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MULTILATERAL AGREEMENTS— COTTON TEXTILES

HEARING BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES EIGHTY-SEVENTH CONGRESS SECOND SESSION ON H.R. 10788

MARCH 22, 1962

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MULTILATERAL AGREEMENTS—COTTON TEXTILES

THURSDAY, MARCH 22, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 11 a.m., pursuant to notice, in room 1310, New House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Jones of Missouri, Hagen of California, Johnson of Wisconsin, Jennings, Matthews, Breeding, Stubblefield, McSween, Inouye, Harding, Hagan of Georgia, Purcell, Hoeven, Belcher, McIntire, Teague of California, Quie, Short, Mrs. May, Findley, Dole, Beermann, and Reifel.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We have with us this morning the Assistant Secretary of Commerce, Mr. Hickman Price, to speak on H.R. 10788. We are very glad to have you with us, Mr. Secretary, and we will be glad to hear from you now.

(H.R. 10788, introduced by Mr. Cooley, follows:)

[H.R. 10788, 87th Cong., 2d sess.]

A BILL To amend section 204 of the Agricultural Act of 1956

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 204 of the Agricultural Act of 1956 is amended by inserting the following after the first sentence thereof: "In addition, if a multilateral agreement has been or shall be concluded under the authority of this section among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may also issue, in order to carry out such an agreement, regulations governing the entry or withdrawal from warehouse of the same articles which are the products of countries not parties to the agreement."

STATEMENT OF HON. HICKMAN PRICE, JR., ASSISTANT SECRETARY OF COMMERCE; ACCOMPANIED BY KENNETH F. McCLURE, ASSISTANT GENERAL COUNSEL; AND JOSEPH McCLELLAN, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY, DEPARTMENT OF COMMERCE

Mr. PRICE. Mr. Chairman and members of this committee, I am Hickman Price, Jr., Assistant Secretary of Commerce, and I appear here today to provide you with the view of the Department of Commerce and of the departments represented on the Interagency Textile

Administrative Committee in support of H.R. 10788, introduced by the chairman to amend section 204 of the Agricultural Act of 1956.

The Interagency Textile Administrative Committee was established by the President's Cabinet Textile Advisory Committee at the direction of the President to carry out the rights and obligations of the United States under the short-term arrangement relating to international trade in cotton textiles and textile products provided for in the International Textile Agreement of July 21, 1961, at Geneva. The departments represented are State, Treasury, Agriculture, Labor, and Commerce.

At the direction of the President, acting under authority of section 204 of the Agricultural Act of 1956, which we now seek to amend, the State Department called a conference of the principal countries engaged in importing and exporting cotton textiles. The conference agreed upon the short-term arrangement mentioned above which provides for the orderly international marketing of textiles between participating countries for a period of 1 year ending September 30, 1962. A long-term cotton textile arrangement, expected to come into force on October 1, 1962, was later drafted.

In both arrangements, provisions permit the United States to take action to prevent trade with nonparticipants in the arrangements from frustrating the purposes of the arrangements. Participants will undertake under the terms of the arrangement not to export in amounts sufficient to disrupt the markets of importing countries.

The amendment to section 204 which would be provided by the enactment of H.R. 10788 now under consideration would clearly establish the authority of the President to prevent a minority of countries engaged in textile trade who are not participants to the arrangements to gain an advantage over the participants in the competition for our textile markets.

Probable shipments from nonparticipants in volume which may be sufficient to jeopardize the orderly marketing provided for by the arrangements have been brought to our attention and we urge your early and favorable action on H.R. 10788 to provide clear authority in the President to deal with such action.

I would be happy, indeed, to try to answer any questions. In addition, there are in the room representatives of the Department of State, the Department of Agriculture, and, also, there is present Mr. Read Dunn, director of the Foreign Trade Division of the National Cotton Council; Mr. Robert Jackson, executive vice president of the American Cotton Manufacturers Institute, and Mr. William Sullivan, president of the Northern Textile Association.

The CHAIRMAN. Do all of the gentlemen representing these organizations agree with the views that you have expressed in behalf of this bill?

Mr. PRICE. Yes, sir.

The CHAIRMAN. Do any of them desire to be heard? If so, we will be glad to hear them now; otherwise, we will let the record show that they are here.

Mr. PRICE. Thank you, Mr. Chairman.

The CHAIRMAN. I remember that some years ago, when people were complaining about the imports of cotton textiles, a gentleman from

Japan came to my office and told me that he had knocked on about every door in Washington in an effort to confer with some representative of our Government on the important problem of importing textiles from the United States to Japan, and he was not able to confer with anyone in our Government. Everybody told him that they had no right to confer or to negotiate with him, but that the only authority they had was to agree upon the quota of imports coming in here.

I do not know how this gentleman got to my office, in the first place, but I remember that we had a bill in conference—I do not now remember what the bill was—to which we added an amendment to authorize a representative of the Treasury Department to arrange for negotiations with importing countries. As a result of that I think that the Japanese imposed some quotas on themselves. I think that Japan agreed to certain quotas; is that right?

Mr. PRICE. Yes, sir.

The CHAIRMAN. Then I have been told that from that time to this time they have lived within those quotas?

Mr. PRICE. Yes, sir; that is correct.

The CHAIRMAN. Is that correct?

Mr. PRICE. Yes, sir. That was the 5-year agreement, Mr. Chairman, which expired last December 31. It was fully honored and adhered to by the Japanese Government.

However, while Japan was under voluntary restraint during the 5-year period, a large number of other foreign textile-producing countries were not.

The CHAIRMAN. Such as Hong Kong and Pakistan, and others?

Mr. PRICE. Hong Kong, primarily, and India, Pakistan, Spain, and Portugal, as well as others, proceeded to increase on an uncontrolled or unrestrained basis their shipments to this country by very substantial quantities; so much so, Mr. Chairman, that while imports represented in the year 1957 2.2 percent of the total U.S. consumption, this had risen in the year 1960 to 6 percent, with the result that in an extremely sensitive and low profit margin industry, such as textiles, there were considerable disruptions.

Under the President's program for cotton textiles which was announced by him on May 2, 1961, the Department of State was instructed to enter into international negotiations to attempt to reach a voluntary control system, and it is this which was accomplished at Geneva in two phases.

First, a short-term arrangement which commenced last October and which will run for a period of 1 year—that is, to September 30, 1962—and a long-term arrangement which was concluded at Geneva on the 9th of February of this year, which will, when it is adhered to by all of the 19 countries involved, run for a period of 5 years, commencing the 1st of October.

The CHAIRMAN. That is the reason you want this new legislation?

Mr. PRICE. What we need, sir, is this: We want to be sure that those countries that are adhering to a voluntary restraint arrangement with the United States are protected in the manner that Japan was not protected during the period to which you referred. And we desire to avoid disruption by having nonparticipants in the Geneva agreement be able to flood our markets here.

The CHAIRMAN. With this legislation the President could prevent that?

Mr. PRICE. This legislation plugs that loophole. It gives the President the right to do so.

The CHAIRMAN. I will at this point include in the record a letter from the National Grange.

(The letter, dated March 22, 1962, follows:)

NATIONAL GRANGE,
Washington, D.C., March 22, 1962.

HON. HAROLD A. COOLEY,
*Chairman, Committee on Agriculture,
House Office Building, Washington, D. C.*

DEAR MR. CHAIRMAN: The Grange recommends the enactment of H.R. 10788 as a desirable and qualifying amendment to section 204 of the Agricultural Act of 1956 in order to make certain that the President will have adequate authority to prevent any multilateral agreement which has been, or may be, concluded under that section, whereby other countries voluntarily agree to limit their exports to the United States, from being rendered ineffective by reason of exports from foreign countries which have not so agreed.

