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SECOND SESSION

TRADE EXPANSION ACT OF 1962

PRESIDENT'S MESSAGE

ALONG WITH

SECTION-BY-SECTION ANALYSIS AND SUMMARY OF H.R. 9900, AS PREPARED BY THE EXECUTIVE BRANCH

MARCH 13, 1962

Printed for the use of the House Committee on Ways and Means

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RECIPROCAL TRADE AGREEMENTS PROGRAM

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RELATIVE TO THE

RECIPROCAL TRADE AGREEMENTS PROGRAM

JANUARY 25, 1962.—Referred to the Committee on Ways and Means and ordered to be printed

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To the Congress of the United States:

Twenty-eight years ago our Nation embarked upon a new experiment in international relationships—the reciprocal trade agreements program. Faced with the chaos in world trade that had resulted from the great depression, disillusioned by the failure of the promises that high protective tariffs would generate recovery, and impelled by a desperate need to restore our economy, President Roosevelt asked for authority to negotiate reciprocal tariff reductions with other nations of the world in order to spur our exports and aid our economic recovery and growth.

That landmark measure, guided through Congress by Cordell Hull, has been extended 11 times. It has served our country and the free world well over two decades. The application of this program brought growth and order to the free world trading system. Our total exports, averaging less than $2 billion a year in the 3 years preceding enactment of the law, have now increased to over $20 billion.

On June 30, 1962, the negotiating authority under the last extension of the Trade Agreements Act expires. It must be replaced by a

wholly new instrument. A new American trade initiative is needed to meet the challenges and opportunities of a rapidly changing world economy.

In the brief period since this act was last extended, five fundamentally new and sweeping developments have made obsolete our traditional trade policy:

The growth of the European Common Market—an economy which may soon nearly equal our own, protected by a single external tariff similar to our own—has progressed with such success and momentum that it has surpassed its original timetable, convinced those initially skeptical that there is now no turning back, and laid the groundwork for a radical alteration of the economics of the Atlantic alliance. Almost 90 percent of the free world's industrial production (if the United Kingdom and others successfully complete their negotiations for membership) may soon be concentrated in two great markets—the United States of America and the expanded European Economic Community. A trade policy adequate to negotiate item-by-item tariff reductions with a large number of small independent states will no longer be adequate to assure ready access for ourselves—and for our traditional trading partners in Canada, Japan, Latin America, and elsewhere—to a market nearly as large as our own, whose negotiators can speak with one voice but whose internal differences make it impossible for them to negotiate item by item.

The growing pressures on our balance-of-payments position have, in the past few years, turned a new spotlight on the importance of increasing American exports to strengthen the international position of the dollar and prevent a steady drain of our gold reserves. To maintain our defense, assistance, and other commitments abroad, while expanding the free flow of goods and capital, we must achieve a reasonable equilibrium in our international accounts by offsetting these dollar outlays with dollar sales.

The need to accelerate our own economic growth, following a lagging period of 7 years characterized by three recessions, is more urgent than it has been in years—underlined by the millions of new job opportunities which will have to be found in this decade to provide employment for those already unemployed as well as an increasing flood of younger workers, farmworkers seeking new opportunities, and city workers displaced by technological change.

The Communist aid and trade offensive has also become more apparent in recent years. Soviet bloc trade with 41 non-Communist countries in the less-developed areas of the globe has more than tripled in recent years; and bloc trade missions are busy in nearly every continent attempting to penetrate, encircle, and divide the free world.

The need for new markets for Japan and the developing nations has also been accentuated as never before, both by the prospective impact of the EEC's external tariff and by their own need to acquire new outlets for their raw materials and light manufactures.

To meet these new challenges and opportunities, I am today transmitting to the Congress a new and modern instrument of trade negotiation—the Trade Expansion Act of 1962. As I said in my state of the Union address, its enactment "could well affect the unity of the West, the course of the cold war, and the growth of our Nation for a generation or more to come."

I. The Benefits of Increased Trade

Specifically, enactment of this measure will benefit substantially every State of the Union, every segment of the American economy, and every basic objective of our domestic economy and foreign policy.

Our efforts to expand our economy will be importantly affected by our ability to expand our exports, and particularly upon the ability of our farmers and businessmen to sell to the Common Market. There is arising across the Atlantic a single economic community which may soon have a population half again as big as our own, working and competing together with no more barriers to commerce and investment than exist among our 50 States—in an economy which has been growing roughly twice as fast as ours—representing a purchasing power which will someday equal our own and a living standard growing faster than our own. As its consumer incomes grow, its consumer demands are also growing, particularly for the type of goods that we produce best, which are only now beginning to be widely sold or known in the markets of Europe or in the homes of its middle-income families.

Some 30 percent of our exports—more than $4 billion in industrial goods and materials and nearly $2 billion in agricultural products—already goes to the members and prospective members of the EEC. European manufacturers, however, have increased their share of this rapidly expanding market at a far greater rate than American manufacturers. Unless our industry can maintain and increase its share of this attractive market, there will be further temptation to locate additional American-financed plants in Europe in order to get behind the external tariff wall of the EEC. This would enable the American manufacturer to contend for that vast consumer potential on more competitive terms with his European counterparts but it will also mean a failure on our part to take advantage of this growing market to increase jobs and investment in this country.

A more liberal trade policy will in general benefit our most efficient and expanding industries—industries which have demonstrated their advantage over other world producers by exporting on the average twice as much of their products as we import—industries which have done this while paying the highest wages in our country. Increasing investment and employment in these growth industries will make for a more healthy, efficient, and expanding economy and a still higher American standard of living. Indeed, freer movement of trade between America and the Common Market would bolster the economy of the entire free world, stimulating each nation to do most what it

does best and helping to achieve the OECD target of a 50-percent combined Atlantic Community increase in gross national product by 1970.

Our efforts to prevent inflation will be reinforced by expanded trade. Once given a fair and equal opportunity to compete in oversea markets, and once subject to healthy competition from oversea manufacturers for our own markets, American management and labor will have additional reason to maintain competitive costs and prices, modernize their plants, and increase their productivity. The discipline of the world marketplace is an excellent measure of efficiency and a force to stability. To try to shield American industry from the discipline of foreign competition would isolate our domestic price level from world prices, encourage domestic inflation, reduce our exports still further, and invite less desirable governmental solutions.

Our efforts to correct our adverse balance of payments have in recent years roughly paralleled our ability to increase our export surplus. It is necessary if we are to maintain our security programs abroad—our own military forces overseas plus our contribution to the security and growth of other free countries—to make substantial dollar outlays abroad. These outlays are being held to the minimum necessary, and we are seeking increased sharing from our allies. But they will continue at substantial rates—and this requires us to enlarge the $5 billion export surplus which we presently enjoy from our favorable balance of trade. If that surplus can be enlarged, as exports under our new program rise faster than imports, we can achieve the equilibrium in our balance of payments which is essential to our economic stability and flexibility. If, on the other hand, our surplus should fail to grow, if our exports should be denied ready access to the EEC and other markets, our oversea position would be endangered. Moreover, if we can lower the external tariff wall of the Common Market through negotiation our manufacturers will be under less pressure to locate their plants behind that wall in order to sell in the European market, thus reducing the export of capital funds to Europe.

Our efforts to promote the strength and unity of the West are thus directly related to the strength and unity of Atlantic trade policies. An expanded export program is necessary to give this Nation both the balance-of-payments equilibrium and the economic growth we need to sustain our share of Western military security and economic advance. Equally important, a freer flow of trade across the Atlantic will enable the two giant markets on either side of the ocean to impart strength and vigor to each other, and to combine their resources and momentum to undertake the many enterprises which the security of free peoples demands. For the first time, as the world's greatest trading nation, we can welcome a single partner whose trade is even larger than our own—a partner no longer divided and dependent, but strong enough to share with us the responsibilities and initiatives of the free world.

The Communist bloc, largely self-contained and isolated, represents an economic power already by some standards larger than that of

Western Europe and hoping someday to overtake the United States. But the combined output and purchasing power of the United States and Western Europe—nearly a trillion dollars a year—is more than twice as great as that of the entire Sino-Soviet world. Though we have only half the population, and far less than half the territory, we can pool our resources and resourcefulness in an open trade partnership strong enough to outstrip any challenge, and strong enough to undertake all the many enterprises around the world which the maintenance and progress of freedom require. If we can take this step, Marxist predictions of "capitalist" empires warring over markets and stifling competition would be shattered for all time, Communist hopes for a trade war between these two great economic giants would be frustrated, and Communist efforts to split the West would be doomed to failure.

As members of the Atlantic Community we have concerted our military objectives through the North Atlantic Treaty Organization. We are concerting our monetary and economic policies through the Organization for Economic Cooperation and Development. It is time now to write a new chapter in the evolution of the Atlantic Community. The success of our foreign policy depends in large measure upon the success of our foreign trade, and our maintenance of Western political unity depends in equally large measure upon the degree of Western economic unity. An integrated Western Europe, joined in trading partnership with the United States, will further shift the world balance of power to the side of freedom.

Our efforts to prove the superiority of free choice will thus be advanced immeasurably. We will prove to the world that we believe in peacefully tearing down walls instead of arbitrarily building them. We will be opening new vistas of choice and opportunity to the producers and consumers of the free world. In answer to those who say to the world's poorer countries that economic progress and freedom are no longer compatible, we—who have long boasted about the virtues of the marketplace and of free competitive enterprise, about our ability to compete and sell in any market, and about our willingness to keep abreast of the times—will have our greatest opportunity since the Marshall plan to demonstrate the vitality of free choice.

Communist bloc nations have negotiated more than 200 trade agreements in recent years. Inevitably the recipient nation finds its economy increasingly dependent upon Soviet goods, services, and technicians. But many of these nations have also observed that the economics of free choice provide far greater benefits than the economics of coercion, and the wider we can make the area of economic freedom, the easier we make it for all free peoples to receive the benefits of our innovations and put them into practice.

Our efforts to aid the developing nations of the world and other friends, however, depend upon more than a demonstration of freedom's vitality and benefits. If their economies are to expand, if their new industries are to be successful, if they are to acquire the foreign exchange funds they will need to replace our aid efforts, these nations must find new outlets for their raw materials and new manufactures.

We must make certain that any arrangements which we make with the European Economic Community are worked out in such a fashion as to insure nondiscriminatory application to all third countries. Even more important, however, the United States and Europe together have a joint responsibility to all of the less-developed countries of the world, and in this sense we must work together to insure that their legitimate aspirations and requirements are fulfilled. The "open partnership" which this bill proposes will enable all free nations to share together the rewards of a wider economic choice for all.

Our efforts to maintain the leadership of the free world thus rest, in the final analysis, on our success in this undertaking. Economic isolation and political leadership are wholly incompatible. In the next few years, the nations of Western Europe will be fixing basic economic and trading patterns vitally affecting the future of our economy and the hopes of our less-developed friends. Basic political and military decisions of vital interest to our security will be made. Unless we have this authority to negotiate and have it this year—if we are separated from the Common Market by high tariff barriers on either side of the Atlantic—then we cannot hope to play an effective part in those basic decisions.

If we are to retain our leadership, the initiative is up to us. The revolutionary changes which are occurring will not wait for us to make up our minds. The United States has encouraged sweeping changes in free world economic patterns in order to strengthen the forces of freedom. But we cannot ourselves stand still. If we are to lead, we must act. We must adapt our own economy to the imperatives of a changing world, and once more assert our leadership.

The American businessman, once the authority granted by this bill is exercised, will have a unique opportunity to compete on a more equal basis in a rich and rapidly expanding market abroad which possesses potentially a purchasing power as large and as varied as our own. He knows that, once artificial restraints are removed, a vast array of American goods, produced by American know-how with American efficiency, can compete with any goods in any spot in the world. And almost all members of the business community, in every State, now participate or could participate in the production, processing, transporting, or distribution of either exports or imports.

Already we sell to Western Europe alone more machinery, transportation equipment, chemicals, and coal than our total imports of these commodities from all regions of the world combined. Western Europe is our best customer today, and should be an even better one tomorrow. But as the new external tariff surrounding the Common Market replaces the internal tariff structure, a German producer, who once competed in the markets of France on the same terms with our own producers, will achieve free access to French markets while our own producers face a tariff. In short, in the absence of authority to bargain down that external tariff, as the economy of the Common Market expands, our exports will not expand with it. They may even decline.

The American farmer has a tremendous stake in expanded trade. One out of every seven farmworkers produces for export. The average farmer depends on foreign markets to sell the crops grown on 1 out of every 6 acres he plants. Sixty percent of our rice, 49 percent of our cotton, 45 percent of our wheat, and 42 percent of our soybean production are exported. Agriculture is one of our best sources of foreign exchange.

