not the measure of the costliness of labor. The significant labor cost for trade purposes is unit labor cost. Unit labor costs take account of fringe and social benefits, working conditions, and various job security costs which in many foreign countries are much more extensive than in the United States. Even more significant, unit labor costs reflect the impact of productivity. That is one reason why many of our high wage industries have such a favorable export balance. Although their wage rates are high, their productivity is so great, that is, they turn out so much more product per worker per hour, that their unit labor costs are even lower than those in many countries which have lower wage rates. But even with high unit labor costs, there may not be competitive disadvantage if other costs are lower. It is the price at which the product can be delivered which is important in determining whether we can export or compete with imports.

In specific terms, the production of automobiles is one of the higher paying manufacturing industries in this country, with average earnings currently around $3.00 an hour. In Belgium, earnings in the metal industry in 1960 were $4.70 a day; in France, less than 60 cents an hour; and in Japan, $54.00 a month. Yet, despite these very large differences in wage levels, and despite various barriers to the importation of U. S. automobiles, such as heavy horsepower taxes, in 1961 we exported almost $17 million worth of passenger cars and chassis to Belgium;$5 million to France; and $4 million to Japan. Similar wage differences also exist in the chemical industry, but in the case of just one category of organic chemicals, we shipped $33 million worth into the Common Market and $9 million into Japan in 1961. Some other high wage industries where we export in significant amounts are machinery of all types, aircraft, coal and advanced metal products.

On the reverse side, a study of average hourly earnings in some 33 industries which appear to be particularly sensitive to import competition showed that earnings in these industries were appreciably lower on the average than earnings in total manufacturing. In 1960 average earnings in manufacturing as a whole were, in turn, some 20% below the levels of our higher paying industries, so that these sensitive industries were paying 25-30% less than industries like autos and industrial chemicals. This sensitive group included, among others, textile and apparel, rubber and leather footwear, and some metal products industries.

WAGE COSTS AND INTERNATIONAL COMPETITION

The United States has been distinguished through much of its history as a country with high labor standards and a large volume of exports. We have demonstrated how to apply technology, skill and capital to economic processes in such a way as to increase productivity and thereby make available a high level of goods for domestic consumption and for export at low enough prices to out-compete our lower wage foreign competitors. As a matter of fact, it has been primarily from our high wage industries that we have exported.

Wage rates are not the measure of the costliness of labor. The significant labor cost for trade purposes is unit labor cost. Unit labor costs take account of fringe and social benefits, working conditions, and various job security costs which in many foreign countries are much more extensive than in the United States. Even more significant, unit labor costs reflect the impact of productivity. That is one reason why many of our high wage industries have such a favorable export balance. Although their wage rates are high, their productivity is so great, that is, they turn out so much more product per worker per hour, that their unit labor costs are even lower than those in many countries which have lower wage rates. But even with high unit labor costs, there may not be competitive disadvantage if other costs are lower. It is the price at which the product can be delivered which is important in determining whether we can export or compete with imports.

In specific terms, the production of automobiles is one of the higher paying manufacturing industries in this country, with average earnings currently around $3.00 an hour. In Belgium, earnings in the metal industry in 1960 were $4.70 a day; in France, less than 60 cents an hour; and in Japan, $54.00 a month. Yet, despite these very large differences in wage levels, and despite various barriers to the importation of U. S. automobiles, such as heavy horsepower taxes, in 1961 we exported almost $17 million worth of passenger cars and chassis to Belgium;$5 million to France; and $4 million to Japan. Similar wage differences also exist in the chemical industry, but in the case of just one category of organic chemicals, we shipped $33 million worth into the Common Market and $9 million into Japan in 1961. Some other high wage industries where we export in significant amounts are machinery of all types, aircraft, coal and advanced metal products.

On the reverse side, a study of average hourly earnings in some 33 industries which appear to be particularly sensitive to import competition showed that earnings in these industries were appreciably lower on the average than earnings in total manufacturing. In 1960 average earnings in manufacturing as a whole were, in turn, some 20% below the levels of our higher paying industries, so that these sensitive industries were paying 25-30% less than industries like autos and industrial chemicals. This sensitive group included, among others, textile and apparel, rubber and leather footwear, and some metal products industries.

FORM CD-82A
(7-6-62)

TRANSMITTAL FORM - U.S. DEPARTMENT OF COMMERCE
THE DEPUTY TO THE SECRETARY

TO: Senator Hubert H. Humphrey DATE October 2, 1962

FROM: Eugene P. Foley Gene

FOR:

Dear Senator:

In response to your memorandum of September 22, I am attaching a statement on American industry's ability to compete in foreign markets, despite our wage costs.

Please let me know if I can be of any further assistance.

Attachment

DO NOT USE FOR PERMANENT RECORD INFORMATION

USCOMM-DC 1434-P62

Statement for Senator Humphrey

The Ability of American Industry to Compete in World Markets

In 1961 the U.S. sold abroad merchandise valued at more than $21 billion. More than $15 billion of this consisted of manufactured products. Low total cost and superior performance are what make American products competitive in world markets. Our ability to sell abroad is based on many factors including:

1. ~~Low~~ Lower unit labor cost (despite high wages) through higher productivity and efficiency
2. Advanced technology and superior products
3. ~~Low~~ Lower non-labor costs, Such as power, finance, Transportation & Distribution
4. Economic expansion abroad

~~Low~~ Lower unit Labor Costs

We have a stronger export position in our high-wage industries than we have in our low-wage industries. For instance, we compete effectively in world markets in such industries as engines and turbines paying wages of $2.77 per hour, metalworking machinery paying $2.76, laboratory and engineering instruments at $2.75, agricultural machinery at $2.60, and office and store equipment at $2.57. Yet we experience considerable import competition in the glove industry paying hourly wages of $1.45, toys at $1.82, watches and clocks at $1.98, surgical instruments at $2.09, and pottery at $2.16.

On the average, U.S. workers, with the help of superior machinery and technology, produce more units per hour than any other workers in the world--more than three times as much, for instance, as European workers and perhaps seven or eight times as much as Japanese workers. Thus U.S. labor costs per unit of production are frequently lower than foreign labor costs, despite our far higher wage rates. For instance, while the U.S. coal miner is paid 8 times as much per hour as a Japanese miner, he produces 14 times as much coal. Result: The U.S. labor cost per ton of coal is half that of Japan, and the United States exports a large amount of coal ($53.4 million in 1960) to Japan. In the relevant sense of labor cost per unit of product, the United States might be called the cheap labor country.

To have low labor costs it is necessary that our technology be more advanced than that of foreign countries so that labor is used more efficiently.

Advanced Technology and Superior Products

In many cases our exports are noncompetitive with foreign products because there is no local manufacture or because U.S. products are superior.

Many of our industries are geared to selling a substantial proportion of their production abroad. For example, we have sold abroad in recent years as much as 63 percent of annual U.S. production of tracklaying tractors, 64 percent of locomotives, 60 percent of industrial sewing machines, 41 percent of civilian aircraft, 40 percent of rolling-mill machinery and parts, 35 percent of oilfield machinery and equipment, 43 percent of molybdenum, 22 percent of metalcutting machine tools, 20 percent of textile machinery, 19 percent of motor trucks and buses, 16 percent of diesel and semidiesel engines, and 15 percent of printing machinery. Trade sources reported that foreign orders accounted for nearly a third of total new business booked by the American machine tool industry in the first 8 months of 1961.

Our exports are concentrated in the high-wage, dynamic industries--

advanced electronic equipment, jet aircraft, machine tools, and advanced chemical products--which are pacing America's economic growth.

For many products initial price is less important than efficiency and quality. This is particularly true of machinery and equipment. For example, an American manufacturer of Jet engines for commercial airlines, may be significantly underbid by a foreign competitor. The vast majority of airlines, however, both domestic and foreign, purchase American rather than foreign engines because their lower fuel consumption and greater dependability, as well as the American company's better service facilities, more than offset the higher original selling price.

Just as wage rates must be considered together with productivity; so must original selling cost of producers' goods be considered in terms of the productivity of this equipment. The uniqueness and reliability--in short, the productivity--of a wide range of American equipment guarantee it a market even when it cannot--or is not required to--compete on a price basis. The creativeness and innovational capacity of American industry will keep the United States highly competitive in this rapidly developing area.

Less publicized but highly significant for smaller firms are the important export markets for an increasing number of unique and specialized items. Characteristically, these items are those recently developed for the domestic American market which have not yet been exploited in foreign markets. For example, certain unique products of the American apparel industry--various styles of maternity clothes, sportswear, drip-dry suits, and bathing suits--are in demand in foreign markets because of changing foreign consumption patterns, even though foreign production costs of these labor-intensive products might well be lower than American costs. Other small manufacturers may produce unique lines of specialty products that can secure an entrenched position in profitable foreign as well as domestic markets. The markets for certain of these products may eventually be taken over by lower-cost foreign producers, but in the meantime our constant flow of new products and more efficient production methods will be creating new markets for American producers.

Lower ~~Low~~ non-labor Costs

The United States is the world's lowest cost producer of many products ranging from chickens and coal to polyethylene and jet aircraft. The reasons for our efficiency in these and other products are well known. Our large markets, and the sheer size and strength of our half-trillion dollar economy, make it possible for us to develop new products which require large investment and mass markets. Equally important is the spirit of resourcefulness and innovation which has led to better products and more competitive processes.

While some branches of American industry pay more for labor on a per unit basis, they usually pay less for materials and power. Imported nickel, costing $3,000 a ton in Japan, costs about $1,950, or 35 percent less, in the United States; and coking coal, mostly imported from the United States, costs Japanese steel producers nearly double what American steelmakers pay.

Aside from materials, costs of transportation, of power, and of credit are lower ~~relatively low~~ in the U.S. (See insert ~~#~~ at end)

According to a U.S. Department of Labor study, 3.1 million American jobs are dependent directly on exports. Furthermore, a U.S. Department of Commerce survey disclosed that 6 million American workers are employed in U.S. manufacturing plants, each one of which exports products valued at $25,000 or more each year. Although not all of the 6 million are required to produce that part of our output that is exported, the economic well-being of each of them depends on maintaining a high level of foreign trade, since a substantial drop in exports could mean a loss of income--or a loss of job--for any one of them.

Economic Expansion Abroad

Prosperous expanding economies make the best customers for American exports. For example, on a per capita basis, U.S. exports to industrialized countries in 1960 were $28.92 compared with $5.12 to less developed countries. If per capita exports to the less developed areas had been even half what they were to the developed countries, U.S. exports to those areas in 1960 would have been $20 billion or nearly 3 times what they actually were.

We are just beginning to exploit opportunities in European markets whereas European producers have been building up their position in our market for the past decade. Europe, with the emergence of the Common Market, is becoming a "mass market" on the American pattern. We are familiar with the techniques of mass production and mass distribution; Europeans by and large are not. Furthermore, with Europe short of labor and their wages rising faster than ours, we will be able to tap their great potential market for labor-saving machinery as well as consumer durables and other equipment characteristic of a high-income society.

INSERT --- Page 4

Aside from materials, costs of transportation, of power, of distribution, and of credit are relatively low in the U.S. A study by the National Industrial Conference Board in 1961 found that among American corporations with subsidiaries abroad, 58% of these subsidiaries had higher operating costs than their American parents, in spite of generally lower labor costs. A Commerce Department study in 1961, limited to textiles, found that U.S. non-labor costs compared favorably with the U.K., India, Japan, and Italy. Interest costs are especially high in Japan, while fuel power and water costs are generally higher in Europe than in the U. S. Distribution costs in U. S. also compare favorably with the main industrialized countries.

-Foreign trade - Exports

Defending Farm Exports

Freeman, Aides Go Abroad to Seek Minimum Common Market Barriers

BY JOE WESTERN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—A determined band of U.S. negotiators headed overseas yesterday for urgent defense of a rich American market abroad.

Agriculture Secretary Freeman and lesser officials went to Europe to try to hold down trade barriers planned by the Common Market, the six-nation trading bloc that promises to encompass most of Western Europe and to stretch its ties beyond Europe's borders. The proposed barriers are threatening to cut U.S. exports of wheat, feed grains, poultry and some red meat products to Common Market countries—sales that bring in more than $300 million a year in hard dollar form.

Furthermore, new uncertainties about treatment of U.S. farm goods are arising from continued delays in Britain's entry into the economic community. While British membership is still expected, there are growing questions about the timing and terms on which Britain may join.

So Mr. Freeman is leading a U.S. delegation to meetings of Common Market officials at their Brussels headquarters and to a Paris gathering of agriculture ministers of the 20-nation Organization for Economic Cooperation and Development. Mr. Freeman will take this stand, if present plans hold up:

For now, while negotiations proceed, this country wants the six Common Market nations—West Germany, France, Italy, the Netherlands, Belgium and Luxemburg—to promise to continue to take some specific volume of farm goods from their outside suppliers; presumably this level would be close to the present rate of purchases. Such a pledge has been given in the past, but Americans would like it confirmed and extended.

Price Support Issue

For now, too, the U.S. will seek reassurances on one of the Common Market trends that most threatens American farm exports. This is a plan for increased price supports among member nations seeking to encourage their own production of certain farm products competitive with U.S. exports. This country wants, in effect, a freeze keeping these price supports at present levels.

In any formal agreement that emerges, the U.S. wants either of two kinds of sales protection. One would be a limit keeping the Common Market's internal farm price supports low enough to assure outside suppliers of some fixed percentage of the market. The other would be a ceiling of the bloc's tariffs that threaten to restrict its imports of certain farm commodities by pushing their prices above those of comparable internal products.

U.S. chances of winning these protections in impending negotiations seem only fair. In secret talks Americans have been rounding up support among fellow-exporters threatened by European trade barriers: Canada, Australia, New Zealand, Argentina. To keep its threatened markets, too, this country could in a pinch either offer the Common Market extra concessions on European products coming into the U.S. or else retaliate against them. But U.S. dependence on the six nations as an outlet for $1.2 billion of farm goods yearly makes it vulnerable to counter-attack. Anyway Common Market officials are committed to striving for self-sufficiency in certain products. And they are under heavy pressure from European farmers seeking protected markets.

Commodity Cartels Discussed

In any case, for the long pull the U.S. will embrace another idea: That tightly controlled new international commodity cartels, designed to stabilize prices and production, may be the best means of assuring this country and other key food and fiber exporters of a fair share of Europe's rich, fast-growing market for farm goods. And something seems likely to come of this idea, since Common Market officials are leaning the same way. They view such agreements as a way to overcome British Commonwealth nations' objections to Britain's entry into the European trade community; Commonwealth countries would thus get some assurance of international support for prices of their farm products.

Mr. Freeman proposes to begin with grains, since they make up more than 40% of the annual $5 billion total of U.S. farm exports. While an international wheat agreement is already in effect, it covers only about one-third of world wheat shipments and lacks real price and sales guarantees; there isn't any such accord on feed grains. Later, the list would include dairy products, meats, poultry and other goods exported by the U.S. and produced within the Common Market, too.

These agreements would resemble commodity pacts currently in effect, but might be stricter and more sweeping. There would be attempts to fix prices, halt excess production and assign import and export quotas to consuming and producing countries. "For a given commodity," suggests an Agriculture Department planner, "we might work out a deal among importers to take not less than 90% of average quantities imported during some base period, say the past three years." Nations participating would have to limit any dealings with outsiders to some percentage of such trade during a past period.

temperate-zone farm goods in which the U.S. and Europe dominate international trade. A big reason is simply that temperate-zone nations generally are rich enough to hold price-depressing surpluses off the market to bolster prices, if need be, and thus make stabilization agreements work. By contrast, tropical countries are often heavily dependent on income from one or two crops and must keep on trying to sell to earn badly needed foreign exchange.

And while participation in these cartels seems to fly in the face of the Kennedy Administration's freer-trade policy, officials argue that the agreements need not restrain international trade; the presence of these basic controls, they say, would help keep tariffs down. Anyway, it is added, the growing prospect of European farm surpluses makes some controls necessary.

In the U.S. dealings with the Common Market, a good deal is at stake besides what is obvious. The Market's six regular members may well grow to 10 or more in Europe, plus perhaps two dozen associated countries in Asia and Africa; since all Western Europe buys almost twice as much U.S. farm produce as do the six alone, any initial American sales losses could spread in time.

Furthermore, even a partial loss of European markets for meat or dairy products from Canada, Australia, New Zealand and Argentina could bring pressure on Washington to let more of these nations' exports into this country. Already the U.S. is being urged to end its long-standing embargo on fresh beef imports from Argentina. "After all," says a top U.S. trade analyst, "they'll argue that the U.S. is largely responsible for creation of the Common Market and that we ought to do something to ease their pain."

Threat to Balance of Payments

Reduced exports and increased imports, if they did materialize, would hamper the U.S. struggle to erase its balance-of-payments deficit—the excess of dollar outgo abroad over dollar income from foreigners. Officials have been hoping to close the gap by the end of next year.

The U.S. hasn't any quarrel with Common Market regulations affecting more than $700 million of American farm exports not generally produced in Europe. These include cotton, soybeans, hides and skins, all of which are duty-free; and fruits and vegetables, on most of which tariffs aren't changing much. And for the time being, even the other U.S. farm exports to the Common Market aren't expected to suffer seriously from any new restrictions. "We'll sell 'em less grain in '63 simply because European crops this year were extra-good," says an American trade analyst.

So far, in any case, Common Market agricultural authorities haven't been able to agree on any common target price support to stimulate internal production of grains. This year, they simply froze prices. The regulations call for a decision on the 1963 crop by next April. "We think they'll freeze prices again," says a U.S. official bluntly. "It's a tough decision."

Much will hinge on how high the common price supports are eventually set for 1970, the year these production stimuli are due to reach their final levels, and how European farmers respond. But if the propping point for wheat, for instance, were pegged at about $3 a bushel, the level prevailing in Germany, it is expected that French output might swell significantly to help fill the bloc's wheat deficit; France's present wheat price support is $2.33 a bushel. And U.S. bread-grain sales might suffer accordingly.

Tariffs Charges Under Way

As for the Common Market's external tariffs, they are already on the move, although member countries are heading toward common levels at differing speeds and from differing bases. The effects on U.S. sales seem mixed so far, though long-range dangers are rated considerable.

In Belgium, duties on imported barley went from $16.07 a metric ton to $21.87, effective Aug. 1. In West Germany, corn levies went from $46 a metric ton to $55 at the same time. However, U.S. authorities expect feed grain exports to hold up and possibly even increase; the market's livestock industry is expanding faster than its feed grain output.