It will be appreciated if this letter expressing our views on this measure will be received by the committee in lieu of oral testimony.

Respectfully yours,

HERSCHEL D. NEWSOM, *Master.*

The CHAIRMAN. Are there further questions of Mr. Price?

Mr. McINTIRE. Mr. Price, what is essentially the level of the imports of last year, 1960?

Mr. PRICE. At or about the level of the fiscal year 1961.

Mr. McINTIRE. The year 1961?

Mr. PRICE. Yes, sir; the fiscal year 1961 is lower than the calendar year 1960.

Mr. McINTIRE. Yes, sir. So that we are moving under these agreements at about the same level of imports of that period?

Mr. PRICE. Yes, sir; essentially so.

Mr. McINTIRE. So we are accepting in this agreement the increase which did occur in the period you referred to?

Mr. PRICE. Part of that increase; yes, sir.

Mr. McINTIRE. What is that?

Mr. PRICE. In calendar 1960 imports represented 6.0 percent of U.S. consumption and in fiscal year 1961 the comparable figure was 5.2 percent.

Mr. McINTIRE. It is my understanding that this agreement does not deal with wool; is that correct?

Mr. PRICE. No, sir; it does not. This relates only to cotton.

Mr. McINTIRE. And the problems of the woolen textile industry are continuing and there is a study being made by the administration?

Mr. PRICE. Yes, sir, that is correct.

Mr. McINTIRE. Mr. Chairman, to the extent to which it is advisable and would be appropriate, I will ask unanimous consent that there be inserted in the record the agreements. I think you have released them; have you not, Mr. Price?

Mr. PRICE. Yes.

Mr. McINTIRE. I suggest that they be made a part of the record. They are not very large. And I ask that this be done in order that they might be a part of the record for our study.

The CHAIRMAN. Without objection, if you will provide those for the record, we will insert them in the record at this point.

(The short-term agreement, July 21, 1961, and the long-term agreement follow:)

SHORT-TERM COTTON TEXTILE ARRANGEMENT

DEPARTMENT OF STATE, JULY 26, 1961

The Department of State today released the text of a proposed international cotton textile agreement (appended hereto) reached at a July 17-21 meeting in Geneva of major textile importing and exporting countries called by the GATT at the request of the United States. Simultaneous release of the proposed agreement was made by GATT in Geneva.

This agreement has now been submitted to participating countries for approval. The meeting was attended by representatives of the following 16 countries: Australia, Austria, Canada, India, Japan, Pakistan, Portugal, Spain, Sweden, United Kingdom (also representing Hong Kong), United States, and five member states of EEC (Belgium, France, Germany, Italy, Netherlands). In addition, representatives of the following seven governments attended as invited observers: Brazil, Denmark, Greece, Norway, Switzerland, Turkey, and United Arab Republic. The OEEC and the Commission of the EEC were also represented, as were several additional governments, on an informal basis.

The U.S. request for the Geneva meeting was based on point 6 of President Kennedy's seven-point program of assistance to the textile industry, announced on May 2. The Geneva meeting was preceded by a preparatory meeting held in Washington, June 21-23, with representatives of Belgium, Canada, France, Germany, Italy, Netherlands, the United Kingdom, and the United States. The Executive Secretariat of GATT and representatives of the EEC were also present. At the conclusion of the June meeting, the participants joined the United States in asking that the Executive Secretariat of GATT call the Geneva meeting for sometime in July (see press releases Nos. 425 and 440).

In effect, the proposed agreement announced today sets out certain basic principles and objectives, makes short-term arrangements for cotton textile trade problems during the 12-month period beginning October 1, 1961, and provides for the establishment of a Cotton Textile Committee to develop a longer term solution by April 30, 1962.

1. *Basic principles and objectives.*—The agreement recognizes the need for co-operative and constructive action for the development of world trade, notes the "disruption" aspects of the cotton textile market, and sets the goal of dealing with the trade problems in such a way as to provide growing export opportunities, but in a reasonable and orderly manner.

2. *Short-term arrangement.*—An arrangement for the 12-month period beginning October 1, 1961, is made to deal with the immediate problems pending development of a longer term solution. These arrangements are designed to increase access to markets where imports are at present subject to restriction; to maintain orderly access to markets where restrictions are not at present maintained; and to secure from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets. If, during this period, shipments of cotton textiles from a participating country cause or threaten disruption in an importing country's markets, the latter country may call for restraints by this exporting country for any of the 64 categories of cotton textiles specified in the agreement. The requested level of restraint may not be lower than the level during the 12-month period ending June 30, 1961. If agreement on restraint is not reached within 30 days the importing country may take a unilateral action to limit the imports in question.

There are also provisions against undue concentration of particular export items within categories, against frustration of these arrangements by nonparticipants, by transshipment, and by substitution of directly competitive textiles. In particular, the substitution problem may, under certain circumstances, be dealt with by unilateral import restrictions.

To widen the world market for cotton textiles, participating countries which now quantitatively restrict imports of these products will "significantly increase access to their markets" by January 1, 1962. A specific statement on this point is expected to be made by certain of the countries concerned.

3. *Long-term arrangement.*—A Cotton Textile Committee is to be established. It would be charged with the responsibility of making recommendations, by April 30, 1962, on a long-term solution to the problems in the field of cotton textiles on

the basis of specified guiding principles. This Committee is to meet on October 9 at Geneva, to begin consideration of the long-term problem.

Agreement was reached on an ad referendum basis by the representatives of the 16 governments participating in the Geneva meeting. The agreement now goes before those governments for consideration and final acceptance. It will also be open to acceptance by other major textile exporting or importing countries.

Mr. George W. Ball, Under Secretary of State for Economic Affairs, headed the U.S. delegation at the Geneva meeting (see press release No. 494); Mr. Warren M. Christopher, special consultant to Mr. Ball, was alternate chairman. Mr. Willard W. Wirtz, Under Secretary of Labor, and Mr. Hickman Price, Jr., Assistant Secretary of Commerce, were also members of the delegation.

ANNEX

General Agreement on Tariffs and Trade, July 21, 1961

TEXT OF ARRANGEMENTS REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

The Participating Countries recognize the need to take cooperative and constructive action with a view to the development of world trade and that such action should be designed to facilitate economic expansion and in particular to promote the development of the less-developed countries by providing increasing access for their exports of manufactured products.

They take note, however, that in some countries situations have arisen which, in the view of these countries, cause or threatened to cause "disruption" of the market for cotton textiles. In using the expression "disruption" the countries concerned have in mind situations of the kind described in the Decision of the *Contracting Parties* of 19 November 1960 the relevant extract from which is annexed as Appendix A to this Agreement.

The participating countries desire to deal with these problems in such a way as to provide growing opportunities for exports of these products provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production.

I. SHORT-TERM ARRANGEMENT

Pending a long-term solution the participating countries agree to deal with immediate problems relating to cotton textiles through international action designed, at the same time:

- (i) to significantly increase access to markets where imports are at present subject to restriction;
- (ii) to maintain orderly access to markets where restrictions are not at present maintained; and
- (iii) to secure from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets.

Accordingly the participating countries agree to adopt the following short-term arrangement for the 12-month period beginning 1 October 1961.

A. A participating country, if unrestricted imports of cotton textiles are causing or threatening to cause disruption of its domestic market, may request any participating country to restrain, at a specified level not lower than the level prevailing for the twelve-month period ending 30 June 1961, its total exports of any category (see Appendix B) of cotton textiles causing or threatening to cause such disruption, and failing agreement within thirty days, the requesting country may decline to accept imports at a level higher than the specified level.¹ In critical circumstances, action may be taken provisionally by either country involved while the request is under discussion. Nothing in this arrangement shall prevent the negotiation of mutually acceptable bilateral arrangements on other terms.