Our farmers are particularly dependent upon the markets of Western Europe. Our agricultural trade with that area is 4 to 1 in our favor. The agreements recently reached at Brussels both exhausted our existing authority to obtain further European concessions, and laid the groundwork for future negotiations on American farm exports to be conducted once new authority is granted. But new and flexible authority is required if we are to keep the door of the Common Market open to American agriculture, and open it wider still. If the output of our astounding productivity is not to pile up increasingly in our warehouses, our negotiators will need both the special EEC authority and the general 50-percent authority requested in the bill described later in this message.

The American worker will benefit from the expansion of our exports. One out of every three workers engaged in manufacturing is employed in establishments that export. Several hundred times as many workers owe their jobs directly or indirectly to exports as are in the small group—estimated to be less than one-half of 1 percent of all workers—who might be adversely affected by a sharp increase in imports. As the number of jobseekers in our labor force expands in the years ahead, increasing our job opportunities will require expanding our markets and economy, and making certain that new U.S. plants built to serve Common Market consumers are built here, to employ American workers, and not there.

The American consumer benefits most of all from an increase in foreign trade. Imports give him a wider choice of products at competitive prices. They introduce new ideas and new tastes, which often lead to new demands for American production.

Increased imports stimulate our own efforts to increase efficiency, and supplement antitrust and other efforts to assure competition. Many industries of importance to the American consumer and economy are dependent upon imports for raw materials and other supplies. Thus American-made goods can also be made much less expensively for the American consumers if we lower the tariff on the materials that are necessary to their production.

American imports, in short, have generally strengthened rather than weakened our economy. Their competitive benefits have already been mentioned. But about 60 percent of the goods we import do not compete with the goods we produce—either because they are not produced in this country, or are not produced in any significant quantity. They provide us with products we need but cannot efficiently make or grow (such as bananas or coffee), supplement our own steadily depleting natural resources with items not available here in

81081 O—62——2

quantity (such as manganese or chrome ore, 90 percent or more of which must be imported if our steel mills are to operate), and contribute to our industrial efficiency, our economic growth, and our high level of consumption. Those imports that do compete are equal to only 1 or 1½ percent of our total national production; and even these imports create jobs directly for those engaged in their processing, distribution, or transportation, and indirectly for those employed in both export industries and in those industries dependent upon reasonably priced imported supplies for their own ability to compete.

Moreover, we must reduce our own tariffs if we hope to reduce tariffs abroad and thereby increase our exports and export surplus. There are many more American jobs dependent upon exports than could possibly be adversely affected by increased imports. And those export industries are our strongest, most efficient, highest paying growth industries.

It is obvious, therefore, that the warnings against increased imports based upon the lower level of wages paid in other countries are not telling the whole story. For this fear is refuted by the fact that American industry in general, and America's highest paid industries in particular, export more goods to other markets than any other nation; sell far more abroad to other countries than they sell to us; and command the vast preponderance of our own market here in the United States. There are three reasons for this:

(*a*) The skill and efficiency of American workers, with the help of our machinery and technology, can produce more units per man-hour than any other workers in the world, thus making the competitive cost of our labor for many products far less than it is in countries with lower wage rates. For example, while a United States coal miner is paid 8 times as much per hour as the Japanese miner, he produces 14 times as much coal—our real cost per ton of coal is thus far smaller—and we sell the Japanese tens of millions of dollars worth of coal each year.

(*b*) Our best industries also possess other advantages—the adequacy of low-cost raw materials or electrical power, for example. Neither wages nor total labor costs is an adequate standard of comparison if used alone.

(*c*) American products can frequently compete successfully even where foreign prices are somewhat lower by virtue of their superior quality, style, packaging, servicing, or assurance of delivery.

Given this strength, accompanied by increasing productivity and wages in the rest of the world, there is less need to be concerned over the level of wages in the low-wage countries. These levels, moreover, are already on the rise, and, we would hope, will continue to narrow the current wage gap, encouraged by appropriate consultations on an international basis.

This philosophy of the free market—the wider economic choice for men and nations—is as old as freedom itself. It is not a partisan philosophy. For many years our trade legislation has enjoyed bi-

partisan backing from those members of both parties who recognized how essential trade is to our basic security abroad and our economic health at home. This is even more true today. The Trade Expansion Act of 1962 is designed as the expression of a nation, not of any single faction, not of any single faction or section. It is in that spirit that I recommend it to the Congress for prompt and favorable action.

II. Provisions of the Bill

New negotiating authority.—To achieve all of the goals and gains set forth above—to empower our negotiators with sufficient authority to induce the EEC to grant wider access to our goods and crops and fair treatment to those of Latin America, Japan, and other countries, and to be ready to talk trade with the Common Market in practical terms—it is essential that our bargaining authority be increased in both flexibility and extent. I am therefore requesting two basic kinds of authority to be exercised over the next 5 years:

First, a general authority, to reduce existing tariffs by 50 percent in reciprocal negotiations. It would be our intention to employ a variety of techniques in exercising this authority, including negotiations on broad categories or subcategories of products.

Secondly, a special authority, to be used in negotiating with the EEC, to reduce or eliminate all tariffs on those groups of products where the United States and the EEC together account for 80 percent or more of world trade in a representative period. The fact that these groups of products fall within this special or "dominant supplier" authority is proof that they can be produced here or in Europe more efficiently than anywhere else in the world. They include most of the products which the members of the Common Market are especially interested in trading with us, and most of the products for which we want freer access to the Common Market; and to a considerable extent they are items in which our own ability to compete is demonstrated by the fact that our exports of these items are substantially greater than our imports. They account for nearly $2 billion of our total industrial exports to present and prospective Common Market members in 1960, and for about $1.4 billion of our imports from these countries. In short, this special authority will enable us to negotiate for a dramatic agreement with the Common Market that will pool our economic strength for the advancement of freedom.

To be effective in achieving a breakthrough agreement with the EEC so that our farmers, manufacturers, and other free world trading partners can participate, we will need to use both the dominant supplier authority and the general authority in combination. Reductions would be put into effect gradually in stages over 5 years or more. But the traditional technique of trading one brick at a time off our respective tariff walls will not suffice to assure American farm and factory exports the kind of access to the European market which they must have if trade between the two Atlantic markets is to expand. We must talk instead in terms of trading whole layers at a time in exchange for other layers, as the Europeans have been doing in

reducing their internal tariffs, permitting the forces of competition to set new trade patterns. Trading in such an enlarged basis is not possible, the EEC has found, if traditional item-by-item economic histories are to dominate. But let me emphasize that we mean to see to it that all reductions and concessions are reciprocal, and that the access we gain is not limited by the use of quotas or other restrictive devices.

Safeguarding interests of other trading partners.—In our negotiations with the Common Market, we will preserve our traditional most-favored-nation principle under which any tariff concessions negotiated will be generalized to our other trading partners. Obviously, in special authority agreements where the United States and the EEC are the dominant suppliers, the participation of other nations often would not be significant. On other items, where justified, compensating concessions from other interested countries should be obtained as part of the negotiations. But in essence we must strive for a non-discriminatory trade partnership with the EEC. If it succeeds only in splintering the free world, or increasing the disparity between rich and poor nations, it will have failed to achieve one of its major purposes. The negotiating authority under this bill will thus be used to strengthen the ties of both "Common Markets" with, and expand our own trade in, the Latin American Republics, Canada, Japan, and other non-European nations—as well as helping them maximize their opportunities to trade with the Common Market.

The bill also requests special authority to reduce or eliminate all duties and other restrictions on the importation of tropical agricultural and forestry products supplied by friendly less-developed countries and not produced here in any significant quantity, if our action is taken in concert with similar action by the Common Market. These tropical products are the staple exports of many less-developed countries. Their efforts for economic development and diversification must be advanced out of earnings from these products. By assuring them as large a market as possible, we are bringing closer the day when they will be able to finance their own development needs on a self-sustaining basis.

Safeguards to American industry.—If the authority requested in this act is used, imports as well as exports will increase; and this increase will, in the overwhelming number of cases, be beneficial for the reasons outlined above. Nevertheless ample safeguards against injury to American industry and agriculture will be retained. Escape-clause relief will continue to be available with more up-to-date definitions. Temporary tariff relief will be granted where essential. The power to impose duties or suspend concessions to protect the national security will be retained. Articles will be reserved from negotiations whenever such action is deemed to be in the best interest of the Nation and the economy. And the four basic stages of the traditional peril point procedures and safeguards will be retained and improved:

the President will refer to the Tariff Commission the list of proposed items for negotiations;

the Tariff Commission will conduct hearings to determine the effect of concessions on these products;

the Commission will make a report to the President, specifically based, as such reports are based now, upon its findings of how new imports might lead to the idling of productive facilities, the inability of domestic producers to operate at a profit, and the unemployment of workers as the result of anticipated reductions in duties; and

the President will report to the Congress on his action after completion of the negotiations. The present arrangements will be substantially improved, however, since both the Tariff Commission recommendation and the President's report would be broader than a bare determination of specific peril points; and this should enable us to make much more informed use of these recommendations than has been true in the past.

Trade adjustment assistance.—I am also recommending as an essential part of the new trade program that companies, farmers, and workers who suffer damage from increased foreign import competition be assisted in their efforts to adjust to that competition. When considerations of national policy make it desirable to avoid higher tariffs, those injured by that competition should not be required to bear the full brunt of the impact. Rather, the burden of economic adjustment should be borne in part by the Federal Government.

Under existing law, the only alternatives available to the President are the imposition or refusal of tariff relief. These alternatives should continue to be available.

The legislation I am proposing, however, provides an additional alternative called trade adjustment assistance. This alternative will permit the executive branch to make extensive use of its facilities, programs, and resources to provide special assistance to farmers, firms and their employees in making the economic readjustments necessitated by the imports resulting from tariff concessions.

Any worker or group of workers unemployed or underemployed as a result of increased imports would, under this bill, be eligible for the following forms of assistance:

1. Readjustment allowances providing as much as 65 percent of the individual's average weekly wage for up to 52 weeks for all workers, and for as many as 13 additional weeks for workers over 60, with unemployment insurance benefits deducted from such allowances to the extent available;

2. Vocational education and training assistance to develop higher and different skills;

3. Financial assistance for those who cannot find work in their present community to relocate to a different place in the United States where suitable employment is available.

For a businessman or farmer adversely affected by imports, there should be available—

1. Technical information, advice, and consultation to help plan and implement an attack on the problem;

2. Tax benefits to encourage modernization and diversification;
3. Loan guarantees and loans otherwise not commercially available to aid modernization and diversification.

Just as the Federal Government has assisted in personal readjustments made necessary by military service, just as the Federal Government met its obligation to assist industry in adjusting to war production and again to return to peacetime production, so there is an obligation to render assistance to those who suffer as a result of national trade policy. Such a program will supplement and work in coordination with, not duplicate, what we are already doing or proposing to do for depressed areas, for small business, for investment incentives, and for the retraining and compensation of our unemployed workers.

This cannot be and will not be a subsidy program of Government paternalism. It is instead a program to afford time for American initiative, American adaptability, and American resiliency to assert themselves. It is consistent with that part of the proposed law which would stage tariff reductions over a 5-year period. Accordingly, trade adjustment assistance, like the other provisions of the Trade Expansion Act of 1962, is designed to strengthen the efficiency of our economy, not to protect inefficiencies.

Authority to grant temporary tariff relief will remain available to assist those industries injured by a sudden influx of goods under revised tariffs. But the accent is on "adjustment" more than "assistance." Through trade adjustment prompt and effective help can be given to those suffering genuine hardship in adjusting to import competition, moving men and resources out of uneconomic production into efficient production and competitive positions, and in the process preserving the employment relationships between firms and workers wherever possible. Unlike tariff relief, this assistance can be tailored to their individual needs without disrupting other policies. Experience with a similar kind of program in the Common Market, and in the face of more extensive tariff reductions than we propose here, testifies to the effective but relatively inexpensive nature of this approach. For most affected firms will find that the adjustment involved is no more than the adjustment they face every year or few years as the result of changes in the economy, consumer taste, or domestic competition.

The purpose of this message has been to describe the challenge we face and the tools we need. The decision rests with the Congress. That decision will either mark the beginning of a new chapter in the alliance of free nations, or a threat to the growth of Western unity. The two great Atlantic markets will either grow together or they will grow apart. The meaning and range of free economic choice will either be widened for the benefit of freemen everywhere or confused and constricted by new barriers and delays.