Less certain is the prospective reception for U.S. poultry products. At the moment chicken and turkey meat shipments to Common Market countries are near a standstill, Agriculture Department officials say, because Europeans stocked up heavily before increased tariffs went into effect Aug. 1. "We expect that the holiday season will restore much of the traffic and we'll end fiscal 1963 with about as much poultry exported as last year," one Government economist says. But others aren't so sure. About 85% of U.S. poultry shipments go to West Germany. There poultry prices went up around 30% Aug. 1, and many experts predict German appetites for American poultry will be duller than before.

U.S. officials are also eyeing the effect of a tariff boost on flour sales to the Netherlands, this county's only important Common Market customer for this product. On Aug. 1, the duty leaped from $18.04 a ton to $43.11. A U.S. Government report comments: "It is trade during a past period.

Though similar stabilization efforts have had only spotty success with tropical products such as coffee and sugar, U.S. officials contend they may be more effective with

A U.S. Government report comments: "It is believed that if this exorbitant levy is retained, imports . . . will be lowered drastically."

British Entry Discussed

IN

[1963?]

File

Expat
WE

the trade expansion act:

problems and prospects

UNITED STATES - JAPAN TRADE COUNCIL

1000 CONNECTICUT AVENUE, WASHINGTON 6, D. C.

Published by the UNITED STATES-JAPAN TRADE COUNCIL, INC., 1000 Connecticut Avenue, Washington 6, D. C., a non-profit trade association with a membership of over 600 firms in the United States interested in fostering trade relations between the two countries. Because a substantial contributing member, the Japan Trade Promotion Office, 30 Church Street, New York, New York, is financed from Japan, the Council is registered with the Department of Justice under the provisions of 22 U.S.C. Sec. 611 et seq. as an agent of such foreign principal. Copies of the Council's registration statement are available for public inspection in Department of Justice files. Registration does not indicate approval of the contents of this pamphlet by the United States Government.

72

THE TRADE EXPANSION ACT: PROBLEMS AND PROSPECTS

The passage of the Trade Expansion Act of 1962 has provided the United States with a powerful and flexible instrument for the conduct of its international trade policy. The Act is not, however, self-administering. Although the U. S. Special Representative for Trade Negotiations, Mr. Christian Herter, is armed under the Act with unprecedented power to negotiate tariff reductions, his effectiveness in substantially liberalizing world trade will depend in large measure upon the cooperation of the Common Market, Japan and other important trading nations.

Political and economic questions apart from tariff reductions will influence the course of future negotiations under the new Act. Aid to developing nations, political and military problems, conflicting national and regional goals, differences in economic and political structure and in the rate of economic development and the pressing internal problems of each of the major nations of the free world must be considered.

The goals of the Act are the development of an open and non-discriminatory trading system in the free world, an economic and efficient international exchange of goods and the stimulation of economic growth. The challenge of the Communist nations makes imperative the solution of the problems sure to arise.

The Act not only furnishes the government with new negotiating powers, but also makes provision, for the first time, for adjustment of the domestic economy to new conditions which might arise from tariff reductions.

NEGOTIATING AUTHORITY

The Act provides general authority to negotiate reductions of 50% in existing duties. Under special authority to negotiate with the Common Market, the President could negotiate duties down to zero in those categories of products in which the United States and the EEC together account for 80% or more of free world exports. The categories to be used will probably be substantially the same as the Standard International Trade Classification three digit categories, which are rather broad in scope. Authority is also provided to negotiate down to zero duties which are presently not more than 5% ad valorem (or ad valorem equivalent). Agricultural commodities are exempt from the general limitation on reduction and could under some conditions be reduced to zero. Duties on certain tropical agricultural and forest commodities may also be negotiated to zero.

The zero authority in the Act was based upon the assumption that the United Kingdom would join the Common Market. Without including exports from the U. K., U. S. and EEC exports alone would account for 80% of free world trade only in aircraft and margarine and vegetable shortenings. Thus the zero authority becomes practically inoperative if the U. K. does not join the EEC. At this writing, it is not yet clear whether U. K. entrance is permanently foreclosed or whether negotiations will be re-opened at some future time. If the United Kingdom does not achieve membership in the EEC, the United States has the alternatives of either relying almost entirely on the general 50% authority or broadening the base for the zero authority by new legislation (e.g. including EFTA's exports as well as EEC's).

In view of the current situation, the timing of actual tariff negotiations is not certain. In any event, before the United States could enter into negotiations there are preliminary steps which must be taken under the new Act which will consume at least six months and probably well over a year. This means that negotiations will probably not be completed until some time in 1964 or 1965. Under the Act the United States must stage its tariff reductions pursuant to trade agreements over a period of 5 years. The full effect of negotiated reductions will thus not be felt until 1969 or 1970.

How items in U. S.-Japan trade will figure in these negotiations remains unclear at the present time. The United States could negotiate with Japan under the 50% authority. Under the zero authority, if it becomes fully operative, Japan stands to benefit from the most-favored-nation principle as an exporter or potential exporter of some of the items in which the United States and the EEC together account for 80% of world trade. The extent of Japanese participation in or benefit from such tariff reductions will depend in large part upon the techniques of bargaining agreed upon between the United States and Europe, and especially upon what policies are adopted regarding the exclusion of particular items from bargaining. American officials have gone clearly on record that they will request concessions from Japan and any other third country which benefits from U.S.-European negotiations.

PRE-NEGOTIATION PROCEDURES

A major improvement in the new law is that the Tariff Commission is no longer required to go through the unrealistic procedure of finding "peril points," i.e., the specific rate of duty below which United States industry will be injured. The Tariff Commission does have to make findings, however, regarding the probable economic effect of modification of duties. Under previous law the President could, and on occasion did, ignore peril points, but the absence of an explicit peril point provision in the Act will make for a more flexible procedure.

Otherwise, the pre-negotiation procedures are fairly similar to previous law. The President must furnish a list of articles which may be considered for tariff negotiation. The Tariff Commission, within six months, must hold hearings and prepare its findings on the offer list. Hearings before an interagency committee, equivalent to the Committee on Reciprocity Information, are provided for.

A new section in the law automatically reserves certain articles from negotiations. Any commodity with respect to which protective action has been taken under the escape clause or national security provisions of the new or old law is automatically reserved. Also reserved from negotiations for five years after the enactment of the Act, upon application by the affected domestic industry, are articles on which the Tariff Commission by a majority vote has found injury but the President has not implemented the recommendation. The President has complete discretion to reserve articles, taking into account Tariff Commission advice. It is feared by some that it is in the area of reservation of articles and the composition of the offer list that the Administration may have made protective commitments to some domestic industries during Congressional consideration of the Act last year.

Under previous law if the Tariff Commission found that existing rates of duty were already below peril points an escape clause investigation was automatically commenced. This troublesome provision, which resulted in recent escape clause actions on several items, including baseball gloves, plastic raincoats, ceramic tile and sheet glass, has been removed from the law.

SPECIAL REPRESENTATIVE

The Act sets up a Special Representative for Trade Negotiations who will be the chief representative of the United States in negotiations under the Act. The Special Representative is also Chairman of an inter-agency trade organization, under the Act, to assist the President in all aspects of trade policy, including recommendations on tariff relief under the escape clause. The provision for the Special Representative was an effort by the Congress to pinpoint responsibility for trade policy.

MOST-FAVORED-NATION PRINCIPLE

The Act specifically enunciates the most-favored-nation principle. However, it provides that such treatment is not to be extended to nations or areas "dominated or controlled by Communism." This has the effect of withdrawing most-favored-nation treatment of products of Poland and Yugoslavia. This provision was strongly opposed by the Administration because it runs counter to the policy of encouraging the independence of these countries from Communist Bloc control, and efforts to amend it are anticipated.

PROTECTIVE DEVICES

The national security provision, which provides for restriction of imports which threaten to impair the national security, has been retained in substantially the same form as in previous law.

The escape clause has been modified by changes in some of its most objectionable features. However, the actual working of the new escape clause must await case by case determinations by the Tariff Commission, and may well not differ markedly from that under the old law.

One such change is the deletion of the so-called segmentation clause in previous law. Under this provision the industry which the Tariff Commission investigated to determine whether there was any injury from imports was that part or portion of a plant producing a like or directly competitive article. Under the provisions of the new law the Commission will look at the entire operation of a plant (and perhaps companies) producing a like or directly competitive article.

The Act also states that the increased imports complained of must result "in major part" from tariff concessions, and that imports must be "the major factor" in causing or threatening serious injury. The first change makes explicit the necessity for a direct causal relation between an increase in imports and the tariff concession, which was by no means clear under the old law. The second change means at the very least that the increase in imports must be a larger factor than any other single factor in causing injury, and it may mean that it must be a greater factor than all other factors combined. Under previous law imports need only have been "a substantial factor" in causing injury.

Another change provides new criteria for injury—inability to obtain reasonable profits, unemployment, idle plants—which, while not necessarily more favorable to importers, are more realistic than prior criteria. The Commission is also given a broad charter to investigate "all economic factors which it considers relevant."

As in previous law, the authority of the President to *raise* duties under the escape clause is limited to not more than 50% above the rate existing on July 1, 1934, or in cases where there is no duty on the article, a duty of not more than 50% ad valorem.

Under the new Act, upon receipt of a finding of injury by the Tariff Commission the President may negotiate an *"orderly marketing agreement"* instead of imposing increased duties or quotas. Such agreements would be entered into with foreign countries to limit imports into the United States and could be implemented by domestic regulations. It is important to note, however, that this device can only be used in cases where there is a finding of injury under the escape clause by the Tariff Commission. This is a significant enunciation of policy by the Congress, and will perhaps make the negotiation of such agreements less subject to *ex parte* political pressure than in the past.

The Act contained new provisions concerning termination of tariff increases under the escape clause which are of major importance. Under previous law, there was no termination specifically provided for. By Executive Order escape clause actions were reviewed yearly by the Tariff Commission, but this had come to be little more than a formality. The new law provides that unless extended by the President, tariff or quota relief shall terminate four years after the initial proclamation by the President or, in the case of relief imposed under previous law, four years after the enactment of the new law. The President may extend the period after advice from the Tariff Commission (which must hold hearings), the Secretary of Commerce and the Secretary of Labor.

The Congress may overturn a Presidential rejection of Tariff Commission recommendations for increased duties or quotas in escape clause proceedings by a majority vote of the authorized membership of each House. Previous law required a 2/3 majority but also made the resolution privileged, which meant that the legislative process was somewhat simpler. Action by the Congress must come within 60 days after the President reports his action to the House of Representatives and the Senate.

ADJUSTMENT ASSISTANCE

A most significant improvement in the law is the provision for adjustment assistance as an alternative remedy to tariff increases or quotas in cases where injury is found. Under previous law the President had no alternative, in cases where the Tariff Commission found injury, to imposing tariff increases or quotas or rejecting the recommendations of the Commission altogether. Under present law he now has the possibility of providing adjustment assistance to workers or firms, either in place of or in addition to tariff relief. In the case of workers this assistance involves retraining and unemployment allowances, and in the case of firms there are provisions for financial, tax and technical assistance to allow them to adapt to new lines of manufacture or to improve and make more competitive existing facilities. In cases where imports are found to be injuring a domestic industry, the new Act is thus designed to facilitate a shift of resources to a more efficient use rather than to restrict imports.

There are many problems surrounding provisions for adjustment assistance and any evaluation must await actual administration. The concept does involve a recognition that imports will increase and that some domestic industries may be injured by tariff reductions. As such, it may prove a realistic new approach to the problems of import competition faced by the United States.

FOREIGN IMPORT RESTRICTIONS

The Act contains a bewildering variety of provisions designed to strengthen the power and resolve of the President to combat foreign import restrictions. Although the main pressure for these provisions came from agricultural groups, and their chief target is the restrictive agricultural policies of the Common Market, they have broader implications as well.

A section of the Act sponsored by Senator Douglas provides that whenever a foreign country maintains unreasonable import restrictions "which either directly or indirectly substantially burden United States commerce" the President may in his discretion suspend, withdraw or prevent the application of benefits of trade agreement concessions to the products of such country and may refrain from proclaiming the benefits of trade agreements with such country. The report of the Senate Finance Committee suggests that the word "indirectly" could be used as the basis for retaliation against European restrictions or discrimination against imports from Japan. On the other hand, under the Finance Committee interpretation, it could also be used as a retaliatory weapon against Japan or other third countries if they refused to make compensatory concessions for benefits received under the most-favored-nation principle as a result of U.S.-EEC negotiations.

Other sections direct the President to take all appropriate and feasible steps to eliminate unjustifiable foreign restrictions on imports from the United States. He is to refrain from negotiating reductions or elimination of U. S. import restrictions in order to obtain the elimination of any unjustifiable restrictions by other countries. The President is also given power to retaliate against foreign import restrictions on U. S. agricultural exports by imposing duties or other import restrictions upon products from the offending country.

Still another section directs the President, to the extent that such actions are consistent with the purposes of the Act, to suspend, withdraw or prevent the application of benefits of trade agreements when a foreign country "maintains non-tariff trade restrictions, including variable import fees, which substantially burden United States commerce in a manner inconsistent with provisions of trade agreements" or "engages in discriminatory or other acts (including tolerance of international cartels) or policies unjustifiably restricting United States commerce." Although primarily directed against the variable fee system on agricultural products of the European Economic Community, this broad language could be interpreted to cover other situations and other countries. The Act provides that in connection with any foreign restrictions covered by the Act public hearings may be held upon request of any interested persons.

* * * * * * * *

These then are the main provisions of the Act. In the months ahead the principal parties to the negotiations will face many preliminary problems and policy decisions. Of crucial importance will be the attitudes and policies of the U.K., the EEC and the U.S. in response to the breakdown of the negotiations for U. K. membership in the Common Market. The ground rules and techniques to be adopted for bargaining present another key problem. After resolution of these and other matters, the nations of the GATT will presumably embark on a major round of international tariff negotiation.

With the free world poised at the beginning of such an undertaking, it might be useful to analyze briefly the basic posture and problems of the major participants: The United States, Europe and Japan.

THE PROBLEM FOR THE UNITED STATES

The United States has much to gain from tariff reductions by the EEC and Japan. U. S. exports to the EEC could be seriously affected by the removal of EEC internal tariffs, which puts countries within the market at an advantage over outsiders. They are also likely to be injured by the erection of a common external tariff, since this is done by averaging the tariffs of low-duty countries to which the U. S. exports substantially, and high-duty countries, which have not offered as large a market for U. S. products. The agricultural policies of the Common Market also threaten U. S. agricultural exports. If the U. S. is not to lose its export position in Europe, it must obtain substantial reductions in the EEC external tariff. Beyond this negative goal, the U. S. has an obvious interest in participating in a growing European market.

Japan has been the best overseas customer for United States exports over the years, and expected economic growth in Japan will generate an accelerating demand for products which the United States could supply. Hence the United States has a definite interest in further Japanese liberalization and tariff reduction.

Finally, the United States has a political stake both in the achievement of European integration and the maintenance of a strong and viable Japan, oriented to the West.

The inducement which the United States has to offer is liberalization of United States tariffs and other import restrictions. Success in the negotiations may well depend upon what policies are adopted with regard to the escape clause and other import regulating devices.

Negotiations under the new Act will not be without difficulties for the United States. The U. S. economy is presently characterized by a low rate of economic growth, a high unemployment rate and a serious balance of payments problem. These difficulties are not caused by foreign trade and their solution cannot be looked for in trade policy alone. On the other hand, such problems must be resolved if the U. S. is to benefit from the results of world trade liberalization.

The trade adjustment provisions in the Trade Expansion Act are a potentially important device for shifting economic resources to more efficient uses and making U. S. industry more competitive. The success of the trade adjustment program will depend, however, in large part on broader economic policies regarding economic growth and employment.

The United States has until 1969 or 1970 to prepare for the full effect of tariff reductions. In this period, if the goals of the Trade Expansion Act are to be achieved, the domestic conditions for success must be created.

THE EUROPEAN ECONOMIC COMMUNITY

The development of the European Economic Community has provided both the occasion and the necessity for a major round of international tariff negotiation. Western Europe today is vigorously pursuing economic and political integration on a regional basis. The EEC is well on the way toward the removal of tariffs between its member nations and the erection of a common external tariff. It is in the process of forging common agricultural and financial policies. High rates of internal growth and employment have been achieved. Wider markets for the industries of each member country are resulting in economies of scale and increased efficiency and competitiveness. Regional immigration and welfare policies are maximizing the utilization of labor resources. Foreign exchange reserves and gold holdings for most member nations are comfortably high.

The EEC's move toward agricultural self sufficiency presents knotty problems for the United States. The recent breakdown of U.K.-EEC negotiations may be a harbinger of EEC trade policy in the future toward non-European nations, particularly the United States. What the United States and the rest of the free world have to offer the Europeans in the forthcoming trade negotiations is broader markets. Given the present full employment of labor and productive resources in Europe, this might not only further stimulate EEC economic growth through exports, but the resulting imports into Europe might prove important as an anti-inflationary factor.

The zero authority, if it becomes fully operative, represents a tool which could substantially reduce tariffs between the United States and Europe. If the most-favored-nation principle is strictly adhered to—and particularly if products are not arbitrarily exempt where other nations have some position as third suppliers—then the zero authority could also improve access to other markets, such as Japan, for both the United States and EEC.

JAPAN

Japan today is characterized by rapid economic growth, dynamic changes in the structure of its economy and society, and recurrent balance of payments problems of some severity.

Although Japan is already highly industrialized, the next decade should see a full maturing of its economy. At present more of Japan's labor force and productive resources are devoted to labor-intensive industries than is the case in the U. S. or Europe. Japan's goal is to move increasingly to heavier and more sophisticated industries with higher levels of productivity. Although official figures show full employment, a disproportionate share of the labor force is devoted to agriculture, and there is a high degree of underemployment. The next eight years will see approximately 25% of the farm population moving to industrialized urban centers; an industrial labor shortage and rapidly rising wage levels are in the offing.

As heavy industry is bidding for a larger share of productive resources, including labor, with a resultant increase in wages and costs to light industry, and as the emerging nations with still lower cost structures are

competing increasingly in world markets, Japan cannot continue indefinitely to rely upon its labor-intensive industries as its major source of foreign exchange. At the same time Japan's heavy industries, in order to achieve economies of scale, must look increasingly to expanded markets abroad.

These trends are, of course, economically and socially desirable for Japan. Highly productive industries will support higher wages, substantial increases in the standard of living of the people, and still greater economic growth. During the period of transition, however, the traditional labor-intensive export industries will continue to be of crucial importance to Japan, both as earners of foreign exchange and to provide employment for a labor force which will continue to grow at a high rate before leveling off in the 1970's.

In view of these development trends, there are difficult problems of timing involved in Japanese trade liberalization. Japan's economic development would suffer if, at the same time that the products of its labor intensive industries were subject to restriction in overseas markets, its emerging heavy industries were exposed prematurely to overwhelming competition from abroad.

