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C82/49 REDUCTION OF EXTRA-LONG STAPLE COTTON QUOTA

GOVERNMENT

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HEARINGS
BEFORE THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
NINETIETH CONGRESS

FIRST SESSION

ON

H.R. 10915

JULY 12 AND 13, 1967

Serial P

Printed for the use of the Committee on Agriculture

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CONTENTS

	Page
H.R. 10915, a bill to amend section 202 of the Agricultural Act of 1956-- Statement of--	1
Cabell, Hon. Earle, a Representative in Congress from the State of Texas-----	51
Ceresole, Paul, vice president, Cotton Importers Association, Inc-----	61
Clausen, Hon. Don H., a Representative in Congress from the State of California-----	25
Enke, Fred, president, Arizona Cotton Growers Association-----	49
Francis, J. S., Jr., president, SuPima Association of America-----	43
Graham, Harry L., legislative representative, National Grange-----	60
Kleppe, Hon. Thomas S., a Representative in Congress from the State of North Dakota-----	24
Letts, Jose, representing the Cotton Growers Association of Piura, Peru-----	35
Lowenstein, Frank, staff economist, Office of the Secretary of Agricul- ture-----	27
Morris, Hon. Thomas G., and Hon. E. S. Johnny Walker, Representa- tives in Congress from the State of New Mexico-----	47
Qualiey, John P., general sales manager, South Carolina Ports Authority-----	55
Ray, C. B., executive vice president, El Paso Valley Cotton Associa- tion-----	25
Reinecke, Hon. Ed, a Representative in Congress from the State of California-----	74
Rhodes, Hon. John J., a Representative in Congress from the State of Arizona-----	72
Rostow, Eugene V., Under Secretary of State for Political Affairs, Department of State-----	4
Smith, Hon. James V., a Representative in Congress from the State of Oklahoma-----	73
Steiger, Hon. Sam, a Representative in Congress from the State of Arizona-----	26
Walker, Hon. E. S. Johnny, and Hon. Thomas G. Morris, Representa- tives in Congress from the State of New Mexico-----	47
White, Hon. Richard C., a Representative in Congress from the State of Texas-----	48
Wooten, Don, president, West Texas Chamber of Commerce-----	23
Correspondence submitted to the subcommittee:	
Freeman, Hon. Orville L., Secretary of Agriculture, letter of July 11, 1967, report of H.R. 10915-----	2
Johnson, Reuben L., director of legislative services, National Farmers Union, telegram of July 12, 1967-----	24
Macomber, William B., Jr., Assistant Secretary for Congressional Relations, Department of State, letter of July 11, 1967, report on H.R. 10915-----	3
Seabrook, Lewis G., president, Maritime Association of the Port of Charleston, letter of July 12, 1967-----	56

CONTENTS

1	H. R. 10015, a bill to amend section 202 of the Agricultural Act of 1956
2	Statement of
3	Carlton Hon. Frank A. Hoff, Secretary of the National
4	Association of
5	California
6	James L. Hoff, President of the National Association of
7	California
8	James L. Hoff, President of the National Association of
9	California
10	James L. Hoff, President of the National Association of
11	California
12	James L. Hoff, President of the National Association of
13	California
14	James L. Hoff, President of the National Association of
15	California
16	James L. Hoff, President of the National Association of
17	California
18	James L. Hoff, President of the National Association of
19	California
20	James L. Hoff, President of the National Association of
21	California
22	James L. Hoff, President of the National Association of
23	California
24	James L. Hoff, President of the National Association of
25	California
26	James L. Hoff, President of the National Association of
27	California
28	James L. Hoff, President of the National Association of
29	California
30	James L. Hoff, President of the National Association of
31	California
32	James L. Hoff, President of the National Association of
33	California
34	James L. Hoff, President of the National Association of
35	California
36	James L. Hoff, President of the National Association of
37	California
38	James L. Hoff, President of the National Association of
39	California
40	James L. Hoff, President of the National Association of
41	California
42	James L. Hoff, President of the National Association of
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46	James L. Hoff, President of the National Association of
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48	James L. Hoff, President of the National Association of
49	California
50	James L. Hoff, President of the National Association of
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54	James L. Hoff, President of the National Association of
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75	California
76	James L. Hoff, President of the National Association of
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78	James L. Hoff, President of the National Association of
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82	James L. Hoff, President of the National Association of
83	California
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86	James L. Hoff, President of the National Association of
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91	California
92	James L. Hoff, President of the National Association of
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94	James L. Hoff, President of the National Association of
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96	James L. Hoff, President of the National Association of
97	California
98	James L. Hoff, President of the National Association of
99	California
100	James L. Hoff, President of the National Association of

REDUCTION OF EXTRA-LONG STAPLE COTTON QUOTA

WEDNESDAY, JULY 12, 1967

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

The committee met, pursuant to notice, at 11:40 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, Abernethy, Jones of Missouri, Stubblefield, Foley, de la Garza, Vigorito, Jones of North Carolina, Nichols, Montgomery, Belcher, Teague of California, Mrs. May, Dole, Hansen, Wampler, Miller, Burke, Mathias, Mayne, Zwach, Kleppe, and Price.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant counsel; Francis LeMay, consultant; and Fowler C. West, assistant staff consultant.

The CHAIRMAN. The committee will come to order.

Our first witness is the Honorable Eugene Rostow, Under Secretary of State for Political Affairs, who is here on H.R. 10915 presently before us.

(H.R. 10915, jointly sponsored by Mr. Poage, Mr. Morris, Mr. Price of Texas, Mr. Teague of Texas, Mr. de la Garza, Mr. Mahon, Mr. Sisk, Mr. Roberts, Mr. Abbitt, Mr. Belcher, Mr. Cabell, Mr. Steiger of Arizona, Mr. White, Mr. Walker, Mr. Quie, Mr. Andrews of Alabama, Mr. Jones of Missouri, Mr. Jones of North Carolina, Mr. Brasco, Mr. Udall, Mr. Rhodes of Arizona, Mr. Don H. Clausen, Mr. Reinecke, Mr. Teague of California, and Mr. Burleson, and the reports of the Departments of State and Agriculture follow:)

[H.R. 10915, 90th Cong., first sess.]

A BILL To amend section 202 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 202 of the Agricultural Act of 1956 is amended by adding at the end thereof the following new subsection:

“(c) Notwithstanding any other provision of law, raw, semiprocessed, or processed extra long staple cotton, as described in section 347(a) of the Agricultural Adjustment Act of 1938, as amended, which is the product of a country which has severed diplomatic relations with the United States during the one-year period ending on the date of the enactment of this legislation shall not constitute any portion of the quota of such extra long staple cotton set forth in subsection (a) of this section and such quota shall be reduced by the amount of extra long staple cotton received from any such country during the 1964-1965 quota year. Notwithstanding any other provision of law, the Secretary shall give domestic producers the opportunity to produce an amount of such extra long staple cotton equal to any reduction in supply which may result from the enactment of this subsection.”

DEPARTMENT OF AGRICULTURE,
OFFICE OF SECRETARY,
Washington, July 11, 1967.

Hon. W. R. POAGE,
*Chairman, Committee on Agriculture,
House of Representatives.*

DEAR MR. CHAIRMAN: Thank you for the opportunity afforded by your letter of June 20, 1967, to comment on H.R. 10915, a bill "to amend Section 202 of the Agricultural Act of 1956". This report states the position of this department.

The bill applies to extra long staple cotton, for which a global import quota has been established pursuant to Section 22 of the Agricultural Adjustment Act of 1933, as amended. Major suppliers are Peru, the Sudan, and the United Arab Republic (UAR) (see attached table).

Although neither country is mentioned by name, the bill would have the practical effect of prohibiting future imports from the Sudan and the UAR. It would also reduce the global import quota by the quantity of extra long staple cotton imported from these two sources during the 1964-65 quota year. Since imports from Peru in 1964-65 were at their lowest level in the ten-year period ending in 1967, and imports from the UAR were at the highest level, use of this base period would penalize Peru as well as the Sudan and the UAR.

It is regrettable that the governments of the Sudan and the UAR severed diplomatic relations with the Government of the United States. It is our hope that reason will prevail and bring with it the early reestablishment of diplomatic relations. This hope could be frustrated by the enactment of H.R. 10915 which would be an inappropriate response on our part. H.R. 10915 makes no provision for re-establishing the import quota once diplomatic relations are restored. The bill thus constitutes a permanent reaction to what we hope will be a temporary situation.

In 1962 the UAR, with the support of the United States, acceded provisionally to the General Agreement on Tariffs and Trade (GATT). The rights and obligations of GATT contracting parties are not linked to the existence of diplomatic relations between such parties. Contracting parties' obligations can be waived by a two-thirds vote of the contracting parties, but it is not likely that the United States could obtain a waiver to discriminate against the UAR. Since enactment of H.R. 10915 would contravene our commitment under the GATT to administer quantitative restrictions in a nondiscriminatory manner, it would trouble many friendly countries not otherwise directly concerned.

Under the GATT, the UAR would be entitled to compensation for injury to its trade interests resulting from the enactment of H.R. 10915. In this connection, it may be noted that the United States has a favorable balance of trade with the UAR and the Sudan. In 1966 our exports to these two countries amounted to \$202.9 million, imports to only \$24.2 million. United States' private investment in the area also is extensive. We believe very strongly that normal commercial trade with the Sudan and the UAR should continue and that no action be taken by the United States to aggravate the present situation.

Section 22 has been justified and administered on the basis of agricultural and economic considerations alone. We believe that the law should continue to be administered in this manner and not be amended according to the vicissitudes of the international political situation.

H.R. 10915 provides that domestic producers shall be given the opportunity to produce a quantity of extra long staple cotton equal to any reduction in imports that may result from its investment. The reduction would amount to almost 70,000 bales or close to 85 percent of the import quota for extra long staple cotton. If national policy is to be revised so as to reserve this portion of the market for American farmers, this determination should be made only after the most careful consideration of the broad implications involved.

For these reasons, this Department believes that H.R. 10915 should not be enacted into law.

The Bureau of Budget advises that from the standpoint of the Administration's program, there is no objection to the submission of this report.

Sincerely yours,

ORVILLE L. FREEMAN.

EXTRA-LONG-STAPLE COTTON, U.S. IMPORTS BY COUNTRY, CROP YEAR 1956-57 TO DATE

[Bales]¹

Year beginning August	Peru	United Arab Republic	Sudan	Other	Total
1956-57	8,058	82,192	2,565	258	93,073
1957-58	14,366	30,233	19	0	44,618
1958-59	25,932	57,984	545	1,017	85,478
1959-60	14,872	66,878	1,409	4	83,163
1960-61	17,311	68,385	33	13	85,742
1961-62	21,475	62,670	26	25	84,196
1962-63	23,195	57,589	1,632	0	82,416
1963-64	34,447	46,051	4	0	80,502
1964-65	13,097	69,430	153	0	82,680
1965-66	42,546	44,898	184	0	87,628
1966-67 ²	22,322	35,844	990	249	59,405

¹ 500-lb. gross weight.² August-April.

DEPARTMENT OF STATE,
Washington, July 11, 1967.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR MR. CHAIRMAN: Thank you for the opportunity afforded by your letter of June 20, 1967, addressed to the Secretary of State, to comment on H.R. 10915, a bill "to amend Section 202 of the Agricultural Act of 1956".

The bill applies to extra long staple cotton, for which a global import quota has been established pursuant to Section 22 of the Agricultural Adjustment Act of 1933, as amended. Major suppliers are Peru, the Sudan, and the United Arab Republic (see attached table).

Although neither country is mentioned by name, the bill would have the practical effect of prohibiting future imports from the Sudan and the UAR. It also would reduce the global import quota by the quantity of extra long staple cotton imported from these two sources during the 1964-65 quota year. Since imports from Peru in 1964-65 were at the lowest level in the ten year period ending in 1967, and imports from the UAR were at the highest level, use of this base period would penalize Peru as well as the Sudan and the UAR.

It is regrettable that the governments of the Sudan and the UAR severed diplomatic relations with the Government of the United States. It is our hope that reason will prevail and bring with it the early re-establishment of diplomatic relations. This hope could be frustrated by the enactment of H.R. 10915, which would be an inappropriate response on our part. H.R. 10915 makes no provision for re-establishing the import quota, once diplomatic relations are restored. The bill thus constitutes a permanent reaction to what we hope will be a temporary situation.

In 1962 the UAR, with the support of the United States, acceded provisionally to the General Agreement on Tariffs and Trade (GATT). The rights and obligations of GATT contracting parties are not linked to the existence of diplomatic relations between such parties. Contracting parties' obligations can be waived by a two-thirds vote of the contracting parties, but it is not likely that the United States could obtain a waiver to discriminate against the UAR. Since enactment of H.R. 10915 would contravene our commitment under the GATT to administer quantitative restrictions in a non-discriminatory manner, it would trouble many friendly countries not otherwise directly concerned.

Under the GATT, the UAR would be entitled to compensation for injury to its trade interests resulting from the enactment of HR 10915. In this connection, it may be noted that the United States has a favorable balance of trade with the UAR and the Sudan. In 1966 our exports to these two countries amounted to \$202.9 million, imports to only \$24.2 million. United States private investment in the area also is extensive. We believe very strongly that normal commercial trade with the Sudan and the UAR should continue and that no action be taken by the United States to aggravate the present situation.

Section 22 has been justified and administered on the basis of agricultural and economic considerations alone. We believe that the law should continue to be administered in this manner and not be amended according to the vicissitudes of the international political situation.

HR 10915 provides that domestic producers shall be given the opportunity to produce a quantity of extra long staple cotton equal to any reduction in imports that may result from its enactment. The reduction would amount to almost 70,000 bales, or close to 85 percent of the import quota for extra long staple cotton. If national policy is to be revised so as to reserve this portion of the market for American farmers, this determination should be made only after the most careful consideration of the broad implications involved.

For these reasons, we believe that HR 10915 should not be enacted into law.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

Sincerely

WILLIAM B. MACOMBER, Jr.,
Assistant Secretary for Congressional Relations.

Attachment: Table on Extra-Long Staple Cotton.

EXTRA-LONG-STAPLE COTTON—U.S. IMPORTS BY COUNTRY AUGUST—JULY 1956-66 AND AUGUST-APRIL 1966-67

[In 500-pound gross weight bales]

Country	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67 Aug.-Apr.
Peru	8,058	14,366	25,932	14,872	17,311	21,475	23,195	34,447	13,097	42,546	22,322
United Arab Republic.....	82,192	30,233	57,984	66,878	68,385	62,670	57,589	46,051	69,430	44,898	35,844
Sudan.....	2,565	19	545	1,409	33	26	1,632	4	153	184	990
Other.....	258	0	1,017	4	13	25	0	0	0	0	249
Total.....	93,073	44,618	85,478	83,163	85,742	84,196	82,416	80,502	82,680	87,628	59,405

The CHAIRMAN. We will be glad to hear from you now, Mr. Rostow, but, first, please let me state that the Chair wants to state publicly that he thinks this legislation is good legislation—although I know that Mr. Rostow is not for it, I have not talked with him, but I do not imagine he is for it. It is legislation which I think is long overdue; however, I want to point out that the original idea came from Mr. Morris, of New Mexico, it being at his suggestion that the Chair introduces it at this time.

STATEMENT OF EUGENE V. ROSTOW, UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS, DEPARTMENT OF STATE

Mr. ROSTOW. Mr. Chairman and members of the committee, I am glad to be back before this constructive committee whose outstanding leadership in the food-for-freedom program has been so notable. I appreciate the patriotic feelings which led the Congressmen, Mr. Morris and yourself, Mr. Chairman, to propose this bill. Indeed, I share those feelings; but I regret, however, that on reflection and with the greatest respect at this time, that I have to dissent from your views.

As you know, the State Department has submitted its comments on the proposed legislation which would close the U.S. market to extra long staple cotton exports from any country which severed diplomatic relations with us.

In my remarks this morning, I should like to enlarge somewhat upon the material contained in that letter.

H.R. 10915 raises two issues of foreign policy:

First, is it a sound way to deal with our problems in the Middle East, where the Sudan and the United Arab Republic have chosen for the moment to break diplomatic relations with us?

And, secondly, is it consistent with our trade policy, and our obligations to other countries in the field of international commerce?

H.R. 10915 is predicated on the assumption that the absence of diplomatic relations is alone sufficient justification for the severance of trade relations. But historically this has not been the case in the conduct of U.S. foreign trade policy. The United States traded with the Soviet Union long before diplomatic relations were established between the two Governments. In fact, whenever a government comes to power which we do not recognize immediately, there is a temporary lapse in diplomatic relations; but we normally continue trade as before.

At the present time, there are five countries with which the United States neither trades nor enjoys diplomatic relations. In each case there are important specific circumstances that do not apply, even remotely, to the United Arab Republic or the Sudan.

These five are:

North Vietnam, which is conducting aggressive warfare against a friendly allied state and is engaging our Armed Forces in combat.

North Korea, which waged aggressive warfare against the U.N. and still faces U.N. forces, including American contingents, across a hostile frontier;

Communist China, condemned by the U.N. as an aggressor in 1951;

Albania, the European outpost of Mao's China; and

Castro's Cuba, against which the OAS has imposed a trade embargo except for items of mercy.

So, you see, a break in diplomatic relations does not and should not lead automatically to disruption of commerce. Each case is different, and should be examined on its own merits as a matter of policy.

This particular case—involving our imports of long staple cotton—raises important issues of policy concerning the future of our relations with all the states in the Middle East which have chosen to break diplomatic relations with us in the wake of the recent hostilities between Israel and its neighbors. Only the United Arab Republic and Sudan export long-staple cotton to the United States. But what we do in this instance will be closely watched by all the countries of the Middle East and north Africa as a signal of our policy. If we take economic reprisals against two of those countries with regard to one commodity, it will be assumed that we are embarking on a general policy of economic warfare against all of them.

Is it in the interest of the United States to start down this road?

I submit that such a course would be contrary to our interests.

The United Arab Republic and other nations of the Middle East and north Africa broke diplomatic relations with the United States on the basis of false charges that British and American planes participated in those hostilities, and that we and the British had given Israel military assistance in other ways as well. These allegations have no foundation in fact. Indeed, we can say they are known to be false. It is significant in this connection that no country making these accusations against us has taken up our offer and of the British Government to examine the records, and investigate the facts.

In the Middle Eastern crisis, we have pursued an evenhanded course in behalf of our own strong national interest in peace and stability in the area. We have opposed acts of hostility, and acts likely to lead to war—the infiltration of terrorists, the closing of the Strait of Tiran, the menace of mobilization, the massive supply of arms to certain countries. We did everything in our power to find a peaceful solution of the crisis before the fighting broke out. When the crisis exploded into battle, early in June, we bent every effort to obtain a cease-fire, and then to move toward a more durable peace. That course is in the equal interest of Israel and of its neighbors. The survival in the Middle East of the claim that some countries are in a perpetual state of war with Israel, and have rights of belligerency against Israel, has become a burden to world peace. All our energies are devoted to finding the basis for a just and durable peace in the Middle East, a peace which rests on respect for the territorial integrity and political independence of all the states in the area, justice for the refugees, a status for Jerusalem which protects the deep religious interests of the whole world in that universal city, the assurance of maritime rights, and an end of the arms race.

As we move toward peace in the area, we hope that diplomatic relations will be restored with the countries which have broken their ties with us. We regret their decision. Diplomatic relations are needed particularly in times of strain, when the risk is great that misunderstanding can escalate into hostility. We have strong ties of friendship, of interest, and of respect with all the peoples of the Middle East and north Africa. We wish to do nothing at this stage which would make the restoration of normal relations more difficult when conditions evolve sufficiently to permit that step.

Taking the ramifications of such a step as this bill, H.R. 10915, into account, we can see no useful purpose to be served by preventing the United Arab Republic and Sudan from keeping their historic share in our long staple cotton quota. Cutting one of the oldest commercial ties between Egypt and the United States would add an additional obstacle to the many which will have to be removed before normal relations can be restored between the United States and the Government of the United Arab Republic. We do not believe it is in the interest of the United States to make that high wall higher still.

The Governments of the United Arab Republic and of Sudan face difficult decisions, as they begin to face the realities of their situation. We believe they and all the other governments of the area should know that the door to friendly and peaceful relations with the United States is always open, if they wish to take the indispensable steps toward peaceful cooperation.

The economic sanctions that have been applied by Arabs in terms of oil exports and by Egypt in the closing of the Suez Canal have had comparatively little effect on the United States. The burdens of these sanctions have fallen in major proportion on the Arabs themselves. With this fact becoming more apparent with each passing day, it is questionable whether the United States would gain by imposing a sanction now against Egypt. Such a move on our part would seem to play into the hands of those who are seeking to widen the breach between the Middle Eastern countries and the United States, and, indeed, to take positions of control in the internal affairs of the United Arab Republic, Syria, and Algeria.

H.R. 10915 would not only damage relations with the United Arab Republic and the Sudan, it would also have the undesirable side effect of penalizing Peru, the other major exporter of extra-long staple cotton. The adverse effect on Peru follows from the terms of the legislation establishing extra-long staple cotton import quotas. Annual import quotas are established pursuant to section 22 of the Agricultural Adjustment Act of 1933. These quotas are global; unlike the case of sugar, subquotas are not established for each supplying country. Thus, there is open competition for the limited market available. Because of this, and because extra-long staple cotton is an agricultural commodity subject to the vicissitudes of nature, the share of the imports actually received from each supplier varies widely from year to year. H.R. 10915, the bill before us, uses, as the base year from which to calculate future import quotas 1964-65, a year when imports from United Arab Republic and the Sudan were at a 10-year high.

Imports from Peru in that year were only 15 percent of the total, a 10-year low. In 1964-65 Peru supplied only about 13,000 bales; in 1965-66 Peru supplied nearly half our imports, over 42,000 bales. Average imports from Peru over the past 5 years were about 27,000 bales annually. H.R. 10915 would therefore represent a gross inequity toward our friendly neighbor to the south, for which cotton is a most important export crop.

Peru has a long history of supplying the United States with long staple cotton. During the Second World War, there was an urgent need for long staple cotton for strategic purposes, we were obliged to look to Peru to satisfy our increased requirements. The bilateral agreement with Peru of 1942 provided that that country would maximize its production of long staple cotton to meet our needs. In light of this history, legislative action reducing Peru's cotton export market in the United States at a time when Peru's fishmeal and sugar industries are both depressed, and it is facing serious balance-of-payment problems, would be most unfortunate indeed.

Passage of H.R. 10915 would also conflict with our commitments under the Alliance for Progress.

In the protocol to the charter of the Organization of American States all members agreed to "individual and united efforts to bring about a reduction or elimination of tariff and nontariff barriers that affect the exports of the members of the Organization."

This commitment has received the support of the U.S. Government at the highest level. And at the meeting of Presidents of the Organization of American States countries in April of this year, President Johnson subscribed to the declaration recommending action to "insure compliance with international commitments to refrain from introducing or increasing tariff and nontariff barriers that affect exports of developing countries, taking into account the interests of Latin America."

There can be no doubt that passage of this bill would be considered a violation of this pledge.

Its enactment would also do damage to our foreign economic policy interests. The obvious initial impact of H.R. 10915 would be a reduction in our imports of extra-long-staple cotton. However, its potential adverse effect on our exports and foreign investments should not be

overlooked. Trade is a two-way street; and a country can hardly be expected to maintain purchases from us if we refuse to buy from it.