Last year, in enacting a long-term foreign-aid program, the Congress made possible a fundamental change in our relations with the developing nations. This bill will make possible a fundamental, far-reaching, and unique change in our relations with the other industrialized

nations, particularly with the other members of the Atlantic community. As NATO was unprecedented in military history, this measure is unprecedented in economic history. But its passage will be long remembered and its benefits widely distributed among those who work for freedom.

At rare moments in the life of this Nation an opportunity comes along to fashion out of the confusion of current events a clear and bold action to show the world what it is we stand for. Such an opportunity is before us now. This bill, by enabling us to strike a bargain with the Common Market, will "strike a blow" for freedom.

JOHN F KENNEDY.

THE WHITE HOUSE, *January 25, 1962.*

TRADE EXPANSION ACT OF 1962

SUMMARY OF NEW TRADE LEGISLATION AS SENT BY THE PRESIDENT TO THE CONGRESS ON JANUARY 25, 1962

Title I - Title, Effective Date and Purposes

1. Title - "Trade Expansion Act of 1962".

2. Effective Date - July 1, 1962.

3. Statement of Purposes - The statement outlines the essential general welfare, foreign policy, and security purposes of U.S. trade policy and the objective of promoting these purposes through international trade agreements affording mutual benefits. It refers explicitly as among its purposes to the strengthening of economic and political relations with the European Economic Community and with other foreign countries, the assisting of less developed countries, and the countering of Communist economic penetration. The statement also refers to the provision of trade adjustment assistance as a purpose of the new Act.

Title II - Trade Agreements

1. Tariff reduction authority - The bill provides the President with the following types of authority to reduce United States tariffs in trade agreements entered into not later than June 30, 1967:

(a) General Authority - In relation to countries generally, the President is authorized to reduce existing duties by 50 percent.

(b) EEC Authority - In negotiations with the EEC, the President is authorized to exceed the 50 percent limitation and to reduce tariffs to zero on products within categories of which the U.S. and the EEC together account for 80 percent or more of world exports as measured in a representative period. Intra-EEC trade and intra-Communist Bloc trade are excluded from the measurement of world exports. Tariff reductions or eliminations under this authority may be made on agricultural products which do not meet the 80 percent "dominant supplier" rule, provided the President finds that such action will tend to assure the maintenance or expansion of U.S. exports of such products.

(c) Special Authority for Tropical Agricultural and Forest Commodities - The President is authorized to reduce or eliminate tariffs on any tropical agricultural or forest commodity or primary products thereof if the EEC agrees to take similar action on a non-discriminatory basis and if the commodity or product is not produced in significant quantities in the U.S.

(d) Low Duty Authority - The President is authorized to eliminate tariffs on products which are dutiable at a rate of 5 percent or less.

2. Prerequisites to Negotiations:

(a) Tariff Commission Advice Prior to Negotiations - The President must furnish the Tariff Commission with a list of the products or product categories on which negotiations are proposed. Within six months of receipt of the list, the Tariff Commission is required to advise the President as to the economic effect of reductions or eliminations of duties. The Tariff Commission may hold hearings in the course of its investigations. The President may not enter into a trade agreement until he has received the advice of the

Tariff Commission or until the expiration of the six-month period, whichever is the earlier.

(b) Reserve List - The President is required to reserve from trade agreement negotiations any product subject to an escape clause or national security action taken under this or prior trade agreement Acts. He may also reserve such additional products as he deems appropriate.

(c) Notice - The President is required to give public notice of intention to enter into trade agreements and provide opportunity for presentation of public views, including views on the reservation of any article from the negotiations.

(d) Transmission to Congress - The President must transmit to the Congress any trade agreement entered into under this Act, stating in the light of the advice received from the Tariff Commission and other relevant considerations his reasons for entering into the agreement.

3. National Security Provision:

(a) Suspension of Benefits to Communist Countries - The bill continues the existing provision that the President shall deny the benefits of trade agreement concessions to the U.S.S.R. and to countries which are dominated or controlled by international communism.

(b) Safeguarding National Security - The bill repeats practically verbatim the present provision of the trade agreements legislation relating to national security. Under this provision the President is required to restrict imports when he determines that an article is being imported into the U.S. in such quantities or under such circumstances as to threaten to impair the national security.

4. General Provisions:

(a) Most-Favored-Nation Principle - All tariff reductions made under this Act will be generalized on a most-favored-nation basis except for the discriminatory action specifically authorized with respect to the Communist Bloc. This MFN principle applies not only to the general negotiating authority but also to the special authority for negotiations with the EEC, the tropical products authority, and the low duty authority.

(b) Suspension of Benefits - As in present legislation, the President is authorized to suspend trade agreement benefits to any country which discriminates against U.S. commerce or engages in other actions which in the opinion of the President tend to defeat the purposes of this Act.

(c) Staging Requirements - Tariff reductions made under this trade agreements authority are in general to take effect in not less than five equal annual installments. They may take effect in unequal intervals and amounts provided the sum of reductions at any one time does not exceed what would occur under five equal installments. No staging is required for reductions of not more than 25 percent of the existing rate or actions taken under the tropical products or low-duty authority.

(d) Status of Existing Escape Clause and National Security Actions - Past actions taken to grant relief under the escape clause and national security provisions of prior legislation will continue in effect except that escape clause actions taken more than three years before the

81081 O—62——3

effective date of the new Act will terminate one year thereafter unless extended by the President.

Title III - Adjustment Assistance

1. Forms of Adjustment Assistance - The bill provides the following forms of adjustment assistance to meet difficulties due to increased imports of like or directly competitive articles as a result of tariff concessions:

(a) Assistance to Firms - This includes: (1) technical assistance, (2) various forms of financial assistance, and (3) tax relief in the form of special carry-back of operating losses.

(b) Assistance to Workers - This includes (1) readjustment allowances in the form of compensation for partial or complete unemployment, (2) retraining of workers for other types of employment, and (3) relocation allowances to assist families in moving to an area where employment may be available.

(c) Assistance to Industries - In extraorindary cases where the foregoing types of assistance may be inadequate to mitigate the difficulties involved, the President is authorized to apply increased duties or other import restrictions. Under this authority, the President may increase the duty for any article to a rate not more than 50 percent above that existing on July 1, 1934 or may impose a duty not to exceed 50 percent ad valorem on a free list item. Such extraordinary relief will expire at the end of four years, unless the President determines that the national interest requires its extension for a longer period. This form of relief may be provided in addition to or as a substitute for other forms of adjustment assistance.

2. Eligibility for Adjustment Assistance:

(a) Procedures - Petitions for determination of eligibility to apply for adjustment assistance for firms and workers will be filed with the President. Before making a determination as to eligibility, the President must secure advice from the Tariff Commission on the extent to which imports of like or directly competitive articles have increased as a result of a tariff change made in a trade agreement. As regards extraordinary relief for industries, applications are to be filed with the Tariff Commission, which will advise the President whether the adverse conditions set forth below exist. The President will make the ultimate determination as to the granting of extraordinary relief.

(b) Standards - A firm will be eligible to apply for adjustment assistance if increased imports resulting from a trade agreement concession are determined to be causing or threatening to cause any one of the following three conditions: (1) significant idling of the productive facilities of the firm, (2) prolonged and persistent inability of the firm to operate at a profit, or (3) unemployment or underemployment of a significant number of the workers of the firm. Only the third standard as to unemployment or underemployment as a result of increased imports due to a tariff concession is applicable to determination of the eligibility of workers of a firm or an appropriate subdivision thereof to apply for adjustment assistance. All three standards must be met to determine eligibility of an industry to obtain extraordinary relief.

3. Administration - Adjustment assistance will be administered through existing agencies and programs of the Executive Branch. Matters relating to assistance to firms will be referred to the Departments of Commerce and other interested agencies, including the Small Business Administration. Matters relating to assistance to workers will be referred to the Department of Labor and other interested agencies. An interagency Adjustment Assistance Advisory Board chaired by the Secretary of Commerce will be established to advise the President and the administering agencies on the development of programs for adjustment assistance to firms and workers.

1/24/62

SECTION-BY-SECTION ANALYSIS

OF

TRADE EXPANSION ACT OF 1962

H.R. 9900

AS PREPARED BY THE EXECUTIVE BRANCH

March 5, 1962

March 5, 1962

SECTION-BY-SECTION ANALYSIS OF TRADE EXPANSION ACT OF 1962

The Trade Expansion Act of 1962 consists of four titles.

Title I (sections 101-102) is entitled "Title, Effective Date, and Purposes", title II (sections 201-250) "Trade Agreements", title III (sections 301-363) "Adjustment Assistance", and title IV(sections 401-407) "General Provisions".

TITLE I - TITLE, EFFECTIVE DATE, AND PURPOSES

Section 101. Short Title and Effective Date.

This section provides that the short statutory title of the Act is the "Trade Expansion Act of 1962", and that it will become effective on July 1, 1962.

Section 102. Statement of Purposes.

This section sets forth the two basic purposes of the Act, which in turn serve the over-all purpose stated in the long statutory title of promoting the general welfare, foreign policy, and security of the United States. The first purpose is to achieve certain specific objectives by lowering trade barriers through trade agreements affording mutual benefits to such basic interests as the general welfare, foreign policy, and national security of the parties to such agreements. These specific objectives are: (1) to benefit the economy of the United States, (2) to strengthen economic and political relations between the United States and the other countries of the free world and especially with the countries of the European Economic

Community (hereinafter referred to as the EEC), (3) to assist the economies of countries in the earlier stages of economic development, and (4) to counter economic penetration by international Communism. The second purpose of the Act is to provide adjustment assistance, where appropriate, to permit industrial and agricultural enterprises, workers, and farmers to adjust to new competitive conditions which may result from increased trade with the EEC and foreign countries.

TITLE II - TRADE AGREEMENTS

CHAPTER 1 - GENERAL AUTHORITY

Section 201. Authority for All Trade Agreements.

Subsection (a) is based largely upon section 350(a)(1) of the Tariff Act of 1930, as amended, and provides the two basic authorities for the trade agreements program. Although this subsection does not contain the requirement of a Presidential finding as such, the President's authority is limited by the requirement that he may take action only if it will further the purposes specified and elaborated in section 102. The finding, therefore, must take place, but it is implicit and informal rather than explicit and formal. As for the first authority, it provides that the President may enter into trade agreements with other countries and instrumentalities thereof, such as the EEC, but only until the close of June 30, 1967. Such agreements may be negotiated on an article-by-article basis or on the basis of such groupings of articles as may be appropriate. As for the second authority, subsection (a) provides that the President

may at any time and in accordance with the provisions of title II, provide, by formal public proclamation, for such continuance, reduction, or elimination of any existing duty or other import restriction, or such continuance of existing duty-free or excise treatment as he determines to be required or appropriate to carry out such trade agreements. Subsection (a) constitutes the basic grant of authorities to the President applicable to all trade agreements, to be exercised in accordance with the specific conditions set out in the remainder of the title.

Subsection (b) establishes the general, though not universal, rule that in carrying out any trade agreement under title II, the President may not proclaim a rate of duty on any article lower than 50 per cent of the rate of duty existing on July 1, 1962. The exceptions to this rule are made in sections 202 (Authority for Low-Rate Articles), 211 (Basic Authority for EEC), 212 (Agricultural Commodities), 213 (Tropical Agricultural and Forestry Commodities), and 245 (Rounding Authority). The 50 per cent limitation applies equally to articles subject to an ad valorem rate, a specific rate, or a compound rate of duty.

Section 202. Authority for Low-Rate Articles.

This section provides a special authority in the case of any article subject to a rate of duty existing on July 1, 1962, which is not more than 5 per cent ad valorem or an ad valorem equivalent of not more than 5 per cent. (Section 246(d) provides a method for converting specific and compound rates to ad valorem equivalents.)

81081 O—62——4

In the case of such an article, the President may proclaim the elimination of any duty in carrying out a trade agreement under title II. It is believed that normally rates of duty of 5 per cent or less have little or no economic significance, and that these may appropriately be subject to elimination as a matter of convenience of administration.

CHAPTER 2 - SPECIAL AUTHORITY FOR EUROPEAN ECONOMIC COMMUNITY

Section 211. Basic Authority.

This section provides that the President may, in certain circumstances and with regard to certain articles, exercise the authority in section 201(a) without any limitation, so that, for instance, he may make any reduction in or elimination of applicable import restrictions. This authority applies only to trade agreements with the EEC, as defined in sections 246(a) and (b). In addition, the authority applies only to articles falling within a category, which is specially defined and is the subject of Presidential determination. In particular, it must be a category with respect to which the President determines that the United States and the EEC together account for 80 per cent or more of the aggregated world export value, in some appropriate period, of all the articles within such category. That is, if the category by definition contains 10 articles, and the world export value of the 10 articles taken together amounts to $1 billion, the United States and the EEC must export at least $800 million worth of such articles.