Japan, in effect, will be asked to gamble that by 1969 or 1970, when tariff reductions will take full effect, its economy will have been able to achieve the economic growth and structural changes required. In order to induce Japan to accept such a gamble, at the very least assurances should be given that the products of its established export industries will not be restricted in the United States and European markets. This would involve an end to special European restrictions and a liberal administration of the United States escape clause. Also, in return for its own trade liberalization, Japan should be able to look to negotiation with the United States under the general 50% authority on those products in which Japan now specializes.

Furthermore, Japan should be able to count on the fact that, to the extent that it has the economic capability, it will be able to market the products of its more advanced industries abroad. This means that products on the "zero list" in which Japan has a present or potential ability to export should not be arbitrarily exempt from U.S.-EEC negotiations. At the same time, Japan cannot unduly prolong liberalization of imports of products competitive with its growing industries. It may well find that foreign imports themselves will stimulate such industries to become competitive in world markets.

Beyond problems of trade, Japan's long-term political relations with the West are heavily involved. An exclusive relationship between the United States and EEC would only serve to heighten Japan's sense of vulnerability due to its exposed geographic position off the China mainland, and its sense of isolation from the councils of the Western powers. In order to integrate Japan into the society of the free, advanced industrial nations, trade negotiations are of critical importance.

Access to European markets on a non-discriminatory basis and a role in Western economic planning through full membership in the OECD are Japanese goals which have received the full support of the United States. Achievement of these goals would do much to advance the interests of the United States, as well as Japan.

* * * * * * * *

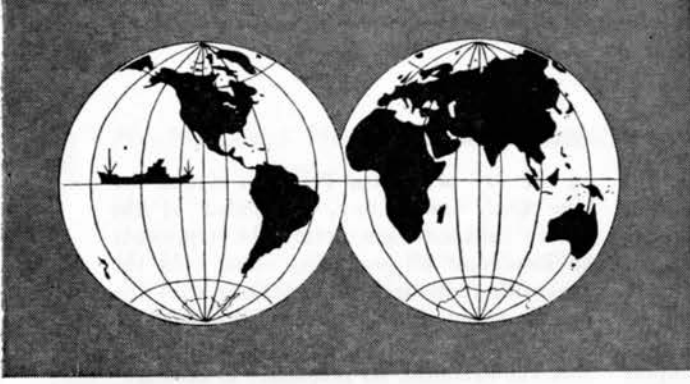
As the foregoing analysis has indicated, much more than trade is involved and much more than trade is at stake in the implementation of the Trade Expansion Act of 1962. The international tariff negotiations of the next few years may indeed become the forum and focal point for the shaping of the free world alliance. The Act provides the authority and the machinery for the development of an appropriate United States trade policy. The broader implications suggested above will need to be borne in mind by all who participate in the administration of the Act and in the forthcoming negotiations.

February, 1963

"Far from resenting the new Europe, we regard her as a welcome partner, not a rival. For the road to world peace and freedom is still long, and there are burdens which only full partners can share—in supporting the common defense, in expanding world trade, in aligning our balance of payments, in aiding the emergent nations, in concerting political and economic policies, and in welcoming to our common effort other industrialized nations, notably Japan, whose remarkable economic and political development of the 1950's permits it now to play on the world scene a major constructive role."

"The next most pressing concern of the alliance is our common economic goals of trade and growth. This nation continues to be concerned about its balance of payments deficit, which, despite its decline, remains a stubborn and troublesome problem. We believe, moreover, that closer economic ties among all free nations are essential to prosperity and peace. And neither we nor the members of the European Common Market are so affluent that we can long afford to shelter high cost farms or factories from the winds of foreign competition, or to restrict the channels of trade with other nations of the free world. If the Common Market should move toward protectionism and restrictionism, it would undermine its own basic principles. This Government means to use the authority conferred on it last year by the Congress to encourage trade expansion on both sides of the Atlantic and around the world."

From the Text of the President's State
of the Union Message Before a Joint
Session of the House and Senate,
January 14, 1963.



Trade Talk

Significant news affecting U. S. policy on world trade from the
COMMITTEE FOR A NATIONAL TRADE POLICY

Vol. X, No. 1, January 3, 1963

TRADE CHIEF HERTER SEES HARD BARGAINING

Kennedy Tightens Oil Quotas

The Kennedy Administration has revised regulations governing oil imports to guarantee domestic producers a "fair share" of U.S. petroleum sales. Effective January 1, imports of crude oil, unfinished oils and finished products into states east of the Rocky Mountains will be limited to 12.2 percent of the area's domestic output of crude oil and natural gas in the preceding six-month period.

Under the control system which had been in effect since 1959, imports had been limited to 9 percent of an estimated daily demand, calculated in advance. The net effect of the change in the formula is to increase slightly the total amount of crude oil permitted to be imported in 1963, but to limit the relative share of imports in total domestic consumption of crude oil.

Demand for petroleum products, which has been increasing by some 2 to 2.5 percent annually, is expected to continue to grow. The new regulations will reserve a greater proportion of this expanding market for domestic producers, holding down imports to approximately the same share of the market they now account for.

The new import system, like the former plan, is invoked under terms of the national security clause of the Trade Act.

Canadians Hint Retaliation Against Oil Import Limits

There will be no specified limits on imports from Mexico and Canada, but oil shipped from these countries will now be counted against the total allowed imports. Heretofore, Canadian and Mexican oil was not included within the quota system. Mexico has for the past 18 months voluntarily restricted its oil shipments to the U.S. Imports of Canadian oil have increased sharply since 1959. U.S. efforts in recent discussions with the Canadians to impose an "estimate" of 120,000 barrels daily—10,000 barrels below the level the Canadians had hoped to ship in 1963—have provoked hints of retaliation against American exports to Canada. Oil, like lumber, is one of Canada's most important dollar-earners, accounting for some $125 million in 1962.

Quotas for imports of residual fuel oil are not affected by the

(Continued on page 2)

CHIEF NEGOTIATOR TO FACE STRONG DOMESTIC PRESSURES, BATT WARNS

The trade legislation adopted in 1962 is "an authorization to move ahead, but no guarantee against heavy, insistent and insidious pressure" on the Administration from protectionist forces "still so surprisingly powerful and persistent," warns CNTP Director William L. Batt, Sr., a former president of SKF Industries, Inc.

"Every private interest which fought to amend or kill the Trade Bill will be on the Chief Negotiator's neck urging him to hold out its particular product from the negotiating list. It may well be that his major negotiating headaches will not be with the Europeans, but with special interests in this country," Batt predicted.

The same forces who fought for a strong trade bill must maintain their vigilance to assure that this vital program "shall not be used to trade out votes on domestic issues." The President must recognize that his failure to support a firm trade program "can carry serious political consequences for the President himself, let alone the immeasurable damage to the country's most critical international position," Batt concluded.

Herter to Head Trade Agency

Christian A. Herter, a prominent Republican, former Secretary of State and co-author (with William L. Clayton) of an influential report calling for U.S. "trade partnership" with the European Economic Community, now takes on heavy new responsibilities in the key position of President Kennedy's Special Representative for Trade Negotiations.

In announcing Mr. Herter's appointment to the Cabinet-level post created by the Trade Expansion Act of 1962, the President emphasized that the Special Representative would play a "central role" in the formulation of trade policy. "He will become, along with the Secretaries of State and Commerce, one of the top policy officials of the U.S. Government in shaping our international objectives in the commercial, trade and economic fields," the President said.

EEC Protectionism Will Make Negotiations More Difficult

Herter has said that he has "no illusions" as to the difficulties of coming trade negotiations. "If anybody thinks they are going to be easy, they just have the wrong concept of the difficulties that are involved," he declared. He referred particularly to signs of a trend toward protectionism in the European Common Market as "very disquieting." Such attitudes will make negotiations "much more difficult," he said.

As Special Representative, Herter becomes Chairman of the Inter-Agency Trade Organization set up under the 1962 trade Act. While he will be directly responsible for preparing the proposed objectives and strategies for negotiations and for directing those negotiations while they are in process, President Kennedy stressed

(Continued on page 7)

THE SECRETARY OF STATE
WASHINGTON

December 6, 1962

Dear Mr. Gilbert:

The adoption of the Trade Expansion Act marks a turning point in our foreign economic policy and a major advance toward our goal of strengthening the Free World and building an Atlantic Community. The Committee for a National Trade Policy played a key role in securing the passage of the Act, and I want you to know that we appreciate the Committee's leadership and imaginative support.

In the coming months we will be preparing for the trade negotiations authorized by the Act. The appointment of Christian Herter as Special Representative for Trade Negotiations of the United States brings to these responsibilities a distinguished leader with broad understanding of the many problems we face. He will need intelligent public support, and we are counting on your continuing efforts to keep the American people informed of our developing trade program. I know that your interest and help will make a vital contribution.

Sincerely,

DEAN RUSK.

Mr. Carl J. Gilbert
Chairman, Committee for a
National Trade Policy,
Washington 6, D. C.

Summary of 1962 Trade Act—See Pages 3-6

Committee for a National Trade Policy

A bipartisan group of businessmen from all segments of American industry who believe that the reduction of trade barriers on a reciprocal basis and the expansion of world trade are essential to the prosperity and security of the U.S. and of the entire free world.

U.S. COMPENSATES BRITAIN FOR ESCAPE CLAUSE TARIFF INCREASES

The U.S. has agreed to a 20 percent reduction in duties on seventeen items important to British exports to this country, in compensation for American escape-clause tariff increases on certain carpets and glass which became effective last June.

U.S. imports of the products covered by the compensatory concessions totaled $12.2 million in 1961, of which the United Kingdom supplied $9.3 million. The most important products in the agreement are electric motors, packaging and wrapping machines, mustard, flax threads and flax yarns.

The U.S. was unable to negotiate duty reductions to compensate the six members of the European Common Market for our carpet and glass actions. The Six retaliated last August by doubling their tariffs on imports of certain American textile and chemical products valued at some $27 million annually (*Trade Talk,* Vol. IX, No. 9).

The U.S.-British discussions were held under auspices of the GATT.

Kennedy Tightens Oil Quotas *(Continued from page 1)*

new order. Neither are imports to the West Coast states, where domestic production has declined in the face of rising demand.

During consideration of the 1962 Trade Act, the House Ways and Means Committee rejected moves by independent oil producers and domestic coal interests to impose a legislative limitation on crude oil imports of 14 percent of U.S. production in a given base period. Administration spokesmen opposed such quotas by legislation, stressing the need for "flexibility" in administering the oil import program (*Trade Talk,* Vol. IX, No. 7).

Move Foretold in Senate Speech

While the Administration avoided any public commitment, however, the current arrangement was foreshadowed in a Senate floor speech by Sen. Russell Long (D., La.) on the day before the President signed the new trade law. Long, a member of the Senate Finance Committee who represents an important oil-producing state, told the Senate that personal conversations with the President and other responsible members of the Executive Branch had "satisfied" him that the President "is prepared" to take specific steps—including tightening the import quota program and linking the ratio of imports to past performance rather than future estimates—"at the appropriate times."

Several days later the late Sen. Robert S. Kerr (D., Okla.), who had managed the trade bill in Senate debate, sounded a similar theme in a speech before the Independent Petroleum Association of America, reporting "relative unanimity" among all government agencies on the need for "equitable" oil import controls.

New CNTP Directors

Christian A. Herter, Jr., General Manager of Government Relations for the Socony Mobil Oil Co., and Adolph P. Schuman, President of the Lilli Ann Corp. and Chairman of the World Trade Center Authority of San Francisco, have joined the Board of Directors of CNTP.

GATT Membership Now 44

Trinidad and Tobago and Uganda have recently become full Contracting Parties to the General Agreement on Tariffs and Trade. Yugoslavia and the United Arab Republic were accepted as provisional members.

Culliton to Tariff Commission

President Kennedy has appointed James W. Culliton, dean of the University of Notre Dame College of Commerce and a political independent, to membership on the Tariff Commission. Since Congress adjourned without acting on Culliton's nomination, his recess appointment is subject to Senate approval in the coming session.

Culliton succeeds J. Allen Overton, Jr., a Republican.

Simple, Long-Lasting Relief

". . . the use of tariff relief under the escape clause to deal with real problems of demonstrated difficulty . . . may be accepted only so long as the emphasis is on requiring the domestic industry to take all steps within its power to adjust to the new competition. . . . Past experience, unfortunately, indicates that once relief is obtained, it goes on and on with the persistence of an encyclopedia salesman in the living room."

—Cecil Morgan, Executive Assistant to the Chairman, Standard Oil Co. (New Jersey)

KENNEDY VETOES BICYCLE TARIFF RISE

President Kennedy has vetoed a bill, approved by Congress in the closing rush of the session, which would in effect have doubled the tariff on approximately one-half of the bicycles currently imported from abroad.

The President, who has used the veto power sparingly, could have let the measure die simply by withholding his signature. Instead, he chose to make an issue of the matter, declaring that approval of a tariff increase on bicycles so soon after completion of the 1961 negotiations and passage of the new Trade Expansion Act of 1962 would be contrary to the aims of the new program and "would hamper our efforts to improve the position of American industry in foreign markets."

Cites Relief Available Under New Law

Noting that the new law offers "a wider variety of relief" to aid American firms suffering from imports, the President observed that "should the American bicycle industry demonstrate the need for this relief, it should be provided."

The vetoed bill would have changed the tariff classification description for lightweight bicycles so that the duty would have jumped from 11¼ to 22½ percent. The bill had coasted through Congress, reported unanimously by both the House Ways and Means and Senate Finance Committees, and approved by the House last April by unanimous consent.

Javits Only Senator to Oppose Bill

Senator Jacob Javits (R., N.Y.) was the only member to speak against the bill during the Senate debate. Javits pointed out that approval of a bicycle tariff rise would be counter to the trade program embodied in the Trade Expansion Act which had cleared Congress only a day earlier, but the Senate rejected his amendment authorizing the President to suspend the effective date of a tariff increase if he found it to be inconsistent with the new Act.

TRADE TALK

File - trade work file

Trade Talk

Special Supplement, January 1963

A summary of the Trade Expansion Act of 1962, and comparison of some major points with provisions of previous legislation.

COMMITTEE FOR A NATIONAL TRADE POLICY
1025 Connecticut Avenue, N.W., Washington 6, D. C.

THE TRADE EXPANSION ACT OF 1962

The Trade Expansion Act of 1962—designed to help the United States consolidate and expand its international trade position, strengthen its economic relations with foreign countries "through the development of open and nondiscriminatory trading in the free world," and prevent economic penetration by the Communist bloc—was signed into law October 11, 1962. The legislation is a totally new statute, not simply a twelfth extension of the old Trade Agreements Act.

The Statute authorizes the President to negotiate trade agreements, as well as to take certain forms of unilateral action, to obtain the reduction or removal of foreign duties or other import restrictions which are found to be "unduly burdening and restricting the foreign trade of the United States." It sets forth procedures the President is to follow in preparing for these negotiations, and the procedures, standards, and remedies to be applied in cases where it is claimed that serious injury to the welfare of certain industries or to the national security has been caused or threatened by increased imports. It makes similar provision for assistance to individual producers and workers who can show that imports have caused or threatened them with serious injury, whether or not the industry involved has itself encountered such difficulties.

The adjustment assistance provisions, emphasizing the need for constructive response to import competition problems, introduce a new concept of relief from import injury. These provisions, together with special authority for negotiation with the European Economic Community and the creation of the office of Special Representative of the President for Trade Negotiations, are the major innovations in the trade legislation of 1962.

THE PRESIDENT'S NEGOTIATING AUTHORITY

Tariff-Cutting Authority

During the 5-year period from July 1, 1962, to June 30, 1967, the President may, with certain exceptions:

1. Negotiate cuts in U.S. duties by as much as 50 percent of the July 1, 1962 rates. He may eliminate duties that did not exceed 5 percent ad valorem (or ad valorem equivalent) on that date.
2. Negotiate in agreements with the European Economic Community the elimination of duties on articles within categories of goods in which the United States and the EEC in a selected base period together accounted for at least 80 percent of the aggregate exports of the particular category by free world countries (omitting trade within the EEC).
3. Negotiate cuts in duties beyond the general 50 percent limitation, and without regard to the 80 percent dominant-supplier formula, on both temperate zone and tropical agricultural commodities.

Although the original Administration proposal called for the use of 3-digit United Nations statistical classifications of product categories, the new law authorizes the President to "select a system of comprehensive classification of articles by category." It requires him to do this as soon as practicable after the enactment of this law. The President, with the advice of the Tariff Commission, is to determine a representative period for each category of products. That period, which can be different from category to category, must be within the most recent 5-year period for which statistics are available and must contain at least two one-year periods. The membership of the European Economic Community is defined as membership on the date on which the President seeks the advice of the Tariff Commission on preparation of the negotiating list.

In EEC negotiations the President may go to zero on agricultural commodities (as defined in Agricultural Handbook No. 143 of the U.S. Department of Agriculture as issued in September 1959), whether or not they meet the 80 percent standard, if the President determines that such action "will tend to assure the maintenance or expansion of United States exports of the like article." This seems to imply a product-for-like-product reciprocity, but such reciprocity is not clearly a requirement.

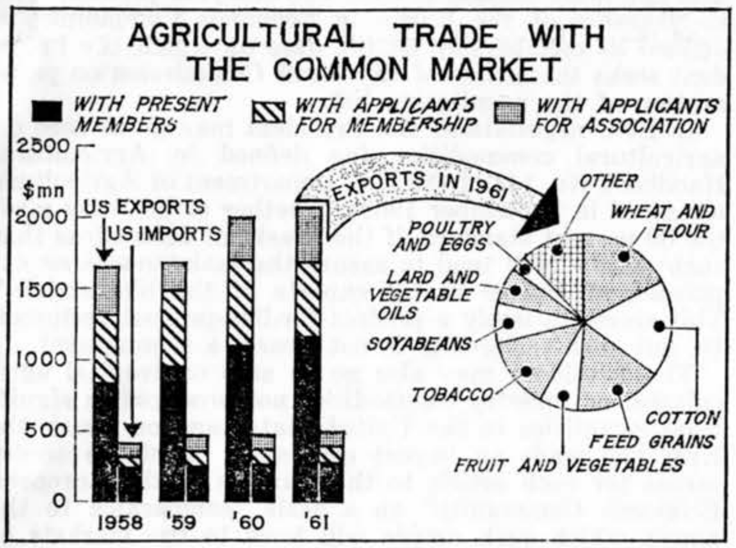
The President may also go to zero on tropical agricultural or forestry commodities not produced in significant quantities in the United States and on which the EEC has made an import concession "likely to assure access for such article to the markets of the European Economic Community" on a scale "comparable to the access which such article will have to the markets of the United States" and of a character giving substantially equal treatment to all free world countries of origin. This clearly demands product-for-like-product reciprocity.