It would be difficult to quantify the indirect adverse trade effects of H.R. 10915 because we do not know exactly how the Sudan, the United Arab Republic, and their friends would react. What we do know is that in 1966 our exports to the United Arab Republic and the Sudan totaled \$202.9 million while our imports from the same two countries were valued at only \$24.2 million, leaving a net balance of trade in our favor of \$178.7 million.

Out of the \$202.9 million of American exports, only \$5.4 million represented donations, while \$75.6 million, or three times the value of our imports from these two countries, were commercial, privately financed transactions. Of the remaining \$121.9 million of exports financed through CCC or under Public Law 480, \$73.3 million is repayable in dollars and \$43.2 million is returnable to us under the local currency provision in the form of goods and services for which we otherwise might have to expend foreign exchange. As the committee knows, our Public Law 480 program to Egypt terminated at the end of June 1966.

The bill before us would also contravene our commitments, under the General Agreement on Tariffs and Trade, a commitment which requires us to administer quantitative restrictions in a nondiscriminatory manner.

In 1962, the United Arab Republic, with the support of the United States, acceded provisionally to the General Agreement on Tariffs and Trade (GATT). The rights and obligations of GATT contracting parties are not linked to the existence of diplomatic relations between such parties. Contracting parties' obligations can be waived by a two-thirds vote of the contracting parties, but it is not likely that the United States could obtain a waiver in order to discriminate against the United Arab Republic and Sudan. Egypt thus would be entitled to claim compensation for injury to their trade that stemmed from the enactment and administration of the bill. Since H.R. 10915 conflicts with both the most-favored-nation clause and the nondiscrimination provisions of the GATT, its enactment would concern all friendly countries that look to the United States to honor its international commitments.

We must recognize, Mr. Chairman, that section 22 quotas are not a concession on the part of the United States but rather a concession on the part of the parties to GATT which we are obligated, under the GATT agreement, not to reduce. Our general commitments under GATT are to abstain from quantitative restrictions. Other contracting parties have given us a waiver from this general commitment for the specific purpose of permitting a rational administration of the law.

This bill is troublesome for still another reason. Its enactment would represent, so far as I know, the first instance in which the U.S. Government permitted international political developments to interfere with the consistent and judicious administration of section 22. The Department believes that this section of the law should continue to be administered on the basis of agricultural and economic considerations alone, without arbitrary amendment of the formula used successfully for so long in establishing the import quotas for extra-long staple cotton.

Mr. Chairman, I should be happy to answer any questions that the committee may have.

The Chairman. Thank you very much, Mr. Rostow. I think that your statement clearly draws the line between the thinking of many members of this committee, and many members of the State Department.

I take it that your statement intends to convey the idea that your primary interest was that of our relations with foreign nations. I recognize that that is your obligation. I never criticize an agency of the Government for looking after its own interests.

This committee, however, has a primary responsibility to agriculture of the United States; and I feel that we have a greater responsibility in that field than we do in the international field, and I hope that we have a little more knowledge in the agricultural field. I do not propose to set myself up as knowing the international aspect of this, except it seems to me that the best way to get people to help the United States is to help those who work with the United States. I believe that people the world over react like people do in the United States. I believe that if people find it is not a profitable undertaking to break relations with us, that there will be less likelihood of it happening in the future. I feel that if people find that it does not pay to lie about the United States that it is a rather costly exercise or practice there will be less misrepresentations of us in the future.

But that is, however, just my view.

Apparently, the Department feels otherwise. They appear to feel that we ought not to punish anybody but ought to continue to hold out the carrot. I can agree that there are times when you can use the carrot, but I also believe that you have to use the stick, and I believe, from the standpoint of diplomacy, you have not been using the stick enough. Certainly there are people who are accustomed to its use and understand it a little better than they understand the carrot which you propose to give them.

But, altogether apart from that, I have felt that ever since I have known anything about this law that it was a ridiculous piece of legislation. To give Egypt a large share of the long-staple-cotton market of the United States when we should grow it ourselves doesn't make much sense to me.

It seems to me that we ought to encourage the American farmer who has had a hard enough time to live and who, I think, is not as responsible for his problem as is Egypt and the Sudan are for their present plight. I think we need to give our own people some consideration. I think our farmers have been entitled to this market for the past 20 years, but we never did have the votes to correct the situation. I think we have got the votes today, and for that reason we introduce this bill, not simply to punish Egypt or to punish the Sudan, although I think it is fair from both standpoints and that it is time for some show of disapproval of their actions. I would have introduced it anytime in the last 20 years if I had thought there was a chance to pass it. I think you have had the whip hand up to now. I do not think you have got it now. I think that we will rectify a wrong that we have been doing for a long time.

With relation to long-staple cotton, the American producer has had to reduce his production from 161,000 down to 60,000. We have been giving Egypt more than we have been giving our own farmers. It just does not appeal to me.

You point out, Mr. Rostow—and I think very appropriately—that this may violate some commitments. I do not know. Again, I am not up on these things, but as to domestic law, I have always understood that if I had a contract with Paul Jones, of Missouri, and he violated that contract that released my obligations under the contract to him.

I understood that these people had committed themselves to such a proposition in their contracts that they made with the United States and that part of the consideration of the United States was that they were to keep the canal open, and if they violate that it seems to me that we are perfectly free to change the rules as to long-staple cotton.

Maybe Sudan has not come under that part of it. We have no desire to work a hardship on anybody who has not violated their agreements with us. You are suggesting that we ought to let Sudan bring in their cotton to the United States, and I think we could properly talk about that, but to say that we are under some kind of moral or legal obligation to buy this stuff from Egypt I just do not see, nor am I impressed with these figures that you quoted which were given by the Department of Agriculture also to the effect that we have been selling \$200 million worth of goods to Egypt, of which more than half was, in effect, a gift. Are we going to be charged up with the fact that we gave them something, and, therefore, because we gave them something we ought to buy something from them.

Now, I cannot follow that logic either.

The fact that I gave my neighbor something does not mean that I have an obligation to go and buy from him that which he has in competition to my own production. And yet it seems to me that that is the argument which is presented here.

I know that you said, and correctly, that the Public Law 480 agreements call for substantial repayment in dollars, and, if I recall correctly, I read in the newspapers that even before this recent outbreak over there, that there was a man by the name of Nasser who made public statements to the effect that he never intended to pay the United States unless we gave him something more—did he not make those kinds of statements?

Mr. ROSTOW. Yes; he did.

The CHAIRMAN. Has not the Egyptian Government stated that? Is he not the man who makes statements for the Egyptian Government? Do we not have a right to take him at his word? If he is repudiating his obligations to the United States, then is it really proper for you and the State Department to come up here and tell us in the Congress that we should continue to give him an advantage when the very man who is the head of that Government has already said that he would not pay us a dime unless we gave him something more? Is that not the position that Mr. Nasser took, that is, before the Israeli war? Did he not say, in effect, "Unless you give us more under Public Law 480, I will not pay you a dime for what we got?"

Mr. ROSTOW. Would you like me to answer?

The CHAIRMAN. Yes. Was that not his statement, and is he not the head of the Egyptian Government?

Mr. Rostow. There was, in fact, such a speech, Mr. Chairman, but at the same time we were negotiating with the Egyptian representatives both directly and through the IMF and we had expectations, before the Middle East situation exploded in our faces, that an arrangement for the rescheduling of the repayment of the Egyptian debts would be reached. There was considerable progress right up to the eve of the war, and we were told that Nasser's statement was in the form of hyperbole and did not fully represent the position that the Government was taking.

The CHAIRMAN. Mr. Rostow, I owe the bank some money back home. Fortunately, I have been able to keep the notes current, but suppose that I did get behind with my payments on my notes and I would walk into the bank in Waco and I would say to the president of the bank, "Unless you make some more loans, I am not going to pay a dime on what I now owe you." Do you think that I would get the additional loans? Do you not think that he would foreclose on what security he has?

Mr. Rostow. Right now, Mr. Chairman, we are talking about our long-term relations with the Egyptian people and the governments that represent them and not necessarily with the particular man in a particular mood or at a particular time.

You commented on carrots earlier in your remarks. I think that we have taken an extremely strong stand in these diplomatic negotiations regarding U.S. Government's position on the resolution of this crisis, a position which is regarded as very strong and very powerful although quite conciliatory. We are not trying to impose small penalties, however much we resent the use of lies by Nasser in connection with the recent events. Instead we are moving heaven and earth to try to get the situation to a basis of peace on a firmer and more durable basis than any that has existed there for 20 years. We think that our posture is one of very great strength and consistency, and we do not think that it will be fortified or advanced by taking the kind of punitive action called for in H.R. 10915 at this time.

You commented also about our contractual obligations. I am sorry that I did not make this point clearer in my testimony. I am not talking about a contractual obligation with Egypt which Egypt has violated, perhaps, by closing the canal. I am talking about our general obligations under the GATT agreement which is an obligation that runs to all of the countries of the world. That is a multilateral international obligation for which Egypt can claim the benefit in this case, as well as the Sudan and Peru. But it is much broader than a simple contract between ourselves and the Egyptian Government.

The CHAIRMAN. Do we understand that, as to the GATT agreement, it takes away from the Congress all powers and that it has placed its powers of making these decisions in the hands of the State Department without leaving any opportunity, on the part of the legislative branch of the Government, to pass legislation as to our domestic affairs in the United States?

Has GATT taken away from us the control over those matters?

Mr. Rostow. Not at all, Mr. Chairman. Our constitutional doctrine is very clear that the Congress can legislate even in a way that is inconsistent with a treaty if it wishes to do so. My point was only that under the GATT this kind of legislative action might give rise to claims for compensation as well as retaliatory action on the part of the state concerned.

The CHAIRMAN. I understood that the GATT provided that we could not put quantitative restrictions on imports.

Mr. ROSTOW. Not without a waiver, yes.

The CHAIRMAN. Without—what?

Mr. ROSTOW. Without a waiver by the other members.

The CHAIRMAN. Why, of course, but I did not understand that there was not a provision that we could not put a nondiscriminatory limitation on them.

Mr. ROSTOW. Such an action could give rise to compensation claims.

The CHAIRMAN. All right, it could provided they are discriminatory; it could not if they are not discriminatory.

We come to the question that if we say we are going to quit doing business with anybody anywhere who breaks relations with us that that within itself is discriminatory.

Mr. ROSTOW. Yes, sir.

The CHAIRMAN. Are we not treating everybody alike?

Are we not saying that if you break relations with us, we will not import from you?

Are we not saying the same thing about any nation in the world?

How are we discriminating?

The other party makes the discrimination. If he wants to break relations with us, then he puts himself in a category which we did not put him in. We did not put Egypt in that category; we did not break relations.

Mr. ROSTOW. Well, these obligations under the GATT are independent of whether the countries have diplomatic relations or not.

The CHAIRMAN. I understand. I understand that, but if we apply the same restrictions to everybody—maybe I am wrong on this, but I thought I understood that the GATT did not prohibit the putting of limitations that are nondiscriminatory in character?

Mr. ROSTOW. No, because, as I understand the GATT provisions, there is a general prohibition against all quantitative restrictions which can only be dealt with by a waiver passed by a two-thirds vote.

The CHAIRMAN. It does not make any difference whether it is discriminatory or not? That is what you are saying now?

Mr. ROSTOW. The quantitative restrictions have to be passed by a two-thirds vote.

The proposed legislative action might give rise to a compensation claim even if it were not discriminatory. Taking away an advantage which a country has been granted under a quantitative arrangement waiver passed by a two-thirds vote might itself give rise to a claim for compensation.

The CHAIRMAN. Then, have you not, in effect, taken away from the Congress the right to control the domestic sale of domestic crops?

Mr. ROSTOW. No.

The CHAIRMAN. I would like to have you elaborate on that.

I do not understand that. You tell us you are leaving the power in the hands of the Congress. I want to exercise it. I want to know how to exercise it.

Mr. ROSTOW. Congress could exercise its lawful power but it would have to understand that this exercise of power might give rise to a claim for compensation under a valid international agreement of the United States.

The CHAIRMAN. You mean then that the Congress could exercise its power but the United States would be penalized and that we would have to pay for exercising it?

Mr. ROSTOW. That is right.

The CHAIRMAN. It seems to me that you have circumscribed the power of Congress by that.

Mr. ROSTOW. That is true, in general, with a great many international agreements and obligations.

The CHAIRMAN. In other words, you have taken the power away from us?

Mr. ROSTOW. The agreements put a certain penalty on the exercise of the power.

The CHAIRMAN. So that, essentially, you have destroyed the power of the Congress to act.

All I am trying to clarify is your bald statement that states "No, we are not interfering with the rights of the Congress; we are not limiting the powers of the Congress," but you are limiting it to the extent that it will cost the taxpayers money if we exercise those powers, and for practical purposes, you have limited the powers of the Congress, and it does not seem to me to be fair to come up here and make these bald statements, in the headlines, that "we have not curtailed the powers of Congress," when in fact and in truth you have.

Mr. ROSTOW. Well, the agreements certainly do, Mr. Chairman, create international obligations for the United States, and this is true for all kinds of agreements.

The CHAIRMAN. I am afraid it is; I am afraid it is.

Mr. ROSTOW. There is no doubt about that. They do not, however, as a matter of constitutional law restrict the power of the Congress to pass legislation which is inconsistent with those treaties or other international agreements. That is also true.

The CHAIRMAN. Now, that raises the next question, then.

I do not know international law. I know some domestic law.

My recollection is that, in a private operation, I am denied the right to break an agreement with somebody without a penalty.

And under domestic law if I cannot prove that wrong—I have suffered injury—then I cannot recover anything.

There are only three countries—there may be another one, but only three countries that have sold us any appreciable amount of long-staple cotton for a great many years who can claim to have lost anything, who could have any standing in court—I am not talking about Peru. But would Canada have any standing in an international court? Canada is a member of GATT. Could they come in and claim damages from the United States?

Mr. ROSTOW. No, sir.

The CHAIRMAN. Who could?

Mr. ROSTOW. The countries which have been hurt by this legislation.

The CHAIRMAN. And we all agree that Egypt has herself violated the agreements and that leaves Sudan and Peru. They might claim damages? That is what you are saying now?

Mr. ROSTOW. I do not know whether under the laws of GATT the principles of equity apply. It would seem that Egypt could also make a claim.

The CHAIRMAN. Then, we might just as well give Egypt direct money payments. We are going to give her money, probably, when this thing settles down, and maybe we might just as well keep this market for ourselves and give them the money for the market. That might be the cheapest thing for us to do.

Now, as to Sudan and Peru, maybe we ought to take a further look at that. There has not been any intention, on my part at least, and I do not think on the part of any other authors of this legislation, to inflict a loss on Peru. We have been trying to write this so that it would take care of the American producers. Maybe we ought to define this thing, and maybe you can help us to define it so that it would not hurt Peru. We are certainly going to be fair minded. And the Egyptian losses will be taken care of by what we will give them. I know that you are going to ask this Congress to appropriate hundreds of millions of dollars to give to these people within the next 6 months, are you not?

Mr. ROSTOW. Well, Mr. Chairman, I hope that progress toward peace in this very troubled and intense situation will permit us to face that situation, yes.

Let me elaborate a little, if I may, on my answer to that.

I raise in this statement, of course, the problem of reconciling this legislation to our GATT obligations, because it is a perfectly real question, but I do not think that it is the central issue here.

We are facing in the Middle East now a crisis of very substantial implications which gravely concern long-range and permanent interests of the United States—interests of the United States, I repeat—and of Europe that spread throughout this entire region, all the way from Kuwait and Saudi Arabia to Morocco. We want to get through this crisis in a way which will help to stabilize this area which has been tormented by conflicts for many years and to permit, not only the resumption of peaceful developments there but the protection of many interests in the area that are fundamental to the entire balance of power in the world and the assurance of basic security interests of the United States. In that effort we want to maintain a very clear posture of keeping the door open to friendly relations, trying to minimize the damage which has been done, and dampen the political turbulence that has been stirred up throughout the area by the hostilities which we tried so hard to prevent. It is in that context that I ask you, Mr. Chairman, to look at this problem. We are here considering an action which is a very understandable pinprick against Egypt, but we must take into account the fact that we are trying to achieve a new political atmosphere and a new basis for our diplomatic, political and economic relations with Arabs.

We have been taking a very strong position pushing toward peace, pushing toward an end to belligerence, and to the claim of belligerent rights, pushing toward the final resolution of the refugee problem and other problems. Against this background, we think it would be detrimental to the process of peacemaking for us now to indulge in an act of economic reprisal.

I think that is the way in which this problem should be examined.

You say this committee is more concerned with agricultural problems, and American agricultural interests, than with its foreign policy. Let me again very mildly dissent and point out that you have displayed a very statesmanlike understanding of our foreign policy interests,

if I may say so, in your handling of the food for peace program and in your approach to the problems of agriculture in the Kennedy round.

The CHAIRMAN. Thank you, again.

Might it not be better for us, Mr. Rostow, to pay the indemnities that conceivably anybody might be entitled to than to continue this inequity?

Mr. ROSTOW. No; I do not think so.

The CHAIRMAN. If they have a \$12 or \$15 million loss, why not just take that away from what we give them?

Mr. MILLER. \$12 to \$15 million.

The CHAIRMAN. Yes. There is not that much profit in it. \$10 million, let us say, that they might be entitled to under existing agreements. But give them whatever they might be entitled to as a credit against our general gift. Is that not a great deal cheaper to the American taxpayer?

Mr. ROSTOW. We are not yet at the point of resuming our aid relations with Egypt. I wish we were. What you suggest would not really deal with the problem as it is now, because we have not arrived at that stage in the process of peacemaking. I hope that we do. But as to the question of compensation now, I do not think that would offset the political impact of our undertaking an act of reprisal at this time.

You say that you have been against this quota for a long time and that you now think that you have the votes to get it through. I do not want to go into the history of it nor to argue the basic philosophy of the arrangement. I do want to make one simple point, and I think on this we will be in full agreement: It is very often a completely different matter to terminate an arrangement than to start one.

The CHAIRMAN. I know it is; I understand that.

Mr. ROSTOW. To terminate it under these circumstances would be, we think, inimical to our interests in the Middle East and to the very strenuous diplomatic efforts that we are making to reach a final settlement there.

The CHAIRMAN. We feel that, for practical purposes, we can terminate it now. The Egyptians, in effect, have terminated it. They are not getting any cotton out right now. That, again, is their action; not our action. They are not shipping us anything now, so that it is terminated for all practical purposes, and it seems to me that we should keep it terminated. I can think of no better time to act.

Mr. ROSTOW. I am not so sure. We have figures through May. We do not have any June figures as yet. I think some activity is still going on.

We have announced, for example, that we are not trying to terminate the relief arrangements to private agencies or the religious agencies or the international organizations in Egypt. We are trying to make clear to them that we wish to have friendly relations as soon as they are ready to resume them, and there have been some rumors of direct purchases of wheat in this country for cash on the part of the United Arab Republic. We have not interposed any objection to such transactions.

The CHAIRMAN. I know that is based on the long pull.

I have taken up too much time.

Mr. Jones?

Mr. JONES of Missouri. Just one comment, Mr. Chairman.

On page 9, Mr. Rostow says:

It is questionable whether the United States would gain by imposing a sanction now against Egypt.

He says that there is a question about it.

What I was wondering about is this: I think that the bill that we have offered here would be helpful to the State Department in bringing about some favorable changes in the relationship that we enjoyed. We did not break relations with the United Arab Republic. They broke them with us; is that not the point?

Mr. Rostow. Yes. But I call your attention to the next sentence there, that there is a very intense effort going on in the United Arab Republic.

Mr. JONES of Missouri. I have read that; I know what you are talking about.

Mr. Rostow. And it is dramatized by the presence of naval vessels and of shipments of arms and everything else, and it is that effort and its consequences which could be felt all through the Middle East and north Africa which causes us great concern.

How do we offset that?

How do we achieve again the balancing of our relations with all of those countries upon which so much depends?

That is why we think this kind of reprisal taken by the Congress at this stage would be the wrong kind of signal of our intentions.

Mr. JONES of Missouri. The letter on the part of the Department states, in relation to this, the facts concerning the favorable trade balance we have with the United Arab Republic and the Sudan which amounts to \$209.9 million and imports of only \$42.2 million. I think it would be interesting to know how much of those exports to those countries include items that were available from other countries.

I think that Egypt buys from the United States when they cannot get what they want from someone else. I think you will find that that is correct, that that is involved in this amount of money here. There are so many places that they would rather trade than with us. They have indicated so on many occasions their attitudes, their feelings, toward us. I cannot believe that they knowingly and intentionally are giving us any advantage. I think every time it is because they cannot get it somewhere else.

I do not know whether you realize it or not, but I think the people of this country are getting pretty well fed up on our appeasement policy all over the world.

Of course, I have mentioned this so many times, I dislike to be so repetitious about it, but I think that the people of the United States if they had their "ruthers" in this thing that they would just say that what we should do is not to buy anything from any country that does not have diplomatic relations with the United States. In other words, I think that the people feel that way. Of course, so far as I know, there are few countries that we are in that position with. In other words, as to Red China, we have to have a certificate of origin to keep out anything from them, and also, I think, with Albania and one or two other countries. Otherwise, we are always for keeping the peace.

It seems to me that is indicated in the opposition to this bill, as Mr. Poage indicated at the beginning. When we introduced this bill,

I think we knew that we would have opposition from the State Department to it. There are just an awful lot of people in the Congress and a greater percentage throughout the country who are not Members of the Congress who feel that the State Department has been dealing with this appeasement policy too long, and from what little experience I have had in my relationship with the people in the Middle East, in many of those countries, I have found that they expect and respect a little power, that they do not like all of this soft stuff we are giving them as appeasement. They just laugh up their sleeves and tell us to go to hell.

I do not want to say anything further.

Thank you.

Mr. ROSTOW. I would like to say just one word to Mr. Jones about appeasement. I do not think you will find that the states in the Middle East and the Near East with whom we are discussing these problems every day think that our posture in this crisis is one of weakness or appeasement.

The CHAIRMAN. It is difficult.

Mr. ROSTOW. I understand that. But we are trying to achieve goals here, and we have large interests at stake throughout the area.

We are taking a stand that represents our national interest in the firmest possible way, but we do want to keep open to those who have broken relations at all times the idea of returning to the fold.

Mr. PRICE. I would like to ask a few questions, Mr. Chairman.

The CHAIRMAN. Proceed, Mr. Price.

Mr. PRICE. I appreciate your coming here this morning to give us the policy that you represent.

I want, Mr. Chairman, to associate myself with your remarks and to agree with you 100 percent on what you have said.

I would like to ask a few questions as we go through your statement, Mr. Rostow.

On page 2, you say:

H.R. 10915 is predicated on the assumption that the absence of diplomatic relations is alone sufficient justification for the severance of trade relations.

I think that I represent my district in saying that this alone in our opinion is a sufficient justification for the severance of these relations.

Also, on page 3, the bottom paragraph:

A break in diplomatic relations does not and should not lead automatically to disruption of commerce.

Is this the official opinion of the agency you represent?

Mr. ROSTOW. Yes; it is, and it represents also something which has been true of our commercial relationships throughout our history as a nation. I gave an illustration on the preceding page, referring to the fact that we had commercial relations with the Soviet Union long before we recognized them. But that is only one of a great many instances.

Mr. PRICE. Do you believe that it is the opinion of the American people?