¹ In Canada, there is no legislation whereby imports may be limited in a precise quantitative manner as envisaged in this paragraph. The provision available for limiting imports in order to avoid injury or a threat of injury to a domestic industry is contained in Section 40A(7)(c) of the Customs Act which authorizes the application of special values for duty purposes. These special values cannot be used to achieve a precise level of imports. Accordingly, the participating countries recognize that, should Canada find it necessary to take action to limit imports pursuant to this arrangement, it would not be in a position to ensure that imports would not fall below the minimum level as defined in this paragraph.

It is intended by the participating countries that this procedure will be used sparingly, with full regard for their agreed objective of attaining and safeguarding maximum freedom of trade, and only to avoid disruption of domestic industry resulting from an abnormal increase in imports.

B. A country requested to restrain its exports to a specified level may exceed the specified level for any category by 5 per cent provided that its total exports to the requesting country of the categories of products subject to restraint do not exceed the aggregate for all the categories.

C. If a requesting country determines that a shift in the pattern of imports within any category is producing undue concentration of imports of any particular item and that such concentration is causing or threatening disruption, the requesting country may, under the procedure set forth in paragraph A above, request the producing country to restrain its total exports of the said item during the 12 months beginning 1 October 1961 to a prescribed level not lower than that which prevailed during the year ending 30 June 1961.

D. Participants agree to take action to prevent circumvention or frustration of this short-term arrangement by non-participants, or by trans-shipment, or by substitution of directly competitive textiles. In particular, if the purposes of this arrangement are being frustrated or are in danger of being frustrated through the substitution of directly competitive textiles, the provisions of paragraph A above shall apply to such goods, to the extent necessary to prevent such frustration.

E. Participating countries presently maintaining quantitative restrictions on cotton textile imports shall, as from 1 January 1962, significantly increase access to their markets by countries the exports from which are now restricted. A specific statement of the new access will be forthcoming.

F. This short-term arrangement shall be valid for a period of 12 months, beginning on 1 October 1961: however, the provisions of section E above shall enter into force not later than 1 January 1962.

G. In accordance with GATT provisions for joint consultations the parties to this arrangement shall meet as necessary to consider any problems arising out of the application of this Agreement. Such consultations could, in particular, take place in the event that a country, the exports of which are under restraint as a result of action taken under paragraph A above, considers that experience shows that the level of restraint is inequitable.

II. LONG-TERM ARRANGEMENT

A. Participating countries agree to create a Provisional Cotton Textile Committee and to request the *Contracting Parties* to confirm the establishment of the Committee at the nineteenth session.

The Committee shall:

1. Undertake work looking toward a long-term solution to the problems in the field of cotton textiles on the basis of the guiding principles set out in the Preamble to this Agreement.

2. Collect all useful data for this purpose.

3. At an early date, not later than 30 April 1962, make recommendations for such long-term solution.

B. The discussions and consultations to be undertaken by the Committee on the long-term problem shall be of the kind provided for by the Market Disruption Committee at the seventeenth session of the *Contracting Parties*. The Committee shall, as appropriate, from time to time report to this Committee and to Committee III of the Expansion of Trade Programme on progress made and on its findings.

C. The Provisional Cotton Textile Committee referred to in this article shall meet on 9 October 1961 to initiate consideration of this long-term problem.

APPENDIX A

Extract from the Contracting Parties' Decision of 19 November 1960

"These situations [market disruption] generally contain the following elements in combination:

"(i) a sharp and substantial increase or potential increase of imports of particular products from particular sources:

"(ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;

"(iii) there is serious damage to domestic producers or threat thereof;

"(iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

"In some situations other elements are also present and the enumeration above is not, therefore, intended as an exhaustive definition of market disruption."

APPENDIX B

Cotton Textile Categories

<i>List of Categories</i>	<i>Unit</i>
1. Cotton yarn, carded, singles, not ornamented, etc.....	lb.
2. Cotton yarn, plied, carded, not ornamented, etc.....	lb.
3. Cotton yarn, singles, combed, not ornamented, etc.....	lb.
4. Cotton yarn, plied, combed, not ornamented, etc.....	lb.
5. Gingham, carded yard.....	Sq. yds.
6. Gingham, combed yarn.....	Sq. yds.
7. Velveteens.....	Sq. yds.
8. Corduroy.....	Sq. yds.
9. Sheeting, carded yarn.....	Sq. yds.
10. Sheeting, combed yarn.....	Sq. yds.
11. Lawns, carded yarn.....	Sq. yds.
12. Lawns, combed yarn.....	Sq. yds.
13. Voiles, carded yarn.....	Sq. yds.
14. Voiles, combed yarn.....	Sq. yds.
15. Poplin and broadcloth, carded yarn.....	Sq. yds.
16. Poplin and broadcloth, combed yarn.....	Sq. yds.
17. Typewriter ribbon cloth.....	Sq. yds.
18. Print cloth type shirting, 80 x 80 type, carded yarn.....	Sq. yds.
19. Print cloth type shirting, other than 80 x 80 type, carded yarn.....	Sq. yds.
20. Shirting, carded yarn.....	Sq. yds.
21. Shirting, combed yarn.....	Sq. yds.
22. Twill and sateen, carded yarn.....	Sq. yds.
23. Twill and sateen, combed yarn.....	Sq. yds.
24. Yarn-dyed fabrics, except gingham, carded yarn.....	Sq. yds.
25. Yarn-dyed fabrics, except gingham, combed yarn.....	Sq. yds.
26. Fabrics, n.e.s., carded yarn.....	Sq. yds.
27. Fabrics, n.e.s., combed yarn.....	Sq. yds.
28. Pillowcases, plain, carded yarn.....	Numbers
29. Pillowcases, plain, combed yarn.....	Numbers
30. Dish towels.....	Numbers
31. Towels, other than dish towels.....	Numbers
32. Handkerchiefs.....	Dozen
33. Table damasks and manufactures of.....	lb.
34. Sheets, carded yarn.....	Numbers
35. Sheets, combed yarn.....	Numbers
36. Bedspreads.....	Numbers
37. Braided and woven elastics.....	lb.
38. Fishing nets.....	lb.
39. Gloves and mittens.....	Doz.
40. Hose and half hose.....	Doz. prs.
41. Men's and boys' all white T. shirts, knit or crocheted.....	Doz.
42. Other T. shirts.....	Doz.
43. Knitshirts, other than T. shirts and Sweatshirts (including infants).....	Doz.
44. Sweaters and cardigan.....	Doz.
45. Men's and boys' shirts, dress, not knit or crocheted.....	Doz.
46. Men's and boys' shirts, sport, not knit or crocheted.....	Doz.
47. Men's and boys' shirts, work, not knit or crocheted.....	Doz.
48. Raincoats, $\frac{3}{4}$ length or over.....	Doz.
49. All other coats.....	Doz.
50. Men's and boys' trousers, slacks and shorts (outer), not knit or crocheted.....	Doz.