Authority to Deal With Foreign Import Restrictions

The President is given powers to cope with foreign import restrictions that unjustifiably or unreasonably burden U.S. commerce or prevent the expansion of trade on a mutually advantageous basis. The bill as it passed the House required the President (a) to take all appropriate and feasible steps within his power to eliminate such restrictions; (b) to refrain from negotiating the reduction or elimination of any United States import restrictions under this law in order to secure the reduction or elimination of such foreign restrictions; and (c) where the other countries involved already receive benefits of U.S. trade agreement concessions, to counter the burdensome non-tariff import restrictions of those countries (including variable import fees) and other practices that unjustifiably restrict U.S. commerce—to the extent consistent with the purposes of the Act—by suspending, withdrawing, or preventing the application to those countries of the benefits of trade agreement concessions, or by refraining from proclaiming the benefits of new concessions in carrying out a trade agreement with those countries.

The Senate added two significant provisions to that section of the Act, making explicit certain other provisions requiring Presidential action. The first (generally called the Williams (R., Del.) amendment) deals only with foreign restrictions on agricultural products. Whenever foreign import restrictions on agricultural products are found to "impair the value of tariff commitments made to the United States," or to "unjustifiably oppress the commerce" of the U.S., or "prevent the expansion of trade on a mutually advantageous basis," the President is required to impose import restrictions on U.S. imports from the country or common market involved to the extent "necessary and appropriate" to prevent the establishment or obtain the removal of such foreign import restrictions.

The second, or Douglas amendment, is an addition to the action the President must take with respect to burdensome and unreasonable restrictions (albeit legally justifiable under international agreement) imposed by countries which benefit from U.S. concessions. It is not limited to agriculture. It provides that whenever a country or a common market that receives the benefits of U.S. trade concessions "maintains unreasonable import restrictions which either directly or indirectly substantially burden" U.S. commerce, the President may—consistent with the purposes of the Act and with U.S. international obligations—suspend, withdraw, or prevent the



—*The Economist, London.*

application of the benefits of U.S. concessions to the products of that country or common market.

This provision is intended as a means of persuading other countries to reduce unreasonably high import restrictions directly affecting U.S. exports and to end discriminatory treatment of goods from third countries.

Other Presidential Powers

The new legislation authorizes the President (through the Bartlett amendment) to use the threat of import restrictions on fish to induce participation in international conferences on the use or conservation of international fishery resources. If such a conference is called, the President is required by this trade statute to use all appropriate means to persuade countries whose fishing policies or practices affect such resources to negotiate on their use or conservation. If any country refuses to do so, the President is authorized—if he thinks it would be effective in getting that country to participate in such negotiations—to increase the duty on any fish (in any form) from that country, for as long as he deems necessary for that purpose. The increased duty may not be more than 50 percent above the rate existing on July 1, 1934.

SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

The major administrative innovation of the new trade act is creation of the post of Special Representative for Trade Negotiations—unofficially referred to as the "Chief Negotiator." The President is directed to make such an appointment, subject to Senate confirmation. (Christian A. Herter has been appointed, with William Gossett as his deputy.) The Special Representative, holding Ambassadorial rank, is also Chairman of the Interagency Trade Organization created by the new statute. This in effect gives him Cabinet rank, since the Interagency Trade Organization is composed of those Cabinet officers and other government officials whom the President may designate as members.

The Organization will in effect assume the advisory functions previously carried out by the Trade Policy Committee, which had been set up by Executive Order and which was chaired by the Secretary of Commerce. The statute requires that the Organization advise the President on basic policy issues arising in the administration of the trade agreements program, on escape clause cases, on action to be taken to deal with unjustifiable or unreasonable foreign import restrictions, and on any other aspects of the trade agreements program with which the President may ask it to concern itself.

In a letter to Chairman Mills of the Ways and Means Committee, President Kennedy stated his intention to work particularly through the Special Representative in achieving the "high degree of leadership and coordination in the executive branch" necessary in carrying out the major trade negotiations under this Act. This suggests a key role for the Special Representative in coordinating the activities of the various executive agencies in the overall trade policy field.

PRE-NEGOTIATION PROCEDURES

Tariff Commission Hearings

The President is required to submit a proposed negotiating list to the Tariff Commission. Within six months of receipt of such a list, the Commission is required to give the President its judgment as to the probable economic effect of U.S. trade concessions on U.S. industries producing like or directly competitive articles on the list. In preparing its judgment, the Commission is required to hold public hearings.

This advisory responsibility of the Commission takes the place of the Commission's "peril point" function under the old law. Thus, the Commission no longer sets specific tariff points as supposed dividing lines between likely injury and safety from injury. It is now—more realistically—to present broad-gauged analyses (to the extent possible within the restrictive time limits specified in the Act) of the strengths and weaknesses of the industries concerned.

Executive Agency Hearings

The Special Representative and the Executive agencies also play an important part in preparing for trade agreement negotiations. The President is required to seek information and advice from the Departments of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury, and from such other sources as he may deem appropriate. He is also required to designate an agency or an interagency committee (presumably within the framework of the new Interagency Trade Organization created by this legislation) to conduct a second set of public hearings providing any interested person an opportunity to present his views concerning (a) any article on the proposed negotiating list, (b) any article he thinks should be added to that list, (c) any foreign concession which should be sought by the United States, or (d) any other matter relevant to the proposed trade agreement.

The first item in this enumeration suggests that the Executive departments will be under pressure to remove products from the negotiating list. Such efforts will doubtless first be exerted publicly in the Tariff Commission hearings, but the ultimate decision rests with the President. The extent of duplication in the two sets of

hearings will be a question for the Executive Branch to resolve, but it is important to note that the Executive would be subjected to pressures regardless of whether or not it were required to hold its own set of hearings.

Trade negotiations may not begin until the President has received the judgment of the Tariff Commission, or until expiration of the six months the Commission is given to analyze the negotiating lists—whichever comes first—and only after the President has received a summary of the executive agency hearings referred to above.

The "Reserve List"

The President may exempt from negotiations any product which he deems appropriate, placing it on a "reserve list." In addition, there are statutory exemptions from negotiations. These include: (a) products which have been the subject of Presidential action under the escape clause (Sections 351 and 352) or the national security clause (Section 232) of the new Act and on which that action is still in effect in some form; (b) products which have been the subject of Presidential action, still in effect, under corresponding clauses of previous legislation; and (c) products on which a Tariff Commission majority had, under the old escape clause, found serious injury but on which no Presidential supporting action had been taken.

In the latter category, the products involved, if they are to qualify for "reserve list" treatment, must first be included in the proposed negotiating list; the industry concerned must, within 60 days after publication of the list, request that the product be exempted; and the Tariff Commission must find that economic conditions in the industry have not substantially improved since the Commission's finding of injury. An industry may not make such a request for exemption if it failed to do so the first time the product appeared on a negotiating list prepared under the new Act.

PRESIDENT'S POWER TO INCREASE RESTRICTIONS: ESCAPE CLAUSE AND NATIONAL SECURITY PROVISIONS

Besides authorizing import restrictions as a bargaining tool (see above), the new statute provides for the withdrawal of trade concessions that cause or threaten serious injury to U.S. producers and for imposition of import restrictions designed to prevent impairment of national security. **The national security provisions are in substance the same as those enacted in the last extension of the Trade Agreements Act.** The criteria to be applied in national security cases are without limit. The President is left with complete discretion in the disposition of such proceedings.

The new escape clause, referred to technically as provision for "tariff adjustment," may be invoked only when injury to an industry is claimed. In some respects it is similar to the escape clause of the old law, in some respects different. A notable difference is that the so-called "industrial segmentation" clause of the old law has been discontinued. The 1962 statute provides no definition of industry, thus permitting though not ensuring a broad definition.

The House Ways and Means Committee, in its report on the bill, observed that in general an industry would be defined as including "those operations of those establishments in which the domestic article in question . . . is produced." This broad definition is affected by such factors as the accounting feasibility of distinguishing between facilities producing and those not producing the article in question, and the extent to which the equipment and skills devoted to producing the article in question are interchangeable with the other resources of the firms involved. Thus the Tariff Commission will have wide discretion in determing definition of "industry."

Although there was never any statutory limitation in previous legislation on the factors the Tariff Commission was to consider in deciding whether injury had occurred, the listing of certain factors (not to the exclusion of others) tended to invite emphasis on those specifically enumerated. The new legislation mentions "idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment" as injury criteria. Thus the ingredients of injury are not unlike those suggested in previous legislation, and may even be somewhat more restrictive.

In assessing the contribution of tariff concessions to import expansion, the Tariff Commission must determine whether or not the expansion of imports is a result "in major part" of those concessions. Under the previous legislation, the standard was whether or not the increased imports were due "in whole or in part" to the concessions. The standard to be applied in determining the extent of injury is whether increased imports have been "the major factor in causing, or threatening to cause" serious injury. Under the previous legislation, the standard was whether "increased imports, either actual or relative . . . have contributed substantially toward causing or threatening serious injury."

Where the Tariff Commission finds that an industry has experienced or is threatened with serious injury, it is required to determine the amount and kind of import restriction "necessary to prevent or remedy such injury" and to report its findings and recommendations to the President. If the President accepts the Commission's findings of injury, he may impose such import restrictions as he considers necessary to prevent or remedy the injury. Under the previous law, as interpreted by the courts, the President had no discretion with respect to remedies for injury: he could merely accept or reject the Commission's recommendations in toto. If he rejected them, he was in effect impelled to reject the finding of injury itself.

Where tariff relief is used, the increase in duty cannot be in excess of 50 percent above the rate of July 1, 1934. If the product is dutiable but no duty existed on July 1, 1934, the new duty cannot be in excess of 50 percent above the duty in effect just prior to the President's proclamation. Where the product is not dutiable, the duty imposed cannot exceed 50 percent ad valorem.

The President may also, concurrently with import restrictions or in lieu of such restrictions, provide that the firms and workers of the affected industry may seek adjustment assistance through the Departments of Commerce and Labor, respectively. Under the original Administration bill, adjustment assistance was the primary remedy in injury cases, with import restrictions seen as "extraordinary relief." Amendments by the House Ways and Means Committee, which were sustained throughout the legislative history of the bill, placed these alternative remedies on an equal basis, removing any reference to import restriction as an extraordinary measure.

Congressional Power to Override

If the President does not impose the import restrictions recommended by the Tariff Commission within 60 days after receiving a finding of serious injury from the Commission, he is required to report his reasons to both houses of Congress. If both houses, by a simple majority of the total membership of each chamber (acting not on a privileged resolution as under the previous legislation, but following regular committee procedures), vote concurrent resolutions supporting the increase recommended by the Tariff Commission, the President must proclaim such restrictions.

Termination of Escape Clause Action

The President is authorized to reduce, eliminate, or extend in whole or in part for periods not exceeding four years at any one time, import restrictions imposed under the escape clause of this or previous legislation whenever he decides, taking account of advice from the Tariff Commission and the Secretaries of Commerce and Labor that such a step would serve the national interest. In the absence of extension by the President, escape clause action under this statute will terminate not later than four years after the effective date of the initial proclamation; escape clause action taken under the previous legislation will terminate not later than five years after the date of the enactment of the Trade Expansion Act (i.e., not later than October 11, 1967).

As long as any escape clause action remains in effect, the Tariff Commission is required to keep the industry's situation under review and report its findings annually to the President.

ADJUSTMENT ASSISTANCE

The Secretary of Commerce is required to certify as eligible for adjustment assistance any firm belonging to an industry which has been the subject of escape clause action if the President has permitted the member firms to seek adjustment assistance. However, the firm must show to the satisfaction of the Secretary of Commerce that it has experienced or is threatened with serious injury attributed to the import expansion the Tariff Commission had assessed. The Secretary of Labor has corresponding functions with respect to a group of workers who prove to his satisfaction that a "significant number or proportion" have experienced or are threatened with unemployment or underemployment.

Individual firms or individual groups of workers may seek adjustment assistance independently of escape clause proceedings applicable to their industries. The criteria are generally the same as those applicable in escape clause cases. If the Tariff Commission finds serious injury with respect to such petitions for adjustment assistance, it sends its report to the President, who may certify the petitioners eligible for adjustment assistance.

To qualify for adjustment assistance, a firm must apply for such assistance within two years after eligibility has been certified and must present an economic adjustment proposal. Assistance may take the form of technical, financial, or tax assistance, singly or in combination. The adjustment proposal must be "reasonably calculated materially to contribute to the economic adjustment of the firm," "give adequate consideration to the interests of the workers of such firms" who are adversely affected by import competition, and "demonstrate that the firm will make all reasonable efforts to use its own resources for economic development." The Secretary of Commerce is required to refer adjustment proposals to those government agencies which have responsibilities in pertinent areas of technical and financial assistance. To the extent that these agencies do not wish to furnish technical or financial assistance, the Secretary of Commerce may do so if he feels that such assistance is necessary to carry out the adjustment proposal. The Act authorizes appropriations to the Secretary of Commerce to carry out his responsibilities under the adjustment assistance program.

Provision for tax assistance includes more liberal carrybacks and carryovers of losses.

Workers may obtain supplementary unemployment compensation, retraining assistance, and relocation allowances. While adjustment assistance allowances to workers are to be provided through state governments to the extent practicable, the financing of the program is entirely Federal. Allowances will be payable only to workers who have been employed over a three-year period, the last six months of this in a firm or firms found to have been seriously affected by imports, and who have become unemployed or underemployed because of the effect of increased imports on such a firm or firms. The trade adjustment allowance is 65 percent of the worker's average weekly wage, subject to a limitation of 65 percent of the national average manufacturing wage, less 50 percent of his remuneration for work he might obtain during the period of certified unemployment. Allowances are to be provided for not more than 52 weeks, except where retraining extends beyond that period, or where the worker is over 60 years old. Allowances are not payable to workers who refuse, without good reason, to take or complete retraining.

These benefits are greater both in amount and duration than those provided by most regular State-Federal unemployment compensation programs.

MOST-FAVORED-NATION PROVISION

With one notable exception, the new legislation continues in effect the most-favored-nation principle which has long been a feature of U.S. trade policy. Thus any duty or other import treatment proclaimed in carrying out any trade agreement will be applied to the corresponding products of all foreign countries, whether imported directly or indirectly. This uniformity of treatment, of course, does not apply to those countries against which import-restrictive action is taken by the President to cope with unjustifiable foreign restrictions against U.S. goods; nor to imports from Soviet bloc countries which had been denied most-favored-nation treatment under previous legislation.

The notable change from the previous policy is that Poland and Yugoslavia, which had enjoyed most-favored-nation treatment under the expired statute, are denied such privileges under the new legislation. The House bill made the change, the Senate restored the previous policy, and the conference committee report reverted to the House position. The Act passed in that form. It does not mention the two countries specifically, but says only that most-favored-nation treatment is not to be accorded to "products, whether imported directly or indirectly, of any country or area dominated or controlled by Communism."

SIGNIFICANT DEFINITIONS

Two of the Act's definitions of terms are here singled out as important to understanding of the new legislation.

"The term 'firm' includes an individual proprietorship, partnership, joint venture, association, corporation (including a development corporation), business trust, cooperative, trustees in bankruptcy, and receivers under decree of any court. A firm, together with any predecessor, successor, or affiliated firm controlled or substantially beneficially owned by substantially the same persons, may be considered a single firm where necessary to prevent unjustifiable benefits."

"An imported article is 'directly competitive with' a domestic article at an earlier or later stage of processing, and a domestic article is 'directly competitive with' an imported article at an earlier or later stage of processing, if the importation of the imported article has an economic effect on producers of the domestic article comparable to the effect of importation of articles in the same stage of processing as the domestic article. For purposes of this paragraph, the unprocessed article is at an earlier stage of processing." **This is a broader definition of "product" than under the old law, and makes it easier for claimants of injury to demand relief.** In 1958 an attempt was made on the Senate floor to write such a provision into the Trade Agreements Extension Act of 1958, but it was defeated in a close vote.

Herter Sees Hard Negotiations

(Continued from page 1)

that the importance of the task and the scope of interest and endeavor of the Special Representative go "beyond the immediate particulars of negotiations" on trade and tariff matters.

Gossett Is Deputy Negotiator

Herter's deputy is William T. Gossett, a former vice president, general counsel, and director of the Ford Motor Company. Gossett had been with Ford from 1947 until early 1962, when he resigned to do work of a public service nature.

No other staff appointments have been announced as yet. The Special Representative is expected to draw on the resources of various executive agencies in meeting his wide responsibilities in the trade field.

Mr. Herter's long and distinguished career includes service as a member and Speaker of the Massachusetts Legislature, two terms as Governor of Massachusetts, and several years as a member of the U.S. House of Representatives. He was Under Secretary of State from 1957 to 1959, and Secretary from 1959 to 1961.

DEVELOPING NATIONS PRESS FOR U.N. TRADE MEETING

A U.N.-sponsored international conference on world trade problems will probably be convened by mid-1964 despite the doubts and reported opposition of the major industrialized nations, particularly the U.S. and Great Britain.

The conference, sought by developing nations anxious to expand exports and improve their world trade position, has been overwhelmingly approved by a resolution of the U.N. General Assembly's Economic Committee. The 35-power resolution was adopted by a vote of 73 to 10, with 23 nations abstaining. The required approval by a two-thirds vote of the full Assembly is considered virtually certain after the unexpectedly strong vote in Committee.

Soviets Back Move Over U.S. Opposition

The Soviet bloc supported the underdeveloped countries in the demand for the meeting to consider removal of barriers by industrialized nations to the expansion of exports from the developing countries.

Britain and the U.S. reportedly hinted that they might not attend such a conference if it is held this year, but efforts are underway to win the support of the major trading powers for the meeting. They had argued that a conference would not be feasible in so short a time on account of the broad preparations that would be needed.

> ***"Tariffs or other import barriers artificially distort like a fun-house mirror."***
>
> **—Cecil Morgan, Executive Assistant to the Chairman, Standard Oil Co. (New Jersey)**

> ***"The trading countries of the free world . . . are looking for U.S. leadership in the forthcoming tariff negotiations under the trade expansion act. There is an increasing awareness that if this act turns out to be a meaningless instrument in the field of agricultural trade and the Common Market persists in providing excessive added protection for its own agricultural programs at the expense of outside suppliers, the consequences for all could be very serious, indeed."***
>
> **—Charles S. Murphy, Under Secretary of Agriculture, Dec. 17, 1962.**

Foreign Trade Convention Backs Strong Statement on Trade Needs of Underdeveloped Countries

The forty-ninth National Foreign Trade Convention, meeting in New York in October 1962, adopted a strong declaration setting forth the interest of the U.S. in promoting expanding trade opportunities for the underdeveloped countries. The text of the statement is as follows:

". . . It is becoming increasingly apparent that the less developed countries must have access to broader outlets and greater export earnings if they are to obtain in turn the equipment and materials needed for the diversification and advancement of their economies. Thus, in its own interest and in that of the wider international trading community, the U.S. must exert every effort to maintain a multilateral trading system with a minimum of barriers and restrictions."