Mr. ROSTOW. Well, that is very hard for me to tell. I am not a Gallup poll expert.

Mr. PRICE. Basically, I would say that it is not, that it does not represent the views of the people that I represent.

Then, on page 4 of your statement, you say:

This particular case—involving our imports of long-staple cotton—raises important issues of policy concerning the future of our relations with all the states in the Middle East.

I, personally, feel that we have too long been in a position of weakness in our relationships with these countries.

On down the page in your statement, you say:

But what we do in this instance will be closely watched by all the countries of the Middle East and North Africa as a signal of our policy.

I think, perhaps, it might serve some purpose in showing these countries that this is a good signal of our policy as to what possibly we are willing to do to bring into relationship our positions in the Near East.

And then your statement says:

It will be assumed that we are embarking on a general policy of economic warfare against all of them.

I think that this is just as much a weapon as a gun when it comes to relationships in diplomatic relations. It is just according to your own philosophy of how you want to carry out the policy of this country.

Mr. ROSTOW. I know, Mr. Price, that a great many people feel that trade reprisals hurt the other fellow. It is very rare that that is the case. In most cases, they permit us to discharge our feelings of irritation by cutting off trade without hurting the other fellow very much. The history of economic sanctions is not very hopeful in that respect. We have had all kinds of economic sanctions against Cuba, and we have had trade restrictions on countries of Eastern Europe, and they have not done as much harm as one might expect.

Mr. PRICE. No, they have not done much harm.

Mr. ROSTOW. They permit you to discharge feelings of irritation and anger.

Mr. PRICE. Because our own allies went around us and traded with Cuba many times with money that we are loaning them to keep their economies from completely sinking.

Mr. ROSTOW. No. The Soviet Union was able to continue trade, and we were not disposed to cut that trade off. If you will look at the history of these methods of economic reprisals, the fact is that they often do not work too well. They make you feel you are doing something, but they do not work too well.

Mr. PRICE. I agree with you. They are not going to affect them a whole lot. They lived before we traded with them, and they will after. This is not basically the reason for the introduction of this bill. We want to protect the American cotton farmer in the growing of his crop. I am just like you or anyone else, if an enemy strikes me, I will not trade with him.

We talk about all of the diplomatic relations, et cetera. I think that we have tried to get along with the United Arab Republic. However, I think we should help the American farmer and give him a break in this.

I, like Mr. Poage, believe that we ought to do this. I do not feel that these people are entitled to any part of our market, like the

beef imports and all of these things that are destroying the American farmer. Almost 80,000 American farmers are going broke each year, because of some of these agreements that the State Department has made without the consent or consideration of the American farm people, in my opinion. The State Department does not represent in many instances the interest of the American public. The GATT Conference took the rights completely away from the American farmer—that is, his rights to bargain with other countries himself, which affects the crops he grows monetarily.

I am not speaking of you personally. I think that the Government has taken away from him this right by dictating to him how he shall grow his crops and what he is going to sell them for, and he is left to the mercy of these decisions that are made overseas regarding tariffs and agreements.

On page 6 of your statement—

Mr. ROSTOW. May I comment?

Mr. PRICE. Yes, sir.

Mr. ROSTOW. As I understand it, American agriculture is still a net exporter, and if we want to export we have to import, too. These arrangements have to be reciprocal and they have to be fair.

Mr. PRICE. I agree, but not to enemies who are dedicated to our destruction.

Mr. ROSTOW. But this, Mr. Price, would permanently remove this quota.

Mr. PRICE. Could we not reinstate it at a later time when relations are better?

Mr. ROSTOW. It does not provide for that. We both know very well that once these arrangements are changed they are very hard to reinstate.

We are talking about longstanding, continuous commercial relations with Egypt which go back a very long time, and I hope will continue for a very long time when conditions will return to normal, but this legislation would slam the door and slam it permanently on one of those important relations.

Mr. PRICE. Personally, I come from a farm belt—I feel like it should be, personally. But we will continue on here, where you say on page 6—beginning on page 5, and continuing on page 6:

The infiltration of terrorists, the closing of the Strait of Tiran, the menace of mobilization, the massive supply of arms to certain countries.

I think probably you have done all you can, but we have not prevented and we are not preventing today the importation of arms into Egypt.

Mr. ROSTOW. Right.

Mr. PRICE. Russia is now rebuilding their entire army, perhaps for another go-round. I think that we are going to show Nasser and these countries that we are not going to continue to trade and to let them have part of this trade, if they are going to continue in this manner. Our efforts have gone down the drain it seems, as I am sure that many of your efforts have also.

Mr. ROSTOW. They sure do.

Mr. PRICE. I commend you for the efforts that you state you have made; many of them have been very fine. We ought to try to do the best that we can.

Now, you say, on page 7, "the assurance of maritime rights, and end of the arms race."

You tried for that, but Egypt did not recognize our maritime rights. They are the ones that brought this on themselves.

Mr. ROSTOW. That is right.

Mr. PRICE. By stopping all of the maritime countries from going in there, and yet we say, "You have Egypt whipped now, but if you straighten up we will continue trade with you." And then you say: "We can see no useful purpose to be served by preventing the United Arab Republic and the Sudan from keeping their historic share in our long staple cotton quota."

Well, my question is: What gave them the right to have a share in the first place?

Then, on page 8, you state:

The governments of the United Arab Republic and of Sudan face difficult decisions, as they begin to face the realities of their situation.

Perhaps, this would be a way of helping them to determine what the realities are of continuing their present course.

And continuing on in your statement:

We believe they and all the other governments of the area should know that the door to friendly and peaceful relations with the United States is always open.

You and I know that this has always been true.

Mr. ROSTOW. Certainly.

Mr. PRICE. Whether we take the cotton quota away from them or not, they know that they can come back and trade with us if they keep away from this present course of action.

Mr. ROSTOW. Oh, no, Mr. Price, I do not think that they think such is the case.

The point I want to make is that there is a very high wall between us and a lot of things will have to be cleared away between us before good relations can be restored. We do not see any point now in adding one more brick to that wall.

Mr. PRICE. I think, again, this is philosophy or interpretation on two ways of settling a dispute, whether to build it higher and to call their bluff or whether to try to appease them. I, personally, have never been one to appease.

Then, you say:

The economic sanctions that have been applied by Arabs in terms of oil exports and by Egypt in the closing of the Suez Canal have had comparatively little effect on the United States.

Well, we import about 3 percent of our oil from the Near East. I think it is causing a lot of our people who are trading in that country to have to go clear around the cape down there.

Mr. ROSTOW. That is right.

Mr. PRICE. It is quite an added expense to our people. They are using economic sanctions by the withholding of their oil from these countries.

Mr. ROSTOW. Oh, yes.

Mr. PRICE. And the only reason that they will come into line is because they like that money that our country is putting into those countries, as about 90 percent of their economy is from this oil, is that not right?

Mr. ROSTOW. Oil is tremendously imported to the economies of most of these countries.

Mr. PRICE. I think we could go on here. Basically, I agree with Mr. Poage and what the other gentlemen here have said. I think the American people are becoming tired of these types of agreements.

First, representing my district, I think that they are tired of our vacillation; I think that they want to take a harder stand. I would like to see a tougher stand taken in these relations with these countries.

Mr. ROSTOW. Let me just say this: We think we have taken an extremely strong stand in the Middle Eastern crisis and the countries there think so, too. Things are beginning to move. We cannot tell whether they are in a good direction or not as yet, but certainly oil exports are increasing, which is a very good sign. For us to step in at a time when the oil boycott is beginning to weaken by imposing our own sanctions seems to me to be the wrong tactic, especially when as I remarked before, it would be imposed permanently.

Mr. PRICE. Why we are doing this is, I believe, because their economy is hurting, I think.

Mr. ROWSTOW. You might give us a little credit; we have been working on it.

Mr. PRICE. Then, you say that we do not know how they will react to this. I think, for a gentlemen of your capacity, you can meet that challenge. We always meet those challenges.

The CHAIRMAN. The bell has rung.

Mr. PRICE. Excuse me, Mr. Chairman.

The CHAIRMAN. There is a quorum call.

Mr. PRICE. I will finish up here, with reference to the balance-of-payments situation. Many of these are in counterpart funds. I think we have \$27 billion of these counterpart funds around the world today. I think that this is a very poor setup. We are bleeding the American people.

Mr. ROSTOW. So far as the balance-of-payments situation is concerned, we have about \$76 million as compared to these imports of around \$24 million.

Mr. PRICE. I understand that there is a considerable amount of counterpart funds.

Mr. ROSTOW. But on a purely private commercial basis, our trade is favorable so far as we are concerned, at the rate of about 76 to 24.

Mr. PRICE. That is all. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. The committee is going to have to adjourn because the House is now having a rollcall.

We are very much obliged to you. We are sorry that we have discommoded our witnesses this morning. It was a matter that was thrust upon the committee. We appreciate the attendance.

We will meet tomorrow morning at 10 o'clock.

Mr. ROSTOW. Thank you.

The CHAIRMAN. Thank you.

We will now stand adjourned.

(Whereupon, at 1 p.m., a recess was taken until 10 a.m., Thursday, July 13, 1967.)

REDUCTION OF EXTRA-LONG STAPLE COTTON QUOTA

THURSDAY, JULY 13, 1967

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

The committee met, pursuant to recess, at 10:10 a.m., in room 1301, Longworth House Office Building, Washington, D.C., Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, McMillan, Abernethy, Abbitt, Jones of Missouri, Stubblefield, Foley, de la Garza, Vigorito, Jones of North Carolina, Nichols, Montgomery, Brasco, Rarick, Belcher, Teague of California, Dole, Hansen, Goodling, Wampler, Miller, Burke, Mathias, Mayne, Zwach, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant counsel, Francis LeMay, consultant, and Fowler C. West, assistant staff consultant.

The CHAIRMAN. The committee will please come to order.

We have several requests for insertion of statements into the record.

The Chair has a statement from the West Texas Chamber of Commerce, which will be inserted.

We have a telegram from the National Farmers Union which will be inserted.

And Mr. Kleppe wants to insert a statement.

Mr. KLEPPE. Mr. Chairman, I will not take the time of the committee, but I do have a statement that I would like to insert into the record in regard to H.R. 10915 and related bills.

The CHAIRMAN. Without objection that will be inserted into the record.

We have a statement from the El Paso Valley Cotton Association which will be, without objection, inserted into the record.

We have a statement from Congressman Don H. Clausen which will be inserted into the record.

(The statements and telegrams follow:)

STATEMENT OF DON WOOTEN, PRESIDENT, WEST TEXAS CHAMBER OF COMMERCE

The West Texas Chamber of Commerce operates in conjunction with local Chambers of Commerce in 132 West Texas counties with an estimated population of 3,000,000. West Texas produces 25% of the Extra Long Staple Cotton grown in the U.S.A.

Extra Long Staple Cotton is a strategic war commodity. In past wars, farmers have been asked to increase their production materially, which required building new Roller Gins. When the wars were over, acreages were reduced and we returned to buying over 50% of American consumption from Egypt in order to bolster their economy. If we imported over 50% of our consumption of corn, wheat, soybeans, cattle, upland cotton, and other agricultural commodities, where would we be in case of war? What would happen to our agricultural economy and balance of payments? Since Egypt has severed the Diplomatic relations with

the U.S.A., it seems absurd to continue spending good currency for commodities we can produce in this Country. In order to have a stable extra long staple cotton production in this Country, it must be continuous and not just during war-times.

The West Texas Chamber of Commerce, therefore, recommends that quotas for importation of Egyptian cotton be eliminated because:

1. It will help agricultural economy in this Country.
2. It will not hurt or compete with upland cotton.
3. It will improve our balance of payment problem.
4. It would encourage a better seed breeding and quality improvement in Extra Long Staple Cotton.
5. There is no more logic for importing over 50% of Extra Long Staple Cotton than there is for other agricultural commodities.

WASHINGTON, D.C., July 12, 1967.

HON. W. R. (BOB) POAGE,
Chairman, House Agriculture Committee,
Washington, D.C.:

Farmers Union fully supports H.R. 10915 and similar bills to close United States markets to extra long staple cotton imported from Egypt.

Please insert this wire in the record of the hearings.

REUBEN L. JOHNSON,
Director of Legislative Services, National Farmers Union.

STATEMENT OF HON. THOMAS S. KLEPPE, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NORTH DAKOTA

Mr. Chairman, I am pleased that you have called for hearings on H.R. 10915 and related bills pertaining to imports of extra long staple cotton from countries who have severed diplomatic relations with the United States.

This subject is closely related to many import questions that we presently have on other agricultural products. My concern here is economic health of a basic crop produced in our country. We are well aware that the producers of our agricultural commodities, and in this instance our long staple cotton growers, are part and parcel of the total success pattern of the productivity of food and fiber in this Nation. These people are some of the people that offer considerable employment to our citizens and pay a share of the taxes which support this most wonderful and powerful Nation in the world.

Several years ago in the middle 1950's, I recall that the long staple cotton growers actually came to the Congress of the United States and asked them, "We do not need subsidy assistance or we can use lower subsidies if you will just give fair and equitable protection to imports of our crop."

Here is testimony and evidence of a strong desire on the part of one of our industries to operate under the framework of free and open competition and private enterprise which we know and understand in this country. They have been unable to continue successfully their operation in light of the large imports of their crop that have come into this country from other nations at a somewhat reduced price.

Certainly today we have an added reason why to give favorable consideration to this bill. We have just lived through an experience where foreign nations, heretofore shipping long staple cotton into our country, have now broken off diplomatic relations with our Nation. How much more evidence do we need that we are not wanted by them? I think it is fair and proper that we should utilize this time in our history to add some support and protection to the long staple cotton growers in this Nation. You and I want them to progress and succeed in their chosen work and to do so, we can be a part of offering them some protection to which they are entitled. I lose sympathy with a foreign nation when it wants to make its contacts with our country a one-way street. Why should we allow imports of long staple cotton from these nations? I certainly hope the Committee will act favorably on this legislation because I think it is long overdue and I think the time is right to do something about it.

I thank the Chairman and the House Agriculture Committee for their consideration of this important legislation.

STATEMENT OF C. B. RAY, EXECUTIVE VICE PRESIDENT, EL PASO VALLEY COTTON ASSOCIATION

The El Paso Valley Cotton Association has for many years represented the interests of cotton producers in the four Far-West Texas counties of Culberson, El Paso, Hudspeth, and Presidio. The production of extra long staple cotton by these several hundred farmers is historic, and has been a major enterprise in their regular operations. The farms in these four counties now account for 19,888 acres allotted to extra long staple cotton or over 28 per cent of the total national allotment for 1967. It is significant to note that only 4 years ago (1963) the allotment was 41,568 acres, a cut in production opportunity of well over one-half for an acre-loss of 21,680 and a bale-loss of 22,764 basis 1960-65 average yield.

Whatever profits growers may have realized from the production of extra long staple certainly has been erased by such a massive cut in allotment. Farmers in this area are unable to find a satisfactory substitute for this important crop. In most instances growers are obliged to plant low-income crops, cover crops, or even to idle this valuable and expensive land resource. We can give you every assurance that we can and we will place these 22 thousand acres, and more, back into production of extra long staple cotton if given the opportunity to do so.

We strongly favor enactment of H.R. 10915 by the Congress. Those of us who grow extra long staple cotton, relying on it for much of our livelihood, have been obliged to set aside \$3 per bale to promote and create a domestic market only to see half or more of this same market taken by producers abroad who are "willing to sell at any price". To lose half or more of our domestic market to "friendly" nations is more than ample tribute, in our opinion, but to step aside for those who would deliberately bring the world to a brink of war, and in so doing break diplomatic relations with the United States, is unthinkable.

We appreciate the opportunity to express our views on this most important subject.

STATEMENT OF HON. DON H. CLAUSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, I am proud to co-author H.R. 10915, which will bar the importation of extra long staple cotton from Egypt and will return this large cotton market to American farmers.

I have never supported this Administration's policy of penalizing some of our most valuable citizens—our American cotton farmers—by reducing their acreage allotments in order to import vast quantities of cotton from a country which has made every effort to embarrass us in the eyes of the world. The acreage allotted to our domestic growers of extra long staple cotton has fallen by more than 50% since 1963, while the Administration has allowed importation of Egyptian extra long staple cotton in an amount nearly equal to our total domestic production. Now the situation is even more acute, as we find ourselves depriving our own citizens of the rights of free enterprise in order to support the cotton industry of a nation which has permitted its citizens to storm our embassy and has severed diplomatic relations with us.

I have always believed that this country's most important weapon in the Cold War is its great productive capacity, based as it is on the spirit of free enterprise and the principle of private profit—the knowledge of every American that his own mind, body, and effort are the most important contributors to his success.

I have always valued our hopes for a free world market, and I strongly believe in the desirable goals to which trade expansion can lead. The importation of unique products from other parts of the world is a pleasing prospect. But, in this transition period, we must use caution in expanding trade, and must use particular caution in importing foreign products which are being produced at home. In restricting the acreage allotments of domestic cotton growers in the name of trade expansion, we are chipping away at the American farmer's independence and self-sufficiency, upon which this nation's productive capacity and Cold War economic offensive depend. To do so can only defeat our ultimate purpose. We cannot maintain our position of economic leadership on the road toward world trade expansion without carefully husbanding the major features responsible for our high level of economic development.

In conclusion, Mr. Chairman, we should not have weakened the American cotton grower by importing such large quotas of Egyptian extra long staple

cotton in the first place. Now that Nasser has broken diplomatic relations with us, and has done everything possible to discredit this country, it has become even more imperative that this Congress cut off these cotton import as soon as possible and return this large market to the American farmer.

The CHAIRMAN. We were not able to complete our list of witnesses yesterday. We have several Congressmen awaiting an opportunity to be heard. And we will be glad to hear from them as is our practice.

I am sorry I did not notice that you were out there, Mr. Steiger. We will be glad to hear from you now.

**STATEMENT OF HON. SAM STEIGER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARIZONA**

Mr. STEIGER. Thank you, Mr. Chairman. I will take up very little of your time.

I appreciate the opportunity of appearing before you. As you know, my State is one of the major producers of long staple cotton in the Nation and, of course, this matter is of great concern to our people.

The language of H.R. 10915 is general but the intent is very specific.

For 31 years this Government has permitted importation of long staple cotton from Egypt. The tax moneys of U.S. growers have gone to give technical assistance to Egyptian farmers that they might compete with the domestic producer, disregarding the fantastic disparity between the two countries in the cost of production.

Since the ascendancy to power of Abdul Nasser the United States has been subjected to an almost constant stream of diplomatic abuse culminating in the severing of relations with the United States by Egypt last month.

In 1966-67 the Egyptian import was 35,800 bales out of the total quota of 82,500 bales of long-staple cotton; the domestic production quota amounted to only 70,500 acres, producing perhaps 62,000 bales. That this ludicrous situation should have been corrected long before this I have no doubt; the nature of the international political climate makes this the obvious and opportune time to stop this abuse of a domestic economy.

I urge swift passage of the legislation.

I am sure, Mr. Chairman, as you are well aware, there are those who are far more qualified as witnesses than myself in this particular area.

The CHAIRMAN. The Chair will not concur in that opinion, but we are very glad to have you with us. You are one of the best qualified witnesses on this subject.

Mr. STEIGER. Thank you.

The CHAIRMAN. Congressman Rhodes of Arizona has asked to be heard at 11:30. We will be glad to hear from him at that time.

Are there any questions?

If not, we are very much obliged to you, Mr. Steiger.

Mr. STEIGER. Thank you, Mr. Chairman.

The CHAIRMAN. There is no other Congressman present, I believe, at the present time.

We will ask Mr. Lowenstein, staff economist in the office of the Secretary of Agriculture to present the views of the Department.

STATEMENT OF FRANK LOWENSTEIN, STAFF ECONOMIST, OFFICE OF THE SECRETARY OF AGRICULTURE, ACCOMPANIED BY A. R. DeFELICE, ASSISTANT ADMINISTRATOR FOR INTERNATIONAL TRADE, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. LOWENSTEIN. Mr. Chairman and members of the committee, I have distributed copies of our statement.

My name is Frank Lowenstein. I am staff economist in the office of the Secretary of Agriculture. I am accompanied by Mr. A. R. DeFelice, Assistant Administrator for International Trade, Foreign Agricultural Service, U.S. Department of Agriculture, who works on import policies.

I believe that you have received reports from the Secretaries of State and Agriculture which emphasize the foreign policy implications of H.R. 10915. Mr. Eugene Rostow, Under Secretary of State for Political Affairs, testified yesterday covering the foreign policy implications of the bill and I shall confine my remarks to discussing the history of import quotas for extra-long-staple cotton and the economic and technical aspects of the bill.

Attached as annex I is a summary of actions concerning import quotas for raw cotton starting with the first import quota of September 20, 1939. The last date in this table is April 28-29, 1959. The last action concerning modification of the import quota for extra-long-staple cotton was taken on that date.

In the original proclamation, import quotas for cotton 1½ inches and longer were set at 45,656,420 pounds, or 95,118 bales of 480 pounds net weight each. Over the years, the quotas were modified and sometimes supplemental quotas were granted when additional extra long staple cotton was needed, such as in World War II.

On July 29, 1942, the country quotas for extra long staple cotton were combined into a global quota. On August 1, 1958, the quota was divided so that not more than 39,590,778 pounds, or about 82,481 bales, were 1½ inches or more in staple length. The total import quota for cotton 1½ inches and longer in staple length remained the same as it was in 1939. The balance of the import quota was divided between cotton 1½ inches to 1¾ inches in staple length and harsh rough cotton 1¾ inches or more in staple length. In 1959, a hearing was held by the Tariff Commission but the Commission found that modification of the quotas were not required.

Section 22 of the Agricultural Adjustment Act of 1933 states that the maximum restriction of imports of articles under this section shall be 50 percent of the imports of such articles during a representative base period. In 1939, when the import quotas were initially established, the reference period used by the Tariff Commission in establishing the import quota was not the same period for each of the countries for which a quota was initiated.

The report of the Tariff Commission stated that, although imports of long staple cotton averaged much less after the 7-cent duty was imposed in 1930, imports from some countries between 1930 and 1939 exceeded 50 percent of average imports during the 5-year period July 1, 1928 to June 30, 1933. Therefore, the quota established for these countries (one of which was Egypt and the Anglo-Egyptian Sudan, which

was at that time counted as one country, which was the source of 94 percent of the average imports of long staple cotton during the 5 years, 1928-32, and 99 percent of average imports in the 5 years, 1934-38) was the average for the two highest recent years (1933-34 and 1936-37) and was larger than the minimum figure then prescribed by law. For some countries, imports during the years immediately preceding 1939 were less than the minimum. The quotas for these were fixed at the minimum, or 50 percent of the average imports during the 5 years, July 1, 1928 to June 30, 1933. Quotas for other countries were fixed on the basis of imports during these or other years.

In addition to action by the Tariff Commission and the President over the years, section 202 of the Agricultural Act of 1956 directed that imports of cotton having a staple length of $1\frac{1}{16}$ inches and longer should be included in the import quota for extra long staple cotton. Such cotton had been exempted from the import quota by Presidential proclamation in December 1940.

At the time the import quotas on "short staple cotton" (less than $1\frac{1}{8}$ inches) and "long-staple cotton" ($1\frac{1}{8}$ inches or more) were first established in 1939, domestic production of extra-long staple was small, averaging about 18,000 bales annually during the years 1934-38. The import quotas were imposed to prevent imports from interfering with the Department's programs for upland cotton. At the time, no programs were in effect for extra-long-staple cotton.