- Subsection (b) makes clear that the determination required under subsection (a) to permit the issuance of a proclamation thereunder is not contemporaneous with that proclamation, but is one which the President would make prior to entering into the trade agreement. That is, the President would determine the eligible categories in preparation for, and as the basis of, a negotiation with the EEC. Such a determination would be the basis for entering into the trade agreement with the EEC, and would remain valid for purposes of permitting the issuance of a proclamation under this section.

Subsection (c) contains three definitions necessary to the making of a determination of an eligible category under subsection (a). These definitions are peculiar only to this section and do not have general application. In addition, they are all keyed to a single critical date, i.e., the date of the President's request for advice from the Tariff Commission under subsection (d).

Paragraph (1) provides that the "European Economic Community" means the Community, as defined in section 246(a), as of the date of the request for advice. Accordingly, if the President, in preparation for negotiations with the EEC, requests such advice July 1, 1963, the Community would consist of the countries committed on that date to the achievement of a common external tariff through that instrumentality.

Paragraph (2) provides that the determination of "world export value" of all the articles within a category shall be made on the basis of a representative period which shall begin no earlier than

January 1, 1957, and end no later than the date of request. Paragraph (2) also provides that the determination of "world export value" shall exclude exports from any country of the EEC, as defined in paragraph (1), to another such country, e.g., from France to Italy, and shall exclude exports from any country dominated or controlled by international Communism within the representative period to another such country, e.g., from Czechoslovakia to the Soviet Union. Exports between the free world and the Sino-Soviet bloc would, however, be included in the computation of world export value. In general, world export value is the value of all goods of the given category which move in international trade, with the exclusion of the trade noted above. The determination of what countries and areas are within the Communist exclusion would be determined by the President and would be identical to his findings under section 231 (Products of Communist Countries).

Paragraph (3) defines a category as any three-digit group of the Standard International Trade Classification (SITC) in the edition current on the date of the request. The SITC is prepared and published by the United Nations and is intended to promote greater international comparability of world trade statistics kept by different countries. The SITC has been adopted by at least fifty countries as their national trade classification. In addition, a considerable number of countries, including the United States and the members of the EEC, prepare compilations of their trade data according to the SITC for publication by regional and international agencies. The SITC has recently been

revised to afford a direct correspondence between its classification and that of the Brussels Tariff Nomenclature, which is used by the EEC countries. The classification of the SITC, Revised, is made up of one-digit sections, two-digit divisions, three-digit groups, four-digit subgroups, and five-digit items. For example, section 7 is machinery and transport machinery, division 71 machinery, other than electric, group 711 power generating machinery, other than electric, subgroup 711.4 aircraft engines, and item 711.4(2) jet and gas turbines for aircraft. Thus, in this example, group 711, power generating machinery, other than electric, would constitute a category under the definition provided by paragraph (3). It is believed that reference to the SITC will provide a common terminology between the United States and the EEC for negotiating purposes. For such purposes as the issuance of Presidential proclamations after negotiations with the EEC, the SITC groups will have to be broken down into articles classified in United States tariff terminology.

Subsection (d) provides that in making a determination as to any category, the President shall request the advice of the Tariff Commission as to the articles falling within the category, the representative period for computation with respect to such category, and the world export value of such articles within the representative period.

Section 212. Agricultural Commodities.

This section provides that the President may, in carrying out any trade agreement with the EEC under title II, exercise the authority

in section 201(a) as to any agricultural commodity or product thereof, whether primary or not, without any limitation, so that for instance he may make any reduction in, or elimination of, applicable import restrictions. However, the use of this authority is conditioned upon the President's determination that the agreement involved will tend to assure the maintenance or expansion of United States exports of the like agricultural commodity or product thereof. In other words, the approach will be by a common list, and the President may issue proclamations only as to those articles on which the EEC has agreed to take actions which will assure the maintenance or expansion of United States exports of like articles. The first clause of this section is intended to make clear that agricultural commodities and products thereof may come under other applicable authorities in title II, such as sections 201(a) and (b) (Authority for All Trade Agreements), and section 211 (Basic Authority for EEC).

Section 213. Tropical Agricultural and Forestry Commodities.

Subsection (a) provides that the President may, in carrying out a trade agreement under title II, proclaim the reduction or elimination of any existing duty or other import restriction on any tropical agricultural or forestry commodity or primary product thereof without regard to the 50 per cent limitation in section 201(b). However, the use of this authority is conditioned upon two Presidential determinations. First, the President must determine that the EEC has undertaken commitments to make comparable reductions or eliminations in duties or other import restrictions with respect to the like product substantially

without differential treatment. For example, before the President may proclaim general duty-free treatment for a commodity of special interest to a Latin American country, the EEC must have made substantially similar commitments for the like commodity whether imported from Africa, Latin America, or any other area. Second, the President must find that the commodity or primary product is not produced in significant quantities in the United States. The first clause of this subsection is intended to make clear that tropical agricultural and forestry commodities and primary products thereof may come under other applicable authorities in title II, such as sections 201(a) and (b) (Authority for All Trade Agreements), and section 211 (Basic Authority for EEC).

Subsection (b) provides that for the purpose of this section a "tropical commodity" has a geographic definition and is a commodity with respect to which the President determines that the principal world output is in the area of the world between 20 degrees north and 20 degrees south latitude.

CHAPTER 3 - PREREQUISITES TO NEGOTIATIONS

Section 221. Tariff Commission Advice on Negotiations.

The procedures in this section are adapted from those provided for in section 3(a) of the Trade Agreements Extension Act of 1951, as amended, which authorizes the "peril-point" procedures.

Subsection (a) provides that before entering into negotiations for any trade agreement under title II, the President shall furnish

the Tariff Commission with a list of all articles imported into the United States to be considered for possible reduction or elimination of duties or other import restrictions, imposition of additional import restrictions, or continuance of existing customs or excise treatment.

Subsection (b) provides that, within six months of receipt of the list, the Tariff Commission shall advise the President of its judgment as to the economic effect of reductions or eliminations in duties or other import restrictions on United States firms and workers in industries producing like or directly competitive articles. In so advising the President, the Tariff Commission is to take into account the probability of the occurrence on a widespread basis in the industry of (1) significant idling of productive facilities of firms, (2) prolonged and persistent inability of firms to operate at a profit, and (3) unemployment or underemployment of workers. The Tariff Commission is, of course, not precluded from taking other relevant factors into account in giving its advice. It is intended that, as under existing peril-point procedures, the reports by the Tariff Commission to the President under this subsection would not be made public.

Subsection (c) authorizes the Tariff Commission, in the course of preparing its advice, to hold hearings, giving reasonable notice thereof, in order to afford opportunity for interested persons to be present, to produce evidence, and to be heard.

Subsection (d) prohibits the President from entering into a trade agreement until he receives the advice of the Tariff Commission

or until the expiration of the six-month period, whichever occurs first.

Section 222. Reservation of Articles.

This section requires the President to reserve from negotiations under title II for the reduction or elimination of any duty or other import restriction, any article as to which there is in effect, at the time of such negotiations, any Presidential action taken under section 232 (Safeguarding National Security) or its predecessor, section 2(b) of the Trade Agreements Extension Act of 1954, as amended, and under section 351 (Extraordinary Relief) or its predecessor, the escape-clause in section 7 of the Trade Agreements Extension Act of 1951, as amended. In addition, this section authorizes the President to make a similar reservation for any other article he determines to be appropriate, taking into consideration the advice of the Tariff Commission furnished under section 221(b). Reservation of articles may be accomplished either by a public listing of such articles or by the omission of such articles from a published list.

Section 223. Notice.

This section is based upon section 4 of the Trade Agreements Act of 1934, as amended. It provides that before entering into negotiations for any trade agreement under title II, the President shall afford an opportunity, after reasonable public notice, for any interested person to present his views, including views on the reservation of any article from the negotiations. As in the case of existing procedure,

81081 O—62——5

it is anticipated that any hearings of the Tariff Commission under section 221(e) and presentation of views under this section would take place at the same time.

Section 224. Transmission to Congress.

This section provides that, after entering into any trade agreement under title II, the President shall transmit to the Congress a copy of such agreement, stating, in the light of the advice of the Tariff Commission furnished under section 221(b) and of other relevant considerations, his reasons for entering into the agreement. This new procedure will not only permit the Congress to be seasonably informed about each trade agreement, but will also afford an opportunity for a balanced consideration of the reasons justifying the conclusion of the trade agreement.

CHAPTER 4 - NATIONAL SECURITY

Section 231. Products of Communist Countries.

This section is substantially identical to section 5 of the Trade Agreements Extension Act of 1951, as amended. It provides that, as an exception to the most-favored-nation principle, the President shall refrain from applying any reduction or elimination of any duty or other import restriction proclaimed in carrying out any trade agreement under title II or any prior trade agreements Act to products of any country or area dominated or controlled by international Communism, whether imported directly or indirectly. This section applies to articles which are the growth, manufacture, or produce of the defined country or area. The phrase "dominated or

controlled by international Communism" is intended to have the same meaning as the comparable phrase in section 5 of the Trade Agreements Extension Act of 1951, as amended, and parallels the language in section 620(b) of the Foreign Assistance Act of 1961, as amended. Accordingly, the use of the more recent phrase leaves unchanged the status of the countries to whom the most-favored-nation principle has been and is currently applied by the President. In addition, under this section, like section 5 of the Trade Agreements Extension Act of 1951, as amended, the President has the implicit discretion of determining in the future whether a given country is or is not dominated or controlled by international Communism.

Section 232. Safeguarding National Security.

This section is substantially identical to section 2 of the Trade Agreements Extension Act of 1954, as amended.

Subsection (a) provides that no action shall be taken by the President under title II if he determines that such action would threaten to impair the national security.

Subsection (b) consists of four paragraphs. Paragraph (1) provides that upon the request of the head of any agency, upon application of any interested party, or upon his own motion, the President shall immediately make an appropriate investigation, in the course of which he shall seek information and advice from appropriate agencies, to determine the effects on the national security of imports of the article which is the subject of the request, application, or motion.

Paragraph (2) provides that if, as a result of the investigation, the President is of the opinion that such article is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, he shall take such action, and for such time, as he determines to be necessary to adjust the imports of such article and its derivatives so that such imports will not so threaten to impair the national security.

Paragraph (3) enumerates various factors to which the President is to give consideration in forming his opinion.

Paragraph (4) provides that a report shall be made and published by the President upon the disposition of each request, application, or motion under subsection (b).

CHAPTER 5 - GENERAL PROVISIONS

Section 241. Most-Favored-Nation Principle.

This section is substantially identical to the primary clause of section 350 (a) (5) of the Tariff Act of 1930, as amended, and perpetuates in law one of the basic principles of United States foreign economic policy. It provides that, except as otherwise provided in title II, any duty or other import restriction proclaimed in carrying out any trade agreement under title II or any prior trade agreements Act shall apply to products of all foreign countries, whether imported directly or indirectly.

The principal exceptions to this principle in title II are in section 231 (Products of Communist Countries), section 242 (Suspension

of Benefits), and section 248(a)(2) (Repeals) which leaves unrepealed the first sentence of section 350(b) of the Tariff Act of 1930, as amended, concerning preferential treatment of Cuban products.

Section 242. Suspension of Benefits.

This section is substantially identical to the proviso of section 350 (a) (5) of the Tariff Act of 1930, as amended. It provides that the President shall, when he determines that the purposes of the Act will be promoted thereby, suspend the reduction or elimination of any duty or other import restriction provided in any proclamation issued in carrying out any trade agreement under title II or any prior trade agreements Act, to products of any foreign country which (1) engages in discriminatory treatment of United States commerce or (2) engages in other acts, including the operations of international cartels, or policies which in the President's opinion tend to defeat such purposes.

Section 243. Staging Requirements.

This section embodies the staging principle found in section 350(a) of the Tariff Act of 1930, as amended.

Subsection (a) provides that, in order to enable United States firms and workers to adjust to the effects of reductions or eliminations of duties or other import restrictions proclaimed in carrying out trade agreements under title II, any such reduction or elimination shall not, except as otherwise provided in this section, take effect more rapidly than in five equal annual installments. As a variant of this principle, however, the total reduction may take effect in

installments at unequal intervals and in unequal amounts so long as, at any time, the sum of the reductions already in effect does not exceed the sum of the reductions that would have been in effect if the proclamation had provided for the total reduction to become effective in five equal annual installments. That is, if a rate of duty is reduced from 60 per cent ad valorem to 10 per cent ad valorem, uniform staging would require a reduction of 10 per cent in each of five years, but the variant would permit a staging pattern whereby there could be, for example, no reduction in the first and second years and a reduction of as much as 30 per cent in the third year. For the purpose of this section, the extent of a reduction under the authority of sections 211(a) and 212 will be measured by the difference between the rate existing on July 1, 1962, as defined in section 246 (c)(1), and the rate agreed upon.