Cotton Textile Categories—Continued

<i>List of Categories</i>	<i>Unit</i>
51. Women's, misses' and children's trousers, slacks and shorts (outer), not knit or crocheted.....	Doz.
52. Blouses, and blouses combined with skirts, trousers, or shorts.....	Doz.
53. Women's, misses', children's and infants' dresses (including nurses' and other uniform dresses), not knit or crocheted.....	Doz.
54. Playsuits, sunsuits, washsuits, creepers, rompers, etc. (except blouse and shorts; blouse and trousers; or blouse, shorts and skirt sets).....	Doz.
55. Dressing gowns, including bathrobes and beachrobes, lounging gowns, dusters and housecoats, not knit or crocheted.....	Doz.
56. Men's and boys' undershirts (not T. shirts).....	Doz.
57. Men's and boys' briefs and undershirts.....	Doz.
58. Drawers, shorts and briefs (except men's and boys' briefs), knit or crocheted.....	Doz.
59. All other underwear, not knit or crocheted.....	Doz.
60. Nighwear and pyjamas.....	Doz.
61. Brassieres and other body supporting garments.....	Doz.
62. Other knitted or crocheted clothing.....	Units or lbs.
63. Other clothing, not knit or crocheted.....	Units or lbs.
64. All other cotton textile items.....	Units or lbs.

To whatever extent this List of Categories may present questions in the light of established listing practices of any participating country, such questions shall be resolved by consultation between the countries concerned or by the process of joint consultation referred to in Paragraph G of the short-term Arrangement.

LONG-TERM COTTON TEXTILE ARRANGEMENT*

Recognizing the need to take cooperative and constructive action with a view to the development of world trade;

Recognizing further that such action should be designed to facilitate economic expansion and promote the development of less-developed countries possessing the necessary resources, such as raw materials and technical skills, by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture;

Noting, however, that in some countries situations have arisen which, in the view of these countries, cause or threaten to cause "disruption" of the market for cotton textiles;

Desiring to deal with these problems in such a way as to provide growing opportunities for exports of these products, provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production in both importing and exporting countries;

Determined, in carrying out these objectives, to have regard to the Declaration on Promotion of the Trade of Less-developed Countries adopted by Ministers at their meeting during the nineteenth session of the *Contracting Parties* in November 1961;

The *Participating Countries* have agreed as follows:

ARTICLE 1

In order to assist in the solution of the problems referred to in the Preamble to this Arrangement, the participating countries are of the opinion that it may be desirable to apply, during the next few years, special practical measures of international co-operation which will assist in any adjustment that may be required by changes in the pattern of world trade in cotton textiles. They recognize, however, that the measures referred to above do not affect their rights and obligations under the General Agreement on Tariffs and Trade (hereinafter

*The negotiation of this arrangement was concluded in Geneva on an *ad referendum* basis on February 9, 1962 by representatives of the following governments: Australia, Austria, Canada, Denmark, India, Japan, Norway, Pakistan, Portugal, Spain, Sweden, United Kingdom (also representing Hong Kong), United States, and the member states of European Economic Community (Belgium, France, Federal Republic of Germany, Italy, Luxembourg, and Netherlands).

referred to as the GATT). They also recognize that, since these measures are intended to deal with the special problems of cotton textiles, they are not to be considered as lending themselves to application in other fields.

ARTICLE 2

1. Those participating countries still maintaining restrictions inconsistent with the provisions of the GATT on imports of cotton textiles from other participating countries agree to relax those restrictions progressively each year with a view to their elimination as soon as possible.

2. Without prejudice to the provisions of paragraphs 2 and 3 of Article 3, no participating country shall introduce new import restrictions, or intensify existing import restrictions, on cotton textiles, insofar as this would be inconsistent with its obligations under the GATT.

3. The participating countries at present applying import restrictions to cotton textiles imported from other participating countries undertake to expand access to their markets for such cotton textiles so as to reach, by the end of the period of validity of the present Arrangement, for the products remaining subject to restrictions at that date, taken as a whole, a level corresponding to the quotas opened in 1962, for such products, as increased by the percentage mentioned in Annex A.

Where bilateral arrangements exist, annual increases shall be determined within the framework of bilateral negotiations. It would, however, be desirable that each annual increase should correspond as closely as possible to one fifth of the overall increase.

4. The participating countries concerned shall administer their remaining restrictions on imports of cotton textiles from participating countries in an equitable manner and with due regard to the special needs and situation of the less-developed countries.

5. Notwithstanding the provisions of paragraph 3 above, if, during the licensing period preceding the entry into force of this Arrangement, a specific basic quota is nil or negligible, the quota for the succeeding licensing period will be established at a reasonable level by the participating importing country concerned in consultation with the participating exporting country or countries concerned. Such consultation would normally take place within the framework of the bilateral negotiations referred to in paragraph 3 above.

6. Participating countries shall, as far as possible, eliminate import restrictions on the importation, under a system of temporary importation for re-export after processing, of cotton textiles originating in other participating countries.

7. The participating countries shall notify the Cotton Textiles Committee as early as possible, and in any case not less than one month before the beginning of the licensing period, of the details of any quota or import restriction referred to in this Article.

ARTICLE 3

1. If imports from a participating country or countries into another participating country of certain cotton textile products not subject to import restrictions should cause or threaten to cause disruption in the market of the importing country, that country may request the participating country or countries whose exports of such products are, in the judgment of the importing country, causing or threatening to cause market disruption to consult with a view to removing or avoiding such disruption. In its request the importing country will, at its discretion, indicate the specific level at which it considers that exports of such products should be restrained, a level which shall not be lower than the one indicated in Annex B. The request shall be accompanied by a detailed, factual statement of the reasons and justification for the request; the requesting country shall communicate the same information to the Cotton Textiles Committee at the same time.

2. In critical circumstances, where an undue concentration of imports during the period specified in paragraph 3 below would cause damage difficult to repair, the requesting participating country may, until the end of the period, take the necessary temporary measures to limit the imports referred to in paragraph 1 above from the country or countries concerned.

3. If, within a period of sixty days after the request has been received by the participating exporting country or countries, there has been no agreement either on the request for export restraint or on any alternative solution, the requesting participating country may decline to accept imports for retention from the par-

ticipating country or countries referred to in paragraph 1 above of the cotton textile products causing or threatening to cause market disruption, at a level higher than that specified in Annex B, in respect of the period starting on the day when the request was received by the participating exporting country.

4. In order to avoid administrative difficulties in enforcing a given level of restraint on cotton textiles subject to measures taken under this article, the participating countries agree that there should be a reasonable degree of flexibility in the administration of these measures. Where restraint is exercised for more than one product the participating countries agree that the agreed level for any one product may be exceeded by 5 percent provided that the total exports subject to restraint do not exceed the aggregate level for all products so restrained on the basis of a common unit of measurement to be determined by the participating countries concerned.

5. If participating countries have recourse to the measures envisaged in this Article, they shall, in introducing such measures, seek to avoid damage to the production and marketing of the exporting country and shall co-operate with a view to agreeing on suitable procedures, particularly as regards goods which have been, or which are about to be, shipped.

6. A participating country having recourse to the provisions of this Article shall keep under review the measures taken under this Article with a view to their relaxation and elimination as soon as possible. It will report from time to time, and in any case once a year, to the Cotton Textiles Committee on the progress made in the relaxation or elimination of such measures. Any participating country maintaining measures under this Article shall afford adequate opportunity for consultation to any participating country or countries affected by such measures.

7. Participating importing countries may report the groups or categories to be used for statistical purposes to the Cotton Textiles Committee. The participating countries agree that measures envisaged in this Article should only be resorted to sparingly, and should be limited to the precise products or precise groups or categories of products causing or threatening to cause market disruption, taking full account of the agreed objectives set out in the Preamble to this Arrangement. Participating countries shall seek to preserve a proper measure of equity where market disruption is caused or threatened by imports from more than one participating country and when resort to the measures envisaged in this Article is unavoidable.

ARTICLE 4

Nothing in this Arrangement shall prevent the application of mutually acceptable arrangements on other terms not inconsistent with the basic objectives of this Arrangement. The participating countries shall keep the Cotton Textiles Committee fully informed on such arrangements, or the parts thereof, which have a bearing on the operation of this Arrangement.