Table 1 shows a complete supply and distribution picture for long staple cotton (other than upland) from 1937 through 1966. We have not designated these tables as extra-long-staple cotton because for the earlier years it is most difficult to separate cotton between $1\frac{1}{8}$ inches and $1\frac{3}{8}$ inches from cotton which is longer than $1\frac{3}{8}$ inches. I would like to ask that you look at table 1. You will see that the production of American-Egyptian cotton in 1966—from the 1966 crop—was 71,200 bales. I believe that these figures are used frequently in these hearings.

Table 2 shows imports of extra-long-staple-cotton by country of origin for 1957 through the current season.

Regardless of the basis on which imports are viewed, it is apparent that the United Arab Republic and Peru are the principal suppliers of extra-long-staple cotton to the United States. In 1964-65, the United Arab Republic exported 69,430 bales of extra-long-staple cotton to the United States, the largest quantity in the 10-year period ending in 1966-67. Since 1964-65, imports from Peru have increased and imports from the United Arab Republic have declined. Imports from the Sudan and other countries are of minor importance.

I would like to refer specifically to table 2 which shows that in 1965-66—I am not using 1966-67 because it is not a complete year—that the imports from Peru were 42,546 bales; imports from the United Arab Republic were 44,898 bales. If we go back to 1964-65, which is the year mentioned in the bill as the basis for action, the imports from the United Arab Republic were 69,430 bales and from Peru were 15,097 bales.

Production of extra-long staple in the world has varied between 1.8 and 2 million bales in recent years. Preliminary figures for 1966-67 indicate that the United Arab Republic, Sudan, and Peru produced about 92 percent of the world's output. The United States produced about 4 percent of the world's output, shown in table 3. Even in 1963-64 when U.S. production was at its peak and when the United Arab Republic and the Sudan had relatively small crops, U.S. output was only 9 percent of the world's total.

U.S. consumption of ELS cotton reached an alltime peak, of about 171,000 bales in 1961-62. Since that time, it has declined moderately to an estimated 140,000 bales during the current season, shown in table 1. Usually we import and use extra-long-staple cotton grown abroad to the extent permitted by the quota. There are several factors causing the situation:

In the first place, prices for domestically produced extra-long-staple cotton are usually higher than for imported cotton. Examples of prices for extra-long-staple cotton landed New England, as reported by the trade are:

Growth and quality	Cents per pound		
	January 1967	April 1967	June 1967
American-Egyptian, No. 3, $1\frac{7}{16}$ inches.....	55.00	55.00	55.00
Menufi, Fully Good to Extra, (Good Staple), (United Arab Republic).....	52.50	53.50	53.75
Pima, $1\frac{1}{8}$ inches, Peru.....	48.25	47.12	48.62

Secondly, the quality of domestically produced extra-long-staple cotton is different from that produced abroad. When we talk of quality we are in a nebulous area. Some mills prefer one growth of cotton to another for apparently the very same reason that other mills prefer the second growth. Characteristics such as fineness of fiber, strength of fiber, neppiness, smoothness of ginning, and staple length are mentioned by mills as reasons for preference. U.S. cotton has a staple length running between $1\frac{3}{8}$ and $1\frac{1}{2}$ inches. Cotton from the United Arab Republic has staple length running from $1\frac{3}{8}$ and $1\frac{1}{8}$ inches. Cotton from the Sudan has staple length from $1\frac{3}{8}$ and $1\frac{1}{8}$ inches, and cotton from Peru runs from $1\frac{3}{8}$ to $1\frac{3}{4}$ inches in staple length.

The United States does have the land and the resources to increase its production of extra-long-staple cotton. However, prices for U.S. cotton usually are relatively high and some mills may require the longer staple lengths which must be imported from other countries.

The CHAIRMAN. Your charts will be made a part of the record at this point.

(Annex I, table No. 1 and table No. 2 follow:)

ANNEX I

SUMMARY OF ACTION IN INVESTIGATION NO. 1, COTTON AND COTTON WASTE, UNDER SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1933, AS AMENDED

Item	Tariff Commission hearing date	Presidential proclamation	
		Date effective	Action taken
Original investigation.....	Aug. 14-16, 1939....	Sept. 20, 1939.....	Established annual country quotas on 3 classes totaling as follows: Short staple cotton (except harsh or rough cotton under $\frac{3}{8}$ inch and except linters) pounds 14,516,882; Long staple cotton ($1\frac{1}{8}$ inches and longer) pound, 45,656,420; Cotton waste (card strips, comb-er waste) pounds, 5,482,509.
Supplemental:			
1st.....	Dec. 11, 1940.....	Dec. 19, 1940.....	Suspended quotas on cotton $1\frac{11}{16}$ inches or longer.
2d.....	Dec. 10, 1941.....	Mar. 31, 1942.....	Suspended quotas on: American cotton returned under certain conditions; Commercial samples of cotton and cotton waste (of specified packing); Cotton card strips made from cottons $1\frac{3}{16}$ inches and longer.
3d.....		July 29, 1942.....	Changed country quotas on cotton $1\frac{1}{8}$ inches or more to a global quota without affecting the total quantity.
4th.....	Oct. 14-15, 1946....	Retroactive to Sept. 20, 1946.	Established an annual global quota of 70,000,000 pounds on harsh or rough cotton under $\frac{3}{8}$ inch, beginning Sept. 20 of each year.
5th.....	Feb. 18, 1947.....	June 14, 1947.....	Established a supplemental quota of 23,094,000 pounds on cotton $1\frac{3}{8}$ inches or more but less than $1\frac{11}{16}$ inches for the quota year ending Sept. 19, 1947.
6th.....	Feb. 17-18, 1948....	July 20, 1948.....	Established a supplemental quota on cotton $1\frac{1}{8}$ inches or more but less than $1\frac{11}{16}$ inches not to exceed 18,000,000 pounds entering under licenses issued by the Tariff Commission to individual cotton manufacturing concerns on the basis of their essential needs for the remainder of the quota year ending Sept. 19, 1948.
7th.....	July 7, 1949.....	Sept. 20, 1949.....	Changed the opening date for the quota on cotton $1\frac{3}{8}$ inches or more but less than $1\frac{11}{16}$ inches to Feb. 1 of each year and provided an interim quota of 16,487,042 pounds for the period Sept. 20, 1949, to Jan. 31, 1950, inclusive.
8th.....	July 18, 1950.....	Oct. 9, 1950.....	Established a supplemental quota of 1,500,000 pounds on harsh or rough cotton (except cotton of perished staple, grabbotts, and cotton pickings), white in color, and having a staple of $1\frac{3}{8}$ inches or more but less than $1\frac{3}{8}$ inches in length for the quota year ending Jan. 31, 1951.
9th.....	Sept. 29, 1950.....	Oct. 12, 1950.....	Established a supplemental quota on cotton $1\frac{3}{8}$ inches or more but less than $1\frac{11}{16}$ inches not to exceed 7,500,000 pounds entered under licenses issued by the Tariff Commission to individual cotton manufacturing concerns on the basis of their essential needs for remainder of the quota year ending Jan. 31, 1951.
10th.....	Dec. 11, 1950.....		The Tariff Commission terminated the supplemental investigation on Jan. 24, 1951. No recommendation was made to the President.

SUMMARY OF ACTION IN INVESTIGATION NO. 1, COTTON AND COTTON WASTE, UNDER SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1933, AS AMENDED—Continued

Item	Tariff Commission hearing date	Presidential proclamation	
		Date effective	Action taken
Supplemental—Continued			
11th.....	June 13, 1951.....	July 4, 1951.....	Established a supplemental quota of 1,500,000 pounds on harsh or rough cotton (except cotton of perished staple, grabbets, and cotton pickings), white in color, and having a staple of $1\frac{3}{4}$ inches or more but less than $1\frac{7}{8}$ inches in length for the quota year ending Jan. 31, 1952.
12th.....	Nov. 13, 1957.....	Jan. 29, 1958.....	Terminated quota on harsh or rough cotton having a staple of less than $\frac{3}{4}$ of 1 inch in length.
13th.....			Parties who had sought modification of existing quota withdrew request, and Tariff Commission cancelled the scheduled hearing and dismissed the investigation on Apr. 4, 1958.
14th.....	May 13, 1958.....	Aug. 1, 1958.....	Subdivided the global quota of 45,656,420 pounds on cotton $1\frac{1}{4}$ inches or more so that not more than 39,590,778 pounds shall be $1\frac{3}{4}$ inches or more, and 6,065,642 pounds shall be $1\frac{1}{4}$ inches but less than $1\frac{3}{4}$ inches. Not more than 1,500,000 pounds of the latter shall be harsh or rough, white and $1\frac{1}{2}$ inches or more.
15th.....	Apr. 28-29, 1959....		Supplemental investigation instituted by the Commission to determine whether modification required in the import quota on long-staple. The Commission found modification not required.

TABLE 1.—LONG STAPLE (OTHER THAN UPLAND) COTTON, SUPPLY AND DISTRIBUTION, BY GROWTHS, 1937 TO DATE
[In thousands of bales]¹

Year beginning Aug. 1	Carryover, Aug. 1				Supply				Imports and shipments			
	American-Egyptian	Sea Island	Egyptian	Peruvian	Total ²	Egypt and Sudan	Peru	Other countries	Puerto Rico	Total ²		
1937	5.5	1.0	44.8	0.7	52.1	43.5	0.7	0	0.5	44.8		
1938	7.9	1.9	31.3	.6	41.7	47.7	.5	()	()	48.8		
1939	10.3	2.9	25.7	.3	39.2	67.2	1.0	()	.6	68.8		
1940	13.7	2.3	38.4	.6	55.1	63.1	3.9	()	1.4	68.5		
1941	15.7	4.9	45.4	1.2	67.2	83.0	11.3	()	1.6	95.9		
1942	24.9	5.3	38.5	2.8	71.5	136.0	3.8	()	2.2	142.0		
1943	36.7	2.6	38.0	1.3	78.6	71.5	3.7	()	2.0	77.8		
1944	65.5	1.7	61.9	2.4	131.5	84.6	9.9	.1	1.4	97.9		
1945	31.6	1.4	58.9	3.6	95.6	69.9	27.8	1.0	.6	171.2		
1946	3.7	2.0	40.1	1.6	54.1	130.5	23.2	()	1.5	105.7		
1947	3.7	.7	54.5	1.4	60.3	88.5	20.7	0	1.0	121.2		
1948	2.5	.6	43.2	1.7	48.8	91.0	10.9	.4	()	152.8		
1949	2.8	.8	52.5	1.2	65.0	109.9	19.5	()	()	146.6		
1950	21.3	1.0	58.1	4.0	85.4	136.6	18.4	()	()	132.1		
1951	31.9	.6	58.1	3.4	93.7	137.5	21.8	()	()	98.4		
1952	31.9	.6	52.9	3.2	88.0	83.7	23.5	()	0	86.1		
1953	102.7	.8	30.9	5.7	139.3	76.6	8.1	()	0	132.5		
1954	139.9	.8	30.9	7.1	178.9	62.4	23.5	()	0	132.5		
1955	106.9	1.6	14.2	4.3	129.8	84.8	8.1	.2	0	96.5		
1956	31.8	.7	16.4	3.6	53.3	30.3	14.4	1	0	44.6		
1957	109.4	.7	8.0	3.6	121.7	58.5	25.9	()	0	85.5		
1958	122.3	1.4	21.9	5.7	154.4	68.4	14.9	()	0	85.7		
1959	132.6	.7	18.6	2.4	154.4	68.4	17.3	()	0	84.2		
1960	104.6	.7	22.8	5.3	133.3	62.7	21.5	()	0	80.5		
1961	63.9	.1	422.0	4.3	90.4	59.1	34.4	0	0	82.7		
1962	117.6	.1	676.3	5.7	199.6	46.1	13.1	0	0	87.6		
1963	195.7	.0	440.1	17.4	253.2	69.6	42.5	0	0	85.6		
1964	205.1	0	442.3	12.0	259.3	45.1	42.5	0	0	85.6		
1965	235.5	0	447.4	5.5	288.5							
1966												
1967												
1968												
1969												

Year beginning Aug. 1	Supply		Distribution					Exports	Carryover end of season	Total	
	Production		Mill consumption								
	American ² Egyptian	Sea Island	Total ²	American- Egyptian	Sea Island	Egyptian	Peruvian				Total ²
1937	11.0	4.0	15.0	6.2	2.0	47.9	0.6	56.6	0.1	41.7	98.3
1938	20.5	4.3	24.8	18.6	2.2	53.2	0.9	75.0	0.2	39.2	114.4
1939	26.8	2.2	29.0	21.2	3.3	53.9	0.8	79.1	0.4	55.1	134.5
1940	32.3	4.9	37.3	26.9	3.3	60.9	1.6	92.7	0.4	67.2	160.3
1941	57.9	3.5	61.4	47.0	4.3	83.9	4.9	140.1	1.0	71.5	212.6
1942	73.8	9	74.7	49.8	5.7	103.6	4.9	163.1	0.0	78.6	241.7
1943	59.6	4	60.0	43.8	3.3	66.7	2.7	116.5	0.1	131.5	248.2
1944	8.6	(1)	8.6	43.5	1.1	66.7	3.2	113.5	0.1	95.6	209.4
1945	4.1	(1)	4.1	19.5	1.5	77.4	10.0	107.4	0.0	54.1	161.6
1946	2.4	(1)	2.4	9.5	1.3	106.5	26.4	143.7	0.0	74.6	198.3
1947	1.2	(1)	1.2	5.2	1.0	119.4	24.5	150.7	3.0	44.3	147.3
1948	3.5	(1)	3.5	4.4	1.6	87.2	8.4	100.9	0.6	45.8	184.4
1949	3.9	0	3.9	2.5	0.8	100.3	15.8	119.4	0.0	82.4	234.8
1950	62.2	0	62.2	34.0	0.9	101.7	15.8	119.4	(1)	48.3	127.8
1951	46.0	0	46.0	24.7	0.9	45.5	8.4	79.5	(1)	93.7	196.8
1952	93.5	0	93.5	10.6	1.5	76.5	15.0	103.1	(1)	158.4	259.1
1953	64.5	0	64.5	6.1	0.5	80.1	14.0	100.7	(1)	176.9	288.9
1954	40.9	0	40.9	8.6	0.4	85.5	17.1	111.6	4	20.3	275.0
1955	41.5	0	41.5	29.2	2.4	70.6	22.8	124.9	4	53.3	273.4
1956	49.1	0	49.1	66.2	3.1	27.6	15.3	112.2	30.3	121.7	230.8
1957	79.7	0	79.7	43.9	0.5	36.9	18.1	99.4	56.7	152.3	295.9
1958	81.9	0	81.9	69.1	0.1	43.7	19.5	109.1	23.5	154.4	243.1
1959	69.1	0	69.1	56.0	0.1	65.1	16.1	137.3	7.1	137.6	263.1
1960	66.0	0	66.0	75.5	0.1	60.2	12.3	148.1	7.1	199.6	362.9
1961	61.1	0	61.1	95.3	0.4	56.6	18.3	170.6	2.7	253.2	395.5
1962	109.8	0	109.8	90.4	(1)	49.3	20.9	160.6	1.6	259.3	432.8
1963	161.2	0	161.2	71.5	0	50.0	19.3	140.7	21.2	288.5	435.1
1964	85.6	0	85.6	67.7	0	48.9	22.0	140.9	30.0		
1965	85.6	0	85.6	67.7	0	47.3	25.9	140.9			
1966	71.2	0	71.2		0						
1967											
1968											
1969											

¹ American in running bales and foreign in equivalent bales of 500 pounds.² Totals were made before data were rounded to thousands.³ Stocks in mills only.⁴ Less than 50 bales.⁵ Adjusted to crop-year basis, Aug. 1-July 31.⁶ Includes Egyptian cotton released from the national stockpile as of Aug. 1 as follows: 1962, 7,168 bales; 1963, 61,168 bales; 1964, 27,474 bales; 1965, 18,307 bales and 1966, 12,500 bales.⁷ Included with American-Egyptian.

TABLE 2.—EXTRA-LONG STAPLE COTTON: U.S. IMPORTS BY COUNTRY, CROP YEAR 1957-58 TO DATE

[In bales]¹

Year beginning August	Peru	United Arab Republic	Sudan	Other	Total
1957-58	14,366	30,233	19	0	44,618
1958-59	25,932	57,984	545	1,017	85,478
1959-60	14,872	66,878	1,409	4	83,163
1960-61	17,311	68,385	33	13	85,742
1961-62	21,475	62,670	26	25	84,196
1962-63	23,195	57,589	1,632	0	82,416
1963-64	34,447	46,051	4	0	80,502
1964-65	13,097	69,430	153	0	82,680
1965-66	42,546	44,898	184	0	87,628
1966-67 ²	22,322	35,844	990	249	59,405

¹ 500-pound gross weight.² August-April.

TABLE 3.—PRODUCTION OF EXTRA-LONG STAPLE COTTON IN THE WORLD

[In thousands of bales]

Item	1961-62	1962-63	1963-64	1964-65	1965-66 (revised)	1966-67 (preliminary)
United Arab Republic	638	1,060	950	1,064	1,041	837
Sudan	930	655	405	610	670	(700)
Peru	148	183	196	219	176	210
United States	61	110	161	117	86	71
Others	82	84	70	83	74	80
Total	1,859	2,092	1,782	2,093	2,047	1,898

Source: International Cotton Advisory Committee.

The CHAIRMAN. Are there any questions of Mr. Lowenstein?

If there are no questions we are very much obliged to you.

Mr. LOWENSTEIN. May I enter one thing in the record? I would like to enter a table which shows the total agricultural export from the United States, both for dollars and for foreign aid.

The CHAIRMAN. Without objection it will be made a part of the record at this point.

Mr. LOWENSTEIN. Thank you.

(The table entitled "U.S. Agricultural Exports" follows:)

U.S. AGRICULTURAL EXPORTS, VALUE UNDER SPECIFIED GOVERNMENT-FINANCED PROGRAMS AND DOLLAR SALES, FISCAL YEARS 1946-66

[In millions of dollars]

Year ending June 30	Government programs	Dollar sales	Total	Year ending June 30	Government programs	Dollar sales	Total
1946	1,787	1,070	2,857	1957	1,919	2,809	4,728
1947	913	2,697	3,610	1958	1,209	2,794	4,003
1948	1,576	1,929	3,505	1959	1,227	2,492	3,719
1949	2,302	1,528	3,830	1960	2,283	3,234	4,517
1950	1,983	1,003	2,986	1961	1,503	3,443	4,946
1951	1,196	2,215	3,411	1962	1,570	3,572	5,142
1952	623	3,430	4,053	1963	1,480	3,598	5,078
1953	450	2,369	2,819	1964	1,518	4,550	6,068
1954	605	2,331	2,936	1965	1,697	4,400	6,097
1955	835	2,309	3,144	1966	1,616	5,065	6,681
1956	1,339	2,157	3,496				

The CHAIRMAN. Mr. Zwach.

Mr. ZWACH. There is one question that I would like to ask the witness.

You are talking against this legislation—you did not indicate your position?

Mr. LOWENSTEIN. Our written report on the bill was identical to the report of the Department of State which Mr. Rostow talked about yesterday. The State Department takes the lead in setting foreign policies, for the administration. We are against it.

The CHAIRMAN. If there are no further questions we are very much obliged to you.

Now we have a request to hear Mr. Jose Letts, who represents the Cotton Growers Association of Piura, Peru. He is a representative from a foreign nation. I understand that you are appearing in your individual capacity and not as a representative of your Government, is that correct?

Mr. LETTS. That is correct, sir.

The CHAIRMAN. We will be glad to hear from you now.

STATEMENT OF JOSE LETTS, REPRESENTING THE COTTON GROWERS ASSOCIATION OF PIURA, PERU

Mr. LETTS. Mr Chairman and members of the committee, I heard the statements presented yesterday, and I may say that I was very happy that nothing has been said against my country. Actually, I heard good things about what we are doing for the United States.

I would like to read the statement that I have prepared, Mr. Chairman, where I will show that we are against this bill—not against this bill on the objective principle that you have for it, but we are against this bill because it is hurting our economy.

Permit me to read my statement that I have here.

Mr. Chairman and members of the committee, I appreciate the courtesy of the House Committee on Agriculture in allowing us the privilege of presenting our views in opposition to House bill No. 10915.

My name is Jose Letts. I am a cottongrower connected for over 30 years with both production and marketing of Peruvian cottons, long- and extra-long staples.

I appear on behalf of the Cotton Growers Association of the Department of Piura—Liga Departamental Agricola y Ganadera de Piura—and its president, Mr. Juan Coronado, is here with me as an adviser.

The association is made up of voluntary private growers of extra-long staple cotton who have no connection with the Government of Peru and are not subsidized by that Government. It represents more than 3,000 growers of Pima, Supima, Karnak, and del Cerro cotton, all located in the valleys of Piura. This cotton has quite different uses, of course, from Tanguis.

Because of the profound impact of this proposed legislation on the people and the economy of Peru—historically one of the major extra-long-staple cotton suppliers to the United States—my colleague and I are very pleased to have this privilege of appearing before you, Mr. Chairman, and I must say that the opportunity given to us speaks very highly of the democratic pillars on which this great nation of the United States stands.

The association takes no position on the motivations and objectives of the bill itself, which we regard as a matter of U.S. foreign and domestic policy. But, insofar as it permanently curtails the global import quota for extra-long-staple cotton, the proposed bill is unfair to Peru, especially since it would deprive Peru of its historical and increasing participation in the U.S. market.

H.R. 10915 has taken as a yardstick the quantity of cotton imported from the United Arab Republic in 1964-65. In that year approximately 33 million pounds of cotton were imported from the United Arab Republic and this bill, therefore, would tend to reduce the quota by that quantity, leaving only about 6 million pounds, out of an original quota of 39½ million pounds, for Peru and other friendly countries.

The permanent reduction of the global quota aimed at countries that have broken relations with the United States has the unfortunate effect of hurting a friendly country such as Peru.

Peru's exports of extra-long-staple cotton to the United States were drastically reduced during 1964-65, as a result of climatic conditions beyond the control of man, such as droughts, floods, etc., that have castigated the area of Piura.

The 1964-65 imports from Peru amounted to only 6,231,419 pounds, or 15 percent of the quota, compared to 18,323,267, or 46.3 percent of the quota, in 1965-66.

No year could have been picked which would damage Peru more. At this point it should be emphasized that Peru could have shipped more cotton to the United States except for the unfair competition with foreign suppliers who received subsidies from their own governments through the payment of storage and insurance charges carrying the stocks from one year to the next.

The Government of Peru did not give such a subsidy to its producers, due to the fact that in Peru prevails a free enterprise economy which the U.S. policy is designed to foster.

There are other points which we hope the committee will consider:

First, the House bill is contrary to the principles of the Alliance for Progress, to the principles adopted during the recent meeting of the Presidents of the American Republics in Punta del Este, the agreements under the GATT, and to the promises made by President Johnson in connection with the Alliance.

Second, the bill aimed at other countries, would harm Peru most. It would cut Peru's cotton trade with the United States and it would deprive Peru of its historical participation in the U.S. market. This specialized cotton, if shut out of the United States, would have to be sold elsewhere in the world in direct competition with Egyptian and Sudanese cotton. This would be both difficult and costly to our producers.