Subsection (b) provides exceptions to the principle of subsection (a). First, the staging requirement shall not apply to eliminations of duties under section 202 (Authority for Low-Rate Articles), nor to reductions or eliminations of import duties under section 213 (Tropical Agricultural and Forestry Commodities). Second, it does not apply where the total reduction or elimination is not more than 25 per cent of the existing rate, whether ad valorem, specific, or compound. Third, it does not preclude a reduction in any one year of up to five per cent ad valorem or the ad valorem equivalent thereof. That is, if a rate of duty is reduced from 20 per cent to 10 per cent ad valorem, it would not be necessary to stage five annual reductions

of two per cent, but it would be possible to stage two annual reductions of five per cent. In all these cases, it is believed that because of the narrow scope of the authorized reduction or elimination of duties, the purpose underlying the staging provisions does not require the safeguard of a mandatory long-term staging.

Section 244. Termination.

Subsection (a) is similar to, and intended as a clarification of, section 2(b) of the Trade Agreements Act of 1934, as amended. It provides that every trade agreement under title II shall be subject to termination or withdrawal, upon due notice, at the end of a period specified in the agreement which shall not be more than three years from the date on which the agreement becomes effective, and, if the agreement is not terminated or withdrawn from at the end of such period, it shall be subject to termination or withdrawal thereafter upon not more than six-months' notice.

The first sentence of subsection (b) is substantially identical to section 350(a)(6) of the Tariff Act of 1930, as amended, and provides that the President may at any time terminate, in whole or in part, any proclamation issued under title II. The second sentence is a new technical provision which permits the President, when terminating in part a proclamation reducing a rate of duty, to establish a new rate of duty at any point in the range above the reduced rate but no higher than the rate which would have been applicable if the proclamation had been terminated in whole. Such authority would be of use in negotiations under Article XXVIII of the General Agreement on Tariffs and Trade (hereinafter referred to as GATT) where it is occasionally desirable to agree to make increases in rates of duty.

Section 245. Rounding Authority.

This section is substantially identical to section 350(a)(3)(D) of the Tariff Act of 1930, as amended.

It provides that the President may, by rounding fractions or decimals, proclaim a rate of duty with respect to an article which is lower than the lowest rate of duty permitted by the 50 per cent limitation in section 201(b) or by section 243 (Staging Requirements), if two conditions are met. First, the President must determine that such rounding will simplify the calculation of the amount of duty collectible with respect to such article. Second, the difference between the lowest rate of duty permitted by the applicable section and the rate of duty to be proclaimed by exercise of the rounding authority shall not be greater than (1) the difference between the lowest rate of duty permitted by such section and the next lower whole number, or (2) one-half of one per cent ad valorem or an amount the ad valorem equivalent of which is one-half of one per cent. That is, authority is granted by this section to round down, but the amount of rounding cannot exceed one-half of one per cent ad valorem or an amount the ad valorem equivalent of which is one-half of one per cent. For example, if an article isworth $100 and exercise of the 50 per cent reduction authority yields a rate of $1.50, it would be possible to round down to $1, since 50 cents is the ad valorem equivalent of one-half of one per cent. If, however, a good is worth $1 and exercise of the same reduction authority yields a rate of 1.83 cents, it would be possible to round down to 1.8 or 1.5 cents,

since both .03 or .33 cent are within the limitation, but it would not be possible to round down to 1 cent, since a reduction of .83 cent would exceed the limitation of .5 cent, which is the ad valorem equivalent of one-half of one per cent.

Section 246. Definitions.

Paragraph (a) provides that the term "European Economic Community" means all countries which at the relevant date in question are committed to achieve a common external tariff through that instrumentality. The relevant date in question is the one determined by the context in which the term is used. Thus, in section 211(c)(1) (Basic Authority for EEC) it is the date of the President's request to the Tariff Commission under section 211(d). In section 213(a)(1) (Tropical Agricultural and Forestry Commodities) it would be the date of the President's determination.

Paragraph (b) provides that the term "trade agreement with the European Economic Community" means a trade agreement with all the countries of the EEC, as defined in paragraph (a) of this section, as of the date the trade agreement is entered into, or with the instrumentality of that name, whether or not there are also other parties thereto. The last phrase anticipates the probability that negotiations with the EEC will be under the aegis of GATT and will therefore include other nations.

81081 O—62——6

Paragraph (c) deals with the term "existing" in three contexts and generally follows the scheme of definitions found in section 350 (c)(2) of the Tariff Act of 1930, as amended.

Subparagraph (1) provides that the term "existing on July 1, 1962" as applied to a rate of duty, refers to the rate which existed on July 1, 1962, with respect to products of the area to which any particular trade agreement applies, or the lowest rate to which the United States was committed on that date by a trade agreement under a prior trade agreements Act, whichever is the lower. The phrase "with respect to products of the area to which any particular trade agreement applies" serves two purposes. First, it excludes the higher non-trade-agreement rates applicable to products of the Sino-Soviet bloc by virtue of section 5 of the Trade Agreements Extension Act of 1951, as amended, and section 231 (Products of Communist Countries). Second, it makes clear that the rate existing on July 1, 1962, is the rate then applicable to products of the area to which the trade agreement's concessions will apply. Thus, in the case of Cuba, the rate would be the preferential rate applicable to products of that country, but that rate would not apply in computing and staging concessions to be applied to products of other countries. The phrase "the lowest rate to which the United States was committed by trade agreement under a predecessor Act" is designed to permit the application of rates agreed upon at GATT negotiations but which might not be proclaimed by July 1, 1962.

Subparagraph (2) is substantially identical to section 350 (c)(2)(B) of the Tariff Act of 1930, as amended. It provides that the term "existing", without the specification of any date, when used with respect to any matter relating to entering into a trade agreement under title II or any prior trade agreements Act or the issuance of any proclamation to carry out such an agreement, means existing, with respect to products of the area to which the trade agreement applies, on the date on which such agreement was entered into. The phrase "with respect to products of the area to which the trade agreement applies" serves the same purpose as in subparagraph (1).

Subparagraph (3) is substantially identical to the parenthetical language used in section 350(c)(2)(A) of the Tariff Act of 1930, as amended, and makes clear that an existing rate, for definitional purposes, is a rate however established and even though temporarily suspended by an Act of Congress or otherwise.

Paragraph (d) is based upon section 350(a)(2)(D)(ii) of the Tariff Act of 1930, as amended. The first sentence provides that the term "ad valorem equivalent" means the ad valorem equivalent of a specific rate, or, in the case of a compound rate, the sum of such ad valorem equivalent of the specific part of the rate and of the ad valorem part. The second sentence provides that the ad valorem equivalent shall be determined by the President on the basis of the value of imports of the article concerned during a period determined by him to be representative. The third sentence provides that in determining the value of imports the President shall utilize, to the maximum extent

practicable, the standards of valuation contained in section 402 (Value) or 402a (Value-Alternative) of the Tariff Act of 1930, as amended, applicable to the article concerned during the representative period.

Section 247. Relation to Other Laws.

Subsection (a) is substantially identical to the second sentence of section 2 of the Trade Agreements Act of 1934, as amended. It provides that the provisions of section 336 (Equalization of Costs of Production) of the Tariff Act of 1930, as amended, shall not apply to any article which is the subject of a continuance, reduction, elimination, or increase proclaimed in carrying out a trade agreement under title II or any prior trade agreements Act. The non-application of this section to trade agreements has been recognized even since 1934.

Subsection (b) is based upon a provision which has been included in some recent legislation affecting rates of duty, e.g., section 2(a) of Public Law 85-454 (An Act to Define Parts of Certain Types of Footwear). Its purpose is to permit a trade agreement concession to be granted, or extraordinary relief to be proclaimed under section 351, on the basis of the rate and classification structure in effect at the time a trade agreement is entered into, or the extraordinary relief proclaimed, in cases in which this structure has been changed by permanent legislation since the date which governs the extent of the President's proclaiming authority. Without this provision, a divergence between the rate or classification structure at the time action is to be taken and that on the date applicable to the relevant

limitation on Presidential authority, might seriously limit the duty modification which could appropriately be proclaimed, or at least require a return to the obsolete classification in order to make effective use of maximum authority. Congress, in enacting the supervening legislation, will have determined the new rate or classification structure to be applied, and this subsection would provide that such legislation shall be considered as having been in effect since June 12, 1934, in order that it may govern any subsequent action by the President under the new Act.

Section 248. Repeals.

This section repeals the four basic laws which have made up the statutory structure of the trade agreements program.

Historically, section 1 of the Trade Agreements Act (TA Act) of 1934 added section 350 to the Tariff Act of 1930, and sections 2, 3, and 4 of the TA Act of 1934 were independent provisions supplementing the new section 350. These were the first two basic laws.

The Trade Agreements Extension Act (TAE Act) of 1937, 1940, 1943, and 1945 simply extended section 350 or extended and amended section 350 and the TA Act of 1934. The TAE Act of 1948 not only extended section 350 and amended the TA Act of 1934, but also enacted new and separate provisions. However, this Act was repealed by the TAE Act of 1949, which extended and amended section 350 and amended the TA Act of 1934.

The TAE Act of 1951 extended section 350 and amended the TA Act of 1934. It also established new and separate provisions concerning

the trade agreements program including those related to peril points, products of Communist countries, escape clause, perishable commodities, and furs from the Soviet Union and Communist China. It thus became the third basic law concerning the trade agreements program.

The TAE Act of 1953 extended section 350 of the Tariff Act and amended the TAE Act of 1951. It also amended other laws and established the Commission on Foreign Economic Policy. The TAE Act of 1954 extended section 350 and established the basis for the national security provision, thus becoming the fourth basic law concerning the trade agreements program. The TAE Act of 1955 extended and amended section 350 of the Tariff Act and amended the TAE Acts of 1951 and 1954. The TAE Act of 1958 extended and amended section 350 of the Tariff Act and amended the TAE Acts of 1951 and 1954. It also established Congressional procedure concerning escape-clause actions, and amended other laws.

Subsection (a) of section 248 repeals section 350 of the Tariff Act, as last amended by the TAE Act of 1958. However, it makes two exceptions to the repeal. First, it provides that the authority of the President to issue proclamations to carry out trade agreements entered into under section 350 and to terminate, in whole or in part, proclamations issued to carry out such trade agreements shall contimue. The retention of this authority is necessary for the implementation of trade agreements entered into prior to July 1, 1962. Second, it provides that the provisions of the first two sentences of section 350(b) shall remain applicable to title II and to trade agreements

under title II and section 350. The first of these sentences permits, if the United States should so determine, the application of the preferential provisions of the 1902 treaty between the United States and Cuba, and the implementation of any preferential trade agreement with Cuba. The second sentence permits the President to increase the rate of duty on Cuban products to a rate no higher than that applicable to products of other foreign countries, except the Philippines, in cases where such increase is required as a result of GATT negotiations.

Subsection (b) repeals sections 2 through 4 of the TA Act of 1934, as last amended by the TAE Act of 1951. However, it makes two exceptions to the repeal. First, it provides that the provisions of the third sentence of section 2 of that Act shall remain applicable to title II and to trade agreements entered into under title II and under any prior trade agreements Act. This sentence contimues a technical provision, concerning the treatment of flour domestically manufactured in a bonded warehouse from imported wheat, which has been in the law since 1934. Second, subsection (b) provides that compliance prior to July 1, 1962, with any of the procedures of section 4 of the TA Act of 1934 shall be considered compliance with any comparable procedures of section 221 (Tariff Commission Advice on Negotiations).

Subsection (c) repeals the TAE Act of 1951, as last amended by the TAE Act of 1958. However, it makes two exceptions to the repeal. First, it provides that action taken by the President prior to July 1, 1962, under section 5 of the Act shall be considered as having been

taken by the President under section 231 of this Act. This is simply to avoid the need for issuing a new proclamation on July 1, 1962, repeating the substance of the existing proclamation issued under section 5. Second, it provides that any proclamation issued by the President under section 7 in effect on July 30, 1962, shall be considered as having been issued by the President under section 351 (Extraordinary Relief), except that, in the case of any proclamation issued more than three years prior to July 1, 1962, the termination date for the purpose of section 351(c) shall be one year thereafter. It is to be noted, however, that the President's authority in section 351(c) to extend a proclamation of extraordinary relief would be applicable to such prior proclamations. In addition, the exception provides that any investigation by the Tariff Commission in progress on July 1, 1962, shall be continued under section 306 (Petitions for Adjustment Assistance for Industries).