EEC Farm Protectionism

(Continued from page 8)

to some $500 million annually, he said, but the European variable levy system "is designed to make possible unlimited protection to domestic production and can readily be used for the deliberate purpose of achieving self-sufficiency."

Good Prospects for Some Products

On the other hand, Murphy reported that there are good prospects for expanding U.S. exports of some commodities not largely produced in EEC countries, for which EEC proposed a fixed common external tariff rather than the variable levy. These include cotton, soybeans, tallow, hides and skins, certain fruits and vegetables, and other farm items representing some $700 million in annual shipments.

Western Europe has been a major market for U.S. farm exports. In 1961, the six Common Market nations bought 31 percent of the $3.5 billion in U.S. farm commodities that were sold abroad for dollars. More than half of all dollar sales abroad go to the Six, Great Britain, and the other European countries that want to join the Common Market.

> ### *Survival Demands Adjustment:*
>
> ***". . . the survival of our economic system, national and international, depends upon our ability to adjust ourselves to change. There were types who did not approve and did not adjust themselves to the Stone Age. We are the descendants of those who did."***
>
> **—Sir David Ormsby-Gore, British Ambassador to the United States**

Sewing Machine Maker Defends Liberal Trade

"We really do not have a practicable alternative to expanding our economic relations with the rest of the world and following a policy of freer and expanding foreign trade," says the president of the Singer Manufacturing Co., America's largest producer of sewing machines.

Noting that his company's "firm commitment" to the cause of free trade "is not merely theoretical but has been tested very severely in the fires of import competition," Singer president Donald P. Kircher declared that he is "not pessimistic" about the ability of American industry to compete effectively against foreign producers, "even in the extreme circumstances" his industrv has faced.

The attitude of the U.S. toward the European Common Market will be "crucial," he warned. "If we want greater access to their booming economies for our exports, we must give them greater access to our home market," he said.

"As businessmen presumably devoted to the principles of free enterprise and convinced of the beneficial effects of competition, it ill becomes us as competitors to say that we need subsidies in the form of high tariffs in order to compete."

During the 1950's, when imports of sewing machines increased rapidly, Singer adhered "sometimes grimly" to its traditional policy of favoring freer trade, Kircher recalled. "We sought no import quotas; we sought no increased tariffs," but asked only that the government make a more aggressive effort to persuade foreign countries, particularly Japan, to reduce their barriers against our exports.

While Singer's sales of American-made sewing machines have increased each year since 1957, and the company increased its share of the U.S. market both in 1960 and 1961, "the conflict is not over," Kircher observed. "In a competitive economy it never is."

U.S. & GATT Warn of EEC Farm Protectionism

Warnings against a growing restrictionist trend in European Common Market agricultural trade have been sounded recently by both the GATT and the U.S. Government. So far, the EEC countries have shown no inclination to compromise on their newly-adopted system of variable levies on farm products, and the issue promises to be a major problem in trade negotiations with the Six.

A report drafted by a committee appointed by the GATT to consult with EEC on its new common farm policy expresses concern that the EEC could dictate the terms of world trade in farm products. Exporting countries, according to the GATT report, fear that the EEC's policies "could not fail" to boost output by EEC farmers. The resulting increase, combined with EEC's concentration on expanding trade within the Community, would lead to lower imports of farm products from other countries. The "adverse impact" on world trade, says the GATT study, would be even greater if the EEC is enlarged by admission of new members.

Freeman Warns U.S. Can Retaliate

At the same time, U.S. Secretary of Agriculture Freeman frankly warned the Six to assure adequate access to European markets for American farm products, or else risk retaliation against European exports. In a major speech—reportedly cleared at the White House—Freeman told the Agriculture Committee of the 20-nation Organization for Economic Cooperation and Development (of which both the U.S. and the six Common Market nations are members) that the U.S. is "sharply troubled" by recent evidence, particularly EEC actions affecting grains and poultry, "which suggests the European Economic Community, instead of moving toward a liberal trade policy for agriculture commodities, actually is moving backward with regressive policies that could impair the existing trading arrangement."

Pointedly recalling that the new Trade Expansion Act empowers the President to retaliate against countries placing unjustifiable restrictions on American farm exports, Freeman noted that "the Congress and the American public find it difficult to understand why the United States should maintain liberal access for a wide range of competitive imports if our own agricultural exports are restricted in foreign markets."

EEC Reply Not Conciliatory

Replying for the EEC, the French Minister of Agriculture declared that the Common Market countries had no intention of retreating from agreed-upon agricultural policies, but would be willing to discuss problems that might arise.

Freeman's point was echoed a month later by his Under Secretary, Charles S. Murphy, who told of U.S. concern for exports of such products as wheat and wheat flour, feed grains, certain meat products, poultry, eggs and rice. U.S. shipments have amounted

(Continued on page 7)

GATT MINISTERIAL MEETING IN 1963

A meeting at the ministerial level under the auspices of the General Agreement on Tariffs and Trade will convene in February or March of 1963, to consider basic trade problems and policies, negotiating procedures and definitions.

The U.S., which joined with Canada in proposing such a conference to the Twentieth Session of the GATT last November, expressed the hope that the Ministerial Meeting would stimulate a broad program of world trade liberalization. A major question for the Ministers to consider will be the holding of a new conference for the comprehensive reduction of tariff barriers on industrial goods and primary products, possibly in 1964.

BRITAIN GRANTS JAPAN M-F-N STATUS

A major move toward freer world trade has come this past November with the signature of a British-Japanese treaty of friendship and navigation in which Britain granted Japan most-favored-nation treatment in trade between the two nations.

In a statement the British Government said that discrimination against Japan under Article 35 of the General Agreement on Tariffs and Trade was becoming "progressively harder to justify."

The British observed that the Japanese market had become much more important for British exporters. Shipments from the United Kingdom to Japan more than doubled in the period between 1955, when Japan signed the GATT, and 1960.

Japan's growing significance as a world trader and the changing pattern of Japanese exports were other factors which reportedly caused Britain to join the United States in the drive to eliminate discrimination against Japanese products.

Among the nations still refusing most-favored-nation status to Japan are France, Austria, the Benelux nations, Portugal, Australia, Malaya, Republic of South Africa, Federation of Rhodesia and Nyasaland, Nigeria, Sierra Leone, Tanganyika, and Haiti. France and the Benelux countries have agreed in principle to grant Japan m-f-n status, and negotiations to implement these agreements are now underway.

"I am more concerned about how our products are doing 'across the counter' in the free market of Hong Kong than how they are competing in Peoria, Illinois. For the fundamental fact is that if we can't compete in Hong Kong, it isn't likely that we will be competing favorably in Peoria for very long."

—Charles H. Percy,
Chairman, Bell & Howell Co.

Vol. X, No. 1, January 3, 1963

TRADE TALK
Committee For A National Trade Policy
1025 Connecticut Ave. N.W., Washington 6, D. C.

Bulk Rate
U. S. POSTAGE
PAID
Washington, D. C.
Permit No. 40743

"Now that the trade bill is passed, we cannot afford simply to go back to business as usual; if we do, we shall soon find business is not as usual but worse."

—Leo D. Welch, Chairman
Standard Oil Co.
(New Jersey)

SEN. HUBERT H. HUMPHREY
UNITED STATES SENATE
WASHINGTON, D. C.

28

CONGRESSIONAL RECORD STATEMENT BY SENATOR HUBERT H. HUMPHREY

TARIFF COMMISSION ACTION ON SOFTWOOD LUMBER

February 25, 1963

Mr. President, on February 14 the Tariff Commission by unanimous vote issued a decision on their Investigation No. 7-116, Softwood Lumber, in which they found that "...softwood lumber is not, as a result in major part of concessions granted under trade agreements, being imported in such increased quantities as to cause, or threaten to cause, serious injury to the domestic industry producing the like article."

The Commission said further on in its findings, "...it is clear not only that trade-agreement concessions fall far short of being the preponderant cause of softwood lumber 'being imported in...increased quantities' but also that they do not contribute as much to the increase as certain other causes."

I ask unanimous consent that the findings of the Commission be printed at the conclusion of my remarks.

On the same day a spokesman for the National Lumber Manufacturers Association described the Commission's action as disheartening and he went on to state, "It is equally clear... that under the present law the Tariff Commission has virtually ceased to exist as an effective agency to which any beleaguered domestic industry or its employees can turn for relief."

This same spokesman also said "...the Tariff Commission... was barred from a favorable finding by the requirements of the 1962 Act which requires that the petitioner must prove injury resulting 'in major part' from trade-agreement concessions."

There is some misunderstanding, apparently, on the Trade Expansion Act and the purpose which it is intended to serve as evidenced by statements I have just read.

The 1962 Trade Expansion Act is an extension and a continuation of a trade policy of long standing. The American lumber industry had an obligation to itself to ascertain whether or not the increased importation of lumber from Canada was caused by prior trade concessions. The Tariff Commission finds that this is not the case and, as it has always been required to do, it could not recommend relief merely because the importation of a product has increased.

When this case was before the Tariff Commission, the American lumber industry was not united. Some of its most effective and forward-looking members completely opposed the effort to restrict the importation of lumber from Canada. The National Association of Home Builders filed a brief in opposition to the petition as did groups representing wholesalers and retailers of lumber. Within the ranks of the lumber industry there was an inability to agree on certain steps which might prove useful.

There already has been substantial action by the Kennedy Administration to assist the domestic lumber industry. On July 26, 1962, the President outlined a six-point program and substantial accomplishments have been made here. In addition, last year the

Secretary of the Treasury created a new schedule of depreciation allowances for the timber industry which brought assistance estimated at $25 million annually.

This one step alone helps to enhance the position of the domestic timber industry and improve its competitiveness by an amount equal to what would have occurred if the maximum tariff permissible under law had been recommended by the Tariff Commission. I want to be perfectly candid and point out that these depreciation benefits flowed not only to the lumber industry but also to the pulp, plywood, and the other parts of the timber industry. The Secretary of Agriculture and the Secretary of Interior have made increasing amounts of timber available from our public forests and have exercised great restraint in the pricing of it. However, the competitive-sale method fully protects the public interest and I am advised that sales of timber continue to be made at prices substantially above appraised rates.

I think it is particularly significant to note that a comparison of softwood lumber production made by the National Lumber Manufacturers Association itself shows that domestic production increased last year from 25.9 billion board feet in 1961 to 26.4 billion board feet in 1962--a gain of half a billion board feet.

I have received an article and editorial from The Argus, a Pacific Northwest publication, which offer some interesting commentary on the situation facing our domestic lumber industry. In the February 5th editorial, The Argus writer points out, "Finally, we are not impressed by the alleged poverty of some of the companies crying loudest about a danger to their survival. What balance sheets are available to the public suggest they are surviving very well indeed--a good deal better than some of those who would, we think, have to foot the final bills for myopic policies aimed at short-range protection."

I know that the problems which face our lumber industry are of concern to some members of the Senate. This industry has had some poor years. There has been a decline in employment and many small mills have gone out of business. But the answer to this situation ultimately lies in developing ways to enhance the use of wood, finding new uses for wood and wood products, and in reestablishing markets that have been lost. Fortunately there exist in the lumber industry certain persons dedicated to these objectives.

Mr. President, I ask unanimous consent that pages 4-22 of the Tariff Commission findings on softwood lumber be printed in the Record. I ~~also~~ ask unanimous consent that a press release outlining the President's six-point program for the lumber industry and editorial from The Argus be printed in the Record at this point. I also ask unanimous consent that a report on the Tariff Commission finding issued by the National Association of Home Builders be printed in the Record.

LEGISLATIVE REPORT

NATIONAL ASSOCIATION OF HOME BUILDERS

February 21, 1963

William Blackfield, Chairman
Governmental Affairs Division

TO: Executive Committee, Past Presidents, National Representatives, National Directors, Presidents and Executive Officers of Affiliated Associations

FROM: Joseph B. McGrath, Director, Governmental Affairs

SUBJ: TARIFF DECISION ON LUMBER

The U. S. Tariff Commission has just rendered its report to President Kennedy on the results of its investigation of softwood lumber. You will recall we forwarded to you last November a copy of the statement submitted by NAHB to the Commission in which we objected strongly against any action which would result in raising the cost of softwood lumber to the construction industry. (See your Legislative Report, November 9, 1962.)

After two weeks of hearings, an extended investigation by the Commission staff, examination of all available documents, studies, data and statements from industry (such as ours) .... the Tariff Commission unanimously found that the domestic lumber industry in the United States is not being caused serious injury by the importation of increased quantities of softwood lumber as the result in major part of trade-agreement concessions.

This is a major victory for the Canadian lumber industry which has begun to supply an increasing quantity of softwood lumber for home building. The statement filed on behalf of the lumber manufacturers in the United States specifically requested the Tariff Commission --

(1) to impose a maximum tariff on all imported Canadian lumber,

(2) to impose restrictive import quotas on Canadian lumber, and

(3) to require marking of all imported lumber to show its Canadian origin.

On the basis of its hearings and investigation the five members of the Tariff Commission unanimously rejected all three of these requests. As a result, there is no recommendation for any action by the President. In discussing the considerations which led to their findings, the members of the Commission made the following points:

(1) Past Tariff Reductions. U. S. Tariff reductions were provided in trade agreements in 1936, 1939 and 1948. These duty reductions were made so long ago that they can have only a negligible effect on current increased imports of lumber. Moreover, the reductions in duty probably operated much more to cause a rise in Canadian prices than to cause a lowering of U.S. prices.

(2) Subsequent Tariff Action. The Commission rejected the argument that continuance of lower duties on Canadian lumber caused damage to the domestic industry. It noted the domestic softwood lumber industry took no action between 1948 and 1962 to request any relief. Nor was legislation asked of Congress. And finally it pointed out that the extent to which Canadian producers expanded their output and exports to the United States as a result of the 1936-1948 lower duties "is not determinable but probably was not significant."

(3) Marking of Lumber. The Commission noted that for many years prior to September 1, 1938, there was no requirement to mark lumber to show country of origin and that the requirement with respect to Canada was in effect for less than three months before being suspended by agreement between the United States and Canada. The Commission noted that "the marking statute was never designed to afford protection to domestic producers" nor can it be regarded as a "trade-agreement concession" within the meaning of the Trade Expansion Act.

    Voluntarily, however, the Commission notes that restoration of the marking requirement "would not likely have contributed to a reduction in the level of imports of softwood lumber. On the basis of evidence obtained by the Commission, its restoration might well have had a contrary effect."

    The Commission also "rejects completely" the argument that absence of marking nullifies the "Buy American Act" and contributes to expansion of lumber imports. It notes that total purchases of imported lumber by civilian or military government agencies under the "Buy American Act" and related acts are very small and almost always from mills whose source of supply is well known or readily determinable by the government agencies concerned.

CAUSES OF LUMBER INDUSTRY TROUBLES

The Tariff Commission states that "much more significant than trade-agreement concessions in causing softwood lumber to be imported in increased quantities are certain other factors." The Commission then discussed "the more consequential" of these factors as follows:

(4) Lumber Prices Versus Timber and Logging Costs. This is labeled by the Tariff Commission as "the most important cause of the increased imports," i.e., the "cost-price squeeze" between the rising price of lumber and the even more rapidly rising price of timber and purchased logs. The Commission notes that --

(a) There is a "limited commercial availability of softwood timber in the United States, particularly of saw timber size."

(b) As a result, there is "intense competition among the buyers of such timber."

(c) One contributing cause is that "over a period of many years the annual cut of mature saw timber generally exceeded the annual growth of such timber."

(d) But also "the timber management policies of government agencies and other owners of large timber resources have operated, and continue to operate, to limit the commercial availability of mature saw timber."

(e) All of the above policies -- "which are designed to achieve a long-term balance between cut and growth, are necessarily in conflict with commercial efforts to increase the current supply."

(5) Competition for Lumber. The Commission notes that "the inelastic supply of timber in the United States is in contrast to increasing commercial availability of newly opened virgin timberland in Canada." It also notes there is less competition among Canadian mills to obtain timber as compared with the competition in the United States between producers of lumber, manufacturers of plywood, pulp, paper, and exporters of logs.

Rising demand for forest products in the United States, coupled with rigid limits on commercial supply of timber, has resulted, states the Commission, in an upward trend in the prices of timber and an upward pressure on U.S. prices of lumber.

This, in turn, in the past few years has encouraged the opening of new areas of timber and lumber production in Canada and the increase of Canadian exports into the United States.

(6) Depreciation of Canadian Dollar. The Commission finds that Canadian currency depreciation "effectively promoted the expansion of lumber exports to the United States." Although this, in time, states the Commission, will be of diminishing importance, it is currently, in the opinion of the Commission, "a much more important factor than the aggregate of all of the past trade-agreement reductions in duty on lumber."

(7) Transportation Costs. The Commission notes that there is a substantial differential in the cost of water borne shipments of lumber from British Columbia mills to Eastern United States, contributing to an increase in the import of Canadian lumber. Imports by water account for only about one-fourth of the total imports of Canadian lumber, says the Commission. But the very large and rising disparity in cargo rates (imposed by the Jones Act passed by Congress to aid the domestic shipping industry), according to the Commission, obviously contributes much more to the recent increase in imports of softwood lumber than the aggregate of all trade-agreement concessions.

(8) Other Pertinent Factors. The Commission finds that other factors have also contributed to the increase in imports of Canadian lumber. These include --

(a) "free hold privileges" granted by Canadian railroads,

(b) special efforts by Canadian mills to promote their product and meet the requirements of U.S. buyers as to packing, shipping, grading, and marking.

(c) the "increasing awareness by U.S. distributors and consumers of the general high quality of Canadian lumber," and

(d) in recent years "the wider acceptance" in the U.S. construction industry of certain species of lumber which Canada has in abundant supply (for example, Western white spruce).

CONCLUSIONS OF THE TARIFF COMMISSION

In view of the foregoing findings, the Commission concluded that "trade-agreement concessions fall far short" of being the preponderant cause of softwood lumber being imported in increasing quantities.