Third, the bill would cause the most harm to the country that can least afford it and that least deserves it. Of those adversely affected by the bill, Peru is the Latin American country most dependent on cotton exports to the United States. Furthermore, the sharp reduction in the global import quota would occur in the very moment that Peru's economy is showing weaknesses.

By no standard does Peru deserve the treatment proposed by the bill. Peru has a long history of support of U.S. policies. It was the first Latin American country to break with the Axis and declare war on

Japan, the first to break with Castro, and a country that had no trade, direct or indirect, with the Soviet Union or Red China.

It must not be forgotten that the production of extra-long-staple cotton in Peru was stimulated by an agreement between the Governments of the United States and Peru subscribed on April 22, 1942, by the Secretary of Agriculture of the United States and the Minister of Finance and Commerce of Peru.

In article 5 of this agreement, it was clearly required that Peru expand its production of extra-long-staple cotton so as to contribute to the U.S. war effort, and Peru was assured that the United States would purchase this cotton from Peru. Although this agreement has expired, nevertheless, we feel that there is a moral obligation not to abandon this policy.

Peruvian cotton is a specialty cotton which is not strictly comparable with domestically grown extra-long-staple cotton in the United States. It is longer in staple and silkier in fiber. There is no cotton grown in the United States which has a staple of more than $1\frac{1}{16}$ inches whereas Peruvian Pima has a staple length of $1\frac{1}{16}$, $1\frac{3}{8}$, or $1\frac{11}{16}$ inches.

American spinners should not be denied the privilege of securing at least limited quantities of foreign specialty cotton if they find such cotton to be more desirable in quality and more suitable for their particular needs. The balance left for importation, if the 1964-65 quota year is regarded as a yardstick, would be negligible and totally inadequate. For some purposes manufacturers are more likely to resort to artificial fibers rather than to domestic Supima cotton.

At the 26th plenary meeting of the International Cotton Advisory Committee held in Amsterdam from the 12th to the 21st of June 1967, 41 participating countries, including the United States, subscribed to the statement on cotton policy, which in paragraph 9 reads:

The producers of extra-long-staple cotton emphasize that every possible effort should be made in order that producing countries who are exporters of extra-long-staple maintain their traditional export markets and that no measures be adopted that might affect the international trade in these cottons.

The importance of cotton in the economy of Piura is that it gives occupation to about 30,000 rural workers, which in the majority are small and medium farmers. Including their families and dependents, they amount to approximately 250,000 persons.

Cotton growing has a vital role in providing the country with staple food products derived from the industrialization of cotton seed.

In 1966, our extra-long-staple cotton production represented 12 percent of the gross value of the agricultural production of the country.

In export, extra-long-staple cotton with sales of approximately 29 million is an important source of foreign exchange, vitally needed for the purchase of U.S. food products.

This crop adapts itself well to the irregular water resources characteristic of the rivers in the coastal valleys of Piura, and no other cotton variety—and in fact no other crop at all—can be grown economically in this area.

With regard to the importance of extra-long-staple cotton in the Department of Piura, the only region in Peru where it is produced, it must be stated that Piura has a population of around 1 million inhabitants of which the subsistence of 70 percent depends directly or indirectly from agriculture, mainly cotton production.

Mr. Chairman, Peru's cotton trade with the United States is not a one-way street. Peru is a good trading partner of the United States, buying more from the United States than the United States buys from Peru. As the Department of Commerce has pointed out, "The United States is Peru's principal trading partner." (As contained in U.S. Department of Commerce, Overseas Business Reports (OBR 65-46, July 1965), p. 18, table 15).

In 1964 the United States supplied 41 percent of Peru's imports, by value, an increase of almost 4 percentage points over the previous year. Peru in 1964 bought from the United States over four times as much as it bought from its next largest supplier. U.S. sales to Peru in 1964 were 8.8 percent of Peru's gross national product—far larger than the comparable 6 percent for Mexico.

In terms of merchandise trade, Peru buys more from the United States than the United States buys from Peru and has done so every year from 1950 up to 1965. Moreover, Peru's purchases from the United States are increasing at a rapid rate.

Peru's increasing trade with the United States has been accomplished despite a balance-of-payments relationship adverse to Peru and favorable to the United States. While computations of bilateral balance of payments are difficult, the best sources available indicate that from 1960 through 1964 the balance of payments between Peru and the United States was every year favorable to the United States, ranging from \$29 million in 1960 to \$113 million in 1964.

On the other hand, a significant amount of the money flowing from Peru to the United States consisted of profit remittances by the U.S. companies having investment in Peru. In 1963 these remittances totaled \$65 million, over 1½ times as high as profit remittances from Mexico and five times as high as those from Brazil.

These facts not only point up the relative importance to Peru of long-staple cotton exports to the United States and the position of Peru as a good trading partner of the United States, but also give some indication of the kind of free economy that Peru has.

I submit that on any yardstick whether it be historic participation in the U.S. cotton market, the capacity to meet and even exceed its first-come, first-served quota requirements, need for foreign exchange income, or adherence to the principles of democracy and free enterprises Peru is entitled to the same consideration from the United States that it gives to other friendly nations of the world, and especially to the Alliance countries of the Western Hemisphere.

Mr. Chairman, I have come a long ways from Peru to submit to your committee the point of view of my fellow cottongrowers and I avail myself of this opportunity to express to you not only my concern over H.R. 10915 but also over the probability that legislation would be introduced in the U.S. Congress, possibly in the form of a rider to important legislation under consideration, to equalize the domestic price of extra-long-staple cotton with the export price of this cotton.

Peru is deeply alarmed at this possibility and does not believe that it would be in the best interests of the United States, Peru, and the Alliance for Progress. Should legislation of this nature be passed, it will have the immediate effect of preventing the importation of Peruvian cotton to the United States; in other words, this would be a new way of displacing Peruvian cotton from the U.S. market without eliminating the global import quota.

In conclusion, Mr. Chairman, we Peruvians earnestly hope to continue trading with the United States. The passage of bill H.R. 10915 or any other similar measure will only impede the national policies of Peru which the United States is trying to make effective under the Alliance for Progress.

The CHAIRMAN. Thank you very much. We are very much obliged to you for this statement. We appreciate your coming before us.

I think that this statement emphasizes the importance of congressional hearings. I do not believe that anyone who has sponsored any of these bills has any desire or intention of adversely affecting Peru. In all frankness, it was intended that we have simply got to support the American growers in securing some part of the quota that had previously belonged to the United Arab Republic and the Sudan or any other nation that might have broken relations with the United States, although they happen to be the only two that did send us long-staple cotton. Nothing that I know of is to the contrary. Nobody that I know of has the slightest idea that it will want to adversely affect Peru.

These hearings enable us to get all of the facts that may have been otherwise overlooked.

It seems to me that our State Department should be just as concerned to protect the economic interests of Peru as they are to protect the economic interests of the United Arab Republic.

I think I can safely say for every member of this committee that we are interested in protecting the welfare of the people of Peru whom we look upon as our friends.

Mr. TEAGUE of California. And more so.

The CHAIRMAN. Certainly more so. We look upon Peruvians as our friends. There was no intent on the part of any of the authors here to do otherwise. It is called to my attention that the State Department did have a reference on page 10 of their statement, consisting of a page and a half or a couple of pages which covers approximately that much of a 16-page statement on that subject. So I was in error in saying that they did not mention Peru but the reference was upon someone else.

I do not think that the authors of this bill—and there are a number of them—intended even in the slightest way, in anywise to change the status of Peru.

In reading the bill and considering your suggestion, I wonder if we could not achieve exactly what we did intend to do by putting in an amendment on page 2, in line 5 of the bill, and if you do not have a copy of it, I have another copy here, where the bill now states, "that such quotas shall be reduced by the amount of extra-long-staple cotton received from any such country during the 1964-65 quota year," and that we could say, "that such a quota shall be reduced by the average annual amount of extra-long-staple cotton received from any country during the 5 quota years immediately preceding the quota year in which diplomatic relations were severed"?

If I understand the figures given us by the Department of Agriculture that would mean that instead of using a year which we know was adverse—instead of using that year which would be 13,000 bales only, that we would use the 5 years immediately preceding the year in which diplomatic relations were broken, which would include in the

5-year average the largest year you ever had which was 1965-66, which was 42,000 bales and it would, also, include your smaller years. It would also include a year where there was 44,000 bales and 23,000 bales and another year of 21,000 bales, which would give you something—just looking at it hastily—that would come out to something like 25,000 bales, something of that order—maybe more than that—but it would protect you as to the average amount that you had over that 5-year period.

Mr. LETTS. May I speak on that?

The CHAIRMAN. Yes.

Mr. LETTS. I can see very well that at the beginning there was nothing against my country and that you are right now trying to protect it, trying to be fair with us, which we appreciate very much, but since we are in that position, why do we not consider giving us the quota? Why do you not give us the other countries' quotas or a part of them?

The CHAIRMAN. We owe an obligation to the American producers. Our own American producers have been cut down. They have about one-half what they were producing before. You have not cut your production like we have cut our production.

Mr. LETTS. Mr. Chairman, we compete with other producers. Our country would compete with your producers. We have no privilege over your producers. I am a farmer. I look upon the farmer as my partner.

The CHAIRMAN. I am not going to assume that we cannot grow this long-staple cotton that you grow. I recognize the truth of your statement that you grow a longer staple cotton than we grow today, but I have seen the time in west Texas when people said you could not grow any staple an inch long. We are growing it. I have no reason to believe that we will never grow that 1½ cotton that you grow. I am not going to sit here and be a party to a procedure which would deny the growers of Texas, of Arizona, and of New Mexico the opportunity to grow a better staple if they can.

I am glad that you grow it in Peru, but I am not going to say that this Congress will sit here and tell our people that they cannot improve their staple. I think they can.

Mr. LETTS. Fine if they do so but you would not be able to import cotton if you pass the bill except for the quantities mentioned or whatever quantities are allowed.

The CHAIRMAN. That is right.

Mr. LETTS. If you leave the quota like it is now.

The CHAIRMAN. What?

Mr. LETTS. If you leave the quota as it is now, because the mills of the United States want to buy it. And there will be more cotton produced in the United States as well. What I am asking is why not leave the quotas as they are to give freedom in this.

The CHAIRMAN. I want to be realistic about this. I tried to be realistic with the State Department yesterday. I think we have to pass a bill eliminating the Egyptian quota to the United States. I believe we have enough votes. I am not going to try to apply it to anyone else. We do not want to hurt Peru in the process. We are wanting to try to write this bill so that it will not hurt Peru, but we are writing this bill for the United States of America. This committee

sits here for the United States of America and not for the Arab Republic or Peru or any other foreign nation. We have no animosity for Peru. We admire your people. We think that they are good friends and we want to be friendly with you. But our responsibility is to the farmers of the United States of America.

Mr. LETTS. Excuse me, sir, but I do not want to appear like I am overstepping on the opportunity you have given me if I ask for this.

The CHAIRMAN. We are glad to have your statement.

Mr. LETTS. My whole nature is on free enterprise. Peruvians work today on the basis that whenever they ask for anything it is for free enterprise. If I am overstepping myself, do not consider that I am really trying to get it all, that I am hostile to that. It is because I believe in free enterprise and I believe that I would love it if the United States sells to me the products that they are doing now and would permit me to sell to the United States all of the products that I can produce.

The CHAIRMAN. Do you not have an import duty of about \$2,000 on every automobile that we send into Peru?

Mr. LETTS. The same way that I pay duty when I send my cotton to the United States.

The CHAIRMAN. Not the same way. You pay 7 cents on that cotton.

Mr. LETTS. We pay 3½.

The CHAIRMAN. That's right—you are getting it in at half price now. That is right. You only pay 3½ cents on that cotton. And that cotton must be selling for 60 cents today so that you are paying on that cotton about 5 percent on the value of that cotton goods and you have a tariff of about 100 percent on many products we ship to you.

Mr. LETTS. Yes. We are treating the English and the Germans and the others the same way, however.

The CHAIRMAN. You are suggesting that you want free trade, you want free enterprise? Certainly, I am perfectly willing to make you a deal although neither one of us could carry it out. I am perfectly willing to make you a deal that we will let anything come in from Peru free of tariff if you will do the same thing for our products.

Mr. LETTS. Oh, by all means, sir. You have no idea how we would welcome that. [Laughter.]

The CHAIRMAN. I want to meet you halfway, at least, on this free enterprise proposition. I am for free enterprise, too. If you will take our automobiles, take everything that the United States wants to sell in Peru and charge no tariff, we will take all that you can send to the United States without any limitation. It will work both ways.

Mr. LETTS. We are talking now. The world is going forward.

The CHAIRMAN. I beg your pardon?

Mr. LETTS. I believe that the world is going in that direction.

The CHAIRMAN. I hope that it does. It is not there now. And as long as you have a 100-percent tariff against our automobiles, I do not think that you can say too much about our assessing 3½ cents or 5-percent tariff against your cotton. All I am trying to say is that we want to help Peru. We want to be fair to Peru as far as we can. This is not a tariff group. We are willing to deal with you fairly. We want to deal with you fairly.

Are we not dealing with you fairly if we give you this 5-year average, instead of the year that we happened to pick out in the bill? I did not know that was a bad year for Peru. I had no way of knowing it until the figures were presented. We are glad to have these facts. If we give you a 5-year average, would that not be all right?

Mr. LETTS. I will not answer you here. I cannot say this thing and that thing like that. I would love to work out this a little bit. Please permit me to present that to you a little later.

The CHAIRMAN. We will be glad to have you do so.

Mr. LETTS. I have to thank you very much for the way you are treating me and the chances you are giving me to speak.

The CHAIRMAN. Thank you very much.

Are there any other questions?

Mr. Kleppe.

Mr. KLEPPE. May I just say this to Mr. Letts? I think that this is one of the best statements we have ever had submitted to our committee since I have been here and that has been a very short time. I think that you have really analyzed the facts that we have before us. I want to compliment you on what I think is a very fine statement.

Mr. LETTS. We thank you very, very much, Mr. Kleppe. We are trying to express here the real feeling in my country for your country.

Mr. KLEPPE. I think that the chairman has well explained the attitude and the feeling of the sponsors of these various bills. From that point we will just go forward and see what we can work out.

Mr. LETTS. I will be happy to have something done. That is why we came here to speak out. It is wonderful that you have accepted us and have listened to us.

The CHAIRMAN. We are very glad to have had you.

Mr. LETTS. If you have any further questions I will be happy to try to answer them.

The CHAIRMAN. Mr. Miller.

Mr. MILLER. On page 8 of your statement you have a statement stating that Peru in 1964 purchased from the United States over four times as much as it purchased from its next largest supplier. May we have information as to who that next supplier was?

Mr. LETTS. I would love to tell you, sir. I am afraid that I have that information not with me, but I am sure that your department here or our department would be able to tell you that better than I can. I will see that you hear about it.

Mr. MILLER. Thank you.

Mr. LETTS. I am sorry that I cannot answer the question at this time. I am not prepared for it.

The CHAIRMAN. If there are no further questions we are very much obliged to you gentlemen.

Mr. LETTS. Once again, thank you very much, all of you.

The CHAIRMAN. Our next witness is Mr. J. S. Francis, Jr., president of the SuPima Association of America.

We will be glad to hear from you now, Mr. Francis.

STATEMENT OF J. S. FRANCIS, JR., PRESIDENT, SuPIMA ASSOCIATION OF AMERICA, ACCOMPANIED BY MIKE MAROS AND MARK RICHMAN

Mr. FRANCIS: Mr. Chairman and members of the committee, I have with me Mr. Mike Maros from Fabens, Tex., to my left and Mr. Mark Richman, of New Mexico.

My name is J. S. Francis, Jr. I am a producer and processor of extra-long-staple cotton, residing in Phoenix, Ariz. I am president of the SuPima Association of America, which is an organization representing farmers who produce approximately 80 percent of the extra-long-staple cotton grown in the United States.

We appreciate the opportunity of presenting this statement to this distinguished committee in support of H.R. 10915.

Before expressing our views on this important bill, I should like to take a few moments to give you a brief background of the SuPima Association.

In 1954, the extra-long-staple cotton producers in Arizona, New Mexico, and Texas recognized the need to expand markets for their specialty type cotton. After much investigating, meetings, and discussion, these extra-long-staple cotton producers organized the SuPima Association of America. The association emphasized the production of high-quality extra-long-staple cotton in the most efficient manner possible.

It was also deemed to be in the best long-term interest of the American cottongrowers as well as in our national interest to have an adequate domestic supply of extra-long-staple cotton, rather than to be completely dependent upon foreign sources. Through an aggressive and outstanding program of research, there has been produced a variety of extra-long-staple cotton which, according to tests, was shown to be equal or superior to any foreign-grown extra-long-staple cotton.

And I would add here including the staples.

An advertising and promotional program was instituted by the producers in order to make the country and the world aware of the superior quality of the cotton which they produced. Over \$2 million has been voluntarily contributed (\$3 per bale of extra-long-staple cotton grown) by the producers to the SuPima program. Attached to this statement is a brochure of ads developed by our New York office last year. This merchandiser was sent to more than 950 key people in the textile, apparel, and retailing trade, telling them of the superiority of our fine cotton.

Despite these efforts, the extra-long-staple cotton producers now find themselves in a position where their acreage has been severely curtailed. It also will be likely that the U.S. Government will have to take over large additional quantities of this production this year because imported cotton is allowed to enter the U.S. market at a price below our support level and make our American cottongrowers residual suppliers in their own home market.

Through the efforts of the SuPima Association advertising program, we have seen extra-long-staple acreage allotment increased to a high of 149,880 acres in 1962. Today we have a national allotment of only 70,500 acres, over a 50-percent reduction to American farmers. During this same period 1962-66, we have also received a reduction in price of some 4.5 cents per pound. This amounted to over \$22 per bale average decline in farm income for all extra-long-staple producers. On top of this, announced and anticipated price for the crop this fall will reflect about an additional 2 cents per pound or \$10 per bale further reduction.

While our producers were taking this reduction in volume and price, foreign nations have been permitted to continue to supply our domestic markets with approximately 82,000 bales of extra-long staple cotton every year. This was and is being done when our own producers are able and can fulfill this market and can, if given the opportunity, take care of any unforeseen emergency.

We have produced over 160,000 bales of extra-long-staple cotton in a marketing year and have the potential to supply the American mills with ample supplies of high-quality cotton every year. While U.S. producers have been forced to curtail production, foreign cottons have been permitted to come in without diminution.

The import quota for 1% cotton (extra-long staple) which is 39,590,778 pounds (approximately 82,480 bales at 480 pounds each) has continued to be used in this country each and every year. This has been true even though Government stocks were increasing at an alarming rate.

On August 1, 1962, Commodity Credit Corporation owned some 20,000 bales of extra-long-staple cotton. Today, that figure is about 160,000 bales and on top of this 160,000 bales is about 26,000 bales in the current loan program. On August 1, 1967, Commodity Credit Corporation will own almost 200,000 bales of extra-long staple cotton. These stocks not only burden our markets but serve to hold U.S. producers at the minimum acreage allotment level.

This is also a time when Egypt has been the major supplier of the import quota. To cite a few figures from the USDA, Egypt sold into this country the following number of bales, at the expense of our domestic producers, in the years given:

1959	66,900	1963	46,100
1960	68,400	1964	69,600
1961	62,700	1965	54,000
1962	57,600	1966 (estimated)	44,500

The record will show that these bales have always entered the United States at a few cents per pound less than the USDA-announced support price. These bales were paid for in hard American currency, which in no way improved our gold reserve or balance of payments.

I should like to deviate from the prepared statement for just a moment.

The Department of State representative indicated that the United States exported just in excess of \$200 million worth of goods to Egypt and imported only about \$24 million. I submit that the \$200 million figure came from an entirely false picture. It includes the goods under the Public Law 480 program which have reached nearly

\$150 million annually for the past 5 years. I do not have the amount of the Public Law 480 shipments included in the \$200 million figure. However, we expect that the Egyptians will continue to buy food which we do not furnish it free.

Furthermore, from the Statistical Abstract of the United States, 1966, it gives the information that the U.S. assistance to the United Arab Republic other than Public Law 480 was \$166 million in 1965, and \$268 million in 1964.

To our way of thinking, there is no way you can justify allowing a country which is certainly no friend or ally of ours to be permitted to continue to usurp American markets at the expense of American producers.

Gentlemen, this is the unfair situation which we have been forced to live with for many years. In 1958, we were granted a Tariff Commission hearing under section 22 of the Agricultural Adjustment Act of 1933, in which we asked for a reduction in the import quota. Again, in 1959, we were granted another hearing, but no reduction was made. Since that time, we have attempted to have hearings called again, but to no avail.

It would appear that our only relief will be through congressional action. This bill that is being considered today will not only restore dignity to the United States, but will also serve a vital economic need to our producers in the Southwest, benefit our national economy, and improve our balance of payments.

We appreciate the opportunity to appear before you today and give testimony in support of H.R. 10915.

The CHAIRMAN. Thank you, Mr. Francis. You heard Mr. Letts state that the United States could not grow staple lengths that Peru produces. What is your answer to that statement?

Mr. FRANCIS. Mr. Chairman, we in the past have had some problems with the staple length cotton 2 or 3 or 4 years ago, and at that time the statement from the gentleman in Peru was true. Today, however, we have two new varieties of cotton, and according to staple measuring machines it indicates to us that our cotton is equal in staple to that grown in Peru. It should be. They grow precisely the same cotton. The seed was developed in this country.

The CHAIRMAN. What is the maximum staple length that you are now selling?

Mr. FRANCIS. Most of our cotton, in excess of 80 percent, is one inch and three-eighths. We have a few bales that are classed an inch and seven-sixteenths. To the best of my knowledge the American mills, including the thread mills, are no longer demanding cotton in excess of an inch and seven-sixteenths.

The CHAIRMAN. Of course an inch and nine-sixteenths really gets the prize.

Mr. FRANCIS. That fact is right, sir.

The CHAIRMAN. Do you think that you can grow an inch and nine-sixteenths in the Southwest, or do you think that it is simply not economical to grow it?

Mr. FRANCIS. We could grow it if there were a demand for it. There is a direct correlation between staple length and yield. The longer the staple length the lower the yield.

The American mills advised us some 5 or 6 years ago that they would prefer cotton to be an inch and three-eighths, rather than an inch and seven-sixteenths, or an inch and one-half. And this is why the cotton known as S-2 was developed to give the mills what they said they wanted.

The CHAIRMAN. The point I am trying to make here is that you can grow the longer length if there is an economic demand for it?

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

The CHAIRMAN. Are there any other questions?

Mr. Nichols.

Mr. NICHOLS. I would like to pursue this question just a bit, if I might, sir, because since the introduction of this bill—and I certainly support the precepts that this bill intends to correct—I have had some calls for at least two of my thread mills in my district, Mr. Chairman, who say that they are spinning an inch and seven-sixteenths cotton. Your S-1 cotton, I believe I am correct in saying had a staple length of about in that range?

Mr. FRANCIS. Yes, sir.

Mr. NICHOLS. The new cotton or the S-2, the SuPima varieties, I believe, are generally an inch and three-eighths cotton.

Mr. FRANCIS. Correct.

Mr. NICHOLS. I would again like to have the assurance so that I can tell my people that you can and will grow this cotton that they need to spin this thread. I think there are a number of these mills throughout the country.