Subsection (d) repeals section 2 of the TAE Act of 1954, as amended through the TAE Act of 1958. As an exception to the repeal, it provides that any action taken by the President under section 2(b) in effect on July 1, 1962, shall be considered as having been taken under section 232 (Safeguarding National Security), and any investigation by the Director of the Office of Emergency Planning in progress on June 30, 1962, shall be continued under section 232. This assures the continued effectiveness, subject to the new Act, of actions and investigations relating to national security.

Section 249. Saving Provisions.

Subsection (a) is a standard provision used in an Act repealing prior law. It provides that the repeal by the new Act of a provision effecting an amendment to any other law, except a law repealed by the new Act, shall not be deemed to affect such amendment. For example, the TAE Act of 1951 amended section 22 of the Agricultural Adjustment Act. The saving provision makes clear that the repeal of the TAE Act of 1951 in no way affects the continued validity of the amendment to section 22. The exception in subsection (a) is designed to ensure that the saving provision does not have the effect of reviving any law otherwise repealed by section 248. For example, the TA Act of 1934 amended the Tariff Act by adding thereto section 350, but it is not intended that, by virtue of the saving provision, the repeal of the TA Act of 1934 have the effect of leaving intact section 350, which is also repealed by the new Act.

Subsection (b) is likewise a standard saving provision. It provides that the repeal by the new Act of a provision of law repealing any other provision of law shall not be deemed to affect such repeal. For example, the TAE Act of 1951 repealed section 17(c) of the Customs Administration Act of 1938, as amended. Subsection (b) makes it clear that the repeal of the TAE Act of 1951 in no way revives section 17(c).

Section 250. References.

This section is conventionally used in connection with a new Act succeeding a number of prior Acts. It provides that all provisions of law in effect after June 30, 1962, referring to section 350 of the Tariff Act, to that section as amended, to the TA Act of 1934, to that Act as amended, or to agreements entered into, or proclamations issued under, any of the foregoing provisions, shall be construed, unless clearly precluded by the context, to refer also to the new Act, or to agreements entered into, or proclamations issued, pursuant to the new Act.

TITLE III - ADJUSTMENT ASSISTANCE

CHAPTER 1 - ELIGIBILITY FOR ASSISTANCE

Chapter 1 provides for the manner in which firms, workers, and industries, which have been adversely affected as a result of trade agreement concessions, may become eligible for adjustment assistance. A trade agreement concession may be a continuance, reduction, or elimination of a duty or other import restriction, or continuance of duty-free or excise treatment. In the case of firms and workers, two procedural steps are involved before adjustment assistance may be furnished. First, a petition for a determination of eligibility to apply for such assistance must be made under this chapter. Second, if this determination is favorable, an application for assistance must be made under chapter 2 or 3, which authorizes assistance to firms and workers, respectively. In the case of industries, however, only one procedural step is involved, that is, the filing of an application under this chapter to receive adjustment assistance in the form of extraordinary relief under chapter 4.

Section 301. Adjustment Assistance.

This section expresses the basic purpose of adjustment assistance, authorizes the President to determine that such assistance may be furnished, and identifies the recipients and kinds of assistance which may be furnished. First, like section 102 (Statement of Purposes), it constitutes a recognition of the propriety of extending assistance to those firms, workers, and industries seeking to adjust

to new competitive conditions resulting from trade agreement concessions. Second, it authorizes the President, but only after receiving the advice of the Tariff Commission hearing upon eligibility, to determine that adjustment assistance may be furnished, consistent with the different conditions applicable to firms and workers, on the one hand, and to industries, on the other. Third, it enumerates the three kinds of assistance to firms--technical assistance, financial assistance, and tax relief, the three kinds of assistance to workers--trade readjustment allowances, training, and relocation allowances, and the single kind available to industries--extraordinary relief. As section 305(b) makes clear, it is intended that assistance to firms and workers will be the typical forms of assistance, and that only in unusual situations, when such assistance is determined to be insufficient, will extraordinary relief on an industry-wide basis be provided. Finally, the section makes clear that the various forms of assistance may be granted singly or in combination, so that, for example, a firm could receive financial assistance while its workers were receiving trade readjustment allowances.

It is expected that the functions vested in the President by this and other sections of this chapter dealing with firms and workers will be delegated by the President, and that functions vested in the President dealing with industries will be reserved to the President.

Section 302. Determinations as to Firms.

This section provides that a firm shall be eligible to apply for

adjustment assistance under chapter 2 of title III if the President makes certain determinations regarding the adverse effects upon the firm of increased imports. The President must first determine that, as a result of a trade agreement concession, an article like or directly competitive with an article produced by the firm is being imported into the United States in increased quantities. Such trade concession may be a concession made either before or after the effective date of the new Act. The President must further determine that the increased quantities of the imports are such as to cause, or immediately threaten to cause, at least one of the following three adverse conditions: (1) significant idling of the productive facilities of the firm, or (2) prolonged and persistent inability of the firm to operate at a profit, or (3) unemployment or underemployment of a significant number of the workers of the firm.

Section 303. Determinations as to Workers.

This section provides that workers shall be eligible to apply for adjustment assistance under chapter 3 of title III if the President makes certain determinations regarding the adverse effects upon the workers' firm of increased imports. The subject of the determination is the firm, as in the case of section 302, or an appropriate subdivision of the firm. The President must first determine with respect to the workers' firm or an appropriate subdivision of the firm that as a result of a trade agreements concession an article like or directly competitive with an article produced by such firm or subdivision is

being imported into the United States in increased quantities. The inclusion of a referance to a subdivision takes into account a firm in which only one plant, building, or line, for example, might be adversely affected. The President must further determine that the increased quantities of the imports are such as to cause, or immediately threaten to cause, unemployment or underemployment of a significant number of the workers of the firm or subdivision. If he makes such a determination, the President must determine the date on which the conditions above specified began or threatened to begin, for purposes of section 322 (Qualifying Requirements for Trade Readjustment Allowances to Workers).

Section 304. Petitions for Determinations as to Firms and Workers.

Subsection (a) provides that, in the case of both firms and workers, petitions for determinations of eligibility to apply for adjustment assistance must be filed with the President. If adjustment assistance is sought for a firm, the petition may be filed by the firm or its representatives. If assistance is sought for workers, the petititon may be filed by the workers or by their certified or recognized union or other duly authorized representative.

Subsection (b) deals with the procedure and the role of the Tariff Commission, after the filing of a petition for a determination of eligibility. When a petition is filed for a firm or workers, the President must transmit a copy of the petition to the Tariff Commission. Within 45 days days after it receives the petition, the Tariff Commission is required to advise the President regarding the

extent to which imports of an article like or directly competitive with the domestic article in question (i.e., produced by such firm or subdivision of the firm) have increased as a result of a trade agreement concession upon which the petition is based. The limitation of 45 days is imposed in order to permit expeditious action upon applications for adjustment assistance. Along with its advice, the Tariff Commission will transmit, in appropriate form, other information regarding the industry or segment of the industry in which the petitioner is located. This additional information would be such as the Tariff Commission may have, or may reasonably be able to obtain, which may be useful in determining the firm's or workers' eligibility to apply for adjustment assistance.

Section 305. Determinations as to Industries.

This section provides that an industry shall be eligible to receive adjustment assistance in the form of extraordinary relief under section 351 if the President makes certain determinations. First, the President must determine that as a result of a trade agreement concession an article like or directly competitive with an article produced by the industry is being imported into the United States in such increased quantities as to cause or immediately threaten to cause on a widespread basis in the industry all three of the following conditions: (1) significant idling of productive facilities of firms, (2) prolonged and persistent inability of firms to operate at a profit, and (3) unemployment or underemployment of workers. Second, the President must further determine that reasonable

efforts in the industry to adjust have been made; that such efforts have not substantially mitigated those conditions; and that the granting of adjustment assistance to the firms or workers in the industry is or would be inadequate to mitigate substantially such conditions. It is this requirement which effectively establishes a priority for adjustment assistance to firms and workers and renders relief to industries extraordinary.

It is considered that the criteria prescribed in this section for extraordinary relief are consistent with those expressed in Article XIX of the GATT and similar provisions of other trade agreements, which permit emergency action on imports of particular products.

Section 306. Petitions for Adjustment Assistance for Industries.

Section (a) provides that a petition for adjustment assistance for an industry shall be filed with the Tariff Commission. The petition may be filed on behalf of the industry by a trade association, a firm, a certified or recognized union, or other representative.

Section (b) requires that the Tariff Commission, within six months after the filing of a petition, advise the President whether in the Commission's judgment the conditions specified in section 305(a) exist. Along with its advice, the Commission is required to transmit, in appropriate form, such other information as the Commission may have, or may reasonably be able to obtain, which may be useful in determining whether the other conditions specified in section 305(b) exist.

CHAPTER 2 - ASSISTANCE TO FIRMS

Section 311. Assistance to Firms.

Subsection (a) provides that a firm determined to be eligible under section 302 to apply for adjustment assistance may file an application with such agency as the President may designate as the administering agency, for adjustment assistance in accordance with chapter 2. In addition, within a reasonable time thereafter, the firm must present a proposal for its economic adjustment. The requirement for such a proposal from every firm applying for adjustment assistance is intended: (1) to ensure a systematic approach to the problems of economic adjustment, (2) to increase the likelihood of successful adjustment, and (3) to restrict assistance to those firms prepared to help themselves to the maximum extent possible but still in need of assistance from the United States Government.

Subsection (b) refines the concept of an adjustment proposal by providing that no adjustment assistance will be provided to a firm until its proposal shall have been certified by the agency (1) to be reasonably calculated materially to contribute to the firm's economic adjustment, (2) to give adequate consideration to the interests of its workers adversely affected by trade agreement concessions, and (3) to demonstrate that the firm will make all reasonable efforts to use its own resources for economic adjustment.

Subsection (c) further elaborates upon the concept of an adjustment proposal by providing that no adjustment assistance shall be furnished to a firm except as the agency determines to be necessary

to carry out such an adjustment proposal certified under subsection (b). Subsections (b) and (c) are both made inapplicable to the furnishing of technical assistance for the purpose of assisting in the preparation of an adjustment proposal under section 312(a).

Subsection (d) provides that the agency's certification of an adjustment proposal shall be valid only for such period of time as the agency may prescribe. This provision permits appropriate variations in the duration of the validity of certifications and insures that they will not be indefinitely valid.

Section 312. Technical Assistance.

Subsection (a) contains the exceptions referred to in sections 311(b) and (c), to the effect that after receipt of a firm's application and before the firm's proposal is certified, the agency may provide technical assistance to aid the applicant firm in preparing a sound adjustment proposal.

Subsection (b) provides that the agency may furnish to a firm having a certified adjustment proposal such technical assistance as in the agency's judgment will materially contribute to the firm's economic adjustment. The agency is authorized to prescribe such terms and conditions as it deems appropriate in extending technical assistance.

Subsection (c) describes types of technical assistance and the means through which the assistance may be furnished. Appropriate technical assistance includes, but is not limited to, information, market and other economic research, managerial advice and counseling,

training, and assistance in research and development. The assistance is to be provided by existing United States Government agencies, where appropriate, and otherwise may be provided through private individuals, firms, or suitable institutions.

Subsection (d) provides authority to require the firm to share the cost of the technical assistance furnished, when and to the extent the administering agency deems appropriate. It is expected that in a substantial number of cases the firm will be able to bear a portion of any cost related to the furnishing of technical assistance.

Section 313. Authority Concerning Financial Assistance.

Subsection (a) provides that the agency may provide financial assistance to a certified firm on such terms and conditions as it deems appropriate. Financial assistance may be in the form of guarantees of loans, agreements for deferred participations in loans, or loans, as in the agency's judgment will materially contribute to the firm's economic adjustment. In the case of a guarantee of a loan, the agency would agree to make the lender whole in case of default by the borrowing firm. In the case of an agreement for deferred participation in a loan, the agency would agree that at any time after the making of the loan it would pay the lender the unpaid balance outstanding at the time, thereby taking up a participation and becoming the borrowing firm's new creditor. In the case of a loan, the agency would itself initially extend credit to the borrowing firm and thereby become the firm's creditor. The subsection also provides that the assumption of an outstanding indebtedness of a firm, with or without recourse, is considered

to be a loan. For example, this will permit the agency to render financial assistance by buying out a lender who may be about to take action to preserve his financial interest.