ARTICLE 5

The participating countries shall take steps to ensure, by the exchange of information, including statistics on imports and exports when requested, and by other practical means, the effective operation of this Arrangement.

ARTICLE 6

The participating countries agree to avoid circumvention of this Arrangement by trans-shipment or re-routing, substitution of directly competitive textiles and action by non-participants. In particular, they agree on the following measures:

(a) *Trans-shipment.*—The participating importing and exporting countries agree to collaborate with a view to preventing circumvention of this Arrangement by trans-shipment or re-routing and to take appropriate administrative action to avoid such circumvention. In cases where a participating country has reason to believe that imports shipped to it from another participating country and purporting to have originated in that country did not originate there, it may request that country to consult with it with a view to assisting in the determination of the real origin of the goods.

(b) *Substitution of directly competitive textiles.*—It is not the intention of the participating countries to broaden the scope of this Arrangement beyond cotton textiles but, when there exists a situation or threat of market disruption in an importing country in terms of Article 3, to prevent the circumvention of this Arrangement by the deliberate substitution for cotton of directly competitive fibers. Accordingly, if the importing participating country concerned

has reason to believe that imports of products in which this substitution has taken place have increased abnormally, that is that this substitution has taken place solely in order to circumvent the provisions of this Arrangement, that country may request the exporting country concerned to investigate the matter and to consult with it with a view to reaching agreement upon measures designed to prevent such circumvention. Such request shall be accompanied by a detailed, factual statement of the reasons and justification for the request. Failing agreement in the consultation within 60 days of such request, the importing participating country may decline to accept imports of the products concerned as provided for in Article 3 and, at the same time, any of the participating countries concerned may refer the matter to the Cotton Textiles Committee which shall make such recommendations to the parties concerned as may be appropriate.

(c) *Non-participants*.—The participating countries agree that, if it proves necessary to resort to the measures envisaged in Article 3 above, the participating importing country or countries concerned shall take steps to ensure that the participating country's exports against which such measures are taken shall not be restrained more severely than the exports of any country not participating in this Arrangement which are causing, or threatening to cause, market disruption. The participating importing country or countries concerned will give sympathetic consideration to any representations from participating exporting countries to the effect that this principle is not being adhered to or that the operation of this Arrangement is frustrated by trade with countries not party to this Arrangement. If such trade is frustrating the operation of this Arrangement, the participating countries shall consider taking such action as may be consistent with their law to prevent such frustration.

ARTICLE 7

1. In view of the safeguards provided for in this Arrangement the participating countries shall, as far as possible, refrain from taking measures which may have the effect of nullifying the objectives of this Arrangement.

2. If a participating country finds that its interests are being seriously affected by any such measure taken by another participating country, that country may request the country applying such measure to consult with a view to remedying the situation.

3. If the participating country so requested fails to take appropriate remedial action within a reasonable length of time, the requesting participating country may refer the matter to the Cotton Textiles Committee which shall promptly discuss such matter and make such comments to the participating countries as it considers appropriate. Such comments would be taken into account should the matter subsequently be brought before the *Contracting Parties* under the procedures of Article XXIII of the GATT.

ARTICLE 8

The Cotton Textiles Committee, as established by the *Contracting Parties* at their nineteenth session, shall be composed of representatives of the countries party to this Arrangement and shall fulfill the responsibilities provided for it in this Arrangement.

(a) The Committee shall meet from time to time to discharge its functions. It will undertake studies on trade in cotton textiles as the participating countries may decide. It will collect the statistical and other information necessary for the discharge of its functions and will be empowered to request the participating countries to furnish such information.

(b) Any case of divergence of view between the participating countries as to the interpretation or application of this Arrangement may be referred to the Committee for discussion.

(c) The Committee shall review the operation of this Arrangement once a year and report to the *Contracting Parties*. The review during the third year shall be a major review of the Arrangement in the light of its operation in the preceding years.

(d) The Committee shall meet not later than one year before the expiry of this Arrangement, in order to consider whether the Arrangement should be extended, modified or discontinued.

ARTICLE 9

For purposes of this Arrangement the expression "cotton textiles" includes yarns, piece-goods, made-up articles, garments, and other textile manufactured products, in which cotton represents more than 50 percent (by weight) of the fiber content, with the exception of handloom fabrics of the cottage industry.

ARTICLE 10

For the purposes of this Arrangement, the term "disruption" refers to situations of the kind described in the Decision of the *contracting parties* of 19 November 1960, the relevant extract from which is reproduced in Annex C.

ARTICLE 11

1. This Arrangement is open for acceptance, by signature or otherwise, to governments parties to the GATT or having provisionally acceded to that Agreement, provided that if any such government maintains restrictions on the import of cotton textiles from other participating countries, that government shall, prior to its accepting this Arrangement, agree with the Cotton Textiles Committee on the percentage by which it will undertake to increase the quotas other than those maintained under Article XII or Article XVIII of the GATT.

2. Any government which is not party to the GATT or has not acceded provisionally to the GATT may accede to this Arrangement on terms to be agreed between that government and the participating countries. These terms would include a provision that any government which is not a party to the GATT must undertake, on acceding to this Arrangement, not to introduce new import restrictions or intensify existing import restrictions, on cotton textiles, insofar as such action would, if that government had been a party to the GATT, be inconsistent with its obligations thereunder.

ARTICLE 12

1. This Arrangement shall enter into force on 1 October 1962 subject to the provisions of paragraph 2 below.

2. The countries which have accepted this Arrangement shall, upon the request of one or more of them, meet within one week prior to 1 October 1962 and, at that meeting, if a majority of these countries so decide, the provisions of paragraph 1 above may be modified.

ARTICLE 13

Any participating country may withdraw from this Arrangement upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Executive Secretary of GATT.

ARTICLE 14

This Arrangement shall remain in force for five years.

ARTICLE 15

The Annexes to this Arrangement constitute an integral part of this Arrangement.

ANNEXES

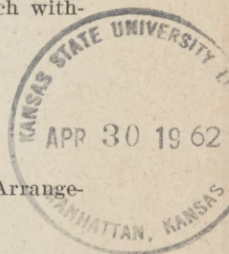
ANNEX A

(The percentages in this Annex will be communicated in due course.)

ANNEX B

1. (a) The level below which imports or exports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of Article 3 shall be the level of actual imports or exports of such products during the twelve-month period terminating three months preceding the month in which the request for consultation is made.

(b) Where a bilateral agreement on the yearly level of restraint exists between participating countries concerned covering the twelve-month period re-



ferred to in paragraph (a), the level below which imports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of Article 3 shall be the level provided for in the bilateral agreement in lieu of the level of actual imports or exports during the twelve-month period referred to in paragraph (a).

Where the twelve-month period referred to in paragraph (a) overlaps in part with the period covered by the bilateral agreement, the level shall be:

(i) the level provided for in the bilateral agreement, or the level of actual imports or exports, whichever is higher, for the months where the period covered by the bilateral agreement and the twelve-month period referred to in paragraph (a) overlap; and

(ii) the level of actual imports or exports for the months where no overlap occurs.

2. Should the restraint measures remain in force for another twelve-month period, the level for that period shall not be lower than the level specified for the preceding twelve-month period, increased by 5 percent. In exceptional cases, where it is extremely difficult to apply the level referred to above, a percentage between 5 and 0 may be applied in the light of market conditions in the importing country and other relevant factors after consultation with the exporting country concerned.

3. Should the restraining measures remain in force for further periods, the level for each subsequent twelve-month period shall not be lower than the level specified for the preceding twelve-month period, increased by 5 percent.