The Commission also concluded that trade-agreement concessions "do not contribute as much to the increase as certain other causes." The Commission then went on to make the observation that --

"....evidence obtained in the course of the investigation suggests that the factors giving rise to the increase in imports, rather than the increase itself, are mainly responsible for the major problems confronting the domestic softwood lumber industry, particularly the Pacific northwest segment of it. Some of the factors, such as the increasing competition from substitutes for lumber and recent calamitous 'blowdown,' obviously do not stem in any measure from the increase in imports."

LUMBER INDUSTRY THREATENS CONGRESSIONAL ACTION

Despite the extensive and impartial findings of the Tariff Commission, largely adverse to the complaints filed by the domestic lumber industry, the National Lumber Manufacturers Association has announced that it will seek restrictive action by Congress. NLMA will ask Congress to place a major restriction on all FHA-insured housing so that only lumber and other wood products produced and processed in the United States can be used in the construction of FHA housing. NAHB will keep you advised of all developments with respect to such legislation.

------- -------

Note: The complete text of the report summarized above can be obtained by writing to the United States Tariff Commission, Washington, D.C. for "TC Publication 79, February 1963, Report to the President on Investigation No. 7-116 (TEA-I-4) under Section 301(b) of the Trade Expansion Act of 1962, Softwood Lumber."

File exports

March 6, 1963

COPY

Memo for Senator
cc: John S.
Bill
Neal

Jane - see if you can get this speech from State. J

From Senator

We should get from the State Department or the Department of Commerce a recent speech by a Japanese delegate to the GATT, the General Agreements on Tariffs and Trade, in Geneva. I understand that the Japanese delegate spoke on the cotton question and on cotton textiles. It was a bitter anti-U.S. speech. I found out in Geneva that there was lots of complaint about the U.S. position on wool with the possibility of a tariff.

Then, too, Secretary Freeman's speech on U.S. Agriculture and the Common Market was a little too brutal, too outspoken, and provoked considerable hostility. At least this was the complaint.

It was further suggested that the U.S. might be able to negotiate with the Common Market countries quantities of goods but not to go into the price mechanism. In other words, we ought to get our foot into the door on quantities and quit worrying about how the European economic community countries establish their own prices and price protections. The action of our government on carpets and glass tariffs has had a very unfavorable reaction in Europe and has impelled European retaliation.

These are just a few ideas that I picked up while I was in Geneva.

20 February, 1963

Statement by Japanese Delegate at GATT on the Application of Long-Term Cotton Textile Arrangement

1. On January 1, 1963, the very day on which the Long-Term arrangement regarding trade in cotton textiles entered into force between Japan and the United States, the United States Government invoked Article 3 of the Arrangement and requested Japan to restrict exports of 36 categories of Japanese cotton goods for reasons of market disruption.

The basic objective of the Long-Term Arrangement is, as clearly stipulated in the preamble, to take cooperative and constructive action with a view to developing of world trade, and to provide growing opportunities for exports of cotton textiles in a reasonable and orderly manner. Japan accepted the Arrangement in the hope and belief that this basic objective should be conceived as a guiding principle in the interpretation of the text, as well as the actual operation, of the Arrangements, and we firmly believe that this hope and belief are shared by all the other participating countries.

The measures taken by the United States are, unfortunately, not in line with the expectation and belief of my country, and we deeply fear that this might greatly discourage the goodwill of the Japanese Government as well as the industry concerned, which have been, and still are making every effort, as a principal exporter, to realize orderly export of cotton textiles, based on the provisions and spirit of the Arrangement.

2. We should recall the record of Understandings reached by the Cotton Textiles Committee that resort to the provisions of Article 3 should be strictly limited to the items or cases where market disruption exists or in threatened, and that reference to a "threat" of market disruption in the Arrangement is understood to mean an actual threat and not a potential threat. These are the explicit understanding of the Cotton Textiles Committee. We should further recall that the Executive Secretary, in his statement on 7 November 1962, at the 20th session of the Contracting Parties, drew the attention of the importing countries that the restrictive provisions of the Arrangement should be resorted to with very great reluctance and caution by importing countries. If the importing countries should take action not in line with these principles, it is feared that the Long-Term Arrangement will become an arrangement for import restrictions, which is contrary to the spirit of the General Agreement.

The 36 categories on which the United States invoked Article 3 vis-a-vis Japan account for more than 90% of Japan's exports of cotton textiles to the United States. In substance, this virtually amounts to a request of overall restriction on the export of Japanese cotton goods. Furthermore, we have every reason to believe that this invocation took place without sufficient reasons to justify it.

That is to say, we are far from being convinced by the explanations given by the United States to prove the fact of market disruption or the threat of market disruption, in the invocation of Article 3 of the Arrangement.

(1) As the reason for the request of export control, the United States points out that, of all the items in question, the rapid increase in the import of cheap goods has caused disruption on the U.S. market, and has gravely affected the domestic industry concerned. However, Japan's export to the United States has been made in an orderly manner by a voluntary control from 1956 to 1961 based on the talks between the two Governments and by export restraint, since 1962 up to now, based on the bilateral agreement under the Short-Term Arrangement, which we have sincerely been observing. Thus, up to the present time, neither the total amount nor any single item of our exports of cotton textiles has ever exceeded the ceiling agreed upon by both the United States and Japan.

(2) Generally speaking, imported goods are exposed to greater risks than domestic goods owing to the tendency to be behind the market situation, and, therefore, the prices of imported goods should be permitted to be low to some extent as compared with domestic goods, taking such risks into account. It should also be pointed out that the prices of some of the Japanese goods are higher than those of United States goods.

(3) The cotton-manufacturing industry in the United States is reported to be doing fairly well, its level of production tending to be stable

or even increasing. If we classify the 36 categories in question into 30 categories, for the statistical convenience, the imports from Japan account for less than one per cent as to 10 items, and less than 2%, as to 16 items, of the total production in the United States, and in the case of a certain type of shirting Japanese exports account for no more than 0.1% of the United States production.

In the light of these facts, the argument that the imports from Japan is giving a considerable blow to the United States domestic producers and that there exists disruption or the threat of disruption is entirely unacceptable to us.

3. On February 13, 1963, the United States Government indicated the levels to which it proposes to restrict import from Japan for this year. The United States approach to formulation of these levels is, in our view, tantamount to application of overall ceiling. I should like to emphasize that such approach is contrary to the basic objective of the Arrangement aiming at growth of trade in cotton textiles. It is obvious that the United States proposal is hardly acceptable to us.

The Japanese Government is making every effort for the success of the bilateral consultations now taking place in Washington, and we hope that the United States would reconsider such an attitude.

However, if the United States Government insists on the policy contrary to the provisions and spirit of the Long-Term Arrangement, my

Government may be obliged to refer the matter to the Cotton Textiles Committee.

In concluding, I wish to point out that one of the reasons which compelled me to make such a statement is our grave concern with the public statements made by certain responsible officials of the U.S. Government to the effect that restrictive measures applied to the trade of cotton textiles may also be extended to other kind of textiles.

File — balance of payments

John
Fyd

Flunfile

No reply needed

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 6, 1963

Dear Hubert H.:

See my correspondence on this HH

Thank you for sending a copy of Janeway Service. We do see it from time to time, but not regularly. The rather vague proposal in the issue that you sent (February 19) calls for tax credits on exports to selected hard-currency countries. In effect, such exports would be subsidized. I have three reservations about the proposal:

1. In a free world of multilateral trade and payments and full convertibility among the major currencies, it makes little sense to single out certain countries for an export tax credit. In fact the United States already has trade surpluses -- sometimes substantial ones -- with all the major European countries. But the Europeans' own trade surpluses with third countries, plus U.S. private investment flows and military expenditures there, more than offset these trade surpluses. Our problem is to raise over-all exports, not just exports to selected countries.

2. Tax credits on exports might well conflict with our obligations under the GATT, which generally prohibit export subsidies under Article 16. A declaration of November 19, 1960, reads:

> "... as from 1 January 1958 or the earliest practicable date thereafter, contracting parties shall cease to grant either directly or indirectly any form of subsidy on the export of any product other than a primary product which subsidy results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market."

Whether a tax credit scheme which would not conflict with our obligations could be drawn up is a technical legal question. But the GATT Report on subsidies makes clear that "the exemption, in respect of exported goods, of charges or taxes" other than indirect taxes should be considered a subsidy.

3. A tax credit on exports, particularly in view of our obligations under GATT, would very likely invite retaliation from other countries. Many countries are feeling the pinch on exports at the present time, and none would welcome a move toward export subsidies by a country so important in world trade, and with a trade surplus already so large as the United States. You may know that many in Britain were urging the present government to inaugurate some sort of export subsidy in this year's Budget. (The Janeway publication itself mentions Britain's trade problems on page 4.) If the U. S. made a move in this direction, the British government would almost certainly have to follow, and this would trigger still others.

I can imagine circumstances in which a move in this direction would be the lesser of evils -- but I hope and expect that we will not encounter such circumstances.

Sincerely,

Walter

Walter W. Heller

The Honorable Hubert H. Humphrey
United States Senate
Washington 25, D. C.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 6, 1963

Dear Hubert H.:

Thank you for sending a copy of Janeway Service. We do see it from time to time, but not regularly. The rather vague proposal in the issue that you sent (February 19) calls for tax credits on exports to selected hard-currency countries. In effect, such exports would be subsidized. I have three reservations about the proposal:

1. In a free world of multilateral trade and payments and full convertibility among the major currencies, it makes little sense to single out certain countries for an export tax credit. In fact the United States already has trade surpluses -- sometimes substantial ones -- with all the major European countries. But the Europeans' own trade surpluses with third countries, plus U.S. private investment flows and military expenditures there, more than offset these trade surpluses. Our problem is to raise over-all exports, not just exports to selected countries.

2. Tax credits on exports might well conflict with our obligations under the GATT, which generally prohibit export subsidies under Article 16. A declaration of November 19, 1960, reads:

> "... as from 1 January 1958 or the earliest practicable date thereafter, contracting parties shall cease to grant either directly or indirectly any form of subsidy on the export of any product other than a primary product which subsidy results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market."

Whether a tax credit scheme which would not conflict with our obligations could be drawn up is a technical legal question. But the GATT Report on subsidies makes clear that "the exemption, in respect of exported goods, of charges or taxes" other than indirect taxes should be considered a subsidy.

3. A tax credit on exports, particularly in view of our obligations under GATT, would very likely invite retaliation from other countries. Many countries are feeling the pinch on exports at the present time, and none would welcome a move toward export subsidies by a country so important in world trade, and with a trade surplus already so large as the United States. You may know that many in Britain were urging the present government to inaugurate some sort of export subsidy in this year's Budget. (The Janeway publication itself mentions Britain's trade problems on page 4.) If the U. S. made a move in this direction, the British government would almost certainly have to follow, and this would trigger still others.

I can imagine circumstances in which a move in this direction would be the lesser of evils -- but I hope and expect that we will not encounter such circumstances.

Sincerely,

Walter W. Heller

The Honorable Hubert H. Humphrey
United States Senate
Washington 25, D. C.

THE JANEWAY SERVICE

Vol. 10, No. 463 February 19, 1963

Panoramic View. Six months ago people were talking about: rumors of a Russian build-up in Cuba; the dwindling chance of a tax cut in that Session of Congress; the stuttering stock market rally; the stubborn sag and drag in the economy; the surprising failure of Government programs to come to grips with economic problems; and, most surprising of all, the un-Keynesian lack of lift from the considerable Federal deficit and from the considerable upward creep in all forms of Government spending.

Long Range. But six months ago the talk wasn't all gloomy. On the contrary, this list of worries was offset by high hopes for solid accomplishment in a variety of fields: England was on the verge of joining the Common Market; at the same time passage of the Trade Bill was going to assure freer international trade and economic expansion; the Administration's sophisticated and technical methods of staunching the gold outflow had won the cooperation of Foreign Central Banks and seemed to be working; and the Administration, in a confidence-inspiring show of business-mindedness, was moving to liberalize depreciation as a spur to capital investment. So the balance hung reasonably even - though the May panic on Wall Street had left uneasy memories.

Short Range. Everybody knows what happened when the Cuban Crisis exploded in October. Disney fans will know what we mean when we say that Kennedy invented "Flubber" - or at least its political equivalent. Sentiment took off in complete defiance of the laws of gravity. The stock market came to life, political controversies and divisions were forgotten, and the new broom of leadership swept worry under the rug. It was even argued that our Cuban victory had set the stage for a definitive, overall settlement with Russia, reorienting her to the Western Alliance and isolating China.

Here We Go Again. But, outside of the movies, everything that goes up must come down. Today, there are rumors of a Russian build-up in Cuba. There is concern over the dwindling chance of a tax cut in this Session of Congress. The stock market rally is stuttering. Leading indicators are pointing to the stubborn sag and drag in the economy. There is a surprising failure of Government programs to come to grips with economic problems. And the considerable Federal deficit, plus the increase in spending associated with it, are contributing no lift to the economy.

In fact, we seem to be back where we started from before last fall's "Flubberized" flight, though it looks as if we will have to go hunting for a new set of hopes to offset our recurring worries. England is out of the Common Market. European protectionism has made the

Published Weekly
Janeway Publishing and Research Corporation ● Empire State Building, Suite 5901, N. Y. 1, N. Y. ● PEnnsylvania 6-9250
One Year's Subscription – $100

One Copy – $5.00

Trade Bill irrelevant. Treasury Under-Secretary Roosa's tourniquet has slipped, and gold is seeping out again. The new deal on depreciation is here, but its effect is minimal. (Example: Where a major program has been launched, by Kennecott, a dividend cut has been required to help finance it.) Overcapacity, over-building, tax and credit uncertainties, and above all softness in demand and in prices, outweigh the incentives offered by the new depreciation schedules.

On the home front, the old rule about capital investment is working out: it never does start up without customers who are able and anxious to pay higher prices for speedier delivery, and Government gimmickry is no substitute for the drive of demand in a sellers' market.

On the world front, Russia (however many missiles she may have moved out of Cuba) has achieved a break-through in Western Europe. The Inner Six and the Outer Seven have made a decisive turn east and are now looking to the Iron Curtain market to underwrite their export-dependent production and employment.

What's Going To Happen Next? We don't know, and we doubt that even Nikita Khrushchev does. But do know this: if another Cuban Crisis explodes, it isn't going to send our political economy into a Disneyland dream-world again.

* * *

The Treasury's Bet... Here is our first updating for Calendar 1963 of the U. S. Treasury report on the running cash deficit. What with all the talk about the Budget and the fiscal problems of the Federal Government, it is surprising that so few businessmen take the trouble to keep up with the perfectly available tabulation published in the daily statement of the U. S. Treasury. (Subscription price: $6.00 per year, no commission to us). We analyze the figures from time to time, in terms of one currently arresting problem or another; and the Daily Cash statement of the Treasury throws light on a number of problems. This time, we reproduce the figures with reference to labor. (See table on page 3).

On the spending side, everyone knows that Defence and Space together account for almost half of total disbursements. Not so many people realize that almost half of the Treasury's take comes from withholding on paychecks to individuals (including Social Security Taxes Withheld).

... On Higher Wages. The figures leave no doubt that the Treasury's bread is buttered on the labor side. For, in fact, what the Treasury is living on is collections, not just from individuals, but from individuals on payrolls, subject to withholding. Escalation – that is, the average annual improvement factor – plus the regular increase in the work force during the last fiscal year has raised this take by a little over $2 billion in the seven months of fiscal 1963.

Let escalation slow down, let the work force level off, let automation become more than a bogey, and the Treasury's take will drop. In fact, the unspoken assumption rationalizing the steady rise on the spending side has been that the Treasury's take would rise too, along

U. S. Treasury Deposits and Withdrawals

(Billions of Dollars)

	Fiscal Year 1963 to February 12, 1963	Corresponding Period Fiscal Year 1962
Deposits:		
Individual Income and Social Security Taxes Withheld	27.620	24.773
Other Income and Social Security Taxes	6.024	5.789
Corporation Income Taxes	9.442	8.770
Excise Taxes	8.571	8.035
Total Deposits	63.254	56.263
Refunds of Receipts	1.046	1.082
Net Deposits	62.208	55.181
Percentage of Net Deposits Represented by Individual and Social Security Taxes Withheld	44.4%	44.9%
Withdrawals:		
Defence	31.296	29.095
Space Administration	1.354	.652
Interest on Debt	4.045	3.763
Social Security	10.009	8.990
Commodity Credit Corp.	4.341	3.114
Highway Trust Fund	2.082	1.929
Unemployment Trust Fund	1.887	2.301
Total Withdrawals	74.716	69.534
Cash Deficit	12.508	14.353
Percentage of Withdrawals Represented by Defence and Space Expenditures	43.7%	42.8%

with employment and pay checks. The inflationary bias in the Federal Budget has thus been underwritten by the inflationary bias in the labor market - that is, by the combination of the labor cost push and the swelling of the work force (reflecting the population explosion, the boom in education and the expansion of the service industries).

But It's Not Wages That Are Rising - Just Labor Costs. This more or less stable rise in intake and outgo now threatens to be broken. 1963 already looms as a rugged labor year, and the reason it is rugged is that employers are digging in on the automation issue. So is labor. Employers are willing to pay off those remaining on the work force, if only they can shrink it overall. The unions are tending to give a priority to Spread-the-Work over Raise-the-Pay. The steel labor negotiations now under way represent an effort to find some sort of uneasy formula to poultice this sore point.

What the Government is doing is less clear. It raises the question whether Washington's right hand knows what its left hand is doing. The Administration, when it liberalized depreciation allowances, was in fact giving employers a dollar-and-cents incentive to dig in and fight it out on the automation issue. But the greater the advance of automation, the slower the advance of the Treasury's annual take withheld from payrolls; and the less manageable the resultant deficit gap.

For Heller

No doubt about it, the Administration really does want to take a stand against the labor cost push. No doubt about it either, any such stand will cut down on the golden egg production of the goose that's been keeping the Treasury in omelettes. It's no accident that this apparent year of decision on the labor front promises to be a year of decision on the fiscal front as well.

What to Do? In fact, can anything be done? Certainly, once the problem is identified. And the essence of the U. S. problem today - economic, financial, political - comes down to this: How can we pay off our creditors in kind, by increasing our exports to them? De Gaulle, who seems to be the chairman of the committee of our creditors, has been taunting us with our failure to do this.

How To Do It? To compete in the export field nowadays involves drafting a mass army of foreign-exchange income-earners. Only the Government can do this. The powers that be in this Congress have come to realize that the way to get out of our present bind is to export our way out. Meanwhile, the country has sniffed the heady perfume of a tax cut - everybody wants one, though nobody is quite sure where they want it to come from. As a matter of practical politics, a tax cut would have to benefit individuals as well as businesses.