Mr. FRANCIS. The two new varieties known as S-3 and S-4 that we have devoted 25 percent of our acreage to this year, and we will switch over completely next year, show a predominance of an inch and seven-sixteenths in fiber length and should meet the American mills' requirement.

Mr. NICHOLS. And would this cotton be available beginning with the October year of 1968?

Mr. FRANCIS. Yes, sir, October 1968; yes, sir.

Mr. NICHOLS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Miller.

Mr. MILLER. Mr. Francis, on page 3 in your statement it shows the amount of bales imported for the years 1959 to 1966 and all are very close to the table we have from the Department of Agriculture other than the Egyptian imports for 1965. The 1965 figure is 10,000 bales different. One or the other obviously is incorrect. U.S.D.A. shows, for instance, 44,000 and you show 54,000 for the year 1965.

Mr. FRANCIS. I have been advised that we would accept your figures. Our figures were taken from another source. Possibly we are in error with that one figure. I will accept your figure, Mr. Miller.

Mr. MILLER. Thank you. That is all.

The CHAIRMAN. Are there any further questions?

If not, we are very much obliged to you, Mr. Francis, and your associates.

Mr. FRANCIS. Thank you.

The CHAIRMAN. I believe Congressman White has come in. We will be delighted to hear from Congressman White, one of the authors of this bill, at this time, and one of the representatives of the extra long

staple cotton area. But before Mr. White presents his statement the Chair would like to insert without objection into the record a statement from the New Mexico delegation by Hon. Thomas G. Morris and Hon. E. S. (Johnny) Walker. This will be made a part of the record at this point.

(The statement follows:)

STATEMENT OF HON. THOMAS G. MORRIS AND HON. E. S. JOHNNY WALKER,
REPRESENTATIVES IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. Chairman, distinguished Members of this Committee, your fast action in scheduling hearings on this legislation is greatly appreciated. As co-authors of H.R. 10915, we are naturally here to express our support for the proposal and to give our reasons for that support.

The bill would amend Section 202 of the Agriculture Act of 1956 by adding a new subsection. Subsection (c) would, under certain conditions, revoke the privilege which certain countries now have of exporting extra long staple cotton to the United States. We have a quota on such cotton. As a matter of fact, the privilege of growing extra long staple cotton is limited in the United States. In our State of New Mexico, one of the few places in the world where the climate and soil are able to produce this type cotton, we tell our farmers not to grow too much because our friends elsewhere need the business. Perhaps they are not really our friends, but we seem to hope that if we give them a piece of the action they will become our friends or, at least, act as though they were not enemies.

Obviously this has not worked. The so-called friends we have bought don't seem to remain bought; in fact, we are more like renters than purchasers. It is our opinion that after having been kicked twice and slapped twice, this Nation is in no position to turn the other cheek.

Certain nations are now allowed to fill portions of the annual quota. Simply stated, this proposal would cut a country off after that country has severed diplomatic relations with the United States.

The conditional cut-off seems to be a reasonable reaction, and the intent is clear. Let us enact this legislation and proclaim a warning to the rest of the world that burning our libraries, terrorizing our citizens, destroying our embassies, and other such acts, may result in painful consequences. If that sounds realistic, so be it; that is our intent. In effect, the concerned nation will have lowered the boom on its own producers and exporters.

In actuality, we do not need those cotton imports anyway. In total they have been running 80,000 to 84,000 bales in recent years. Our carryover stocks are very adequate in any case, amounting to 288,500 bales as of August, 1966. We even released 30,000 bales for export from the national stockpile. We can produce more of it here and our farmers will be very pleased to do so.

This bill makes provision that the Secretary of Agriculture shall give domestic producers the opportunity to produce an amount of such extra long staple cotton equal to any reduction in supply which may result from the restrictions. That we have unused capacity to produce this extra long staple fiber is clear enough. Production rose from 61,100 bales in 1961 to 161,200 bales in 1963; since then we have found it necessary officially to reduce the harvest to about 76,500 bales in 1966. Acreage allocated to this crop in 1963 was 149,880; for 1967 it was only 70,500 acres. This represents an awesome cutback of good cotton acres. Indeed, our farmers in Arizona, Texas, and New Mexico will be pleased to grow many more acres of this crop.

Enactment of H.R. 10915 will result not only in reduction of the present large carryover stocks, but will permit substantial restoration of U.S. acreage devoted to production of extra long staple cotton.

The CHAIRMAN. We are very glad to have you with us, Mr. White, and we will be glad to hear from you now.

STATEMENT OF HON. RICHARD C. WHITE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Mr. WHITE. Mr. Chairman and members of the committee, as the Representative of the 16th District of Texas, which is responsible for approximately one-third of the extra-long-staple cotton in the United States, it is a pleasure for me to appear before the committee in support of H.R. 10915, of which I am a coauthor.

The CHAIRMAN. This is probably the only district in Texas that grows this extra-long-staple cotton.

Mr. WHITE. We grow more than any other.

The CHAIRMAN. If you will pardon the interruption.

Mr. WHITE. All right.

Mr. KLEPPE. Where is the 16th District?

Mr. WHITE. It adjoins New Mexico and Mexico.

For many years, the cotton farmers of my district have labored under unequal competition. At a time when they have tried to build a strong long-staple cotton industry, against the influx of synthetics and all the other ailments afflicting the cotton industry, our country has permitted increasing quotas of imports from such countries as Egypt. When they have asked why, the answer has been that this is in the best interests of good international relations.

Now, one country to which we have given such favored treatment—Egypt—has repaid our favor by severing relations with our country, damning us before the world, and concocting the most irresponsible of charges in an effort to draw us into a worldwide conflict. Under these conditions, how can we now explain to the American farmer that these quotas are in the best interests of international relations? How far can we go before we pay more deference to our own farmer who is trying to harden the sinews of our economy?

I think the time has arrived for a revision of our policy; and, therefore, I am pleased to be a coauthor of this bill.

At the present time, the import quota for extra-long-staple cotton, largely supplied by Egypt, is 85,600 bales, which could be produced here in the United States. The producers of this cotton have suffered considerable reductions in allotments over the last few years. To give you some indication of how drastic these cuts have been, in 1963 the allotment was 149,880 acres; in 1966 it was 70,500 acres—a cut of more than one-half. Not only are the producers of this cotton able, but they are anxious to fill the market for what has been supplied previously by Egypt.

We do not face a shortage by cutting off Egyptian imports, because there are now stocks of approximately 200,000 bales in this country.

For these reasons, I strongly urge favorable action on H.R. 10915. Thank you.

The CHAIRMAN. Thank you, Mr. White.

Are there any questions of Mr. White?

If not, we are very much obliged to you for your appearance before us. You are the long-staple cotton expert of the State of Texas.

Mr. WHITE. Thank you.

The CHAIRMAN. Our next witness is Mr. Fred Enke, president of the Arizona Cotton Growers Association, Casa Grande, Ariz.

We will be glad to hear from you now, Mr. Enke.

STATEMENT OF FRED ENKE, PRESIDENT, ARIZONA COTTON
GROWERS ASSOCIATION, CASA GRANDE, ARIZ.

Mr. ENKE. Mr. Chairman and members of the committee, I am Fred Enke, of Arizona, a cottongrower in Arizona and currently the president of the Arizona Cotton Growers Association. And in those two capacities I am very happy to be here to make a statement in support of H.R. 10915.

The Arizona Cotton Growers Association enthusiastically supports H.R. 10915 and respectfully urges the committee to approve this proposal.

For almost 50 years the farmers of Arizona have had to take second place to the fellahs of Egypt in supplying extra-long-staple cotton to American mills. We have felt, and do feel, that we have been unfairly treated and have been made to compete with a group of producers who are repaid for their efforts with a return of only a few cents per pound of cotton produced. Now that the Governments of Egypt and the Sudan have seen fit to break diplomatic relations with our Government, we say it is time to stop trading with and trying to appease these people who are basically unfriendly to us, while at the same time helping the U.S. farmer.

H.R. 10915 would accomplish this purpose.

Extra-long-staple cotton was first grown in Arizona about 1910 from seed strains developed by the USDA from Egyptian seed.

For a number of years extra-long staple was the only cotton grown in Arizona. During World War I our extremely high quality Pima cotton was in great demand for the manufacture of pneumatic truck tires and for other military fabrics where high strength and light weight were essential; airplane fabrics and machinegun belts, for example. From a production of 3,300 bales in 1916 the crop expanded to 93,000 bales in 1920.

As the big demand created by the war was slackening, new developments in textile manufacturing processes took our tire market. Return of more normal conditions also permitted the Egyptians to ship in nearly 500,000 bales of extra-long-staple cotton in 1920, completely taking over the market, which was still quite substantial. As a result, the 1920 crop of Arizona-grown, extra-long-staple cotton (about 90,000 bales) sat in the gin yards for many months and a large number of our farmers were financially ruined.

Arizona farmers requested protection against these imports but found the U.S. Department of State opposing them and supporting the Egyptians.

In 1921 our growers sent two spokesmen to Washington to protest to our then Senators and our then Representative, the Honorable Carl Hayden, that the U.S. State Department was putting the interest of Egypt ahead of our own people. Of course, the protest made a news item for the papers but made no more headway against the State Department than many other protests against the same departmental attitude in the ensuing years since 1921.

In the past 46 years, we have seen many changes in the world, including changes in the production of extra-long-staple cotton.

But in all that time one fact has stood out like a lighthouse—the U.S. Department of State has steadily and unrelentingly opposed any

attempt to reduce Egyptian imports of this cotton in order that American farmers might produce the type of cotton for the domestic market.

In 1939 the Honorable Carl Hayden was successful in having a small tariff applied to the Egyptian cotton and a quota established for imports of extra-long-staple cotton. That quota incidentally about equaled the domestic mill demand of that time.

Twice the quota has been reduced, once to 95,000 bales and then about 10 years ago to 85,000 bales; of this amount Egypt supplies about 80 percent. We feel we owe the Congress and Senator Hayden a debt of gratitude for this help which was all you could manage over the battle the State Department put up on behalf of Egypt, which now shows her appreciation by giving us a gratuitous kick in the teeth.

These imports have been allowed to stand for years though they are clearly in violation of the meaning and intent of section 22 of the Agricultural Adjustment Act. American growers have had their allotments and their support price reduced several times all because low-priced Egyptian cotton was permitted to enter the United States.

When the SuPima Association of America was organized in 1954, to promote the sale of American-Egyptian cotton it did an outstanding job, increasing consumption of extra-long-staple cotton by as much as 80,000 bales per year but the first beneficiary of this activity was the Egyptian, whose cotton entered the United States in August prior to our own harvest season and whose cotton was moved first before our mills purchased U.S. cotton. As with many other imported products, the Egyptian cotton always managed to sell for a penny or two under our support price.

When domestic mill demand began receding from its peak, 3 or 4 years ago, it was the American farmer who cut back his planting and who took a lesser price in an attempt to stay competitive with the slave labor price of Egypt.

We can produce all the extra-long-staple cotton U.S. mills will use at a price they can afford to pay, and will pay. Our cotton is the equal in strength and quality of that produced anywhere as shown by many tests. We believe the U.S. mills can and will buy our cotton on a fully competitive basis so long as some of them do not have access to cheap imports.

Under the impetus of the SuPima promotional program, the farmers of Texas, New Mexico, and Arizona increased production of extra-long-staple cotton from 42,000 bales in 1954 to 84,000 bales in 1958. There is no doubt whatever of their ability and willingness to produce all of this high-quality cotton the market will take. This proposed legislation will give us the opportunity.

We are asking of your committee and of the Congress that this bill be approved in order that our own farmers in Texas, New Mexico, and Arizona for once may be given an opportunity to compete for, and supply, a market which for too long has been given, not so much to the Egyptian farmer, as to the Egyptian Government.

The CHAIRMAN. We are very much obliged to you.

Are there any questions?

Mr. Brasco.

Mr. BRASCO. Mr. Enke, I come from a district in New York that has very little to do with cotton, other than being interested in buying good cotton shirts.

I wanted to ask my colleague, Mr. Nichols, about this, because he was concerned about cotton with a size of an inch and seven-sixteenths. Is any of that being grown here now in the United States?

Mr. ENKE. Yes; it is.

Mr. BRASCO. Is that not in limited areas of the United States where it can be grown?

Mr. ENKE. Yes, sir. All of the long staple, basically, is grown in this area.

Mr. BRASCO. When you speak of long-staple cotton, what size are you talking about, an inch and seven-sixteenths?

Mr. ENKE. An inch and three-eighths and an inch and seven-sixteenths, basically.

Mr. BRASCO. From this statement there is no question that we can supply all of the inch and seven-sixteenths that is needed?

Mr. ENKE. Yes, sir.

Mr. NICHOLS. Will you yield?

Mr. BRASCO. Yes.

Mr. NICHOLS. Would you just give this committee, sir, for the benefit of the people who are concerned that if we do pass such a bill as this, in answering this man from the threadmills of the country, that you can and will produce this inch and seven-sixteenths in Arizona and in other States?

Mr. ENKE. Yes, we will.

Mr. NICHOLS. Thank you, sir.

The CHAIRMAN. Are there any further questions?

Mr. Stubblefield.

Mr. STUBBLEFIELD. Just one remark, if I may, off the record.

(Discussion off the record.)

The CHAIRMAN. Thank you very much. We are very glad to have had you with us.

Congressman Cabell has come in; I believe. We will now be delighted to hear from Congressman Cabell, one of the authors of this bill.

STATEMENT OF HON. EARLE CABELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. CABELL. Thank you very much, Mr. Chairman, for this opportunity. I will keep my remarks rather brief.

I would like to cover the philosophical angle of this bill, rather than the economic angle, which certainly has been well covered in previous testimony.

I realized in joining with you, Mr. Chairman, as a cosigner of this bill that criticism might be raised that this was an intrusion into the prerogative of the executive department with reference to foreign policy.

In that connection I would like to state for the record that I think that our foreign policy is long overdue for a very close reappraisal in the light of the treatment that we have received from some of those people in the past whom we have tried to help.

It is one thing to offer the hand of assistance to those who need it, and who appreciate it, and it is another thing to continue to burden our taxpayers, to burden our farm people, with favors and giveaways

of various types and then as the gentleman preceding me mentioned to get a substantial kick in the teeth for our effort. That is what we have experienced too much.

I think that the American taxpayers, the American farmer is entitled to some consideration in these matters.

I do not find that my people hesitate one bit in the world to go all out to help those people who are really in need and who show some reasonable appreciation for that assistance, but I am finding a growing discontent and restlessness of our continued efforts to force assistance down the throats of those people who do not want it and who, in turn, then repay us for our kindness by subjecting us to every possible type of insult and rebuff.

And it is for those reasons that I certainly favor the enactment of this bill as an expression of policy on the part of this Government with reference to these continued programs that are completely without any benefit to us as a nation.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Cabell. We certainly appreciate that statement. I should point out to this committee that Mr. Cabell represents a great urban constituency—he represents no cotton producers whatsoever.

Mr. CABELL. I do not think there is an acre of cotton in my district.

The CHAIRMAN. I would not think there is any cotton in your district. I know that there is no long-staple cotton grown in your district. He represents one of the great cotton markets of the United States. You represent the city of Dallas. So we do value your general philosophical observations on this matter.

Mr. CABELL. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. McMillan.

Mr. McMILLAN. I would like to congratulate you on your very fine statement. I certainly agree with your philosophy as to these countries that have been given huge handouts and then work against us when we need them.

Mr. CABELL. Thank you.

The CHAIRMAN. Mr. Hansen.

Mr. HANSEN. Yesterday the point was brought up, Mr. Chairman, that under these GATT and other foreign trade we might face the possibility of claims being filed against us. I would like to ask my colleague if he is in favor of this legislation, this taking the bull by the horns, despite the fact that there may be claims filed against us for doing so. Do you feel that the United States should meet this issue in this manner with people who have broken diplomatic relations and so forth?

Mr. CABELL. I think that is true, that is a calculated risk, and the time has come when we should meet some of these matters head on and do it courageously and if there is any claim that is filed, well, then I assume that our Justice Department has capable lawyers to defend those claims.

The CHAIRMAN. Would you yield there?

Mr. HANSEN. Yes.

The CHAIRMAN. I suggested to the representative of the State Department yesterday that he would probably be down on the Hill within 90 days asking for very substantial amounts of aid to the Arab Republic. And it seemed to me that the first thing in line was to offset any claims that they might file so that if they got \$20 million aid and had a \$10 million claim, we could give them \$10 million in the form of a claim which would mean that they would get the same amount of money and it would cost us the same.

Mr. CABELL. I think that is considered good banking practices, to have an offset on these things.

Mr. HANSEN. I might say that is the traditional way the "Yankee traders" do business.

The CHAIRMAN. Very well.

Mr. HANSEN. I yield to Mr. Myers.

The CHAIRMAN. I recognize Mr. Myers.

Mr. MYERS. I missed that yesterday. How can they have any claims against us? How are they going to collect them?

The CHAIRMAN. It is the desire of our State Department that we restore diplomatic relations with these countries as soon as possible, their contention being to do so whether right or wrong; that under the GATT, not under a bilateral treaty, but under the GATT that any country that suffers any injury; that is, economic injury, as the result of the imposition of any new additional quotas or restrictions on importations can file a claim against the country that is imposing the restrictions for the recovery of the wrong.

And that under international law—you understand that I am only speaking their viewpoint and not mine—under international law, whether they had broken diplomatic relations or not, they would be entitled and able to proceed and receive the same kind of judgment that they might receive otherwise, but I suggested that it seemed to me that it did not make any difference whether that was true or not, so long as you were proposing to give aid to these people at some future date that all that we had to do was to offset it—to take it away from that amount and give it to them in another envelope and another check and get the same result and, also, meet any possible claim that might be filed. And there is not anybody who might have a claim except the United Arab Republic and Sudan, which has had a low number of bales which they have sent us, and in their case the loss sustained on those bales of cotton would not produce for them more than \$1,600, at \$20 a bale.

Mr. Dole.

Mr. DOLE. I would like to ask my colleague, in addition to the embargo on cotton, it has been suggested an embargo on petroleum and other products that may come from Egypt. Would you concur in this?

Mr. CABELL. I think that this whole matter deserves a reappraisal in the light of the treatment that we have received and in the light of the world situation. I think that the whole machinery of these import quotas, economic and military assistance, are certainly long overdue for reappraisal.

Mr. DOLE. I recognize that and also recognize some of that is within the jurisdiction of other committees. The policy advocated here for long staple cotton should apply to other imports if we are to be consistent.

Mr. CABELL. I certainly agree with you on that, sir.

Mr. DOLE. That is all.

Thank you, Mr. Chairman.

The CHAIRMAN. Egypt does not send us any oil. There is not anything that I know that we get from them in any quantity except cotton.

Mr. DOLE. There are other products, however.

The CHAIRMAN. Mr. Foley.

Mr. FOLEY. Would you favor the enactment of legislation in reference to other countries that have friendly relations with the United Arab Republic?

Mr. CABELL. I cannot help but feel that as a world power seeking to maintain a peaceful world where we can be of assistance under proper relations that I do not condemn assistance to these underdeveloped countries, to these emerging countries.

Mr. FOLEY. Do you recognize any problems if we should ever obtain a friendly regime in Egypt for restoring the quotas? After we have allowed the American farmers to replace those quotas?

Mr. CABELL. Let us take a look at how friendly those relations are.

Mr. FOLEY. I do not think that they are friendly. In fact they sometime in the future might become so and it would be difficult to restore the quotas once we have passed them on to the American farmers; would it not?

Mr. CABELL. If that were the case, then I would not want to take that away from the American producers just to make peace with them on their terms.

Mr. FOLEY. My point is that we are taking it away from them permanently regardless of our relations with them.

Mr. CABELL. Maybe the world demand will be sufficient then where it would be appropriate to restore them. I think that we are dealing now in hypotheses.

Mr. FOLEY. You would not be in favor of cutting the American production to be in that position?

Mr. CABELL. Not as long as our own agricultural economy was needing some assistance; no, sir.

Mr. FOLEY. Thank you, sir.

The CHAIRMAN. Thank you.

Mr. Rarick.

Mr. RARICK. As to this business that the Arab and Sudan affair might be the product of the guiding hand of the Soviet Union, would you also extend the loss of any cotton imports coming into the United States of America from the Soviet Union?

Mr. CABELL. I think it falls pretty well in the same category.

Mr. RARICK. Beg pardon?

Mr. CABELL. I think that falls in the same category as does the Egyptian situation.

Mr. RARICK. Thank you.

Mr. CABELL. Maybe if Russia extended them a little more aid they would not have so much money to build up their armaments and would have to go to more consumer action.

Mr. RARICK. The Soviets might come back under the GATT agreement with their penalties.

Mr. CABELL. That is one of those risks.

Mr. RARICK. In stopping trade with the Arab countries we are bothering their economy. Maybe the Soviets will have a claim against us in that.

Mr. CABELL. That may be.

Mr. RARICK. I appreciate your statement.

Mr. CABELL. I think that is a calculated risk.

Mr. RARICK. That is all I have, Mr. Chairman.

The CHAIRMAN. If there are no further questions, we are very much obliged to you, Congressman Cabell. We are very glad to have had you with us.

Mr. CABELL. Thank you, Mr. Chairman and members of the committee.

The CHAIRMAN. Our next witness will be the constituent of one of our colleagues, Mr. McMillan.

Mr. McMILLAN. Mr. Chairman and members of the committee, I am delighted to have the opportunity to introduce Mr. John P. Quailey, who is general sales manager for South Carolina Ports Authority, Charleston, S.C.

We are very glad to have you here, Mr. Quailey. I am certain that we will all be interested in hearing the statement that you will make.

The CHAIRMAN. Glad to have you here, Mr. Quailey. We will be glad to hear from you now.

**STATEMENT OF JOHN P. QUAILEY, GENERAL SALES MANAGER,
SOUTH CAROLINA PORTS AUTHORITY, CHARLESTON, S.C.,
ACCOMPANIED BY COYTE W. WHITE, ASSISTANT, PORTS COM-
MUNICATIONS**

Mr. QUAILEY. With me is Mr. Coyte W. White, who is a staff member of the South Carolina State Ports Authority.

Mr. Chairman, distinguished members of the Agricultural Committee, I appreciate very much the opportunity of testifying before your committee today.

I realize the demands of your heavy schedule and limitations on your time; consequently, I will try to make my remarks brief and to the point.

We at the Port of Charleston are gravely concerned over this important legislation being examined before your committee today, and rightly so.

I do not appear today to debate or discuss the merits of Egypt's difficulties in the Middle East; rather, I would appreciate the opportunity to bring to the committee's attention some very probably effects the enactment of this legislation would have on our ports and South Carolina.

The port's role in the economic development of our State is unquestioned.

The South Carolina State Ports Authority, which I represent, is an agency charged with development of waterborne commerce at South Carolina ports. As gateways to the world of ocean commerce, the ports are vital to the State's economy. Their growth in imports and exports mean economic health to our State. They are bringing economic benefits to both agriculture and business. Virtually every citizen of our State, even the man in the street, has felt the impact of their growth in one way or the other.

In 1964, the total commercial economic impact of South Carolina's ports on the State was \$298 million. By 1975, the total commercial impact of South Carolina's ports on the State should be \$630 million a year.

Annually, there is also an additional impact on the ports due to freight rate savings of about \$5 million to South Carolina shippers.