ANNEX C

Extract from the contracting parties' decision of 19 November 1960

"These situations [market disruption] generally contain the following elements in combination:

"(i) a sharp and substantial increase or potential increase of imports of particular products from particular sources;

"(ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;

"(iii) there is serious damage to domestic producers or threat thereof;

"(iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

"In some situations other elements are also present and the enumeration above is not, therefore, intended as an exhaustive definition of market disruption."

ANNEX D

For the purposes of applying Article 9, the following list of the groups or sub-groups of the S.I.T.C. is suggested. This list is illustrative and should not be considered as being exhaustive.

	SITC Rev.	BTN
I. Cotton yarns and fabrics.....	651.3 .4 652	55.05 .06 .07 .08 .09 58.04A
II. Cotton made-up articles and special fabrics.....	ex 653.7 ex 654 ex 655 ex 656 ex 657	ex 46.02 ex 58.01-03 ex 58.05-10 ex 59.01-17 ex 60.01 ex 62.01-05 ex 65.01-02 ex 60.02-06 ex 61.01-11 ex 65.03-07
III. Cotton clothing.....	ex 841	

ANNEX E

*Interpretative Notes*1. *Ad. Article 3, paragraph 3*

In Canada, there is no legislation whereby imports may be limited in a precise quantitative manner as envisaged in this paragraph. The provision available for limiting imports in order to avoid injury or a threat of injury to a domestic industry is contained in Section 40A (7) (c) of the Customs Act which authorizes the application of special values for duty purposes. These special values cannot be used to achieve a precise level of imports. Accordingly, the participating countries recognize that, should Canada find it necessary to take action to limit imports pursuant to this arrangement, it would not be in a position to insure that imports would not fall below the minimum level as defined in this paragraph.

2. *Ad. Article 9*

Notwithstanding the provisions of Article 9, any country which is applying a criterion based on value will be free to continue to use that criterion for the purposes of Article 9.

The CHAIRMAN. Are there any further questions?

Mr. QUIE. Yes, Mr. Chairman. How do you decide which countries are participants in the agreement and which are not?

Mr. PRICE. Those that are participants are signatories. Those that are not signatories are, therefore, not participants.

Mr. QUIE. So it is of their own choice?

Mr. PRICE. Yes, sir.

Mr. QUIE. How do these people go about gaining an advantage over the participating countries?

Mr. PRICE. Due to a lack of present legal mechanism there is no action that can be taken by the President or by the executive branch to enforce a request for restraint from a nonparticipant. Therefore, a nonparticipant could flood the market in any given category for textile products without being able to prevent them.

Mr. QUIE. What if you request a restraint, how does he make this?

Mr. PRICE. Under the agreement, in the case of either a participant or a nonparticipant, the importing country may request restraint and if such restraint is not acknowledged and is not forthcoming within a period of 30 days the importing country make take unilateral action in order to effect such restraint.

Mr. QUIE. What kind of action does he take; does he go to court, or what?

Mr. PRICE. It would amount to an order to the Customs to restrain importations of given categories at specific levels.

The CHAIRMAN. In a sense it would amount to a quota?

Mr. PRICE. Yes: in effect, sir.

The CHAIRMAN. Are there any further questions?

Mr. FINDLEY. Mr. Price, how do you reconcile the restrictive arrangement anticipated under this authority with the administration's goal of freer trade?

Mr. PRICE. The long-term arrangement does provide, Mr. Congressman, for a considerable freeing of world trade in cotton textile products. For example, the European Economic Community has agreed, as part of the long-term arrangement, to double its taking of textiles over the 5-year period from the five principal developing countries.

As far as this country is concerned, obviously, we have a most vital interest in the 2,100,000 employees of this industry, which is one of the two largest employers of labor in this country. It is an industry

which has suffered some considerable decline in past years, and we are desirous of shoring it up to the extent that we can.

Mr. FINDLEY. Similar problems can be expected to exist in other segments of our economy. These are not peculiar only to the cotton industry. Could we not expect to meet these same problems in other areas with these same tools, these same agreements and quotas for other commodities and other manufactured items?

Mr. PRICE. This one, as you will see, Mr. Congressman, by a reading of the text that will be inserted into the record, was a voluntary international arrangement. The effect of quotas on nonparticipants, which was brought out a moment ago, is not a quota in a true unilateral sense, by virtue of the fact that the agreement was reached internationally.

Mr. FINDLEY. But the goal, of course, is to control the marketing of cotton?

Mr. PRICE. Yes; to prevent disruptions.

Mr. FINDLEY. It makes me wonder if when we are talking about eliminating tariffs to improve trade—if we are not actually thinking of switching from tariffs to this quota system as a means of controlling the trade.

Mr. PRICE. I do not believe, Mr. Congressman, that that is the intent of the administration in the broad sense of the word; no.

Mr. FINDLEY. The administration attitude, as far as you know, is to use quota agreements only on cotton?

Mr. PRICE. Cotton textiles.

The CHAIRMAN. Let me interrupt there. It is plainly stated in the bill:

in addition, if a multilateral agreement has been or shall be concluded under the authority of this section among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may also issue, in order to carry out such an agreement, regulations governing the entry or withdrawal from warehouse of the same articles which are the products of countries not parties to the agreement.

The law at the present time is applicable only to those on which we have agreements?

Mr. PRICE. Yes.

The CHAIRMAN. Do you want to amend the law so as to provide that the President would have this same right to deal with countries other than Japan which is the one that we have had an agreement with?

Mr. PRICE. No, sir. The object of this is to extend the powers of the President to deal with all nonparticipants of the Geneva agreement.

The CHAIRMAN. So as to protect those within the agreement?

Mr. PRICE. Yes, sir.

Mr. FINDLEY. And to rig the market on a world scale?

Mr. PRICE. No, sir. I would not consider that as a correct statement, sir. I would say to prevent the creation of disruptions within the market.

The CHAIRMAN. Are there any further questions? If not, we thank you very much.

We would like to insert into the record at this point a letter from the Secretary of Labor in favor of the bill, and one from Mr. Carl Vinson, our colleague from Georgia, also in favor of this bill.

(The letters, dated March 21 and March 14, follow:)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., March 14, 1962.

HON. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture,
Washington, D.C.

MY DEAR MR. CHAIRMAN: As chairman of the congressional textile group, I am taking this opportunity to urge immediate hearings on a legislative proposal that was submitted to you by the Under Secretary of Commerce on March 9, 1962, which would amend section 204 of the Agricultural Act of 1956 so as to enable the President to enforce the Geneva arrangement on cotton textiles against countries who have not joined the arrangement but who prefer to remain on the outside and exploit this country without the restriction of any such agreement.

Without this legislation such countries as Egypt, Poland, and Yugoslavia, for example, might well frustrate the purposes of the arrangement and, of course, might adversely affect the very favorable benefits that will accrue to the American cotton textile industry under this arrangement.

I know that you are very much interested in this arrangement and the beneficial effects that it will have upon our cotton textile industry, and therefore I am confident that this is a mere formality on my part. However, I would appreciate receiving your views on this proposed legislation and your indication as to when hearings might be held.

Sincerely,

CARL VINSON, *Chairman.*

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, D.C., March 21, 1962.

HON. HAROLD D. COOLEY,
Chairman, House Committee on Agriculture,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN COOLEY: I am taking this opportunity to set forth the Department of Labor's position on H.R. 10788, a bill recently referred to your committee which would amend section 204 of the Agricultural Act of 1956.

As you know, section 204 of the Agricultural Act of 1956 authorizes the President to carry on the negotiation of international agreements limiting the importation into the United States of agricultural commodities including textiles and textile products. Since section 204 was apparently principally intended to enable the President to negotiate on a bilateral basis with respect to these commodities, there is some question as to whether the President can apply similar limits to nonparticipants where broad multilateral agreements are entered into.