There is one kind of tax cut, applicable to individuals as well as to businesses, which could earn its way. This is a tax credit that could be earned by U. S. taxpayers who sell goods or services within countries whose currencies the U. S. needs (because it is in their debt and subject to call). Any taxpayer could qualify for such credit - all the way from a billion dollar corporation to an individual with enough skill and get-up-and-go to earn dollars abroad. By contrast with all the complicated things the Treasury does, the simplest thing it could do would be to publish a list of the countries to which we're in debt short-term.

It would be a bargain to the Treasury to offer tax credits to U. S. taxpayers, corporate or individual, who earn these currencies and thus make a practical contribution to freeing the Treasury from the jeopardy of a run on the dollar. What's more, this is the kind of non-discriminating incentive program Congress would go along with - if asked.

* * *

What to Remember. Because British costs of production are so much higher than costs in the Common Market countries, de Gaulle may well have done Britain a favor by vetoing her entry. A lot of very practical people on both sides of the English Channel think so.

* * *

Where to Watch. The steel labor front for signs of a spring deal. The terms: a go-ahead for automation in return for more fringe benefits and job security for survivors.

COPY

April 8, 1963

MEMORANDUM TO WALTER HELLER

From Senator Hubert H. Humphrey

Do you ever read the Janeway Service publication? I call to your attention the proposal of Eliot Janeway on page 4. What do you think about it? He is very worried, as you know, about out balance of payments situation, particularly the possibility of a foreign person making a run on our gold supply and currency. I would welcome your observations.

July 22, 1963

File
~~Barter~~
Exports

Memo for John S.
cc: Jack P.
Bill
John R.

From Senator

Some suggestions that came to me as a result of my visit in Brussels, Belgium, with Spaak; Hallstein, President of the European Economic Community; and with Mr. Manscholt, the EEC Commissioner for Agriculture.

We were told quite frankly that in the months ahead we would be having continuing problems on the agricultural front with the Common Market area. This is inevitable due to the technological progress of agriculture in France and the continued policy of high supports for agriculture in Germany. The French see a market of 180-million people and they want to exploit it or develop it. This does not, of course, mean that our exports will be sharply curtailed. It means that we will not, however, have the same increase in export trade that we have had the past few years. We need to remember that we have let our agricultural exports into the market area run well over a billion dollars and our imports have been very modest.

Therefore, the suggestion was made that we should look to other areas for sale of agricultural products, such as to the bloc countries - the Soviet and satellites. Russia buys a good deal of agricultural commodities, particularly meats and fats and oils and certain selected products. We could have a market there if we would go after it. The Russians now export some wheat, but certain types of grains they import. The present Russian trade is with Australia, New Zealand, Denmark, Holland, Sweden, and Canada, and, of course, France. Russia will be buying more as their standard of living goes up. And as I was told by several of the people in Brussels, why don't we Americans seek to have the Russians use their foreign exchange to buy soft goods such as food from us rather than saving that foreign exchange for purposes of foreign aid and Soviet military and economic policy. The Russians pay. Sometimes they need short-term credits up to three to five years, but they do pay on schedule. Their payment record to date is good.

This leads me to make the following suggestion. This past year sometime, I believe, around January Senator Mansfield, Senator Pell and others made a trip to Europe and studied the German question. In that report filed with the Senate, copy of which is available, the Senators noted the amount of export trade from the NATO countries to the Soviet Union and other bloc countries. I think we ought to up-date those statistics. I think we ought to find out what countries are selling what to the Soviet Union. What terms are being applied, that is, credit terms and payment. We ought to find out the different kinds of commodities that are moving, and particularly in the agricultural field. This ought to be as up-to-date as possible.

My suggestion is that we may very well want to quietly discuss the possibility of the movement of some of our agricultural commodities into this area, particularly if we are going to find it more difficult to move into the European Common Market.

I want this project farmed out in responsible hands, and I want some action on it because if we delay it will lose its timeliness. We need to dig up the facts on foreign trade between the NATO countries particularly and the Soviet bloc. Let's do this, and let's see what our trade is, and let's find out what we can do to improve it.

[1964?]
File - trade policy

STATEMENT BY HUMPHREY ON TRADE POLICY

In the field of trade policy, the Goldwater faction of the Republican Party is offering the voters a choice and not an echo -- a choice between either continuing a bipartisan trade expansion policy pursued for thirty years with great benefit to American business and agriculture or the destruction of the advances we have made in the last three decades.

Ever since the Trade Agreements Act of 1934, the United States Government has worked for the expansion of international trade. The Act has been extended 11 times under Republican and Democratic Administrations alike. Most recently, the Trade Expansion Act of 1962 was endorsed by an overwhelming majority of Democrats and Republicans in the Senate -- but not by Senator Goldwater.

Last month, Senator Goldwater sought to explain away this vote, and claimed that he has never been a protectionist at heart.(1) He will, however, need a whole packet of alibis to explain away the fact that, in 14 key votes on trade expansion during his 12 years in the Senate, he voted on the protectionist side 13 times.(2) Senator Goldwater's record speaks louder than his current alibi. And, the platform

---

(1) BUSINESS WEEK, September 26, 1964, p. 180.

(2) TRADE TALK, Committee for a National Trade Policy, July 23, 1964, p. 5.

adopted by his faction in San Francisco speaks the same language of protectionism.

There is no trace in this platform of any appreciation or understanding of the benefits of trade expansion to our economy. Since 1934, our foreign trade has multiplied more than ten times -- from $3.8 billion in 1934 to a current annual rate of $42.5 billion. Our exports are running at an annual rate of $24.5 billion. This represents a favorable balance to our country of $6.5 billion annually compared to our imports. Foreign trade provides jobs for more than four million American workers, and our trade surpluses have made a massive contribution toward easing the balance of payments problem which the Democratic Administration inherited in 1961.

No group in our economy has a greater stake in international trade than our farmers. In the twelve months ending with June, we exported over $6.1 billion in agricultural products -- equivalent to the crops from one out of four acres of our harvested land.

Throughout the world, people are buying and using American products. Their quality, their variety, and their competitive price give tangible testimony to the high performance of our free enterprise system.

In the past few years, there have been great changes in the patterns of international trade. There are new problems to be met and new opportunities to be seized.

First, there has been the emergence and development of trading blocs which transcend national boundaries. As other nations have come to realize what great advantages our huge internal market have given us, they have sought to profit from our example. Thus, there have come into being the European Common Market, the European Free Trade Association, the Central American Common Market, and the Latin American Free Trade Association. Each grouping is in the process of eliminating tariffs and other barriers to trade among its members.

Secondly, the developing countries are demanding -- with increasing urgency -- the opportunity to play a greater role in international trade. They made this crystal clear at the UN Conference on Trade and Development in Geneva this spring. They want -- and this is much to their credit -- to earn through their exports more of the resources they need for development. They want to be less dependent on external aid.

The growth of trading blocs and the drive of the developing countries for trading opportunities confront us with immediate problems. But they offer long-term opportunities as well. As the members of these new trading blocs achieve accelerated economic growth, they will want to buy more of the things we have to sell.

The Trade Expansion Act of 1962 was carefully tailored to meet these immediate problems and to take full advantage of these long-term opportunities. The negotiations made possible by this Act, the sixth round of international negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT) -- widely known as the Kennedy Round -- opened in Geneva this spring.

These are the most important and comprehensive trade negotiations in which the United States has ever engaged. They will be lengthy and complex -- and, at times, difficult and delicate.

Up until the Republican Convention, the countries participating in the Geneva talks -- which include all the major trading nations of the free world -- could sit down with us at the bargaining table with full confidence in the seriousness of American purpose. They could take it for granted that our delegation was acting on the basis of policies firmly established for thirty years and strongly supported by the responsible leadership of both our major political parties.

For the time being, they can no longer operate on this assumption, in light of the fact that the Republican Party and its candidates have said, in effect: "Include us out!"

That is one of many reasons why it is vitally important that the American people give a decisive endorsement to the Johnson Administration this November -- one so decisive that it reaffirms the Administration's mandate to speak for the United States at Geneva and elsewhere in the counsels of the nations.

Our negotiators will need that kind of mandate, for they have an important job to do.

They must seek, by negotiating substantial tariff cuts across the board, to reduce the discrimination against us in a world increasingly grouping into great trading blocs.

They must seek to halt and turn back the rising tide of agricultural protectionism, so that we can maintain and expand our farm exports -- and retain access, for example, to the European Common Market, where we sell $1.2 billion of agricultural products a year.

They must seek the reduction or removal of the non-tariff barriers which hamper our exports -- barriers such as quotas, state trading practices, discriminatory taxes.

They must seek means of meeting the urgent demands of the developing countries for a greater role in international trade.

These are give-and-take negotiations -- and to secure benefits for ourselves we must offer benefits to others. They will be conducted on the basis of reciprocity.

The benefits of trade expansion are shared by all Americans, but its costs should not be imposed unfairly on a few. That is why, while pressing ahead on the broad front of trade expansion, this Administration has taken specific remedial action for the relief of pressing import problems with regard to textiles, apparel and meat.

Trade expansion has dollars-and-cents advantages to the United States. But it also has a significant role to play in promoting international cooperation and peace. Trade among the developed nations weaves a seamless web across national frontiers. When nations are busily and profitably trading with one another, they have a powerful incentive to live at peace. For the developing nations, increased trade opportunities can do much to allay the economic discontents from which graver dissensions arise.

Therefore, in a very real sense, every American engaged in international trade is a merchant of peace.

President Kennedy saw clearly the great economic and political importance of increased international trade for the United States and the free world -- and that is why he took the leadership in the enactment of the Trade Expansion Act of 1962. President Johnson and his Administration carry on this firm dedication to trade expansion, and are pressing vigorously forward with the international negotiations made possible by the Act.

As President Johnson has said, these are not the kind of negotiations in which some nations need lose because others gain. The increased exbhanges among the free nations which can result from these negotiations will be to the advantage of all. As President Kennedy liked to say, "A rising tide lifts all the boats."

###

United States Senate

COMMITTEE ON PUBLIC WORKS

July 22, 1964

RECEIVED
JUL 22 1964

File
Trade policy

Honorable Hubert H. Humphrey
United States Senate
Washington, D.C.

Dear Colleague:

As a member of the Committee on Labor and Public Welfare, I am taking the liberty of sending to you the enclosed pamphlet which digests the important findings of a comprehensive study dealing with the impact of the Nation's foreign trade policy on the war on poverty.

I am sufficiently impressed with the results of this in-depth, objective study made by the Trade Relations Council that I recommend a 12-minute reading of the enclosed pamphlet.

In my opinion the Trade Relations Council has performed a constructive service in undertaking this study, and I believe that you would want to know of its conclusions and recommendations.

Sincerely,

Jennings Randolph

JENNINGS RANDOLPH

enc

The Impact of U.S. Foreign Economic Policy on The War on Poverty

A Study of the Implications of Foreign Trade Developments for the Capabilities of U.S. Industries to Create New Job Opportunities for the Nation's Poverty-stricken Unemployed.

Trade Relations Council OF THE UNITED STATES, INC. / 122 EAST 42nd STREET, NEW YORK 17, N. Y.

This is a digest of a comprehensive study made under the auspices of the Trade Relations Council of the United States, Inc., a membership association of U.S. industrial and agricultural interests actively engaged in foreign trade. Copies of the complete study may be secured by writing to the Executive Secretary, Trade Relations Council of the United States, Inc., 122 East 42d Street, New York 17, New York.

The United States is exporting jobs to foreign countries at a faster rate than either industry or Federal subsidy programs can create new ones.

This is the inescapable conclusion of a well-documented study of the effects of this Nation's foreign trade policies on employment trends in this country.

The study also revealed:

1. *President Johnson's appealing War on Poverty is threatened with dismal failure in its goal of creating new jobs for America's unskilled and poorly educated men and women who make up the mass of the Nation's poverty-sticken.*

2. *Our foreign economic policy not only contradicts the job goals of the War on Poverty, but also is unresponsive to the realities of the employment needs of the Nation's impoverished, job-hungry group.*

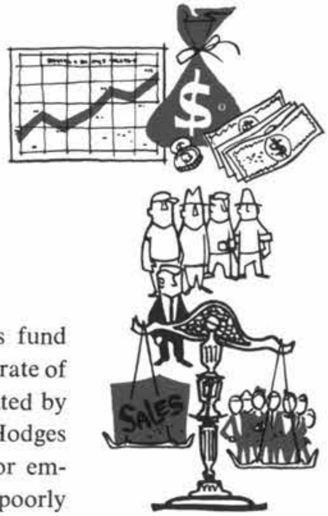
The Economic Opportunity Act of 1964, the Administration's blueprint for waging war on unemployment and poverty, ignores the impact of foreign trade on joblessness.

This is an unfortunate and perhaps fatal weakness in the Administration's battle plan.

The measure does recognize the need for improvement of social services to the poverty-stricken. It does provide for job retraining and creation of new educational opportunities.

But these steps, while necessary, simply do not in themselves create new jobs.

The measure, as introduced, called for an assault on joblessness through a \$36 million Federal incentive loan program for domestic industries.



Architects of the plan said this fund would create 10,000 new jobs at the rate of $3,600 per job in industries designated by Secretary of Commerce Luther H. Hodges as offering the greatest potential for employment of the impoverished, poorly educated, unskilled worker.

The Commerce Department designated 83 industries as qualifying for incentive loans based on their meeting a five-point test during the 1958-1962 period. The criteria established included:

1. A moderate or better growth trend.

2. A low capital investment per employee.

3. A low to moderate wage rate.

4. A relatively high use of blue collar workers.

5. A high labor intensity as measured by labor costs as a percentage of sales.

The 83 industries listed by the Commerce Department are engaged in textile and apparel manufacture, furniture making, wood and paper products, glassware and metal production, and appliance and machinery manufacture.

precedent for loan program

There is precedent for both the Federal incentive loan program contemplated in the antipoverty bill and for the conviction that high labor content industries offer the greatest promise for creation of jobs that can be filled by impoverished, low-skilled employees.

In its recent annual report the Area Redevelopment Administration said its industrial loan program had been responsible for creation of 20,431 jobs through expenditure of $57.1 million over a two-year period.

But little or no actual study has been given in the past to what effect, if any, foreign trade and our balance of payments have had on actual employment trends.

Like a shadowy specter, foreign trade has lurked in the background of employment statistics and until now has avoided serious inspection.

This study was undertaken, therefore, in an attempt to relate our foreign trade experience in recent years to the levels of employment in the industries most affected by the antipoverty crusade—a crusade that has captured the imagination of Americans from all walks of life.

The study drew heavily upon available export-import data which had been correlated by the Bureau of the Census. The technique of converting export-import trade balances into job equivalents, through use of output per worker ratios, provided the means for analyzing the effects of foreign trade on the employment experience of industries in the control groups.

job losses cited

Using the Commerce Department's criteria, the study disclosed:

1. Imports resulted in a net loss of 21,174 production jobs between 1958 and 1962 in 48 industries counted upon by the Administration to provide new jobs through Federal incentive programs.

2. An additional 13,763 jobs in nonpro-

duction and service industries which would have been supported by the 21,174 production jobs were lost.

3. Projection of these experiences to cover 152 industries, of which the 48 were merely a sampling, indicates that 116,460 jobs were lost as a result of increased imports.

(The 152 industries include the 83 which met all five tests established by the Commerce Department plus 69 others which met four of the five tests established to identify those with big potential for employment of unskilled workers.)

Paradoxically, none of the industries represented in this study were damaged by the dramatically higher levels of imports from foreign producers. The American industries, on the contrary, enjoyed moderate to good production, sales, and earning increases, and were able to increase capital investments to expand production facilities.

Where did the damage strike?

The full burden of the adverse economic effects of our foreign trade policy was borne by those least able to shoulder it—jobless unskilled breadwinners whose families represent approximately one-fifth of our 30 million citizens living in poverty today.

An increasing proportion of consumer demand in this country for products of the 152 industries was met by goods imported from foreign countries—each of which enjoyed virtually full employment during the five-year period.

Consider these contrasts in unemployment rates for 1962 alone: the United States, 5.6%; Japan, 0.9%; Belgium, 1.8%; West Germany, 0.7%; France, less than 1%; United Kingdom, 2.0%; the Netherlands, 0.8%; and Italy, 3.1%.

These unemployments ratios were recorded in a year when U. S. imports of goods produced by the 48 industries studied had reached $888.1 million, an 90.9 per cent increase over the level of such imports in 1958.

During this same five-year period, exports of the 48 study industries increased only 18.8 per cent from $638.0 million to $758.2 million.

Simply put, imports of products of the industries studied quadrupled the rate of growth of their exports during the five-year period and America's balance of trade shifted from a plus $172.8 million to a minus $129.9 million.

It is apparent from these facts that any steps taken to reduce joblessness in these particular industries that do not provide for an adjustment in the foreign trade picture will meet with certain failure.

selection of the industries included in the study

Of the 83 industries designated by the Commerce Department as meeting all five tests, 22 were found to have import-export data correlated by the Census Bureau, providing a representative sampling for study of the effects of foreign trade on their employment trends.

Since one of the five tests—that of a moderate growth trend in employment in recent years—has no connection with identifying industries capable of employing low skill, untrained workers, the study applied the four remaining tests to a broad group of industries. It was found that 69 industries met all of the requirements set by the Secretary of Commerce with the exception of the growth rate tests. Of these 69 industries, 23 were found to have import-export data correlated by the Census Bureau, providing a representative sampling of the four-test group for purposes of analysis.

In addition, 3 industries with substantial foreign trade which met four or five of the tests were studied separately. For one of the three, among the 83 designated by the Commerce Department, foreign trade data could not be correlated without joining it to a separate industry not included among the 83. The third industry, also included in the list designated by the Secretary of Commerce, accounted for such a large proportion of the exports of those industries for which import-export data had been correlated that its inclusion in the group would have seriously distorted analysis of the average situation of the industries in the total group. Thus, these three industry groups were studied separately from the other two control groups.

The answers to two questions were sought in the study:

1. Are export trends creating jobs of the type the long-term unemployed and members of poor families can perform?

2. Are import trends eliminating jobs of this type more rapidly than Government programs and private industries can create them?

results of analysis

The results of the analysis of the three groups of industries are depicted graphically, which establish the following salient facts:

1. A weakness common to all of the 48 industries in the three study groups is the labor-intensive nature of their output; that is, their products require a relatively high degree of direct labor in the productive process. Since wage rates abroad are uniformly lower by decisive margins than in the U. S., foreign industries with comparable plants, equipment, and technology to those of American industries have a competitive advantage through significantly lower production costs.

2. Job losses attributable to increased competition from imports occurred in all three control study groups during the five-year period regardless of whether consumer demand for the products was slight or relatively high. This reflects the decisive competitive advantage enjoyed by foreign producers as a result of lower production costs stemming from lower wage rates in the labor-intensive industries.