Subsection (b) specifies the purposes for which guarantees, deferred participation agreements, or loans can be made by the agency. They are: to make funds available to the firm for construction, installation, modernization, development, conversion, or expansion of land, plant, buildings, equipment, facilities, or machinery. In cases of demonstrated need, guarantees, deferred participation agreements, or loans may be made to supply working capital for developing the firm's export trade, for financing technical assistance, or for other purposes.

Section 314. Terms and Limitations for Financial Assistance.

Subsection (a) provides that no loan shall be guaranteed by the agency and no agreement for deferred participation in a loan shall be made by the agency in an amount exceeding 90 per cent of that portion of the loan made for the purposes specified in section 313(b). This limitation assures that there will always be some private participation in such programs.

Subsection (b) prescribes a floor for interest rates on loans made by the agency and deferred participations taken up by it. No loan made or deferred participation taken up by the agency shall bear a rate of interest less than four per cent per year or less than the rate determined by the Secretary of the Treasury as provided for in section 316(c) for the year in which the loan is made or the deferred

participation agreement is entered into, whichever is greater. Section 316(c) requires payment of interest to the Treasury on certain disbursements from the revolving fund, established by section 316, and provides that such interest shall be determined annually by the Secretary of the Treasury taking into consideration the current average yields on outstanding interest-bearing marketable United States public-debt obligations having maturities comparable to those of the outstanding loans for adjustment assistance under section 313. Accordingly, while subsection (b) takes into account the United States Government's superior power to furnish financial assistance to adversely affected firms, it helps to insure that the United States Government does not pay more than it receives for money made available to such firms.

Subsection (c) provides that guarantees or deferred participation agreements shall be made by the agency only with respect to loans from private sources bearing interest at a rate determined by the agency to be reasonable. This principle is qualified by the imposition of a ceiling on such interest rate. In no event shall the guaranteed portion of any loan or the portion covered by a deferred participation agreement bear interest at a rate more than one per cent per year above the rate specified as a floor in subsection (b) or, if the agency determines that special circumstances justify a higher rate, not more than two per cent above such floor.

Subsection (d) provides that the agency shall make no loan or guarantee having a maturity in excess of 25 years, including renewals

and extensions; and it shall make no agreement for deferred participation in a loan which has a maturity in excess of such period. The limitation on maturities shall not apply to (1) an additional extension not exceeding 10 years if the agency determines the additional extension is reasonably necessary for the orderly liquidation of the loan, and (2) securities or obligations received by the agency in certain legal proceedings as claimant in bankruptcy or equitable reorganization or as creditor in other proceedings involving the insolvency of the obligor.

Subsection (e) provides that no financial assistance shall be provided under chapter 2 to a firm unless the agency determines (1) that the needed funds are not otherwise available to the firm from private sources on reasonable terms, and (2) that there is reasonable assurance of repayment by the borrower.

Section 315. Administration of Financial Assistance.

This section gives the agency various general, standard powers in connection with the administration of financial assistance. Thus, in making and administering guarantees, agreements for deferred participation, and loans, the agency may (1) require security, and enforce, waive, or subordinate such security; (2) assign or sell, or otherwise dispose of (upon such terms and conditions and for such consideration as the agency determines to be reasonable) any evidence of debt, contract, claim, personal property, or security assigned to or held by it in connection with guarantees, agreements, or loans, and the agency may collect, compromise, and obtain deficiency judgments with respect to all obligations assigned to or held by it

in connection with such guarantees, agreements, or loans until such time as such obligations may be referred to the Attorney General for suit or collection; (3) renovate, improve, modernize, complete, insure, rent, sell, or otherwise deal with, upon such terms and conditions and for such consideration as it determines to be reasonable, any real or personal property conveyed to or otherwise acquired by it in connection with such guarantees, agreements, or loans; and (4) acquire, hold, transfer, release, or convey any property or any interest therein, whenever deemed necessary or appropriate, and execute all legal documents for such purposes.

Subsection (e) gives the agency comprehensive authority. It may exercise all such other powers and take all such other acts as may be necessary or incidental to the carrying out of functions under chapter 2.

Section 316. Revolving Fund.

Subsection (a) establishes a revolving fund in the Treasury to finance the financial assistance program. Loans and other payments made by the agency and costs of administering financial assistance are to be financed by the fund. All repayments of loans, payments of interest, and other receipts of the agency are to be paid into the fund.

Subsection (b) requires maintenance of operating reserves in the fund for anticipated claims under guarantees and under deferred participation agreements. These reserves are to be considered obligations for fiscal purposes.

Subsection (c) authorizes to be appropriated from time to time not to exceed $100 million, to provide capital for the fund. These

appropriations are authorized to remain available until expended. This subsection also provides that interest shall be paid to the Treasury on the net amount of cash disbursements from such fund, as determined by the Secretary of the Treasury. The rate of interest is to be determined annually by the Secretary, taking into consideration the current average yields on outstanding interest-bearing marketable United States public debt obligations having maturities comparable to those of the outstanding loans for adjustment assistance under section 313.

Subsection (d) authorizes appropriations of such additional amounts as may be necessary to cover anticipated losses or to restore impairment of the fund capital.

Subsection (e) requires that the agency, in furnishing its financial assistance, (1) shall prepare annually and submit a budget program, subject to the provisions of the Government Corporation Control Act, as amended, and (2) shall determine the character of, and necessity for, obligations and expenditures, and the manner in which they shall be incurred, allowed, and paid, subject to provisions of law specifically applicable to United States Government Corporations.

Section 317. Tax Relief.

This section amends the Internal Revenue Code to permit a firm to receive an extended five-year loss carryback as a form of adjustment assistance, as compared with a three-year carryback for taxpayers generally. If the agency finds that such assistance is appropriate

and that the net operating loss arose from the carrying on of a trade or business adversely affected by imports due to a trade agreement concession, the loss may be certified for the extended carryback.

The certification entitles the firm to account for the loss in the certified year as though it had occurred during the earlier years. Commencing with the fifth preceding taxable year the income of the taxpayer is recomputed by deducting the loss, and the taxpayer receives a refund of the taxes he had previously paid. The money refunded can be used for adjustment purposes. Of course, the Internal Revenue Service retains its usual authority to determine that deductions in income have been correctly stated.

Section 318. Time for Applications.

This section provides that no application for adjustment assistance under section 311 shall be made later than two years after the date on which the firm was determined, under section 302, to be eligible to apply for such assistance.

Section 319. Protective Provisions.

Subsection (a) requires that each recipient of adjustment assistance under chapter 2 keep records which fully disclose the amounts and disposition of the proceeds, if any, of such adjustment assistance, and which will facilitate an effective audit. The recipient must also keep such other records as the agency may prescribe.

Subsection (b) gives, for the purpose of audit and examination, the agency and General Accounting Office access to any books, documents, papers, and records of the recipient pertaining to adjustment assistance.

Subsection (c) prohibits giving of adjustment assistance under chapter 2 to any firm unless the owners, partners, or officers certify to the agency (1) the names of any attorneys, agents, or other persons engaged by or on behalf of the firm for the purpose of expediting applications for assistance of any sort under this chapter, and (2) the fees paid or to be paid to any such person.

Subsection (d) prescribes that no financial assistance shall be provided to any firm under section 313 unless the owners, partners, or officers execute an agreement with respect to hiring or retaining the services of certain United States Government personnel involved in the adjustment assistance program. The agreement must bind them and the firm for a period of two years after financial assistance is provided. The agreement must provide that they will refrain from employing, tendering any office or employment to, or retaining for professional services, any person who (1) on the date such assistance or any part thereof was provided, or (2) within one year prior thereto, shall have served as an officer, attorney, agent, or employee occupying a position or engaging in activities which the agency shall have determined involve discretion with respect to the provision of such financial assistance.

Section 320. Penalties.

This section provides penalties for knowingly making false statements of, or failing to disclose, material facts or willfully overvaluing any security for the purpose of influencing in any way the action of any agency under chapter 2, or for the purpose of obtaining money, property, or anything of value under chapter 2. The offenses are punishable by fines of not more than $5,000 or imprisonment for not more than two years, or both.

CHAPTER 3 - ASSISTANCE TO WORKERS

Section 321. Authority.

Subsection (a) provides that workers determined to be eligible under section 303 to apply for adjustment assistance may file an application with such agency as the President may designate as the administering agency, for adjustment assistance in accordance with chapter 3. It is expected that the designated agency will be the Department of Labor.

Subsection (b) provides that the agency shall determine in accordance with chapter 3 whether applicants are entitled to receive assistance under that chapter and shall pay or provide such assistance to applicants who are so entitled. The agency is expected to conclude agreements with State employment security agencies, pursuant to section 331. Under such agreements State agencies will act as agents of the agency in determining workers' entitlement to assistance and in providing the appropriate form or forms of assistance. Thus, as in similar programs, it is expected that an individual worker will file his application for assistance with the local employment office of the appropriate State agency.

SUBCHAPTER A - TRADE READJUSTMENT ALLOWANCES

Section 322. Qualifying Requirements.

Subsection (a) provides that trade readjustment allowances shall be paid only for weeks of unemployment beginning at least 31

days after July 1, 1962, the effective date of the Act, and after the date determined under section 303 (Determinations as to Workers). This subsection designates those weeks for which trade readjustment allowances may be paid, and the following subsections set out the conditions which a worker must satisfy in order to receive trade readjustment allowances.

Subsection (b) provides that, in order to qualify, a worker must have been separated from a firm in which there was adversely affected employment after the effective date of the Act, and after the date of adverse effect specified in the President's determination under section 303. However, the separation (total or partial) must occur within two years after the President issues his most recent determination.

Subsection (c) further provides that, in order to qualify, a worker must have worked at least half of the weeks in the 156 weeks (three years) preceding his separation. He must also have worked for at least 26 weeks during the 52 weeks preceding his separation in a firm or firms in which there was adversely affected employment. In some cases, however, the State employment security agencies may not have records showing weeks worked, particularly for a period as long as three years. To take care of such situations, the agency is authorized to issue regulations for computing the equivalent of the weeks of employment in terms of some other measure, such as dollars earned in a quarter.

Section 323. Weekly Amounts.

Subsection (a) provides that the weekly amount of trade readjustment allowances payable for a week is either 65 per cent of the worker's average weekly wage, or 65 per cent of the average weekly manufacturing wage, whichever is less. The maximum allowable currently would thus be about $61 a week. In order to encourage unemployed workers who are receiving trade readjustment allowances to accept work during their readjustment period, this subsection provides that they are required to deduct only half of any remuneration they may earn from trade readjustment allowances payable for that period.

Subsection (b) provides that, if a worker entitled to trade readjustment allowances is taking training under the Act or any other Federal law, he is to be paid trade readjustment allowances rather than any training allowance under such other law.

Subsection (c) provides that unemployment insurance to which a worker is entitled for a week will be deducted from his trade readjustment allowance for that week, whether or not he claimed the unemployment insurance.

Subsection (d) provides that, if a worker is entitled to a trade readjustment allowance for a week for which he had not applied but for which he received unemployment insurance, he shall, after applying for trade readjustment allowances, be paid a trade readjustment allowance covering such past week, but only in the

amount of the difference between his unemployment insurance and his trade readjustment allowance. In the event of such back payment, each week shall be counted against the usual maximum of 52 weeks of entitlement to trade readjustment allowances.

Subsection (e) provides that whenever the total payable for a week in remuneration for services (wages and earnings in self-employment), unemployment insurance, and trade readjustment allowance, exceeds 75 per cent of the individual's average weekly wage, the trade readjustment allowance is reduced by the amount of such excess.

Subsection (f) provides that any trade readjustment allowance payment which is not a whole dollar amount is to be rounded upward to the next higher whole dollar.

Section 324. Time Limitations on Trade Readjustment Allowances.

Subsection (a) provides that a worker may receive trade readjustment allowances for not more than 52 weeks, with two exceptions. First, a worker who is taking training may receive up to 26 additional weeks of trade readjustment allowances to assist him in completing his training. Second, a worker who was at least 60 years old when separated and who is not undergoing training because it is not appropriate, may receive 13 additional weeks of trade readjustment allowances.

Subsection (b) provides that, except for the additional weeks provided for trainees and older workers, trade readjustment allow-

ances may be paid only for unemployment within 104 weeks after the worker was most recently totally separated, or, if he was partially separated, within 104 weeks of the week with respect to which he first receives a trade readjustment allowance. Thus, both totally and partially separated workers can receive only 52 weeks of trade readjustment allowances, but a totally separated worker who does not draw all of his 52 weeks in the 104 weeks after his first separation and who is later again totally separated from adversely affected employment, will have another 104 weeks in which to draw whatever is left of his 52 weeks of allowances.