The 1-year cotton textiles arrangement presently in force, and also the long-term cotton textiles arrangement expected to come into force on October 1, 1962, have substantially the same participating countries. These arrangements contain provisions permitting the United States to act to prevent trade with nonparticipants from frustrating the design and purpose of the arrangements. Since approximately 90 percent of the free world trade in cotton textiles is carried on by the countries participating in these arrangements, we believe that the same authority which the President has under section 204 with respect to participants should be extended to nonparticipants. Such authority would prevent the minority of countries which choose to stay out of arrangements from thus gaining an advantage over participating countries. H.R. 10788 would best such authority in the President.

The necessity for resolving the question which presently exists is of obvious importance to the Department of Labor. Particularly, it should be noted that the Interagency Textile Administrative Committee on which this Department is represented has studied the terms of H.R. 10788, and has recommended its enactment. Accordingly, I urge favorable action on this proposal.

The Bureau of the Budget advises that it has no objection to the presentation of this report from the standpoint of the administration's program.

Yours sincerely,

ARTHUR J. GOLDBERG,
Secretary of Labor.

The CHAIRMAN. I understand that Mr. Nehmer is here with a letter from the State Department. Will you come around, sir?

Mr. GATHINGS. It might be a good thing that we have statements from the National Cotton Manufacturers Association and the National Cotton Council to learn what they have to say on this, or if they wish to submit statements for the record.

The CHAIRMAN. If they do, they will have that permission. I asked Mr. Price heretofore about that.

Mr. PRICE. They would be, if you so desire, very happy to testify. However, I think that they would agree that what I have given is essentially their view as well.

The CHAIRMAN. They are here to speak for themselves. Mr. Gathings has made the suggestion that if they want to file a statement for the record they might do so, and that permission will be granted.

STATEMENT OF STANLEY NEHMER, DEPUTY DIRECTOR, OFFICE OF INTERNATIONAL RESOURCES, DEPARTMENT OF STATE

Mr. NEHMER. Mr. Chairman and members of the committee, a letter has been signed by Assistant Secretary Dutton to you, Mr. Chairman. It is, I understand, on its way over to your office. I should like, at this time, to read it into the record, if I may.

The CHAIRMAN. Very well.

Mr. NEHMER (reading):

DEAR MR. CHAIRMAN: I am writing to express the support of the Department of State for the enactment of H.R. 10788, a bill to amend section 204 of the Agriculture Act of 1956.

The Department of State concurs in the necessity for the enactment of H.R. 10788. This Department joined with other interested departments in drafting this bill and joins them in urging prompt enactment of it.

The Department of State was engaged together with other interested departments in the negotiation of both the short-term and the long-term cotton textile arrangements. The arrangements provided that action could be taken under certain circumstances against nonparticipants. This bill will confer upon the President the authority needed to implement these provisions.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report.

Sincerely yours,

FREDERICK G. DUTTON,
Assistant Secretary
(For the Acting Secretary of State).

Thank you, Mr. Chairman.

The CHAIRMAN. You are very welcome. We are glad to have the statement. We will next hear from Mr. Robert Sherman, of the Department of Agriculture.

Mr. FINDLEY. May I ask a question of the witness?

The CHAIRMAN. Yes.

Mr. FINDLEY. In this bill there is a phrase, beginning with line 5:

in addition, if a multilateral agreement has been or shall be concluded under the authority of this section among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded.

I understand that the multilateral agreement has already been concluded in Geneva?

Mr. NEHMER. Yes, sir.

Mr. FINDLEY. Would you have an objection if this phrase were omitted from the bill? In other words, is the effect of this phrase to give sanction to what has already been concluded?

Mr. NEHMER. The long-term arrangement has not yet been signed by the countries that participated in the negotiation of the arrangement.

Mr. FINDLEY. Is this necessary, then, to enable the United States to conclude what it has already agreed to?

Mr. NEHMER. Not in terms of the negotiation of the arrangement itself, but, as pointed out by Mr. Price, this authority would be needed in terms of meeting the possible problem which might arise from imports by nonparticipating countries. Certainly, in terms of the authority section 204 as it now stands, as I understand it, covers the actual negotiation—the authority to negotiate what has been negotiated.

Mr. FINDLEY. Would eliminating this phrase handicap the United States?

Mr. NEHMER. In terms of our objectives with regard to possible problems for nonparticipants; yes. I think that the answer would be "Yes" if this were omitted.

Mr. FINDLEY. As to the agreement which has yet to be signed?

Mr. NEHMER. Yes.

Mr. FINDLEY. It is essential to that?

Mr. NEHMER. It is essential to it.

Mr. FINDLEY. Is essential to it?

Mr. NEHMER. Yes, that is correct.

Mr. FINDLEY. Thank you.

The CHAIRMAN. Thank you very much.

I would like to insert into the record at this point section 204 of the Agricultural Act of 1956.

(Sec. 204 follows:)

The President may, whenever he determines such action appropriate, negotiate with representatives of foreign governments in an effort to obtain agreements limiting the export from such countries and the importation into the United States of any agricultural commodity or product manufactured therefrom or textiles or textile products, and the President is authorized to issue regulations governing the entry or withdrawal from warehouse of any such commodity, product, textiles, or textile products to carry out any such agreement. Nothing herein shall affect the authority provided under section 22 of the Agricultural Adjustment Act (of 1933) as amended.

The CHAIRMAN. We will now hear from Mr. Robert Sherman, of the Department of Agriculture.

STATEMENT OF ROBERT C. SHERMAN, DIRECTOR, COTTON DIVISION, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. SHERMAN. Mr. Chairman and members of the committee, my name is Robert C. Sherman and I am Director of the Cotton Division of the Foreign Agricultural Service. I have here a copy of a letter that is being dispatched to you, but which had not been signed when I left the Department. I am sure that you will receive it very shortly. If I may read it?

The CHAIRMAN. Very well.

Mr. SHERMAN (reading) :

DEAR MR. CHAIRMAN: This refers to H.R. 10788, a bill to amend section 204 of the Agricultural Act of 1956.

We favor the enactment of this bill. Section 204 of the Agricultural Act of 1956 authorizes the President to negotiate international agreements relating to the export to and the import by the United States of "any agricultural commodity or product manufactured therefrom or textiles of textile products." Because it was drafted primarily with bilateral agreements in mind, the existence of necessary power in the President with respect to nonparticipants in a broadly based multilateral agreement is questionable.

In both the 1-year cotton textiles arrangement presently in force, and the long-term cotton textiles arrangement expected to come into force with substantially the same participants on October 1, 1962, provisions permit the United States to take action to prevent trade with nonparticipants in the arrangements from frustrating the purposes of the arrangements. Since countries accounting for 90 percent of the free world trade in cotton are participants, the same authority which has been given to the President by section 204 should clearly be extended to nonparticipants to prevent the minority of countries that choose to stay out of the arrangements from thereby gaining an advantage over the countries that participate in them.

Thank you.

Mr. GATHINGS. I wonder if we could have a list of the participating countries?

The CHAIRMAN. Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. Are there any questions?

Mr. QUIE. Was this matter of quotas the discussion in this arrangement, or did they also discuss the matter of tariffs?

Mr. SHERMAN. No tariffs were considered.

Mr. QUIE. How are they going to feel about the increase in the tariff of 8½ cents?

Mr. SHERMAN. We have heard some objections from some of them.

Mr. QUIE. Thank you.

The CHAIRMAN. Thank you very much, Mr. Sherman.