This is why we at the State Ports Authority are concerned over any possible legislation to reduce the importation of cotton.

We have practically cut our teeth on cotton at Charleston. To the best of my knowledge, we handle more long-staple cotton imports than any other port. It is one of our leading import commodities.

I'm sure we move at least 90 percent of all the extra long staple cotton imported into the United States. This is why the Maritime Association of the Port of Charleston met just before I came to Washington and drafted a letter to the distinguished chairman expressing their concern and opposition to a reduction in the cotton imports. I would like to introduce the letter at this point.

Cotton—imported long-staple cotton—is vital to our ports. And I have explained how vital our ports are to the economy of our State.

Thank you, Mr. Chairman, for the opportunity of appearing before your committee.

The CHAIRMAN. Thank you, Mr. Quailey, for a very fine statement.

The letter you mentioned will be made a part of the record at this point.

(The letter dated July 12, 1967, follows:)

THE MARITIME ASSOCIATION OF THE PORT OF CHARLESTON,
Charleston, S.C., July 12, 1967.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Maritime Association of the Port of Charleston, representing the majority of the shipping industry at our port, would like to go on record as opposing H.R. 10915—To Amend Section 202 of the Agriculture act of 1956.

The Port of Charleston—13th among ports in the United States in national ranking of value of foreign commerce—is the leading port in the importation of extra long staple cotton. In a port-dependent state such as South Carolina, any reduction in such imports would be a major blow directly or indirectly to South Carolina's economy.

We would greatly appreciate your consideration to such factors as you and the distinguished members of your committee deliberate on this legislation.

Sincerely,

LEWIS G. SEABROOK,
President, Maritime Association, Port of Charleston.

The CHAIRMAN. It seemed to me that your statement has some of the same characteristics that I saw in the statement by the State Department. They told us that there was about \$200 million worth of business done with Egypt and that we are buying, I believe, \$24 million of goods from them, so that the balance is strongly in our favor. But it was not explained that most of that business that we were doing with Egypt was giveaway business, that they were not paying for it, actually, that they were buying very little from us for which they paid, and that there was not any great disparity between what we were selling to them and what they were shipping in to us.

You have told us that the South Carolina ports did a total business of nearly \$300 million in 1964—was that the value of the goods that moved through the ports?

Mr. QUAILEY. No; Mr. Chairman, that is the economic benefit to the communities on this activity.

The CHAIRMAN. That would be the cost of handling the goods through the port and the amount of the money that was spent to operate it; is that right?

Mr. QUAILEY. I think rather than cost, sir, you could explain it as a benefit to the communities, because—

The CHAIRMAN. It cannot be a benefit to a community unless somebody spent money.

Mr. QUAILEY. That is right, but the money is spent for services in connection with the movement of cargo through the ports.

The CHAIRMAN. Yes. That is what I am trying to say. Then it would cost around \$300 million to move all these goods through the ports of South Carolina, it did in 1964, is that right?

Mr. QUAILEY. That is correct, sir.

The CHAIRMAN. All right. Now, then, there is a cost, of course, attached to each bale of cotton. You know about how much that is, do you?

Mr. QUAILEY. No, sir; I am not familiar with that, Mr. Chairman.

The CHAIRMAN. You said that something like 90 percent of all of the extra-long-staple cotton that moved into the United States moved through the port of Charleston. And the total that came into the United States from Egypt, Sudan, Peru, and all of the rest—that is, the production that came into the United States in 1964—was approximately 82,000 bales, most of which came through the port of Charleston, S.C. Would there be a cost of \$10 a bale—surely not more than \$10 a bale to handle that cotton through the port, is there? And it might not be that much.

Mr. QUAILEY. Very likely it would be considerably less than that.

The CHAIRMAN. I would think so. It might be \$5 a bale. And that would be \$400,000, let us say \$500,000 contributed by the movement of this cotton through the port of Charleston, out of the \$300 million, \$500,000 came from cotton. I think that is a rather liberal estimate.

So that you have got about one-sixth of 1 percent of this \$300 million which came from this long staple cotton. That is about right, is it not?

Mr. QUAILEY. I think, Mr. Chairman, getting back to the original quotation that I made, I am speaking of the impact. I believe there that the impact figure which covers all cargoes and accessorium services performed on such cargoes through the Port of Charleston does not relate to the value of the product per se.

The CHAIRMAN. It could not. You could not have processed much more than that and have it move through the port of Charleston, could you?

Mr. QUAILEY. I am talking about the impact, rather than the cost.

The CHAIRMAN. I know, but there could not have been any greater benefit than the cost, because there was not any more money coming in. It did not bring any more money in than somebody charged.

Mr. QUAILEY. That is true.

The CHAIRMAN. Consequently, you could not have charged much more than that. They could have shipped it to New Orleans for \$5 a bale, could they not, or I think, actually, \$2 a bale, freight rate from New Orleans up there, is that not right?

Mr. QUAILEY. We have such competition in New Orleans. They do not serve it.

The CHAIRMAN. It seems to me that they could go over to Houston and ship it cheaper than that.

Mr. QUAILEY. The consuming point is in our territory.

The CHAIRMAN. The freight rate from Houston is about \$4 a bale, is it not?

Mr. QUAILEY. To where?

The CHAIRMAN. To any of your mills in North and South Carolina.

Mr. QUAILEY. Yes; I would agree very likely.

The CHAIRMAN. As a matter of fact, it would actually be possible to ship that cotton into the Port of San Francisco and move it across the United States for less than \$10 a bale. So that you could not possibly have had an economic impact in excess of \$5 a bale, could you?

Mr. QUAILEY. The economic impact, Mr. Chairman, covers all of the cargos from all of the ports in the world.

The CHAIRMAN. Yes. I understand that. That amounts to \$300 million?

Mr. QUAILEY. Yes, sir.

The CHAIRMAN. What I am trying to point out, though, is that the impact of this long staple cotton could not have been more than about one-sixth of 1 percent—some very infinitesimal part of this \$300 million which would be due to the long staple cotton.

Mr. QUAILEY. As pointed out in the statement, sir, imported cotton is one of our principal products that we handle.

The CHAIRMAN. There was not but 82,000 of extra-long-staple cotton imported into the whole United States. And you claim 90 percent of it. If you had it all, you could not possibly have had anything like this amount of money that you state, because it is not there. There just is not that much coming into the United States. The total value of all the extra-long-staple cotton brought into the United States is not more than about one-eighth of the economic impact which you claim.

The point I am trying to make is that you have given us a figure of \$298 million and are suggesting a rate of \$630 million which is sort of like the figure the State Department gave to us that we shipped \$290 million worth of goods to Egypt without explaining that they were buying those \$290 million worth of our goods and not paying for it. I believe you are talking about something that does not have much relationship to long-staple cotton.

Mr. QUAILEY. From an impact study prepared by Dr. Davis Pender of the University of South Carolina—

The CHAIRMAN. I am not questioning the doctor's impact study, but I am trying to analyze the impact study to see what it says. The doctor did not say that long-staple cotton had any such impact on your own port, did he?

Mr. QUAILEY. The doctor indicated in the report that the long-staple import of cotton is very important to our activity.

The CHAIRMAN. Did he give you an estimate as to what percentage of your \$300 million was due to long-staple cotton?

Mr. QUAILEY. We could work that up.

The CHAIRMAN. It is probably less than one-half of 1 percent, is it not?

Mr. QUAILEY. I would not agree to that.

The CHAIRMAN. We will be glad to have you show us how this has any great impact on your port.

Mr. QUAILEY. It has an impact because the industry is located in South Carolina. They located there because of the port capability and the tributary advantage of inland freight rates. You take the value of the employees' payroll, the value of the various other things.

The CHAIRMAN. The mills are not in Charleston.

Mr. QUAILEY. No, sir; they are in South Carolina.

The CHAIRMAN. Most of them are in North Carolina.

Mr. QUAILEY. In the Piedmont region, correct.

The CHAIRMAN. Are you taking credit for all of the value of the mills in North Carolina added to this cotton when you are talking about the increase in value that the Port of Charleston puts on this?

Mr. QUAILEY. No, sir. The mills in South Carolina are the ones that are involved in the impact figure.

The CHAIRMAN. Well, now, apart from how much the impact is—and I think it is clear that it is infinitesimal—but apart from that are you suggesting to this committee that we should, in order to maintain a movement through the Port of Charleston—a movement which does not seem to actually exceed \$5 a bale or something of that kind—are you suggesting that we should deny the producers of the United States the opportunity to grow a crop but rather to turn this production over to those who have insulted the United States—have broken diplomatic relations with the United States—are you suggesting that we should continue to do business with the Egyptians simply because they might move this cotton through the Port of Charleston?

Mr. QUAILEY. I think, Mr. Chairman, that our answer that I described is the stimulation and the increase of waterborne commerce to our port.

The CHAIRMAN. I come back to my question, not yours. My question is, are you suggesting to this committee that we ought to continue to buy this cotton from the United Arab Republic rather than growing it ourselves, simply because it may move through the Port of Charleston?

Mr. QUAILEY. I say that I cannot answer that just now.

The CHAIRMAN. Can you give any other reason why we should buy it from the United Arab Republic—can you give us any other reason?

Mr. QUAILEY. No, sir; I cannot.

The CHAIRMAN. Thank you, sir.

Are there any other questions?

If not, we thank you very much and are very much obliged to you.

Mr. QUAILEY. Thank you.

The CHAIRMAN. Our next witness will be Mr. Harry L. Graham of the National Grange.

We will be glad to hear from you now, Mr. Graham.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE
REPRESENTATIVE NATIONAL GRANGE

Mr. GRAHAM. Mr. Chairman and members of the committee, I have only a short statement. Unfortunately, my secretary has been ill a couple of days, so that I am going to read it from my own long-hand notes.

The Grange appears in support of H.R. 10915, introduced by the distinguished chairman of the committee, to forbid the United States purchase of long staple cotton from Egypt during the time when the Nile country has severed diplomatic relations with the United States. After breaking diplomatic relations with the United States without reason they have no right to expect the most-favored-nation treatment.

This is consistent with Grange policy not to carry on business relations with Communist China and Cuba, for the same reason. It is not to be interpreted as support of that part of the legislation which might be directed at friendly nations.

Aside from political reasons, which are substantial, the difficulty of carrying on international trade with its corresponding exchange of funds and the uncertainty of that exchange present practical problems of substance.

May we also add this bill seems to be a more practical approach from the United States' farmer's standpoint, than the type of legislation which has been creeping into our farm programs whereby we proceed to cut off our nose to spite our face.

I refer specifically to the Findley amendment type of legislation which denied us a market for 100 million bushels of wheat to countries with which we had diplomatic relations, at the same time we continued to buy manufactured goods from Yugoslavia. We ought to do neither or both.

The effect of that type of legislation is to simply throw them to other willing suppliers, while its effect on aid to North Vietnam was unaffected.

Unreasonable shipping restrictions and other harassing measures have reduced our opportunity for food and feed grain sales to all other countries with whom we have normal diplomatic relations.

This legislation puts the burden where it belongs, on the economy of a hostile country. It indicates that the United States does still have an intention to use some economic options. It is more pragmatic than emotional, as all our decisions should be.

At the same time, it may add to the burdens of the U.S.S.R. until they find, as they undoubtedly are, and as we have, that subsidizing their allies can be quite expensive.

We would close with one note of warning: This Egyptian cotton will undoubtedly find its way into the world mills, probably at a reduced price, drawing down world prices and some of it will eventually end up as imported cloth in the United States. However, we support the legislation for the time while Egypt continues the severance of normal diplomatic ties with the United States. We urge the adoption of the legislation.

The CHAIRMAN. Thank you very much for your statement. Are there any questions of Mr. Graham?

We certainly appreciate your appearance.

Mr. GRAHAM. Thank you.

The CHAIRMAN. We will next hear from Mr. Paul Ceresole on behalf of the Cotton Importers Association Inc.

We will be glad to hear from you now.

STATEMENT OF PAUL CERESOLE, VICE PRESIDENT, COTTON IMPORTERS ASSOCIATION, INC., ACCOMPANIED BY JOHN C. WHITE, ATTORNEY AT LAW

Mr. CERESOLE. Mr. Chairman and members of the committee, my name is Paul Ceresole, vice president of the Cotton Importers Association Inc. representing the cotton merchants actively engaged in importing extra-long-staple cottons.

I am accompanied by Mr. John C. White, counsel for our association.

Most of our members are also engaged in handling domestic extra-long-staple cotton. We are interested in the continued availability of both because of their useful and different qualities.

The effect of the proposed bill, H.R. 10915, would be to reduce the global import quota covering extra-long-staple cotton by approximately 33 million pounds (equivalent to 66,800 500-pound bales) or by approximately 80 percent of the established global extra long staple import quota.

Such reduction would allow to be imported some 13,000 500-pound bales, an amount so small as to be largely useless for all practical purposes to our American mills. I say "useless" because these mills which have for more than 50 years depended upon imported extra-long-staple cottons for special uses, could not plan operations around so limited a supply. Our mill customers require both imported and domestic cottons, but it is our opinion that the effect of H.R. 10915 will be to compel the use of synthetic rather than natural fibers in most instances where imported cotton is now used. The net gain to domestic SuPima will, we think, be negligible.

These imported cottons are used for both industrial and consumer goods. In the industrial field the properties of imported extra-long-staple cottons are essential in the construction of stitching thread and fabrics in which maximum strength in relation to weight is an essential requirement.

Imports of ELS cottons have varied among producing countries according to availability and prices of the desired qualities. During the past two or three cotton seasons Peru, certainly a friendly nation, has developed the production of greatly improved varieties of ELS cottons. These Peruvian cottons have found favor among American mills as reflected in the figures attached (exhibit A). I have also received figures from the Tariff Commission which I would ask to be made a part of the record as exhibit B.

You will note that the quota has been filled each year, an indication that the cotton is needed and its importation, in fact, restricted by the existing global quota.

U.S. manufacturers of stitching threads in particular know that they cannot produce threads of the required quality if using only domestically produced cottons. The reasons for this are many and I think it best to leave any explanation of the highly technical points involved to our American manufacturers themselves.

It is plain enough, however, that imported extra long staple cotton is essential to a small but important part of our domestic textile industry for the manufacture of stitching thread.

I say small but important because while the production of stitching threads made from extra long staple imported cottons does not amount to more than approximately 25 to 30 million pounds of finished thread, such thread is vitally important in sewing, for instance, the soles of shoes to the "uppers"; in attaching buttons to garments where the strain is heavy during the life of the garment (men's suits and overcoats for example). In other words, stitching thread of the proper quality is a small, perhaps even tiny component of many articles which are in daily use by a large proportion of our citizens, but it is very essential just as is the mortar which holds bricks together, to give a comparison which comes readily to mind.

It is only in foreign lands that extra long staple cotton is still picked by hand. This is a key factor in producing cottons possessing the qualities needed by our American manufacturers for certain highly specialized purposes. It is also an unavoidable fact that only the United Arab Republic produces Giza 45, a variety which has fiber properties greatly superior to the best of our domestically produced extra long staple cottons.

We hope the Congress will consider carefully the wisdom of directing reprisal for severance of diplomatic relations to the single commodity, cotton. Perhaps our view is affected by the economic interests of ourselves and our customers, but we find it difficult to justify on any sound basis banning in this way for all times (for such would be the case) a single product of such offending countries. Why cotton only? And why not also other products of such countries, such as oil and other petroleum products; gum arabic; pyrethrum, and many others? Surely, if it is deemed advisable in the national interest to apply economic sanctions against countries, which have broken diplomatic relations with us, such embargo should not be limited to a single product.

To eliminate permanently the importation of extra long staple cottons because these countries have broken diplomatic relations with us is, we think rather shortsighted. Relations may not remain broken—in fact, it seems unlikely that they will remain broken for a very long period of time. Governments change and also may change their minds. Examples which come readily to mind of countries which are now happily enjoying friendly relations with us after a period when diplomatic relations were severed are Indonesia and Ghana, to name two. History makes it abundantly clear that governments and attitudes of countries change frequently and radically.

We are also concerned that H.R. 10915 would deprive Peru of an important part of its market for ELS cottons, and thus of the possibility of earning the American dollars required for the purchase of other goods from the United States. This not only will further unbalance Peruvian trade with us, but will violate all sorts of commitments and principles of our international trade program.

A further aspect of the bill which is disturbing is that H.R. 10915 does not even provide for the carrying out and completing of contracts for cotton purchased by American mills and by American merchants from such countries as the United Arab Republic, Sudan, and Peru in the past several months. Mills are accustomed to purchasing their cotton requirements rather far ahead of time in order to be certain of obtaining the proper qualities. For instance, the Egyptian cotton crop of the United Arab Republic is harvested in September, October, and November each year. It is usually during those months that U.S. mills purchase the required cottons for delivery the following August; that is, after August 1, the date on which each year the global quota for extra long staple cotton is opened. Heavy losses would be incurred if entry-of-cotton now stored in bond at U.S. ports or en route thereto, and which the owners plan to enter into the United States in accordance with established quota limitations on August 1, 1967, or shortly thereafter is suddenly prohibited.

The Peruvian crop is harvested each year in July to October. Many contracts have been placed by U.S. mills with our members; this cotton has already been purchased in Peru and will be shipped to the United States during the next few months for delivery to U.S. mills. It seems unthinkable that U.S. citizens who have purchased such cotton should find themselves the victims of wholly unexpected legislation and should be forced to take heavy monetary losses.

In short, Mr. Chairman, we respectfully submit that this bill may well be against the best long-range interests of the United States and it most certainly is against the best interests of American manufacturers and consumers who depend on the present quota to fill their needs for specialty cotton. We believe that it would be of inconsequential help to American cotton producers and quite likely damaging to American agricultural exports generally.

I appreciate very much the opportunity of appearing before you, Mr. Chairman, and I think you.

(The exhibits referred to in Mr. Ceresole's statement follow:)

EXHIBIT A
EXTRA LONG STAPLE IMPORT QUOTA ENTRIES

Year ending	Total global quota released	Egypt	Peru
July 31, 1959	39,590,778	28,572,723	11,018,055
July 31, 1960	39,590,778	33,205,365	5,853,725
July 31, 1961	39,590,778	33,911,511	5,613,059
July 31, 1962	39,590,778	28,860,146	9,711,141
July 31, 1963	39,590,778	27,893,292	10,977,680
July 31, 1964	39,590,778	23,120,411	16,464,781
July 31, 1965	39,590,778	33,087,105	6,234,419
July 31, 1966	39,590,778	21,178,740	18,323,267
July 12, 1967 (estimated)	39,590,778	25,255,553	13,060,310

EXHIBIT B

LONG-STAPLE COTTON, U.S. IMPORTS FOR CONSUMPTION UNDER THE QUOTA, BY COUNTRIES OF ORIGIN, BY QUOTA PERIODS BEGINNING AUG. 1, 1958, THROUGH JULY 31, 1965

[In pounds]

Quota year beginning Aug. 1	Description	Egypt	Sudan	Peru	British West Indies	Mexico	All other	Total
1958	Extra-long staple, 1½ inch and over. Harsh, 1½ inch up to 1¾ inch. Other, 1½ inch up to 1¾ inch.	28,311,050	261,673	111,018,055	---	---	---	39,590,778
1959	Extra-long staple, 1½ inch and over. Harsh, 1½ inch up to 1¾ inch. Other, 1½ inch up to 1¾ inch.	4,285 32,652,403	531,688	1,500,000 5,853,725	---	4,561,379	547,303	1,500,000 4,565,644 39,585,119
1960	Extra-long staple, 1½ inch and over. Harsh, 1½ inch up to 1¾ inch. Other, 1½ inch up to 1¾ inch.	33,908,374	12,331	1,498,231 5,613,059	53,742	4,565,642	---	1,498,231 4,565,642 39,587,506
1961	Extra-long staple, 1½ inch and over. Harsh, 1½ inch up to 1¾ inch. Other, 1½ inch up to 1¾ inch.	29,851,730	7,168	1,494,161 9,711,141	12,080	4,564,518	---	1,494,161 4,564,518 39,582,119
1962	Extra-long staple, 1½ inch and over. Harsh, 1½ inch up to 1¾ inch. Other, 1½ inch up to 1¾ inch.	27,893,292	719,806	735,019 10,977,680	---	4,521,732	---	735,019 4,521,732 39,590,778
1963	Extra-long staple, 1½ inch and over. Harsh, 1½ inch up to 1¾ inch. Other, 1½ inch up to 1¾ inch.	23,120,411	---	263,051 16,464,781	---	4,098,079	---	263,051 4,098,079 39,585,192
1964	Extra-long staple, 1½ inch and over. Harsh, 1½ inch up to 1¾ inch. Other, 1½ inch up to 1¾ inch.	33,327,515	1,868,290 23,682	83,739 6,234,419	---	2,697,332	---	83,739 6,234,419 39,586,916
1965	Extra-long staple, 1½ inch and over. Harsh, 1½ inch up to 1¾ inch. Other, 1½ inch up to 1¾ inch.	10,862 21,178,740	2,651,383 88,526	60,486 18,323,267	---	255,286	---	60,486 18,323,267 39,580,533
		4,298,436	174,989	92,217	---	---	---	255,286 4,585,642

1 Including 9,045,968 pounds stapling 1½ inch or more.
2 Including 4,765,642 pounds stapling 1½ inch or more.
3 Lebanon.

4 Including 4,195,016 pounds stapling 1½ inch or more.
5 Including 8,302,914 pounds stapling 1½ inch or more.
6 Including 8,722,377 pounds stapling 1½ inch or more.
7 Including 14,432,448 pounds stapling 1½ inch or more.

1 Including 4,358,471 pounds stapling 1½ inch or more.
2 Including 14,328,829 pounds stapling 1½ inch or more.

Source: Compiled from official statistics of the U.S. Bureau of Customs. Because of time differences between imports charged against the quota and imports released from customs custody, data in this table differ from the statistics of the U.S. Department of Commerce.

The CHAIRMAN. Thank you for your statement. I was interested by your reference here to pyrethrum. Do you know of any place in the United States where they produce gum arabic or pyrethrum?

Mr. CERESOLE. No, sir.

The CHAIRMAN. I do not either.

Mr. CERESOLE. There may be synthetics, perhaps, that could be available.

The CHAIRMAN. The reason that was interesting was that you suggest that we should confine ourselves not only to cotton but should keep countries from selling us goods such as gum arabic and pyrethrum, which we do not produce. This committee primarily is interested in the farmers of America. The farmers of America do not produce gum arabic and pyrethrum. The importation of these products from foreign countries does not hurt us or any American business that I know of or any American producer, but the importation of this cotton does hurt American producers. I think that it is very clear that in a very practical sense there is a very practical difference between importing cotton which we grow in the United States and pyrethrum which can only be grown at a 10,000-foot elevation and close to the tropics or something of that kind. It just seems to me that you have built up an awfully weak strawman to knock down when you talk about the importation of gum arabic and pyrethrum.

So far as petroleum products are concerned, I think that we should stop the importation of every gallon of petroleum that might come from countries that have broken relations with the United States, but this committee has no such jurisdiction over the importation of those products, but it has jurisdiction over the importation of cotton.

You asked why we confined our legislation to cotton. The answer is simple: that this is the only commodity in question over which we have jurisdiction. We are trying to do our duty, so far as we can do it. That happens to be our duty. It is not our duty nor our right to pass on legislation with regard to the importation of petroleum. We are doing all we can. If we did not do anything we would be criticized for not doing what we could. And if we attempt to do what we can, we are criticized for not doing something over which we have no control.