Section 325. Application of State Laws.

This section provides that, except where inconsistent with chapter 3, and subject to regulations of the agency, the availability and disqualification provisions of State unemployment insurance law apply to claims for trade readjustment allowances. This means, for example, that in every State, an individual applying for a trade readjustment allowance must be ready and willing to accept work which the State agency considers suitable. To meet this requirement, he must generally be registered with the local employment office and do whatever the office considers reasonable in looking for work. In addition, a worker is disqualified if he was discharged from his job for good cause, if he left his job without good cause, or if he refuses an offer of, or referral to, work which is suitable. The length of the

disqualification period varies from State to State. In most States, it runs for a period of weeks, such as nine weeks. At the end of that time, the worker again becomes eligible for unemployment compensation and thus for trade readjustment allowances.

SUBCHAPTER B - TRAINING

Section 326. Training Authority.

This section directs that every effort be made to return adversely affected workers to full employment through whatever testing, counselling, training, and placement services are available under existing or future Federal laws. It also directs that preference be given to training arrangements which will preserve or restore the employer-employee relationship which might otherwise be disrupted by import competition. The section also authorizes payment of transportation costs and subsistence away from home if the training provided is not within commuting distance. This payment is to be in addition to trade readjustment allowances payable under section 323(b).

Section 327. Disqualification by Refusal of Training.

This section denies trade readjustment allowances to a worker who, without good cause, refuses suitable training approved by the agency until he enters approved training. Conversely, under section 324, a worker may receive trade readjustment allowances for up to 26 extra weeks in order to complete a training program

if he exhausts his basic entitlement to 52 weeks of allowances while he is undergoing training.

SUBCHAPTER C - RELOCATION ALLOWANCES

Section 328. Relocation Allowances Afforded.

This section authorizes the head of a family who is totally separated to apply for relocation allowances.

Section 329. Qualifying Requirements.

This section authorizes relocation allowances only if the worker (1) cannot reasonably be expected to secure suitable employment where he resides, (2) has a bona fide offer of, or has obtained, suitable employment affording a reasonable expectation of long duration, and (3) is entitled to trade readjustment allowances.

Section 330. Payment of Relocation Allowances.

This section provides that the relocation allowance shall include the reasonable and necessary expenses of transporting the worker, his family, and his household effects, as well as a lump sum equal to 2 1/2 times the national average manufacturing wage. Currently the lump sum would be approximately $231.

SUBCHAPTER D - GENERAL PROVISIONS

Section 331. Agreements with States.

This section provides for agreements under which State agencies which regularly administer State employment security programs would

act as agents of the agency in determining workers' entitlement to assistance and in providing such assistance.

Section 332. Payments to States.

This section provides that the State agencies would pay cash allowances out of funds advanced to them from the Federal Treasury.

Section 333. Liabilities of Certifying and Disbursing Officers.

Subsection (a) relieves a designated certifying officer, in the absence of gross negligence or intent to defraud the United States, from liability with respect to the payment of any allowance certified by him under this chapter, and subsection (b) provides similar relief from liability for a disbursing officer with respect to any payment by him under this chapter if it was based upon a voucher signed by a designated certifying officer.

Section 334. Recovery of Overpayments.

Subsection (a) provides that if a person has been found to have received any payment of allowance to which he was not entitled, as a result of false statements, such person shall be liable to repay such amount to the State agency or the administering agency, as the case may be. Such recovery may also be made by deducting the amount to which the person was not entitled from any allowance payable to him under this chapter.

Subsection (b) provides that any amount repaid to a State agency shall be deposited into the fund from which payment was made, and that any amount repaid to the administering agency shall be credited to the current applicable fund from which payment was made.

Section 335. Penalties.

This section imposes penalties on any person for knowingly making false statements of, or failure to disclose, material facts for the purpose of obtaining or increasing for himself or for any other individual any payment authorized to be paid under this chapter or under an agreement thereunder. The offenses are punishable by fines of not more than $1,000 or imprisonment for not more than one year, or both.

Section 336. Definitions.

Paragraph (a) defines "adversely affected employment", (b) defines "adversely affected worker", (e) defines "full-time weekly hours", (f) defines "partial separation", and (j) defines "total separation". These definitions identify the workers who may qualify for assistance. They will be workers who have been employed in firms or subdivisions of firms designated in the President's determination under section 303. They must have been totally or partially separated because of lack of work in such a firm. A worker is totally separated when he is laid off. A worker is partially separated when he has been reduced to part-time work which does not exceed 80 per cent of the full-time weekly hours of work in the adversely affected employment and remuneration for which does not exceed 75 per cent of his average weekly wage in such employment. In addition, a former worker in a part of a firm other than the subdivision identified in the President's determi-

nation may qualify if he has been totally separated and his separation results from lack of work in the identified subdivision. For example, a worker employed in a part of the firm not covered by the President's designation, who is totally separated because he is displaced by a worker from the affected part of the firm due to lack of work in such affected part, is also entitled to trade readjustment allowances.

Paragraphs (c) and (d) define the base wages which determine the amount of the weekly allowance. An individual's average weekly wage is one-thirteenth of the total remuneration for services paid him in the quarter of the last four quarters preceding his separation in which his remuneration was highest. The average weekly manufacturing wage is the national gross average weekly earnings of production workers in manufacturing industries as published annually by the Bureau of Labor Statistics. Under the terms of section 323(a), an individual's weekly allowance is 65 per cent of the lower of these two figures.

Paragraph (m) defines a "week of unemployment" as a week in which a worker has earned less that 75 per cent of his average weekly wage and in which his hours in adversely affected employment have been reduced to at least 80 per cent of the full-time hours in that employment (e.g., no more than four days out of a normal five-day week) or in which he works less than full time in other employment which he took after a total separation.

Paragraphs (g), (h), (i), (k), and (l) contain definitions of "State", "State agency", "State law", "unemployment insurance", and "week", which are technical terms used for purposes of administration of chapter 3.

CHAPTER 4 - EXTRAORDINARY RELIEF

Section 351. General Authority.

Subsection (a) provides that, if the President determines, after receiving the advice of the Tariff Commission pursuant to section 306(b) with respect to any article, that an industry is eligible for adjustment assistance in the form of extraordinary relief, he shall provide for such increase in, or imposition of, any duty or other import restriction on that article, as he may determine to be in the national interest. Such relief is comparable to that authorized by the "escape clause" in section 7 of the Trade Agreements Extension Act of 1951, as amended.

Subsection (b) provides that in acting under subsection (a), the President shall not increase the rate of duty for any article to a rate more than 50 per cent above the rate existing on July 1, 1934. In the case of an article not subject to duty the President is authorized to impose a duty but not in excess of 50 per cent ad valorem. The subsection further defines the term "rate existing on July 1, 1934", for purposes of extraordinary relief.

Subsection (c) provides that any extraordinary relief (1) may be changed by the President when he determines that conditions so

warrant, and (2) shall expire not more than four years after its effective date unless the President determines on or before the date of expiration that the national interest requires a longer period.

Subsection (d) authorizes the President to provide extraordinary relief in combination with other forms of adjustment assistance which may be provided to firms or workers.

CHAPTER 5 - GENERAL PROVISIONS

Section 361. Use of Existing Agencies.

This section provides that the President shall assure that all adjustment assistance functions are carried out through existing United States Government agencies. It also provides that he shall assure that matters relating to the provision of adjustment assistance to firms are referred to the Department of Commerce and other interested agencies, including the Small Business Administration, and matters relating to the provision of adjustment assistance to workers are referred to the Department of Labor and other interested agencies.

Section 362. Advisory Board.

Subsection (a) creates the Adjustment Assistance Advisory Board, which shall consist of the Secretary of Commerce, as Chairman, and the Secretaries of the Treasury, Agriculture, Labor, Interior, and Health, Education, and Welfare, and the Administrator of the Small Business Administration, and such other officers as the President deems appropriate.

Subsection (b) provides that, at the request of the President, the Board shall advise him and the administering agencies on the development of coordinated programs for adjustment assistance to firms and workers.

Subsection (c) provides that the Chairman may appoint for any industry an industry committee composed of members representing employers, workers, and the public, for the purpose of advising the Board. It also makes applicable to members of such committees the provisions of section 1003 of the National Defense Education Act, which provide certain exemptions from the operation of conflict-of-interest laws.

Section 363. Suits Against the United States.

This section permits suits against the United States arising out of the performance of adjustment assistance functions. The general right of the United States to bring suit is already established. This section also insures the applicability of certain laws concerning (1) the supervision by the Attorney General of all litigation to which the United States is a party (28 U.S.C. 507(b)), (2) the jurisdiction of the Customs Court (28 U.S.C. 1582 and 1583), (3) the exclusiveness of the Tort Claims Act (28 U.S.C. 2679), and (4) the function of the Solicitor General (5 U.S.C. 316).

TITLE IV - GENERAL PROVISIONS

Section 401. Authorities.

This section gives certain authorities to the head of any

United States Government agency performing functions under the new Act. First, he may delegate and provide for the redelegation of any of his functions; he may also authorize the head of any other agency to perform, delegate, and provide for the redelegation of his functions. Second, he may promulgate rules and regulations. Third, he may procure and pay for the temporary services of experts or consultants, subject to certain standard conditions.

Section 402. Reports.

Subsection (a) is based upon section 350(e)(1) of the Tariff Act of 1930, as amended, and provides that the President shall transmit to the Congress an annual report on trade agreements and adjustment assistance.

Subsection (b) is similar to the second sentence of section 350(e)(2) of the Tariff Act of 1930, as amended, and provides that the Tariff Commission shall transmit to the Congress an annual report on trade agreements.

Section 403. Tariff Commission.

Subsection (a) provides that the Tariff Commission may conduct preliminary investigations, determine the scope and manner of its proceedings, and consolidate proceedings.

Subsection (b) provides that, in performing functions under the Act, the Tariff Commission may exercise any powers granted to it under any other Act.

Subsection (c) is substantially identical to the first sentence of section 350(e)(2) of the Tariff Act of 1930, as amended, and provides that the Tariff Commission shall at all times keep informed concerning the operation and effect of provisions relating to duties or other import restrictions of the United States contained in trade agreements.

Section 404. Finality.

Subsection (a) provides that determinations required to be made by the President under title II and actions of the President or any administering agency under title III in determining eligibility to apply for adjustment assistance, in certifying adjustment proposals, or in making determinations with respect to extraordinary relief, shall not be subject to review by any court, though they may be reviewed by an officer. It is believed that such finality provision is appropriate in view of (1) the range and complexity of discretionary judgment involved in such actions, and (2) the necessity to ensure that the validity of international agreements affecting and generating very large volumes of trade shall not be cast into doubt by litigation which is unlikely to succeed.

Subsection (b) provides that determinations of the administering agency under chapter 2 of title III as to the entitlement of firms to receive adjustment assistance shall not be subject to review by any court or officer. It also provides that determinations of the administering agency or of a State agency as to the entitlement of workers to receive adjustment assistance shall not be subject to

review by any court or officer, unless the administering agency provides by regulation for review of State agency determinations by an impartial State administrative tribunal. In this case the decision of such tribunal is final and conclusive and not subject to review by any court or officer.

Section 405. Separability.

This is a standard separability provision, designed to insure that the invalidity of one provision of the new Act does not render the whole Act invalid.

Section 406. Authorization of Appropriations.

This section is a general authorization of appropriations of funds to carry out any part of the new Act and also authorizes such funds when appropriated to remain available until expended. It is in addition to the specific authorization in section 316 (Revolving Fund).

Section 407. Definitions.

This section defines a number of terms used throughout the bill, as opposed to definitions applicable only to the specific provisions in which they appear. Paragraph (a) defines "agency" to include any kind of instrumentality of any branch of the United States Government. Paragraph (b) defines "duty or other import restriction" in a manner substantially identical to that in section 350(c)(1) of the Tariff Act of 1930, as amended. Paragraph (c) defines "firm" to include any kind of legal entity, and provides for treating a firm and its

predecessor, successor, or affiliate as one firm, where appropriate. Paragraph (d) defines "function" to include any kind of administrative activity. Paragraph (e) makes clear that a group of agricultural, as well as industrial, firms may constitute an industry. Paragraph (f) is intended to suggest a somewhat broader interpretation of "directly competitive with" than has been applied to like words in existing law, by defining the phrase to embrace the competition presented by an article at an earlier or later stage of processing as well as by a like article in the same stage of processing. Paragraph (g) defines "product" in a manner substantially identical to that in the proviso of section 350(a)(5) of the Tariff Act of 1930, as amended.

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