3. Relatively high capital expenditures helped to boost the productivity per worker among the industries in the three control groups. This appears to have contributed to moderate increases in exports by domestic producers, but it did not keep import penetration of domestic markets within the same moderate bounds. The noticeable exception in export growth occurred in the group of three industries studied separately from the 22 and 23 industry groups. The 17% average annual rate of growth recorded

in the smaller grouping was due primarily to the impact of U. S. buying of textile machinery for export to underdeveloped countries under foreign aid programs. From 1955 to 1963 more than $6.2 billion was expended for such purchases with 44% of the total spent in the United States.

4. So long as the industries are labor intensive, regardless of the relative strength of demand, imports increase more swiftly than either domestic or export demand, due to the advantage of lower wage rates enjoyed by foreign producers. The inevitable consequence is an adverse change in the U. S. balance of trade in such products and a concurrent net loss of employment from domestic to foreign producers of the goods. A summary of the shift in the U. S. balance of trade in the 48 labor-intensive industries studied shows:

Products of Industry Group	1958	1962	% Change
U. S. Imports—$ Millions			
22 industries	216.6	419.8	
23 industries	198.7	335.5	
3 industries	49.9	132.8	
Total	465.2	888.1	+ 90.9
U. S. Exports—$ Millions			
22 industries	252.4	281.8	
23 industires	307.0	335.7	
3 industries	78.6	140.7	
Total	638.0	758.2	+ 18.8
U. S. Balance of Trade—$ Millions			
22 industries	+ 35.8	−138.0	
23 industries	+108.3	+ 0.2	
3 industries	+ 28.7	+ 7.9	
Total	+172.8	−129.9	−175.2

A summary of the losses in domestic employment in the 48 industries studied resulting from the adverse foreign trade experience shows:

Products of Industry Group	1958	1962	Change 1958/62	% Change
Losses in employment to imports				
22 industries	13,567	23,752	10,185	
23 industries	12,070	17,213	5,143	
3 industries	4,355	9,555	5,200	
Total	29,992	50,520	20,528	+68.4
Gains in employment due to exports				
22 industries	13,617	12,742	−875	
23 industries	15,435	14,307	−1,128	
3 industries	5,705	7,062	+1,357	
Total	34,757	34,111	−646	−1.9
Net gain or loss of employment from foreign trade				
22 industries	+50	−11,010	−11,060	
23 industries	+3,365	−2,906	−6,271	
3 industries	+1,350	−2,493	−3,843	
Total	+4,765	−16,409	−21,174	−444.4

The net loss of jobs of 21,174 represents the number of potential jobs lost as a result of the deterioration of our foreign trade balances in the products of the labor-intensive industries included in the three groups.

In addition to the direct loss of these production workers, the nonproduction workers in the same industries and the supporting and service industry workers called into action would have totaled 13,763 (based on 65 supporting workers per 100 production jobs as estimated by ARA) for a gross job loss of 34,937.

The 48 industries studied are a representative sampling of 152 industries, all of which meet four or five of the Com-

merce Department tests for high employment potential of impoverished, low skill workers. The sample group represents 30 per cent of the 152 industries. Projecting the job loss experience of the sample group to the larger group reveals that the total loss of job potential due to foreign trade in labor-intensive industries was 116,460 during the five-year period 1958 to 1962.

The total of jobs exported reaches the staggering magnitude of over 11 times the number of jobs (10,000) which the Administration proposed creating through a $36 million incentive loan fund to the same types of industries as were adversely affected by our foreign trade imbalance.

action needed to reverse job flow

It becomes clear that we are exporting jobs at a faster rate than either Government subsidy programs or industry investment spending can create them.

It also becomes clear that our foreign economic policy is unresponsive to the realities of the employment needs of the Nation's impoverished, unemployed worker.

If a successful attack on poverty and unemployment is to be mounted in the United States, some action must be taken to stem the flow of jobs from this country to the relatively low-wage countries competing with our domestic blue collar industries.

A logical first step is action by President Johnson to reserve the product categories of these labor-intensive industries from further tariff reductions in the trade agreement negotiations now under way in Geneva. This would rule out the proposed 50 per cent across-the-board reduction in U. S. duties on the products of foreign industries competing in our domestic markets with our own industries. It would not reverse the outflow of jobs from our shores, but it would at least prevent acceleration of this trend.

A necessary second step to bring back to this country the jobs lost since 1958 to foreign industries is action to limit imports of the products of these blue collar industries. This could be achieved by limiting such imports to an amount 25.8% above the 1958 level of such imports, thus restoring to domestic industry groups the output potential lost to foreign producers since that time.

The reduction of imports required would be $302.7 million, equivalent to only 9.2% of the increase in imports in all manufacturing between 1958 and 1962.

Congressional action is needed to set import ceilings because the Administration may take such action only when it finds an industry or group of industries has suffered serious injury as a result of unfavorable trade conditions. In the case of the industries cited in this study, no such finding is possible since, as a group, they are enjoying relatively good fiscal health while the army of unemployed in the blue collar field is growing year by year as producers in other lands increase their sales in the U. S. market at a more rapid rate than the Nation's own industries.

This pamphlet and the comprehensive study upon which it is based are units in a series commissioned by the Trade Relations Council of the United States, Inc., in order to determine as objectively as possible the impact of the Nation's foreign economic policy on employment and the economic health of American communities.

Communications concerning this pamphlet or the comprehensive study upon which it is based should be addressed to the Executive Secretary, Trade Relations Council of the United States, Inc., 122 East 42d Street, New York 17, New York.

A. SYDNEY HERLONG, JR.
FIFTH DISTRICT, FLORIDA

COMMITTEE ON
WAYS AND MEANS

HOME ADDRESS:
LEESBURG, FLORIDA

Wm File — Antidumping matters

Congress of the United States
House of Representatives
Washington, D. C.

January 14, 1965

Dear Colleague:

In my letter of December 16th, alerting you about plans to renew our efforts for hearings and enactment of an effective amendment to the U.S. Antidumping Act, I mentioned that the recently revised Treasury Antidumping Regulations were being analyzed to determine whether the final 1965 bill would need to contain some provisions in these areas. The explanatory memorandum on this subject is attached hereto.

Just as the recent material I sent you dealt with suggestions for statutory standards for the Tariff Commission's "injury" determinations, so the enclosed analysis focuses on existing problem areas in the Treasury phase of an antidumping case. As you will note, the memo points out the limited scope of Treasury revisions of its Antidumping Regulations and makes some recommendations intended to serve as a preliminary basis for consideration of provisions to improve Treasury's "dumping" determinations.

I am grateful that many Members have responded to my letter of December 16th and the opinion survey material on "injury" proposals, and that this project is receiving such continuing support. It was of special interest to me, as I believe it will be to you, that among the responses were a heartening number of replies from Congressmen who, though they did not introduce the 1964 Antidumping Act Amendment, said they plan to introduce the 1965 proposal for remedial legislation in this important area of trade policy. If you have not yet conveyed your reactions, I will appreciate it if you would send them along to me on the survey form enclosed with that mailing.

Please include also any comments or suggestions you may have on the attached "dumping" proposals so that both may be given careful consideration in the preparation of a final draft of the 1965 bill and the explanatory memoranda which I will furnish you.

As soon as I receive all the information, I plan to introduce a new bill. I will advise you when it is ready and hope that you will join me in introducing this legislation.

Sincerely,

Syd Herlong Jr

A. Sydney Herlong, Jr.

AMERICAN SURVEYS
2000 P STREET, N.W.
WASHINGTON 6, D.C.

January 1965

COVERAGE OF PROVISIONS: REVISED TREASURY ANTIDUMPING REGULATIONS COMPARED WITH 1964 LEGISLATIVE PROPOSAL*

AND

RECOMMENDATIONS FOR: THE 1965 ANTIDUMPING ACT AMENDMENT

PURPOSE

To facilitate an objective review, the main features of the Treasury Department's revised Antidumping Regulations that were issued on December 4, 1964 are compared with provisions of the proposed 1964 Antidumping Act Amendment* and are followed by recommendations on these points for your consideration. The basic evaluation and recommendations were prepared by the Covington & Burling law firm.

BACKGROUND

The format of this memorandum follows generally the one we distributed in May 1964 entitled, "Coverage of Provisions: 1964 Antidumping Act Amendment Compared with Proposed [underline added] Treasury Regulations" which was designed as a helpful reference aid for supporters and potential supporters of an effective Antidumping Act Amendment. As stated at that time, the 1964 legislation was aimed at:

> "...improving the operation of the Act by tightening loopholes, assuring equitable and more effective procedures, and providing statutory guidelines for the Treasury Department in its investigations of likely or suspected dumping, and for the Tariff Commission in its determinations of injury to industry and labor."

With the Treasury Antidumping Regulations now finalized, this memorandum will show: (a) that there is a continuing need to achieve similar objectives through legislative solutions in existing problem areas**; and (b) that many of the provisions in the 1964 bill warrant consideration for inclusion in the proposed 1965 Antidumping Act Amendment. As in our May 1964 memorandum, and to enable ready comparison, the analysis is set forth under three general categories, as follows:

I. Areas Covered Only By 1964 Amendment (gray sheets)

II. Areas Covered Both By 1964 Amendment and Revised Treasury Regulations (green sheets)

III. Areas Covered Only By Revised Treasury Regulations (yellow sheet)

The attached Table of Contents provides a listing and page number reference for the provisions reviewed in each category.

---

* 59 bills identical to H.R. 10832 (Herlong, D-Fla.) were introduced during the second session of the 88th Congress.

** Other provisions covering proposals for Tariff Commission "injury" determinations are discussed in a memorandum dated December 16, 1964.

TABLE OF CONTENTS

I. AREAS COVERED ONLY BY 1964 AMENDMENT

A. TARIFF COMMISSION INVESTIGATION OF "INJURY" TO INDUSTRY AND LABOR (TREASURY REGULATIONS COULD HAVE NO BEARING)

(See memorandum of December 16, 1964)

B. LEGISLATION REQUIRED REGARDING TREASURY "DUMPING" PROCEEDINGS WHICH ARE NOT COVERED BY REVISED TREASURY REGULATIONS

1. Communist Dumping

The 1964 bill sought to confer legal authority on Treasury's present practice (of doubtful legal validity) in dealing with Communist Dumping where home market prices are controlled by State fiat.

Recommendation: That this provision of the 1964 bill be continued in the 1965 antidumping amendment.

2. Refusal of Importer or Exporter to File Requested Information

The 1964 bill provided that a conclusive presumption of dumping would arise against an importer or an exporter who failed to file information requested by the Secretary.

Recommendation: That the 1964 bill be modified to provide in the 1965 amendment that, if any party fails to file information requested by the Secretary, all doubts relating to such information would be resolved against the interest of such person.

3. Close "Dummy" Exporter Loophole

The 1964 bill aimed at attempts to circumvent the Act by use of "dummy" corporations in which close relationships of ownership and control enable rebates or shifted profits.

Recommendation: That this provision of the 1964 bill be continued in the 1965 antidumping amendment.

4. Judicial Review

The 1964 bill provided that decisions by Treasury and by the Tariff Commission should be subject to judicial review on a record accessible to all interested parties.

Recommendation: That these provisions of the 1964 bill be continued in the 1965 antidumping amendment.

5. "Fair Value"

The 1964 bill sought to eliminate use of the term "fair value" which is not defined in the Antidumping Act. In its place, the Treasury determination would be made in terms of concepts explicitly defined in the Act -- namely, either purchase price or exporter's sales price being or likely to be less than foreign market value or constructed value.

Recommendation: That these provisions of the 1964 bill be continued in the 1965 antidumping amendment.

C. REGULATORY CHANGES POSSIBLE BUT NOT MADE BY REVISED TREASURY REGULATIONS

1. Consolidation of Complaints

Treasury's Regulations

Treasury is not required to consider together two or more complaints filed together involving the same class or kind of merchandise. The regulations continue to assume that there will be no consolidation of complaints or of proceedings arising from complaints, except that the Secretary in one proceeding may defer making an affirmative determination of sales below fair value, during pendency of another proceeding concerning similar merchandise imported from another foreign country. Under no circumstances will the Secretary defer a determination that sales are not below fair value. Since such negative finding may be made when the quantity of dumped merchandise and the dumping margin are deemed "insignificant," the danger remains that simultaneous complaints will be dismissed separately -- even though their cumulative weight, if they had been consolidated, would have required the Secretary to proceed with them.

The 1964 Bill

Treasury would have been required to consolidate in a single antidumping proceeding all complaints received together regarding similar merchandise, regardless of the number of importers, exporters, foreign manufacturers, and countries involved. It was contemplated that the Committee Report accompanying the bill also would make it clear that the Secretary may not base a negative dumping determination upon a finding that the quantity dumped was insignificant, unless the total quantities of dumped merchandise referred to in all complaints filed together should be found insignificant.

Recommendation: That this provision of the 1964 bill be continued in the 1965 antidumping amendment.

2. No Present Time Limitation on Processing of Complaints

Treasury's Regulations

The regulations state simply that the Secretary shall make his determinations as soon as possible. This merely continues the language found in the regulations of pre-December 1964. In other words, no time limitation is imposed on the Secretary. Both the domestic and importing community have complained about excessive delays.

The 1964 Bill

The Secretary would have been required to make an affirmative or negative determination within six months after receiving a complaint -- unless he submitted a timely report to the appropriate Congressional Committees stating the reason why a longer period was required, and its estimated extent.

Recommendation: That this provision of the 1964 bill be continued in the 1965 antidumping amendment.

3. Home Market vs. Third Country Sales

Treasury's Regulations

Sales of similar merchandise by all producers in the exporter's home market will ordinarily determine foreign market value. But if the quantity of merchandise so sold is small in comparison with the quantities sold by all those producers for exportation to foreign markets other than the United States, then the latter sales will determine foreign market value. This represents a change from Treasury's pre-1963 practice which required foreign market value to be determined by sales in the exporter's own home market, unless there was not a single producer who sold a significant part of his output in his home market.

The 1964 Bill

Treasury would have been required to return to its pre-1963 practice.

Recommendation: That this provision of the 1964 bill be continued in the 1965 antidumping amendment.

II. AREAS COVERED BOTH BY 1964 AMENDMENT AND REVISED TREASURY REGULATIONS

1. Disclosure of Information to Interested Parties

Treasury's Regulations

Information obtained by Treasury in antidumping proceedings will be disclosed to interested parties either in specific or in generalized form, unless disclosure in either form would confer a significant advantage upon competitors, or would have significantly adverse effects upon the persons supplying the information. The degree of disclosure to be permitted in each case lies within Treasury's discretion. Names of particular customers, or the prices at which particular sales were made, ordinarily will not be disclosed.

The 1964 Bill

It would have provided for disclosure to the complainant (and to the reviewing court) of a supplementary statement of any information the Secretary relied upon in arriving at an affirmative or negative dumping determination, except confidential costs used by Treasury to ascertain constructed value or costs of manufacture required to justify claimed discounts for differences in quantities or circumstances of sale.

Recommendation: That these provisions of the 1964 bill be continued in the 1965 antidumping amendment.

2. Confrontation and Argument

Treasury's Regulations

The Secretary will publish a statement of the reasons (although not necessarily all of the facts) on which he bases a tentative determination of "dumping" or of "no dumping," and will thereafter consider any additional information or argument submitted by interested persons before making his final determination. But it remains within the Secretary's discretion whether or not to grant a hearing requested by an interested party who is against the proposed determination, and whom to invite to testify at any hearing the Secretary may decide to hold.

Treasury's regulations fall short of allowing all interested parties to appear as a matter of right at any hearing on the subject of a tentative determination and are silent on the question whether witnesses who testify at such a hearing will be subject to cross-examination.

The 1964 Bill

All interested parties would have been accorded at an oral antidumping hearing the rights to counsel, to present evidence, and to conduct such cross-examination as may be required for a full and fair disclosure of the facts.

Recommendation: That these provisions of the 1964 bill be continued in the 1965 antidumping amendment.

3. Allowances for Quantity Discounts

Treasury's Regulations

In determining whether a dumping margin exists, allowances for quantity discounts granted by the exporter ordinarily will not be made, unless the exporter has been granting such discounts freely and habitually in his own home market, or unless the discounts reflect savings specifically attributable to the quantities involved. The possibility is left open of allowances for quantity discounts on other unstated grounds as well. Treasury need not inquire into or evaluate the role of foreign market conditions or of accounting techniques in bringing about such discounts.

The 1964 Bill

Echoing the Robinson-Patman Act, the 1964 bill would have permitted allowances for quantity discounts only if the differences in price reflect actual savings in the cost of manufacture, sale or delivery.

Recommendation: That this provision of the 1964 bill be continued in the 1965 antidumping amendment.

III. AREAS COVERED ONLY BY REVISED TREASURY REGULATIONS

1. Discontinuance of Investigation if Dumping Ceases

Treasury's Regulations

The Secretary will discontinue an antidumping investigation if he is satisfied that, soon after the investigation began, the likelihood of future dumping was eliminated by revisions in price or by cessation of sales to the United States. There may be other unstated circumstances also sufficient to warrant discontinuance of an antidumping investigation. No assurances of good faith are required from the exporter before an investigation will be discontinued -- nor does it matter how significant the quantities of dumped merchandise may have been.

The 1964 Bill

The 1964 bill did not deal with the discontinuance of antidumping investigations.

Recommendation: That the 1965 amendment should contain a provision permitting Treasury to discontinue antidumping investigations only upon proof that dumping sales have ceased, that assurances have been obtained from the exporter, and that insignificant quantities of merchandise have been involved.

2. Retroactive Assessment of Dumping Duties and Reimbursement to Importer by Foreign Supplier

Treasury's Regulations

Dumping duties will not be assessed retroactively when purchase price is the basis for an affirmative dumping determination. They may only be assessed retroactively under the new Treasury regulations when exporter's sales price applies; that is, only when exporter and importer are so related by stock ownership, agency or otherwise, that the importer may be presumed to know his supplier's home market price.

A foreign supplier may reimburse an importer for dumping duties assessed on merchandise which was purchased or agreed to be purchased before publication of a withholding order, and which was exported before the dumping determination was made.

The 1964 Bill

The 1964 bill was silent on this matter.

Recommendation: In the 1965 antidumping amendment, no objection should be made to these provisions of Treasury's regulations since they are reasonable in penalizing the importer only when it appears that he had reason to know that he was dumping.

3. General Provision Conforming Law and Revised Treasury Regulations Where Not Inconsistent

Recommendation: An additional provision should be added to legislation introduced in 1965 which would state that, except to the extent that Treasury's regulations of December 4, 1964 are inconsistent with the provisions of the 1965 amendment, such regulations are ratified and approved by Congress.

#