I would like the record to note that Mr. Read Dunn is present. Will you come around, Mr. Dunn, and state whether or not you are supporting this legislation?

STATEMENT OF READ DUNN, DIRECTOR, FOREIGN TRADE, NATIONAL COTTON COUNCIL OF AMERICA

Mr. DUNN. Mr. Chairman and members of the committee, my name is Read Dunn and I am director of foreign trade for the National Cotton Council of America.

We in the National Cotton Council would like to associate ourselves with the request being made by the administration for this particular bill.

The CHAIRMAN. Your organization is in favor of the bill?

Mr. DUNN. Yes, sir.

The CHAIRMAN. If there are no questions, we thank you very much.

Mr. DUNN. Thank you.

The CHAIRMAN. Mr. Jackson, would you like to make a brief statement?

**STATEMENT OF ROBERT C. JACKSON, EXECUTIVE VICE PRESIDENT,
AMERICAN COTTON MANUFACTURERS INSTITUTE, WASHINGTON,
D.C.**

Mr. JACKSON. Mr. Chairman and members of the committee, my name is Robert C. Jackson and I am executive vice president of the American Cotton Manufacturers Institute and my office is in Washington on Connecticut Avenue.

Our organization is familiar with these agreements. We have had participants on the spot in Geneva and in Japan as the agreements were negotiated.

We think this legislation is a necessary part of this operation to bring it to a successful conclusion. And we hope very much that you will see fit to act favorably upon it.

The CHAIRMAN. Thank you very much.

Mr. McINTIRE. Mr. Chairman, I would like to make a request that we permit Mr. Sullivan to make an oral statement.

The CHAIRMAN. Very well, we shall be pleased to hear from you.

**STATEMENT OF WILLIAM F. SULLIVAN, PRESIDENT, NORTHERN
TEXTILE ASSOCIATION, BOSTON, MASS.**

Mr. SULLIVAN. Mr. Chairman and members of the committee, my name is William F. Sullivan and I am president of the Northern Textile Association, 80 Federal Street, Boston, Mass.

Our association represents textile mills primarily in the New England area. I would like to put the association on record as in favor of this amendment to section 204 and to subscribe to the statements made by Secretary Price and Mr. Jackson.

Thank you.

The CHAIRMAN. Thank you very much.

Mr. FINDLEY. May I ask one question?

The CHAIRMAN. Yes, sir.

Mr. FINDLEY. Do you anticipate as a result of the operations of this legislation that consumer prices will go up or down?

Mr. SULLIVAN. I would not think that it would affect the consumer prices, because it is holding the imports at the levels of fiscal year 1961. I think that the consumer prices in this country are affected largely by the severe competition among the American producers.

Mr. FINDLEY. In essence, in the absence of an agreement such as this, will you anticipate that the consumer prices would go down?

Mr. SULLIVAN. In the absence of an agreement like this I would anticipate that the imports of cotton textiles would continue to rise very rapidly as they did from 1957-58 to 1960 and would result in a closing of more mills which might result in an oversupply and depressed price selling, a loss of the domestic market, and increase the expense to the American cotton producer, and in the end a very significant deterioration in the American industry. What that would bring in the long run in destroying your own industry or seriously impairing your own domestic industry, to let the foreign imports do the pricing, I do not know. I suppose that there are economic

theories as to whether in the end the prices will control the market and what they will do with the pricing here. I could not say.

Mr. FINDLEY. Thank you.

Mr. QUIE. What was the amount of the increase in those 2 years—do you recall the figures—the percentage of increase?

Mr. SULLIVAN. Well, in 1956, when the first bilateral arrangement was worked out with Japan, under the authority of section 204, the imports of cotton textiles into this country were roughly—and we can give you the figures exactly; these are pretty close—roughly 250 million square yards of cotton textiles in the form of yarn, cloth, apparel, and other cotton products. By 1960 the imports from all sources exceeded 1 billion square yards of cotton textiles. So it had risen about four times.

Mr. HOEVEN. How much of that increase came from Japan?

Mr. SULLIVAN. They rose as a result of the modifications of the arrangement—their original quota was, I think, 235 million square yards; they came up to about 250 million square yards. Those figures can be checked exactly. By 1960, Hong Kong actually exceeded Japan as a source for cotton textile imports and had risen, if my recollection is correct, to about 278 million square yards. Next in line, I think, was Spain and Portugal. And there was a great number of countries that were sources of imports in excess of 1 billion square yards in 1960.

Mr. SHORT. How much in the way of cotton textiles does the United States export?

Mr. SULLIVAN. I am sorry I do not have the figures with me. The exports of cotton textiles, at the end of the war, were in the vicinity of 1.5 billion square yards, which, of course, was a substantial market. That has shrunk to under—I do not have the exact figures for 1961—but it was under $1\frac{1}{2}$ billion square yards; in other words, two-thirds of our exports in cotton textiles had been lost.

The balance in trade of dollars shifted from a favorable balance of trade to an unfavorable balance of trade. The shift came, I think, around 1958. Of course, it grew larger in 1959 and 1960.

Mr. SHORT. If we restrict—and I do not want to leave the impression that I am in opposition to this bill—the importations from some of these countries that have been exporting into the United States, are we not going to more or less force these countries to invade the markets the United States has had and further restrict our ability to export?

Mr. SULLIVAN. Well, those markets that were opened up to the Eastern producers were the countries which had restrictions. Our exports are largely to Canada and doubt if our exports would be considered disrupting the Canadian market.

Let me say this, that the decline—and this is just my personal opinion—in the U.S. export market for cotton textiles resulted from the buildup and growth of the cotton textile industry in these countries after the war. We enjoyed a substantial export market immediately following the war, but these countries rebuilt their own cotton textile industries. And with the lower costs which they have as the result of lower wages they were able in a competitive struggle to drive the U.S. cotton textiles out of many of those markets.

Mr. SHORT. This is a question that comes to some of our minds. Is this sort of thing going to reduce our ability to export cotton? I think the contention is that the cotton would be exported from the United States and processed in some other country and would come back, whereas if it were processed in this country it would provide work for our own domestic industry as against being processed in some foreign country and coming back to us. Is that right?

Mr. SULLIVAN. If you are talking about the possibility of exporting raw cotton I assume that so long as the American cotton is selling at the world price—and I do not pretend to be a raw cotton expert—American cotton is as good as any cotton grown, and if it is at the world price, these countries will continue to consume American raw cotton. There has been a decline in the export of cotton textiles from the United States which, as you know, is made with American cotton, because of processing costs. The manufacturing costs in this country run higher than they do in Hong Kong or in Japan or in Pakistan, for one simple reason: That our wages are 10 times those in Japan and in these other countries. The cotton textile industry is more or less a labor oriented industry.

The CHAIRMAN. Are there any further questions?

Mr. HAGEN of California. Do we not have a similar problem with synthetic fibers that compete with cotton and is it not true that they must be solved together if we are to prevent further damage to cotton?

Mr. SULLIVAN. I think that we do have the same problem. The President's textile program of May 2, 1961, concerned itself with the total textile picture. As Congressman McIntire mentioned, the same problem exists for wool. And the administration, as Secretary Price has said, is actively considering that matter now. And in the letter from the President to Mr. Vinson he said that he would be asking the department involved to implement the program for all of the farmers, so that the answer is that we do have that problem in all of them.

Mr. HAGEN of California. In other words, foreign importers could totally defeat this program by opening up with increased exportation of synthetics into the United States.

Mr. SULLIVAN. I think that is correct.

The CHAIRMAN. Are there any further questions? If not, we will ask you to excuse yourselves, and we will go into executive session.

(Whereupon, at 11:45 a.m., the committee proceeded into executive session.)