Certainly it is perfectly proper for you to suggest reasons why it is inadvisable for us to do that which we are suggesting be done in this legislation. You suggest that the thread producers need foreign cotton. We were told that they did not want to pay for the longer staple. I think that is solely a question of price, is it not?

Mr. CERESOLE. Not entirely, sir. I think there is a question of fiber properties for certain uses in certain categories of threads.

The CHAIRMAN. You have suggested here that possibly the reason we need to import cotton from the United Arab Republic and Peru is that they pick their cotton by hand and we do not. That is, of course, true of upland cotton as well as of long-staple cotton. I have been led to believe that we were doing such a good job of picking cotton mechanically that there was no material difference in the cotton picked by hand and that picked by machine any longer, where you have proper cleaning machinery. What difference in price is there? Does the market pay any more for handpicked cotton?

Mr. CERESOLE. I think that it would be hard to answer your question, Mr. Chairman, very positively, but I think that it is clear

that the extra-long-staple cotton, particularly the superior varieties, are damaged to a substantial degree by machine picking and the cleaning which is then applied in order to offset, you might say, the cost of machine picking.

The CHAIRMAN. Just what is that damage? Is it damage to the staple length—it is not damage to the staple, is it?

Mr. CERESOLE. I do not think that it affects the staple length; no sir. I do believe that it affects the fiber characteristics in a way that one could describe as making them less silky, somewhat harsher and rougher, and less able to take the finishing processes which are used in threadmaking and finishing of the threads.

The CHAIRMAN. It would seem to me that if there is a substantial difference in the quality of the product that there would be a higher price offered for the handpicked product. I am just asking. I do not know a thing about long-staple cotton. I do not think that there is a bale of it grown within 500 miles of me. It is grown a long ways from me. If there is that kind of difference, why is there not a difference on the market in the price that would reflect the quality differences that you described?

Mr. CERESOLE. I think that there is certainly a difference perhaps expressed more in terms of preference for cotton that is being treated generally through the picking and ginning processes.

The CHAIRMAN. I understand you to say that there is a preference?

Mr. CERESOLE. Yes, sir.

The CHAIRMAN. I understand that you have said that several times, but I am asking if there is a preference why does it not make for a price differential? Do you know of any difference in the price between long-staple cotton where it is the same grade—do you know of any difference in the price between that which is handpicked and that which is machine picked?

Mr. CERESOLE. I think that I would have to say no to answer the question in that way, but I would like to enlarge on that a little bit and say, for instance, that I have seen numerous instances where a mill will buy a No. 4 grade of American Egyptian Supima that has been treated gently. Now, handpicked, for all practical purposes, there is no comparison on that. He will buy this cotton that has been less cleaned at the gin and, therefore, a little dirty, of a lower grade, in preference to a No. 3 or a No. 2 that has been cleaned very thoroughly and intensely in the ginning process and just prior to the ginning process. Perhaps that is a partial explanation to your question, sir.

The CHAIRMAN. But if he won't pay any more for the handpicked cotton I cannot see that it is really so serious if we keep the handpicked cotton out. Surely it is not necessary to import cotton solely because we can get handpicked cotton from Egypt, whereas we use machinery in the United States, if it is not worth any more to the mills. If it is worth something, that fact ought to be reflected in the price.

Mr. CERESOLE. I think that in part this is due to the fact that this mill or these mills have been able to buy the imported Peruvian and Egyptian cotton where it is handpicked so that the problem has never been put to the complete test on the basis of purely domestic production.

Another important factor which I would like to come back to is the strength of this one particular variety of Egyptian cotton which has taken a rather prominent place, although small in volume, in manufacturing plants of these manufacturers in the last 2 or 3 years.

The CHAIRMAN. That is a point that I did want to ask you about—about how much of this Giza 45 is sold in the United States?

Mr. CERESOLE. I am afraid that I do not have the actual figures with me, but I can make a pretty good estimate, that it is somewhere around between 6,000 and 8,000, possibly 9,000 Egyptian bales a year. That would mean roughly around 5 million pounds. That is, at the present time.

There is a tendency for that to increase because of the extra strength which is valuable, not only in the end use but in the processing use.

The CHAIRMAN. I would come back as you did to another important point. I should say that the point of greatest concern to most of the mills is the fact that it will cost a little more to buy American cotton than it did to buy the Egyptian cotton. Is that not right? Is that not actually the point that is most disturbing to you?

Mr. CERESOLE. Yes, sir. The mills will only buy what they consider the best value.

The CHAIRMAN. I do not blame them. I am certainly not suggesting that they owe us anything in that respect. They have to make the best deal that they can. And they feel that they would lose a source of cheap cotton if we shut off this Egyptian cotton.

Mr. CERESOLE. To a degree, yes, sir, but in practice for the past several years the Egyptian cotton has been very little cheaper than our domestic American-Egyptian SUPIMA.

The CHAIRMAN. The testimony has been that every year Egyptian cotton came in that is sold for 2 cents under the domestic. If it is 2 cents under, that is quite a bit.

Mr. CERESOLE. That is certainly correct. I believe there are a number of mills that would pay a limited premium for Egyptian cotton in the order of \$5 to \$10 a bale for what you would call ordinary use in competition with SuPima. For Giza 45, they would pay a much larger premium. They have not had to do so in the past. They have paid premiums for American-Egyptian, for sure. It would just be guesswork how big a premium. They have not had to do that in the past 3 or 4 years. When they started using it they paid premiums in the order of 5 and 8 cents a pound.

The CHAIRMAN. For the last 20 or 30 years they have not had pay any premium, have they?

Mr. CERESOLE. I beg your pardon?

The CHAIRMAN. It has not been simply the last year or two, has it, that they have not paid any premium—it has been the last 20 or 30 years, has it not?

Mr. CERESOLE. No, sir. They have paid premiums.

The CHAIRMAN. What year? In recent times has Egyptian cotton sold for more than domestic cotton?

Mr. CERESOLE. American mills have paid very substantial premiums for Egyptian cotton as recently as within the last 3 or 4 years for this Giza 45 that I earlier mentioned.

The CHAIRMAN. For a different grade of cotton, but for a comparable grade and staple, how long has it been since there was any premium paid for Egyptian cotton?

Mr. CERESOLE. I would think, sir, that it has been within the last 5 or 6 years, on several occasions. It had to be because the price was higher. It was not a big premium.

The CHAIRMAN. I do not understand how it ever gets higher on the Egyptian. That is, the same grades and staple. I cannot see how it ever gets higher. Frankly, I have no figures here that would indicate that it has been higher since 1937.

Mr. CERESOLE. Well, the price higher or did get higher when you had a free market in Egypt with the law of supply and demand ruling. We did not then have the situation we have now of purely controlled prices by government.

The CHAIRMAN. How long has it been since the other foreign countries failed to fill the entire foreign quota? That is, every bale that could has come in in every year for the last 20 years?

Mr. CERESOLE. I am sorry. I did not quite understand the question.

The CHAIRMAN. Has not every bale that Egypt could legally ship into the United States come to the United States for every one of the last 20 years?

Mr. CERESOLE. I think substantially; yes.

The CHAIRMAN. All right. Is it not true that there has not been any shortage in Egyptian cotton and if there had been, it would have raised the price of the cotton crop in this country?

Mr. CERESOLE. Which, I believe, has also happened.

The CHAIRMAN. What? That the prices had gone up?

Mr. CERESOLE. Yes.

The CHAIRMAN. When?

Mr. CERESOLE. Oh, speaking from memory, which is always a poor guide, I would say that we have had that happen two or three times in the past 10 years for a limited period of time—not within the past 3 or 4 years.

The CHAIRMAN. It must have been a very limited time. I could not say that it has not happened in any particular week, but I do not think that there has been any particular year in which it has gone up.

Mr. CERESOLE. I think that you are probably correct on averages ever since the crisis of the canal in 1956.

The CHAIRMAN. I appreciate your going further into this. Are there any questions?

Mr. Miller.

Mr. MILLER. I noticed that the Giza 45, by your statement, can only be furnished by the Arab Republic. I was of the impression that Peru could furnish anything that the Arab Republic could furnish. Is this true that Peru could not furnish the Giza 45 cotton that we are talking about?

Mr. CERESOLE. They perhaps could if they worked at it hard enough, but as a practical proposition they do not. It is a very tricky kind to grow. It is a delicate plant. It needs a tremendous amount of care. The Egyptians have developed and have sold it at a price which is at a very reasonable premium over their standard extra-long staple cotton. It has not seemed worthwhile to ask anybody else to develop it. There have been small experiments in Peru, but I do not know what the results have been where it did not seem economic as a proposition.

The yields per acre were extremely low. That is, in Peru. The conditions there are not quite the same. They are very similar, but for practical purposes only Egypt has successfully grown that cotton and continues to do it.

Mr. MILLER. Thank you. That is all.

Pardon me. Is there a possibility that we may ask the people that we have here from Peru for a statement on this particular subject?

The CHAIRMAN. Of course they are not growing it.

Mr. MILLER. Very good. Thank you.

The CHAIRMAN. Mr. Myers.

Mr. MYERS. In your statement you make reference here that it seems unthinkable that the U.S. industries might suffer heavy monetary losses due to the enactment of this legislation. Could you further amplify that and what you mean by that? What form would these heavy losses come in?

Mr. CERESOLE. This is a particular aspect of the proposed bill, H.R. 10915 which would hurt us merchants, importers, and would hurt our mill customers who are depending on this. In other words, we have now here imports stored in bond, because we may not enter them into this country because the quotas for the current year are full. So we have to wait until August 1.

We also have some cotton in transit still although not much. We have quite a large amount, we importers as a group, of cotton purchased in Peru where the shipments we normally buy are in August, September, or October. That cotton might be shut out if this legislation should be enacted. And on that cotton we would then not be able to import it at all here. We could not supply it to our customers with whom we have contracted to supply it.

Mr. MYERS. In other words, you have taken the risk of purchasing this cotton and paying for it in advance?

Mr. CERESOLE. Yes, sir. We have not actually paid for it unless it has actually been shipped.

Mr. MYERS. You place it in bond, that which has been shipped to and stored in this country?

Mr. CERESOLE. What is stored here we have paid for. It is our property and in bond here awaiting August 1 quota opening.

From Peru it is to be shipped later, most of it, and that we have not paid for—we have contracted for it—we have committed ourselves.

Mr. MYERS. This bill would not really affect Peru.

Mr. CERESOLE. I did not realize that when I wrote this statement—I did not have the benefit of the knowledge that I have acquired today.

Mr. MYERS. Do you have any idea how much cotton you have stored in this country that you have already shipped from the Arab Republic?

Mr. CERESOLE. Right now I would say—I should be able to give you a precise figure, but I cannot. I can get it very quickly. But I would say that it is about between 8 and 10 million pounds.

Mr. MYERS. That you have already over here? That would be the only loss that you would suffer, you feel?

Mr. CERESOLE. Yes, sir.

Mr. MYERS. You would have to pay for this?

Mr. CERESOLE. We have paid for it.

Mr. MYERS. You have already paid for it?

Mr. CERESOLE. Yes. And what would happen is that it would be unable to enter here, and we would be forced to resell it where we could and to pay the heavy freight charges to get it back, and also we have charges for fumigation and storage.

Mr. MYERS. Those are the only heavy losses that you would foresee; is this correct?

Mr. CERESOLE. Perhaps the market loss. We do not know, of course, what we would get for it. The actual charges are for moving it and the market loss, if any. We might have something else.

Mr. MYERS. I thought that it would be a much greater loss than this.

Mr. CERESOLE. This is heavy for us. These commodities are handled on a very small margin. And if you have to reship the cotton about $2\frac{1}{2}$ cents to 3 cents is quite substantial.

Mr. MYERS. This could be taken care of.

Mr. CERESOLE. That is what we would hope.

Mr. MYERS. But the future shipments that you have contracted for, that you have not had shipped, there would be no money loss there, would there?

Mr. CERESOLE. Unless we were unable on arrival here to handle it, then we would face the market price.

Mr. MYERS. Right now you have a contract and will have it shipped over?

Mr. CERESOLE. Right.

Mr. MYERS. So that you would not have any such situation there.

Mr. CERESOLE. We have contracted on the buying end in Peru.

Mr. MYERS. That would not be affected.

Mr. CERESOLE. We are permitted on this now, I realize, and that this probably would not be the case.

Mr. MYERS. We are talking about the Arab Republic.

Mr. CERESOLE. On the Arab Republic, nobody in his right senses would dream of buying a bale of cotton there now if they had it for sale, which they do not.

Mr. MYERS. In other words, you know now what your losses would be very quickly if you have any records at all—how much you might suffer, so far as cotton in this country is concerned—and you do not know how much you have on hand—how many bales you have here?

Mr. CERESOLE. Yes, that is right.

Mr. MYERS. That is the only loss that you have?

Mr. CERESOLE. Well, yes, again coming back—assuming that Peru is protected, and assuming anything that might still have to be shipped from the United Arab Republic on old contracts and, eventually, it gets out and arrives here sometime in August, hopefully.

Mr. MYERS. But the only loss would be on that which is stored in this country, is that right?

Mr. CERESOLE. I would not want to say that as an actual limiting factor. We ourselves do not happen to be in that case at the moment. But I know that some of our members in the Importers Association still have cotton in Egypt which they were not able to get out before the outbreak of actual hostilities. Now, this will come out any day.

Mr. MYERS. If you purchased it in Egypt or some place else—

Mr. CERESOLE. Yes, sir—some time ago.

Mr. MYERS. As to this Giza 45 you say that is only grown in Egypt but did you not also say that there were certain synthetics that could be used, synthetic fibers other than cotton that could be used in the event that you could not get it?

Mr. CERESOLE. I believe so. I believe that polyester could be used for the production of threads.

Mr. MYERS. That would be domestically made in this country?

Mr. CERESOLE. I would assume so; yes, sir.

Mr. MYERS. Thank you.

Mr. CERESOLE. Which would hurt both Supima and the imported cotton whether it be Peruvian, Egyptian, or Sudanese. This is really our big battle, if I may say so, today in the cotton world. It is to hold our heads above water in the face of the synthetics and the recent polyester.

Mr. MILLER. You made the statement a few moments ago about the Charleston cost and the statement intrigued me because we had a little dialog a short time ago about the import cost at Charleston. Since you mentioned about fumigation at Charleston which, again, apparently is an additional expense in order to import the cotton.

Mr. CERESOLE. Yes.

Mr. MILLER. So we were talking about the charges through the port at Charleston, that it might be \$5 a bale. Apparently it could be much higher than this. Would you have an idea what the charges might be for a bale of cotton to go through the Port of Charleston?

Mr. CERESOLE. I feel that the figure you used of \$5 a bale is a realistic estimate for the cost, if I understand you correctly, to bring a bale of cotton in through the Port of Charleston or any other port. And then after doing the essential job of fumigation and unloading, then there is a question how long we would have to store it. This would be part of the revenue of the Port of Charleston that it handles there, and that could be a little more than double this amount if we kept it close to a year or so, depending upon our sales contract and how we are permitted to deliver it to the consuming mills.

Does that answer your question?

Mr. MILLER. Yes, it does. This could be possibly three-quarters of a million and possibly \$900,000 to the Port of Charleston, if that is the case. And then, of course, Mr. Qualey in speaking about the \$298 million total commercial economic impact as he did, I can see how this is possible on the total economic impact picture.

Thank you very much for clarifying that.

The CHAIRMAN. May I point out one thing? It seems to me that from your testimony if this bill does become law before August 1, 1967, that your people could protect themselves.

Mr. CERESOLE. If I may so, assuming that you would protect the existing contracts with Peru—

The CHAIRMAN. Well, yes, assuming that.

Mr. CERESOLE. In addition, if there were belated shipments—

The CHAIRMAN. We are assuming that we are going to do that.

Mr. CERESOLE. Under our limited quantities, I believe, yet to come from the United Arab Republic, but quite small, and from Sudan, also, in limited quantities.

The CHAIRMAN. We only imported about 900 bales from Sudan last year.

Mr. CERESOLE. Last year's Sudan prices were very high.

Mr. MYERS. I cannot understand if somebody had 2,000 bales of cotton stored in one of the port cities in this country why they would not be down here with facts and figures protesting. If I had 10 bales I would be down here. Where are these people? Why are they not down here testifying as to the facts.

Mr. CERESOLE. That is a good question.

Mr. MYERS. I cannot imagine why anybody would not be down here saying, "Look, I am stuck with this," so that we could do something.

The CHAIRMAN. If there are no further questions, we are very much obliged to you.

Mr. CERESOLE. I feel that I am here on behalf of those people, but I do not have the figures with me. Maybe this development moved a little too fast for us.

Mr. MYERS. They have not provided you with them, evidently.

Mr. CERESOLE. Maybe we can meet again and maybe I did not do my homework.

Mr. MYERS. You would not have to wait on me if that were the situation.

The CHAIRMAN. Thank you very much again.

That completes our list of witnesses except for Congressman Rhodes who is a coauthor of this legislation, who is engaged in a committee meeting of his own this morning.

Mrs. GALLAGHER (clerk). They called and said that if you concluded the hearings he would be glad to file his statement.

The CHAIRMAN. Without objection, his statement will be included in the record at this point.

(The prepared statement of Congressman Rhodes and also statements of Congressmen Smith of Oklahoma, and Reinecke, of California, follow:)

STATEMENT OF HON. JOHN J. RHODES, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF ARIZONA

Mr. Chairman, my sponsorship of H.R. 10915 arises out of my deep concern over United States foreign trade policy affecting the production and sales of the domestic cotton industry. While the legislation under immediate consideration has been precipitated by the recent withdrawal of United States recognition by the Egyptian government, I wish to emphasize that I have been long aware of the manner in which our foreign trade negotiations have prejudiced the position of the American cotton producer with regard to his foreign competitors. My concern has its roots well in advance of the recent Middle-East situation.

The action of the Egyptian government only serves to intensify the skepticism with which I regard recurring trends in our foreign trade policy which work to the neglect and detriment of domestic producers. Those who consider expanding foreign trade to be a panacea for problems in our foreign relations seriously misread both the long and short-range interests of the United States. Those who seek to expand such trade without regard to its effect on the domestic economy act with even greater irresponsibility. The situation with Egypt is a case in point; it underlines my conviction that it is unrealistic to believe we can trade entrance into our profitable markets for the good will of foreign nations. A policy which turns to expanding imports as a tool of foreign relations can seriously weaken the market position of our own American producers, of whose loyalty we may be certain.

Nevertheless, such has been the case with respect to the importation of cotton. As early as 1951 and 1952, the Department of Agriculture bought roughly 120,000 bales of Egyptian cotton. It has taken 16 years to liquidate this cotton alone, much to the detriment of the domestic long staple cotton market. In recent

years, while the government has been continually cutting the acreage allocated to cotton production in this country, it has been steadily increasing the volume of cotton imports. In 1966, such importations amounted to more than one million bales equivalent of raw cotton. In spite of recurrent evidence to the fact that our cotton industry is being severely hurt by this policy, the trend continues.

The effects of such foreign trade policy have been particularly acute with respect to the importation of long staple cotton. The acreage allotted to American growers has declined from 149,880 acres in 1963, to 70,500 acres for the current year. This reduction of over 50 percent has had substantial impact on the cotton producers of Arizona, with whose problems I am particularly concerned. While 83,000 bales of long staple cotton are imported each year, American cotton interests, of which a great number are in my District, have been forced to cut their production from the 161,000 bales produced in 1963 to the current annual production of 71,000 bales.

It is significant to recognize that of the 83,000 imported bales, some 69,000 have come to us from Egypt. While even under normal circumstances it is hard to conceive of the justification of an importation policy which works to the serious detriment of the American producer—and offers no appreciable gains in return—it is even more deplorable that such a policy would be allowed to work to the advantage of a country which manifests disdain and disrespect for the United States through the severing of diplomatic relations.

Mr. Chairman, this legislation would again give domestic producers their rightful opportunity to produce long staple cotton in a market unhindered by unwise foreign imports. It would serve the rational purpose of returning to the American farmer, and to the farmer of Arizona, the right to produce the cotton he has been long capable of supplying. As well, Mr. Chairman, it would exemplify to those countries with which we trade the reluctance with which many of us regard a foreign trade policy detrimental to American producers, used mainly as a tool of foreign relations. Particularly, it would indicate to the Egyptian government that the benefits we confer upon them in allowing them preferential and profitable entrance into our domestic market are contingent upon mutual respect and fair treatment. Their recent attitude indicates the very opposite. For these reasons, Mr. Chairman, I strongly urge favorable consideration of H. R. 10915.

STATEMENT OF HON. JAMES V. SMITH, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF OKLAHOMA

Mr. Chairman, I want to thank you for allowing me this opportunity to appear before this Committee on behalf of a bill which I have introduced, H. R. 11246, which is a companion bill to the distinguished Chairman of this Committee's measure concerning the importation of Egyptian extra long staple cotton into the United States.

A foreign nation which has in the last few months constantly denounced the United States, the United Arab Republic, has annually shipped into the United States approximately 69,000 bales of the extra long staple fiber which is estimated to be worth between \$12 to \$15 million. On the other hand, United States cotton farmers have been restricted to planting 70,500 acres of this type of cotton and with the approval by this Committee of my bill, this acreage could be doubled.

I have never been able to understand the reason for importing extra long staple cotton when our own farmers are capable of supplying our country's needs. In 1963 we produced 161,000 bales here in the United States. This year we produced only 71,000 bales. I believe it is time to close U.S. markets to raw, semi-processed or processed extra long staple cotton which is the product of a country which has severed diplomatic relations with the United States during the one-year period ending the day of the enactment of this legislation. I think it is ridiculous that the American cotton farmer should suffer because our nation has in the past and is presently allowing a belligerent nation to destroy the American farmer's production of this product.

It is with this thought in mind that I would ask this Committee to approve this bill in order that it might come to fruition and allow the American farmer to benefit from their own productivity.

Thank you very much.

STATEMENT OF HON. ED REINECKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, I appreciate this opportunity to register my support for H.R. 10915. This legislation which would close U.S. markets to extra long staple cotton from a country which has severed diplomatic relations with the United States is particularly timely in view of the recent developments in the Middle East.

We spend millions of dollars to develop our own cotton industry. It does not seem reasonable to allow cotton to be imported into this country from a nation which has clearly hostile opinions about the United States.

A nation which has accused the United States of military aggression, like Egypt, does not need nor deserve the rich markets of this country. We cannot continue to walk both sides of the street with these people. It apparently seems to do no good to help a so-called neutral nation. They eventually turn on us. They rarely become allies, even on a temporary basis.

When a nation goes so far in its hostility toward the United States as to break diplomatic relations, it is clear that we should not continue to leave our doors open for their imports.

This legislation would then allow the Secretary of Agriculture to give domestic producers a larger share of the American market. This would benefit the United States, while at the same time expressing our displeasure at the nation which had severed diplomatic ties.

It is high time, Mr. Chairman, for the United States to act firmly with nations who flaunt their hostility toward us.

The CHAIRMAN. The hearings are concluded as of this moment.

The committee will meet on Monday in executive session to consider this and other matters; in fact, we will announce the meeting at 10 on Monday of the full committee to consider this legislation, the Stubblefield bill and any other bills that are presently ready for consideration.

(Whereupon, at 12:40 p.m. the hearing was closed.)





